



Department of Justice

MOTOR VEHICLE THEFT RELATED CRIME

TESTIMONY OF

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BEFORE

CONSUMER SUBCOMMITTEE
COMMITTEE ON COMMERCE, SCIENCE
AND TRANSPORTATION
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My name is Ralph K. Culver. I am an attorney in the Criminal Division of the Department of Justice. My responsibilities in the auto theft area include the duty of the Department of Justice's staff coordinator for the Federal Interagency Committee on Auto Theft Prevention.

Motor vehicle theft related crime is a serious national problem. Thefts of the motor vehicle, its contents and its accessories accounted for nearly 50% of all larcenies reported to law enforcement in 1976. The combined costs to the public attributable to these thefts exceeded \$2 billion in 1976. Of course, all of us as consumers and tax payers must bear the costs of these vehicle-related crimes.

By way of background, I should point out that the national theft rate for the motor vehicle itself commenced to level off in 1970. We believe that this leveling trend is due in large measure to the installation of better locking devices in automobiles. This improvement in auto locking systems was brought about by Standard 114 which was issued by the Department of Transportation pursuant to the National Traffic and Motor Vehicle Safety Act of 1966. This standard became effective on January 1, 1970.

Motor vehicle theft can still be characterized as a youth offense. In 1976, over 60,000 of our young people under 18 years of age were arrested for motor vehicle theft. What a waste of our nation's most valuable resources -- its youth! We believe that it is significant that fewer juveniles as well as fewer adults (i.e. individuals 18 or over) are being arrested for this offense. For that matter, the solution rate for motor vehicle theft has dropped from 24.3% in 1967 to 14.1% in 1976. This represents a decline of 41.8% in less than ten years.

Today, law enforcement officials have instantaneous access through their computer systems to all stolen vehicles which have been reported stolen to those systems. Nevertheless, law enforcement authorities are catching fewer car thieves. Given this decline in the solution rate, one can only conclude that more and more of today's car thieves do not keep the car on the street any longer than it is necessary to remove the stolen vehicle from the scene of the theft. Thereafter, the vehicle is disposed of in one of several ways: (1) it can be cut up for parts which are fenced in the legitimate market place for the repair of damaged vehicles; (2) the vehicle can be retitled through the salvage switch modus

operandi which I will later discuss; (3) the vehicle can be retitled through the use of a counterfeit title; or (4) the stolen motor vehicle can be transported or exported out of the country.

Today, substantially large numbers of vehicles are being stolen which are never recovered. As compared to a value recovery rate of 86% of all stolen automobiles in 1967, only about 59% of the value of all stolen automobiles was recovered in 1976. These figures suggest that professional thieves have increasingly entered into the stolen motor vehicle area of crime. The professionalization of this offense is further illustrated by the increase in the number of commercial motor vehicle theft rings under investigation or prosecution by the Department of Justice at any given time. In 1971 approximately 125 commercialized motor vehicle theft rings were under investigation or prosecution by the Department of Justice. Today, over 400 such rings are under investigation or prosecution by the Department. In short, these theft rings have continued to increase their activities in the theft and fencing of late model stolen vehicles and the parts of such vehicles. Also, the fencing of stolen vehicles has increased through the use of spurious documents, such as counterfeit titles. The fencing of stolen property is a professional crime.

It has been associated both with white collar crime and as having organized crime connections. Moreover, it often leads to the corruption of public officials.

Mr. Chairman, for the purpose of providing the Subcommittee with additional national statistics on motor vehicle theft, I would like to place into the record at this point Relevant National Statistical Data Relating To The Auto Theft Problem As Extracted From The Uniform Crime Reports For 1960-1976 and a memorandum we have prepared concerning the cost of motor vehicle related theft.

Up to this point, I have portrayed to you a somewhat dismal picture regarding the trends in the motor vehicle theft area. Nevertheless I should emphasize that we in the Department of Justice firmly believe that motor vehicle theft is a crime that can be effectively controlled and substantially curbed through the preventive, legislative and law enforcement efforts that I am about to describe to you. Such efforts will necessitate the cooperation of the business community, Federal and state governments and the general public. Nevertheless, the motor vehicle theft problem is one that can be solved at minimal cost to the consumer.

In March 1975 the Interagency Committee on Auto Theft Prevention was established by the Departments of Transportation and Justice. It is cochaired by Mr. Chester Davenport, Assistant Secretary for Policy and International Affairs, Department of Transportation and Mr. Civiletti. The Departments of Treasury, Commerce and State as well as the Office of Management and Budget are represented on this committee. I should also note for the record that we have received excellent cooperation and support from such private sector organizations as the National Automobile Theft Bureau, Automotive Dismantlers and Recyclers of America, the Vehicle Theft Committee of the International Association of Chiefs of Police, the International Association of Automobile Theft Investigators and the American Association of Motor Vehicle Administrators.

Several states have individually taken steps to come to grips with this serious area of criminal activity. However, if the states are to effectively deal with motor vehicle theft, they must collectively take a uniform approach in such areas as the titling of salvage motor vehicles, as well as regulating the processing of the used major components of salvage vehicles. The states should also take a uniform approach in the enactment of laws which will prohibit the removal, defacing or alteration of

any identification which may be affixed to the vehicle by the vehicle manufacturer. We understand that plans are now underway for the representatives of the states to call a national conference in New York City during the Fall of this year for the purpose of initiating such a collective approach to the motor vehicle theft problem.

Since motor vehicle theft has long ago crossed state and international boundaries, certain actions need to be taken at the national or Federal level to deal with crime. This is so regardless of whether motor vehicle theft is motivated by the desire for a free ride or for profit. Also, by suggesting Federal action in this area of crime, I will be quick to add that we do not mean that the Federal Government should undertake or supplant functions with respect to motor vehicles which have traditionally been performed by the states. As you may be aware, 95% of all law enforcement is the primary responsibility of state and local governments.

However, to assist the states in dealing with the motor vehicle theft problem the Federal Interagency Committee has established certain near term objectives to be achieved under existing Federal law or by the enactment of new Federal legislation.

These objectives relate to the following areas: (1) the installation of improved locking systems in motor vehicles; (2) the adoption of a uniform vehicle identification number; (3) the adoption by the states of laws relating to salvage titling; (4) the placement of unique identification numbers on the key components of motor vehicles; (5) the issuance of regulations controlling the exportation and transportation of used motor vehicles in foreign commerce; (6) the conduct of local anti-theft campaigns; (7) various improvements in the Uniform Vehicle Code and (8) the enactment of new Federal legislation to deal with the motor vehicle theft problem at the Federal level.

At this point, I will briefly discuss certain aspects of the motor vehicle problem including the actions which the Inter-agency Committee is undertaking to achieve these objectives.

The first is improved locking systems. Standard 114 issued by the Department of Transportation in 1968 called for a locking system which prevented steering when the key was not in the ignition lock and the lock is in the "off" position. Experience with 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 two minutes to defeat.

Auto thieves use several methods to defeat these locks. The "dent puller" or "slide hammer" provides the most frequent method used by the professional thieves. It works as follows. After removal of any decorative ring, the screw at the end of the slide hammer is engaged into the key slot or a notch at the edge of the lock cylinder. The sliding weight is then slammed back against its stop, producing a tensile impact on the lock. Several such blows are sufficient in most cases to pull the lock cylinder free, exposing the mechanism to unlocking from the outside, typically with a screwdriver. Another method frequently used is the "torsional attack" which is accomplished by inserting a blank key in the steering column lock to raise the tumblers and then to twist the key with pliers to break the tumblers and thereby allow the unlocking and the starting of the vehicle. Another method is "lock impressioning," which uses a lock's smith's tool to decode the lock. This has been reported as a common method of theft particularly by professional criminals.

We understand that the National Highway Traffic Safety Administration (NHTSA) is preparing to issue a notice of proposed rulemaking within the near future which will revise and upgrade the lock system requirements under Standard 114. This rulemaking action would make it more difficult to enter and start the vehicle. Also, the Arthur D. Little Company is presently doing a study for NHTSA relating to the means of best securing a vehicle. At this

time I should emphasize that the improved auto locks envisioned by the Interagency Committee are expected primarily to deter amateur auto thieves and not professional ones. However, the ultimate goal is to install reasonable devices and techniques which will require highly visible efforts by the thief for a period of ten minutes in order to mobilize the vehicle. If such a goal is reached, motor vehicle theft can be curbed substantially

Mr. Chairman, I would like to turn now to the world-wide system of uniform vehicle identification numbers, better known as VINs, which is being proposed by Standard 115. This standard will require a uniform world-wide system of VINs for motor vehicles. From a law enforcement standpoint, this system would among other things reduce errors in copying and transposing VINs which often occur during police investigations of auto theft and help facilitate correct identification. We have no preference whether the number has 15, 16, or 17 characters; however, we do agree with the manufacturers that there should be a one time change over to the new VIN standard.

I would now like to discuss the subject pertaining to the salvage switch modus operandi.

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.

One may consider salvage vehicles to be for the most part useless junk. However, these vehicles -- particularly late model ones -- often command the payment of prices which far exceed the legitimate value of the salvage. These high prices are paid for salvage so as to obtain two items which immeasurably facilitate the fencing operations of commercial motor vehicle theft rings. These items are the certificate of title and the vehicle identification number plate of the salvage motor vehicle, also known as the VIN plate.

A stolen motor vehicle may be readied for fencing in the legitimate market by changing 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 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 motor vehicle theft ring. Our experience in the investigation and prosecution of these motor vehicle theft rings has disclosed that most of these rings replace the public VIN plate with the VIN plate from the 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 drivers' side of the automobile. Some motor vehicle theft rings take the 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.

To help defeat this salvage activity we recommend, among other measures, that the public VIN plate not be removed from the salvage vehicle and that the insurance companies report all late model salvage to the computer system of the NATB.

In addition, the title to a salvage vehicle can be used to obtain insurance on a purportedly undamaged vehicle. Afterwards, the vehicle is reported stolen by the individual taking out insurance and the insurance company pays the insurer for the purportedly stolen undamaged vehicle.

Moreover, NHTSA has issued a notice of proposed rulemaking pursuant to the Highway Safety Act of 1966 for Standard 19. This standard will provide the criteria for the states in the area of vehicle titling including salvage titles. Fortunately every state except one - Kentucky, has adopted a motor vehicle titling law. However, many states do not have effective laws restricting the use of the titles of salvage vehicles.

Although it is our opinion that Standard 19 contains sufficient safeguards to substantially curb the resale or fencing of stolen motor vehicles, we understand that a final rule cannot be issued in this area without the approval by Congress under the Highway Safety Act of 1966, as amended. In this regard, it is our understanding that the Department of Transportation plans to make principal provisions of this standard available to the states within the near future in an advisory format for their guidance.

As certain states have enacted laws making it more difficult for commercial motor vehicle theft rings to use the salvage title switch, many ring operations have resorted to cutting up the major components of motor vehicles in "chop shops" and fencing these major components to body shops for the repair of damaged vehicles. Since there has been a drastic increase in this illegal traffic in stolen motor vehicle components during recent years, there is a basic agreement by law enforcement and certain elements of the private sector that the major key components of motor vehicles should each have a unique identification number. This number could be the VIN of the vehicle or a derivative of the VIN such as now carried by the engine and transmission.

In particular, questions arise concerning when, where, and how such additional identification numbers should be affixed to the vehicle. Some say the motor vehicle manufacturers should affix the numbers to the vehicle. Others say that the dismantlers should place the numbers on the major components of a vehicle and maintain an audit trail on the purchase, storage and sale of these components. Regardless of the means by which numbering of components should be accomplished, such numbering is necessary for law enforcement to trace the parts of a stolen vehicle after it has been cut up. At present, we are of the view that the vehicle manufacturer is best suited to affix the numbers to the major components. For that matter we have recently provided the manufacturers and other interested parties with a "talking paper" so as to facilitate discussion and early action in the component identification area. Mr. Chairman, I ask that a copy of this "talking paper" be made part of the record.

Both Federal Acts -- the National Traffic and Motor Vehicle Safety Act of 1966 and the Highway Safety Act of 1966 -- require that there exist a "safety" nexus for all of the anti-theft measures taken under those acts. Clearly, it appears that a

"safety" nexus does exist for anti-theft measures aimed at deterring juvenile car thieves because statistics show that a stolen car is more likely to be involved in an accident. However, professional thieves do not "joy ride" stolen cars. They retittle them, cut them up or export them. Accordingly, existing authority does not appear to be adequate and new Federal legislation authority seems to be needed in this area of criminal activity.

I would like to discuss now the exportation and transportation of stolen motor vehicles in foreign commerce. Previously, I indicated that in 1976 approximately 41 percent of the value of all stolen vehicles was never recovered. We believe that a significant number of these stolen vehicles are exported or transported to foreign countries. To deal with this growing problem the United States Customs Service -- within its present mandate and budget -- is trying to detect stolen vehicles before they are exported through the nation's seaports and airports. Also, on February 28, 1978, the Bureau of Census of the Department of Commerce issued a notice of proposed rulemaking which should assist Customs in its efforts to control the exportation of these stolen vehicles. This proposed rulemaking would amend the Foreign Trade Statistics

Regulations for an interim period of six months only, so as to require the VIN of a used motor vehicle destined for export to be shown on the Shippers Export Declaration and that the Shippers Export Declaration be presented to Customs at the port of exportation at least 48 hours prior to exportation by the exporter of the vehicle. We expect that these interim regulations will provide sufficient statistics concerning the dimensions of this problem so as to support legislation under consideration which would give Customs authority to issue such regulations.

Mr. Chairman, I would like to place a copy of this notice of proposed rulemaking into the record.

Should this rule be issued, Customs upon receiving the VIN from the exporter of the used motor vehicle, can check the VIN through the Treasury Enforcement Communications System (TECS) which is connected with the National Crime Information Center (NCIC). Also, the National Automobile Theft Bureau (NATB) will obtain all VINs reported to Customs. The NATB will place these numbers into its computer and develop a trail making capacity which will enable it to subsequently detect vehicles which were exported prior to the time that such vehicles were reported to

law enforcement as stolen motor vehicles. This procedure will not only detect previously unreported stolen vehicles, but it will also surface insurance fraud in those instances where a foreign national exports his automobile -- usually a luxury car -- to his native country and thereafter reports to his insurance carrier that his automobile has been stolen.

Additionally, Customs and NATB plan to increase their physical spot checks of used vehicles being exported for the purpose of detecting stolen vehicles before they are exported. We are hopeful that local and state law enforcement will cooperate in these efforts.

According to the NATB, it is conservatively estimated that 5,000 to 10,000 stolen American owned motor vehicles are taken into Mexico each year. The recovery of these stolen vehicles from Mexico under the 1936 stolen property treaty between the United States and the Republic of Mexico has presented difficult problems. Our State Department has recently endeavored to enhance Mexico's compliance with the treaty but to date its efforts have not meet with much success. We understand that the market for stolen American owned vehicles in Mexico remains strong and in many instances these vehicles are being sold or bartered in the Free

Zones of Mexico along the Border for not more than 10% of their value in the United States.

On the positive side, we are pleased to report that Federal and state law enforcement officials of both the United States and Mexico have initiated semi-annual border crime conferences to discuss auto theft and other border crime problems. Two such conferences were held in 1977. A third conference is scheduled to convene in Albuquerque, New Mexico in April 1978. Also, the State of California has initiated efforts to detect and prevent stolen California motor vehicles from entering into the Republic of Mexico. We are working with representatives of the State of California in this endeavor.

Another area of activity that I would like to discuss with you relates to local anti-theft campaigns that are being sponsored by the insurance industry at the request of the Interagency Committee. Principally these campaigns have been started by the NATB in metropolitan areas across the nation which are confronted with major auto theft problems. Such a campaign started in Boston in December 1975 has done an excellent job of substantially reducing auto theft. Similar projects are now getting underway in the New York City- Newark area, Miami, Houston, Detroit and Los Angeles. These campaigns are important because they use the media to stress

measures which can be taken to prevent auto theft and they encourage citizen involvement in this effort. Also, we understand that these campaigns have been receiving the support of local law enforcement and substantial funding by the insurance industry.

The Interagency Committee -- after reviewing the motor vehicle theft problem -- has determined that it is necessary to consider further proposed Federal legislation to deal with this serious problem.

Finally, the Interagency Committee has proposed several changes to the Uniform Vehicle Code (UVC). I would like to make a copy of these suggested changes a part of the record. This area is extremely sensitive because it involves the voluntary cooperation of 50 sovereign states, with different problems and priorities, to agree upon some uniform procedures. Basically our suggested changes to the UVC involve the areas of:

- (1) retitling procedures for used vehicles;
- (2) salvage title procedures;

(3) anti-crime measures especially seizure of vehicles or parts which have had their identification numbers removed, altered, obliterated, or tampered with; and

(4) state licensing procedures for salvage and scrap dealers, dismantlers, etc.

Mr. Chairman, this morning I have endeavored to portray to this subcommittee the various aspects of the motor vehicle theft problem and the activities being undertaken by the Inter-agency Committee to deal with this serious problem. At this point, I believe that it is evident that all participating agencies on this Interagency Committee have substantially contributed to the goal of reducing auto theft. We, at the Department of Justice are especially appreciative of the excellent cooperation and effort received from these agencies, the states and the interested organizations in the private sector.

Mr. Chairman, if we are to be successful in reducing motor vehicle theft, as well as other areas of crime, we must take the partnership type approach that is characterized by the work of the Interagency Committee. However, I do not mean to infer that this partnership would be limited in membership to the agencies

of the Federal Government. On the contrary, this partnership approach should include the voluntary participation of the state and local governments, the business community, and the general public.

In 1972 the Department initiated just such a partnership with the states by encouraging the establishment of Federal-State Law Enforcement Committees. At present, these committees -- consisting of principal Federal and state law enforcement officers -- are operating in some 24 states. These committees were established for the purpose of enhancing the enforcement of such dual jurisdiction offenses as auto theft, bank robbery, narcotics and cargo theft. Hopefully joint efforts of these committees will assist in reducing the motor vehicle theft.

Mr. Chairman, I would like to briefly focus my testimony at this time on odometer tampering.

The Department of Justice has responsibility for enforcement of certain criminal and civil liability provisions of the Motor Vehicle Information & Cost Savings Act. In that role, the Department has participated in or coordinated active federal investigations in twelve judicial districts, involving approximately fifty automobile dealerships and wholesalers, using

both the FBI and, at times, federal grand juries. Indictments have been returned in three districts.

The FBI has undertaken some investigations in this area, but its role is necessarily limited. The Act's designation of the Department of Transportation as the agency with primary administrative and investigative responsibility precludes the FBI from assuming this primary responsibility.

Although the Department has been active in instituting criminal and civil investigations and lawsuits under the Act, based primarily on information received from third parties, including complaints to other agencies, we believe that overall federal resources devoted to combating odometer tampering have been quite limited and that, consequently, odometer tampering continues as a widespread consumer fraud.

Because federal resources have been limited, we have encouraged states to pursue their investigations either under state laws prohibiting similar conduct or under the provision of federal law, 15 U.S.C. §1990a, which gives state attorneys general the right to bring civil cases in federal court. Recent publication of a record retention regulation, an investigational hearing

procedures regulation, and a revised mileage disclosure form regulation by The National Highway Traffic Safety Administration should enable future investigations under the Act to proceed more expeditiously.



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