

AUTOMOBILE THEFT PREVENTION ACT OF 1979, S. 1214

HEARING
BEFORE THE
SUBCOMMITTEE ON CRIMINAL JUSTICE
OF THE
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE
NINETY-SIXTH CONGRESS

SECOND SESSION

ON
S. 1214

APRIL 14, 1980

Serial No. 96-76

Printed for the use of the Committee on the Judiciary



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1980

79627

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CONTENTS

MONDAY, APRIL 14, 1980

STATEMENT	Page
Opening statement of Senator Mathias.....	1
TESTIMONY	
"X", Mr., accompanied by Blair Howard, attorney.....	3
Jarm, Fred, president, Credit Industry Associates.....	15
Panel of salvage yard owners: Shpak, Samuel, and Robert Hoffmann, cofounders and board directors, Recyclers Association of Maryland; Frank L. Vogt, general manager, Vogt's Auto Part Recyclers; Diane McClary, founder and coordina- tor, Maryland Auto & Truck Recyclers Association, and Frank "Butch" Weber, past cochairman, Automobile Dismantlers & Recyclers Association of America.....	18
Panel of law enforcement officials: Weglian, Steve, Criminal Division, Department of Justice; Theodore Johnson, director, Coalition To Halt Auto Theft; Sgt. Scott English, Maryland State Police, and founder, auto theft investigation unit, and Edward D. Hegarty, special agent in charge, Baltimore Division, FBI.....	36
Panel of insurance adjusters: Beauchamp, J. Lyle, claims division, U.S.F. & G., and Thomas Hor- rigan, vice president, International Association of Auto Theft Investigators.....	49
PREPARED STATEMENTS	
Beauchamp, J. Lyle.....	58
Hegarty, Edward D.....	47
Horrigan, Thomas.....	61
Jarm, Fred.....	16
Johnson, Theodore.....	46
Shpak, Samuel.....	33
Vogt, Frank L.....	35
Weglian, Steve.....	44
"X", Mr.....	14
APPENDIX	
Questions of Senator Mathias and responses of DOJ.....	64
Prepared statement of American Farm Bureau Federation.....	69

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ACQUISITIONS

**AUTOMOBILE THEFT PREVENTION ACT OF 1979,
S. 1214**

MONDAY, APRIL 14, 1980

U.S. SENATE,
SUBCOMMITTEE ON CRIMINAL JUSTICE,
COMMITTEE ON THE JUDICIARY,
Baltimore, Md.

The subcommittee met at 9:30 a.m., in room 1-A, Federal Court-
house, Baltimore, Md., Senator Charles McC. Mathias, Jr. (acting
chairman) presiding.

Present: Senator Mathias.

Also present: Ralph Oman, minority chief counsel, and W. Michael
Fay, counsel, Subcommittee on Criminal Justice.

OPENING STATEMENT OF SENATOR MATHIAS

Senator MATHIAS. Ladies and gentlemen, the committee will come
to order.

This session of the Committee on the Judiciary of the U.S. Senate
will be limited to a half day, because of the necessity that I return to
Washington for a meeting with the full Senate. We have a long list of
witnesses, so my remarks will be very brief.

I do however, want to thank Mr. Michael Fay, of the staff of
Senator Biden, and Mr. Howard Marks of the staff of Senator Percy,
for their assistance in making the arrangements for this hearing.

As everyone present is fully aware, these hearings deal with the
subject of Senate bill 1214, which is the Automobile Theft Prevention
Act of 1979, a bill which was introduced in response to the increasing
incidence of automobile theft in the United States which has reached
alarming proportions.

One car is stolen in the United States every 32 seconds. One out of
every 43 cars on the road today will either be subject to theft, or will
be broken into and have its contents or accessories stolen.

Automobile theft will account for about one-half of all of the lar-
cencies committed in the United States. For example, in Maryland, the
increase has been between 18 and 30 percent. In a few areas of Mary-
land, automobile theft has risen by 400 percent.

In Baltimore City there has been a 25-percent increase in the inci-
dence of auto theft. State and local authorities have been doing a good
job in meeting this threat head on, but there may be a need for some
backup from the Federal Government to contain a problem which is
not necessarily contained within political boundaries. That is really
what we are here to examine today.

The time may be at hand to address the problem of automobile theft at the Federal level. Any auto thief will tell you that for any innovative scheme dreamed up by the manufacturers in Detroit to deter theft, a method can be devised by thieves to circumvent it. Most manufacturers would agree with that conclusion.

The solution seems to lie in slowing down the car thief and in making it harder to unload the stolen car and stolen part.

It takes a very short time for a car to be stolen and to be accorded at least the appearance of legitimacy. The lack of vehicle identification numbers on major component parts make it virtually impossible to trace stolen parts to the rightful owner.

We will see this morning that it takes only a few seconds for the professional thief to enter and drive away with a car. Every extra second involved in stealing a car is a deterrent to the thief, who relies on his appearance of legitimacy.

I should also point out that the theft of farm and construction equipment is rising very rapidly.

The bill addresses this problem by requiring that the Attorney General of the United States commence a study of this problem and prepare a report on how we can cut down the theft of this type of equipment.

Two weeks ago, I had a personal experience which illustrates the kind of money that is involved. I visited the Buffalo mines in western Maryland and observed bulldozers used on that job costing half a million dollars apiece. The theft of just one of those bulldozers is a very serious criminal problem and a very serious economic problem as well.

The question which the witnesses will confront today and which I hope they can answer is whether this bill provides a workable and competent method to attack the problem of automobile theft.

So I would ask each of the witnesses to keep that central question in focus. Automobile theft affects everyone—those who are the victims, those who pay higher insurance premiums, police officers who have to divert their resources to prevent auto theft or to catch the thieves, and the insurance companies that have to pay out the claims.

I think it would also be useful today to try to assess the cost of automobile theft to the salvage yard owners who have to compete against the lower prices that stolen vehicles and their parts bring, because that becomes another component of the price that all Americans pay.

Again, I hope as the witnesses speak to the bill and the issues you can limit your statements to 5 minutes to be sure that we have time to hear all of the witnesses.

I will direct at this time that all written statements be included in full in the record at the conclusion of the oral presentation of each witness.

The first witness will be a convicted car thief, currently serving time in a Federal penal institution. Because of the nature of his appearance, he will remain unidentified. We will refer to him as Mr. X. His identity will be held under seal by the Senate Judiciary Committee, to protect him from any possible retaliation.

He will be represented by counsel in these proceedings, and will be accompanied to the witness stand by Mr. Blair Howard, his attorney of record.

We will ask Mr. X to come to the witness table.

**STATEMENT OF MR. "X," ACCOMPANIED BY BLAIR HOWARD,
ATTORNEY**

Senator MATHIAS. Mr. X and Mr. Howard, we are glad to have you here today.

Mr. Howard, you are representing Mr. X, as his attorney?

Mr. HOWARD. Yes, sir; that is correct.

Senator MATHIAS. I am not going to ask him to take an oath in these proceedings, but you fully explained to him all of his rights?

Mr. HOWARD. Yes, sir. I have had an opportunity to speak with him briefly.

Senator MATHIAS. Mr. X, if you have a statement we will be glad to receive that at this time.

Mr. X. Yes, sir.

I have been asked to testify today because I had occasion to plead guilty to at least two criminal indictments alleging my participation in auto theft and related activities.

From about 1966 to 1978, I was closely involved in many, many automobile thefts. Since obviously some cars are worth more than others of the same era and vintage, my activities became specialized.

Thus, I decided to direct my attention to and did become very adroit in breaking into and stealing the Chevrolet Corvette. I cannot estimate how many Corvettes and other cars I stole, but I can assure you that I was never indicted for as many offenses as I did in fact commit.

After my arrest in 1978, I would suggest that owning a Corvette in Maryland and Virginia areas become a much safer affair than it had been since I started stealing Corvettes in 1966.

Senator MATHIAS. The term "chop shop" has been used.

Mr. X. Yes sir. Cut shop, chop shop, it is used for the same operation. Many junk yards have these shops right on the premises, but they buy their cars.

Senator MATHIAS. Please proceed.

Mr. X. After I had stolen a car I would use one or the other of the following techniques to dispose of that vehicle. The first is the chop shop. In many cases I would know that a particular body part was needed to repair a particular car. Knowing this I would go out and find a car identical to the car needing that part and steal the entire car for that part.

I would take the car to my garage and remove the needed part and sell it.

Next I would remove and discard the transmission and engine, which, because they are numbered, could lead the police to the real owner, whose testimony in a courtroom could possibly convict me of the theft of that car.

After disassociating myself with any other identifiable parts I would finish chopping up the vehicle into the various component

parts I knew I could sell to legitimate body shops at some time in the future.

Usually, the way you do it, you have a front clip and a rear clip, doors and the frame section. You usually discard the back half of the frame section, because they often have confidential serial numbers on them. You try to hold on to the parts that are valuable and that are not numbered. The body parts are the most valuable parts on an automobile.

The other technique I would use is the retag or VIN-switch. Say for example that I discovered a wrecked Corvette in a junk yard. I would find out who held the title to the Corvette and contract for the purchase of that wreck.

After hauling the wreck away I would remove the vehicle identification plate from the wrecked car's dashboard and also remove any parts which I could later sell.

The rest of the vehicle, save for the transmission and engine, if in repairable condition, I would destroy or otherwise conceal.

Next I would go out and steal a Corvette identical to the wreck. I would then drive that identical car to my garage where I would simply switch the VIN plates, either restamp or replace the engine and transmission, remove any confidential VIN numbers or other identifying features, and then sell the car as my own.

By this point, neither the police nor the car's real owner could ever identify that car as the car which I had stolen from them.

Since my only expense using this technique was my labor and the cost of the wreck, I believe that I averaged somewhere between \$3,000 and \$5,000 profit each time I employed this scheme.

The staff of the subcommittee has asked that I demonstrate how I used to enter and start the cars that I stole. You will notice a model of the Ford Zephyr that has been adopted for this purpose and is in the hearing room today.

Although I must admit I never had much to do with Ford Motor Co. products, I would like to take a moment to try and show you how I typically used to enter and start a car I wanted to steal.

Senator MATHIAS. Let me just ask you a personal question.

Mr. X. Yes, sir.

Senator MATHIAS. You say you didn't have much to do with Ford products. Did you have a preference for other specific kinds of cars?

Mr. X. Well, the only car that I found where you could remove all the parts and sell every part of the car was the Chevrolet Corvette. Say a Lincoln or a Ford or whatever, you usually cut up three-quarters of the car; you know, the back half of the car, the floor, and throw all that stuff away.

I always felt that if I was going to do something wrong, I wanted to benefit as much as I possibly could from it. With the Chevrolet Corvette, you sold every piece of the car. There was nothing that went to waste from the car, except maybe the rear frame section.

Senator MATHIAS. So that your target, and I am thinking of some of the manufacturers' representatives who are here today, your target for a theft would be a car that was most easily strippable.

Mr. X. Yes, sir.

Senator MATHIAS. And came apart with the most usable parts; is that right?

Mr. X. That is right. Like I said, you chop up a new Ford and throw the rear clip and all that away. Hold on to a Corvette, you will sell every piece of that car, maybe not today, but maybe at a later date. Plus, the parts of a Corvette are very hard to come by. In fact, I think I have only seen one legitimate Corvette front-end in my whole life that wasn't stolen, since I have been dealing with them.

Senator MATHIAS. All right.

Mr. X. Mr. Chairman, that concludes my testimony. Would you care for me to give you a little demonstration?

Senator MATHIAS. Well, before you do that, I have a few questions I would like to ask you. Let me say again, you have the right to remain silent. If you want to consult with your attorney at any time on any question I should ask you, I would urge you to do so.

I want to invite Mr. Howard to interrupt these proceedings if he feels the witness is covering ground that ought to remain unbroken.

Now, Mr. X, you said that it was your goal to reap \$3,000 to \$5,000 from every one of these episodes.

Mr. X. \$3,000 to \$5,000.

Senator MATHIAS. Right.

I doubt that you were a regular customer at any bank, that you left any paper trail of these transactions. What did you do with that money? Where did you keep it? Did you buy everything in cash? Did anybody ever raise any question when you walked in and made a major purchase in cash?

Mr. X. When you are the only person in town with the pieces that you need, that they need to repair their automobile, they don't really care where you come from.

Senator MATHIAS. What about you? Once you had made the sale, once you had fenced the parts. You had scavenged the car, you had taken it all apart, you had sold it, you had \$5,000. Did you just walk around with that money on you?

Mr. X. Oh, yes. Plus, I would go out—let me ask my lawyer something. [Mr. X consulted his counsel.]

Senator MATHIAS. I would direct our official reporter to note in the record each instance Mr. X. consults his attorney.

The REPORTER. Yes, sir.

Mr. X. Mr. Chairman, basically what I did with the majority of the money was to reinvest it in wrecks in order to turn them over, or I just generally spent it. You know, it was kind of easy come, easy go. I was never really worried about where my next dollar was going to come from.

Senator MATHIAS. Well, now, is it the custom of the trade that this is a cash business?

Mr. X. Basically, yes.

Senator MATHIAS. So you were carrying pretty large sums of money on you then?

Mr. X. No, not as large as a lot of people carry. I never wanted for anything. If I wanted a brand new Corvette, I could walk in and pay cash for it.

Senator MATHIAS. Like what?

Mr. X. Whatever it costs.

Senator MATHIAS. \$10,000?

Mr. X. Yes, sometimes more, sometimes less.

Senator MATHIAS. Well now, if you carried money of this amount on you, did you ever worry about the fact that anyone would stick you up?

[Mr. X consulted with counsel.]

Mr. X. That never really occurred to me. I pretty much kept by myself. I didn't make it a real habit of letting people know what I was doing. People realized that I had money, but no one really realized how much or where I kept it.

Senator MATHIAS. So you did not feel you were a very visible, attractive target?

Mr. X. Well, when the only thing you ever wore was a work shirt and a pair of jeans, no one would ever think you had any money to begin with. I always tried to be basically low key. I pretty much stuck to myself, except a few times when I took on associates as was necessary.

Senator MATHIAS. Well, that is one of the ironies of life that a lot of people walk around with a white shirt and a necktie and a business suit don't have anything or very little.

Mr. X. I bought quite a few lunches. [Laughter.]

Senator MATHIAS. You testified that you were arrested for these car theft charges in 1978. Prior to that time, had you been arrested for any other auto theft-related crime, anything of that nature?

Mr. X. I was arrested twice for auto tampering—let me think about that for a second.

[Pause.]

Mr. X. I believe the court record reads "disposition unknown," on the charges.

Senator MATHIAS. In other words, you were not—

Mr. X. I was never found guilty of it.

Senator MATHIAS. Right. You were not convicted.

From what you told us here today, it would appear that you really didn't worry too much about getting caught.

Mr. X. The only time you worry about getting caught was after you were caught.

Senator MATHIAS. Well, did your confidence arise from anything that you did particularly to avoid getting caught or is in fact it just so easy, the way the system works, sufficiently easy that you didn't have to do anything in particular to avoid getting caught?

Mr. X. Well, I guess you would say I was getting sort of lackadaisical I was getting a little lazy. I had too much going on at one time.

The charges for which I am in prison for stem from the fact that I took someone into my confidence and he turned me around with it. That is what happened. If it wasn't for this one individual, I would be out there right now still doing it.

I believe I would have stopped. I had pretty much figured things had run its course. You can only do so much for so long and get away with it. I am sure that by now I would have stopped, because I would have accumulated enough that I could have—I would have had pretty much what I needed and could have just taken care of myself. I would not have had to.

Senator MATHIAS. In other words, you would have reached the level in which you would have sufficient capital to go into a legitimate business. Isn't that what you really are telling the committee?

Mr. X. I was into two legitimate businesses when I was arrested.

Senator MATHIAS. So that it is possible, and you think with some confidence, that it is possible without detection to be in this business long enough to put together the basic capital with which to go into a legitimate business?

Mr. X. Certainly.

Senator MATHIAS. Then you are free and clear and can go straight from that time on.

Mr. X. If one wanted to, he certainly could. I was never a millionaire; don't get me wrong.

Senator MATHIAS. What legitimate businesses were you in at the time you were arrested?

Mr. X. I had a garage business and dump truck business.

Senator MATHIAS. Can you tell the committee this, during the time that you were stealing and chopping these cars—

Mr. X. I preferred replating cars rather than chopping them up.

Senator MATHIAS. Replating them?

Mr. X. Yes, sir.

Senator MATHIAS. What does that phrase mean? Is that like retagging?

Mr. X. Sure, right; that is where we buy destroyed cars and get the serial number plates and other identifiable marks and rebuild the car or reincarnate the car for the stolen car.

Senator MATHIAS. Well, during that period in your career did you ever have any episode in which you were really worried, where you could really feel the hot breath of the law and you felt you had a close call?

[Mr. X consulted his attorney.]

Mr. X. I can't think of any incident that really shook me up much. The only thing that bothered me a little bit was when the FBI would come around and ask all the neighbors and friends what I was doing at the time. That got me on the right path then, outside of those times, I was cleaning my act and I did, you know, when they started investigating. It was a little bit too late then.

Senator MATHIAS. Did you find it easier and quicker to pick up an unguarded car? Did you look for those kind of targets of opportunity where somebody left their car briefly?

Mr. X. When you say a car that was an unlikely target, were you referring to a car with or without an alarm or a car just left in a parking lot? All the Corvettes come with alarms in the back of them.

Senator MATHIAS. Where you saw an unguarded car you just figured you could get away fast?

Mr. X. Well, as long as the people weren't sitting in it. [Laughter.]

Senator MATHIAS. That was the only thing that would deter you?

Mr. X. Basically, as long as they weren't too close at hand, it was no problem.

Senator MATHIAS. Did you ever have anybody walk in on you when you were retagging or replating or chopping?

Mr. X. You try not to do that kind of operation in a location where anyone could walk in on you. You have to have a secure area you could work in.

Senator MATHIAS. Well now, you referred to what the future may hold, the fact that even had you not been arrested and convicted and incarcerated, that you might have given up auto stealing.

Mr. X. I definitely would have given it up. I had all the intentions of giving it up, like I still do.

Senator MATHIAS. So that you don't think you will slip back into that line of work?

Mr. X. I certainly hope not.

Senator MATHIAS. After you are released.

Mr. X. I don't plan on it, if you can believe that.

Senator MATHIAS. Well, if you get out, and I hope that you get a good job and that you will have a good car and that some day you will park that car on the street, as a graduate of this school, what would be the first thing you would do to protect your own new car, first car you buy for yourself when you get out of prison?

Mr. X. The first thing I would do, if it was particularly a Corvette, I would have a face value policy on the car in case something did happen to it so I would be reimbursed for it.

Senator MATHIAS. So you would advise everybody to keep their insurance premiums paid?

Mr. X. Yes. You never know what could happen tomorrow. It is just that simple.

Senator MATHIAS. But what would you do physically to prevent that? If everybody lets their car get stolen, why the insurance premiums will get more than any of us can afford to pay.

Mr. X. On the Chevrolet Corvette, I would—they have a heavy duty ignition lock out now. It is not made by General Motors, another company makes it. I think I would probably go with that and maybe install a little extra burglar alarm on it so when someone disconnected the Chevrolet alarm, they would have a little more to work on.

If they got at those two things, why they are welcome to it.

Senator MATHIAS. But you think that is a valuable deterrent from the carowner's point of view?

Mr. X. Well, normally speaking if someone couldn't get the car open in a few minutes, they would be discouraged and they would leave it. If somebody is going to stay there for an hour and attempt to get the car anyway, or an hour and a half, however long it might take them, well there is nothing to stop them because they will just come back with a tow truck.

Senator MATHIAS. But for the guy who figures on a quick job?

Mr. X. If the factory could take and reinforce the ignition locks and make them harder to get out and come out with maybe some sort of keying device that would make it difficult so you have a time period. When new cars come out, the companies could figure out new ways to bypass ignition locks. If you could come out with maybe new additional locks like a new key to that type of thing, maybe you could catch them off guard. Just make it more complicated to move the car. Make it harder when they try to start it.

Senator MATHIAS. You think there ought to be a whole new ignition lock designed with each model of car; is that what you are saying?

Mr. X. Well, such as passkeys that would start the things up. They used to call them jin keys. I am a little out of practice, it has been quite a while since I have been out in this type of line of work. This one gentleman was showing me a rubber key, all that type of a thing. They come out with all sorts of devices that get right by what the factory does.

Now those devices in the right hands are valuable to someone who has a legitimate reason for having them.

Senator MATHIAS. Well, I want to get on with the demonstration. I just have one other question I would like to ask you. You said someone showed you a rubber key. How does this skill get passed around within the car theft community? You are not just a self starter on this thing. Somebody teaches you the first steps.

Mr. X. Well, a word of mouth, friend of a friend, that type of a thing. You have a few people that you associate with that is in the same business. He will say, "Hey. I just got this new thing. It really works great. Get me one."

That is basically how I got into it. When I started in the business all you needed was a screwdriver and a piece of wire.

Senator MATHIAS. How old were you at that time?

Mr. X. Sixteen

Senator MATHIAS. Sixteen.

Mr. X. I had just learned to drive.

Senator MATHIAS. You were 16 when you picked up your first car?

Mr. X. Yes, sir.

Senator MATHIAS. Was it a school friend or was it some older person that taught you how to do the first job?

Mr. X. Well, I was familiar with disassembling cars in the beginning, my own cars. It was just nice to disassemble something new. It was an older friend.

Senator MATHIAS. It was an older friend?

Mr. X. Yes, sir.

Senator MATHIAS. He said, "This is a way to make money." Did he say, "If you go out and pick up this car, I will help you to get rid of it."

Mr. X. Basically, that was about it. He needed things off a certain car. I needed a few things. So, our combined efforts, we had them.

Senator MATHIAS. Well, this was the way of passing on the torch.

Mr. X. Basically, yes sir.

Senator MATHIAS. Mr. Howard, you have seen Mr. X's statement. You also talked to him, because you represented him over a period of time.

Mr. HOWARD. Yes, sir.

Senator MATHIAS. Does the statement he submitted today and his responses to these questions conform to your knowledge of the facts of his experience?

Mr. HOWARD. Yes, sir. I would just add this. During the course of negotiations with the U.S. Attorney in Alexandria when his case was pending, we entered into a plea bargaining arrangement. By virtue of that, he cooperated with the U.S. Attorney's Office, and also with the Federal agents involved.

Many of the things he has testified to here today came out in those interviews in which I was present, and I have participated in.

Senator MATHIAS. What he is testifying to today is consistent with his statement during that period?

Mr. HOWARD. Yes, sir, it is.

Senator MATHIAS. Well, let's see the demonstration.

Mr. X. I am a little out of practice. I might be a little slow.

Senator MATHIAS. What you are sliding down the window, what is that tool?

[Mr. X. attempting to open door of mockup car.]

Mr. X. This is a slim jim. It is widely used by car thieves.

[Mr. X. attempting to open door of mockup car.]

Senator MATHIAS. That is a standard auto theft tool?

Mr. X. Yes, sir, it is.

Senator MATHIAS. In your testimony you said you avoided Ford products?

Mr. X. I never cared for them.

[Door opened.]

Mr. X. Now we are in the car.

You see, if I was going to take this car, I would go get my hands on one that I would keep for maybe a day. When I would walk up to the car it would be gone in a matter of a very short time. I would know exactly where to put the slim jim. I would be schooled on this car, just like the Corvette. Very quickly I could move a Corvette.

This is something I am unfamiliar with and I am a little slower.

Senator MATHIAS. This tests your real professional skill.

Mr. X. Like I said, this is kind of an experimentation for me. This is not my favorite type of car.

Senator MATHIAS. What is that? That's used to turn the ignition?

Mr. X. The ignition lock is on lock right now.

[Mr. X. working on the ignition lock.]

[Alarm of mock car went off indicating simulated starting of the car.]

Senator MATHIAS. Was the ignition locked?

Mr. X. Yes, sir.

Senator MATHIAS. Now you have it open?

Mr. X. Yes; this tool I believe works in about 80 percent of the Fords.

[Alarm went off again.]

Mr. X. I have a dozen methods.

Senator MATHIAS. Let me ask you this. Using a slim jim and a rubber key, about how long would it take you to get into a car and take it away on an average?

Mr. X. If I was practiced and spent 2 hours, it would take 1 minute.

Senator MATHIAS. One minute.

Mr. X. Probably a minute.

Senator MATHIAS. If you were in your top form.

Mr. X. Yes, sir. It does not take long.

Senator MATHIAS. There are a lot of people in this game that are that good?

Mr. X. Sure. Like I said, this is the first car I have dealt with at all in quite a while. It would not take more than a minute or 40 seconds to enter and start it up and have it running.

Senator MATHIAS. Any expert car thief would be that good?

Mr. X. Oh, yes sir, without a doubt. There is no problem.

Senator MATHIAS. You say the rubber key we just used is a new device?

Mr. X. I think it has been around for a while.

Senator MATHIAS. Is that what you used to get cars going?

Mr. X. No.

Senator MATHIAS. What did you use?

Mr. X. On a Chevrolet Corvette?

Senator MATHIAS. Yes.

Mr. X. Or like a pickup truck, a Chevrolet?

Senator MATHIAS. Yes.

Mr. X. I would disconnect the alarm on the Corvette.

Senator MATHIAS. First of all, you would check to see whether or not there was an alarm?

Mr. X. Well, all Corvettes after 1972 have an alarm. I would walk up and look at the fender to see if the alarm was turned on. If the alarm was turned on, I would reach under the back, by the bumper and pull the wire out of it. That is how easy it is to disconnect the alarm.

Then I would put some vice grips on the door and push the door lock. Or, if I wanted to be sure I did not damage the car, I had another method where you could open the door with a tool, a small tool that I made.

Then, after I would gain entry into the car—it would take probably about 40 seconds to pull the ignition lock out—I would use a specially made ignition puller that pulled the lock out. The whole deal would probably take about 1 minute and 30 seconds, 1 minute 40 seconds, that is to disconnect the alarm and everything. I had quite a bit of practice before this.

Pickup trucks are easy. The fact of the matter is, anything is easy if you want it.

[Mr. X. demonstrating on ignition lock.]

Mr. X. This method right here is a very crude method.

[Mr. X. holding up tool.]

Mr. X. This one.

Senator MATHIAS. Which method?

Mr. X. Using a dent puller.

[Mr. X. holding dent puller and demonstrating.]

Mr. X. I believe in doing things as neatly and as quickly as possible and nice. If I were going to steal this car, I would not use the dent puller.

[Mr. X. holding dent puller up.]

Mr. X. The dent puller will start the car up.

Senator MATHIAS. Is this the dent puller?

Mr. X. That is the dent puller.

Senator MATHIAS. How does that work?

Mr. X. Well, the dent puller is a body shop tool. It basically gets dents out of metal cars. All you do is you poke a hole in the car and you screw it in and slide it back and it pulls the dent out when the sliding weight hits the stop at the end of the shaft. That force causes the tool and what it is screwed into to pull back. If the tool is screwed into a dent, it pulls the dent out. If it is screwed into a lock cylinder, it pulls the lock out.

[Mr. X. demonstrating.]

Mr. X. Then you repair the damage with body plastic. But this puts a lot of pressure at one point. It is capable of shearing off the end of the ignition lock. The only thing that holds the ignition lock in the car is this.

[Holding up a pin.]

Mr. X. This pin. If you put the puller in there, sometimes you have a little trouble. Maybe a screw might break or something like that.

This pin right here—Ford did make the attempt. This is a pin I think that used to be made out of plastic. Now they made it out of metal. It is fairly hard. It is a little bit of a problem to get out. They are easy to come out without much trouble.

Senator MATHIAS. You put the screw —

Mr. X. First of all, you break the lock cap or lock ears off, the twisting part where you make it turn to start the car.

Senator MATHIAS. Then you screw the dent puller in.

Mr. X. Right, the cap must come off. You could break it off or you could screw the dent puller into the assembly and break it off.

Senator MATHIAS. Can you break it off?

Mr. X. Sure.

[Mr. X demonstrating.]

Mr. X. You have to get rid of this. You have to get this cap off.

[Mr. X demonstrating.]

Senator MATHIAS. I see.

Mr. X. After this cap is off, you can get at the lock cylinder itself. You screw the puller into the lock and it will break this lock right there.

[Mr. X demonstrating.]

Mr. X. The lock will come out on the end of the puller. Then you slide the screw driver in there and start it up.

Senator MATHIAS. That takes more time than the rubber key?

Mr. X. Yes, sir. But if you don't have a rubber key or other tool, this will work.

Senator MATHIAS. What about these devices here?

Mr. X. These are keying machines right here. This has a Ford key in it. This has a General Motors trunk key.

Senator MATHIAS. Have you ever used those?

Mr. X. When I had the key code to the car, yes, I used to cut my keys, I know how to do it, but I never had that much trouble.

Senator MATHIAS. What about this device?

Mr. X. That is just a smaller dent puller. This is a heavy duty one right here.

[Mr. X demonstrating.]

Senator MATHIAS. How about this?

Mr. X. That's a tension bar.

Senator MATHIAS. Are they commonly available?

Mr. X. I never needed one. A lot of this equipment you could get, it would be more along the lines of a reposessor's equipment. In my line of work, the car isn't going to be destroyed anyway, 9 times out of 10. As long as you get the car, it doesn't matter how.

This car right here, you could stick a screw driver in the door and just pry the door open.

They had the lock button down along here.

[Mr. X indicating on mock car.]

Mr. X. It was here and not very easy to get to. It would make it difficult. All you have to do is make the car unappealable and harder to get, even if it takes 10 or 15 minutes to get a car. He isn't going to do that.

Senator MATHIAS. You mean this type button?

Mr. X. Yes, put it where it is harder to get to, the lock button.

Do you want me to give you a demonstration?

Senator MATHIAS. Yes. How would you do it on the Corvette?

Mr. X. Well, on the Corvette—I don't see one here, but the device similar to this. It has teeth. Yes, this one would work. You take and pop the lid off the end of the lock on the General Motors car. You put this on and slide that on there and tighten it up and it shears off the end of the lock.

Then you can start it up with a pair of pliers or another ignition lock. However you care to do it.

General Motors got wise to that. They came up with an improved ignition lock, in 1977. This thing right here takes care of those.

[Mr. X. holding up the GM force tool.]

Mr. X. See, they took and changed the lock so you can't get a grip on it. See how this grips the end of the lock?

Senator MATHIAS. Yes.

[Mr. X demonstrating on mock car.]

Mr. X. Well, they changed the lock. So then they came out with this and it can shear the lock off.

Senator MATHIAS. I see. For every advance of the industry there is an advance on the criminal side to counter it.

Mr. X. Right.

Senator MATHIAS. Can you use the puller to start this car?

Mr. X. Sure. It has a pretty good success rate.

Senator MATHIAS. Let us see you do that.

Mr. X. All right.

[Mr. X demonstrating on car.]

Senator MATHIAS. You use the vise grip to take that off?

Mr. X. Yes. This is not 100 percent sure. Sometimes things happen. But it has a pretty good success rate.

Get me the bag with the hammer and a couple of screwdrivers. [Pause.]

Mr. X. You will notice here this part is made of very thick metal, the column here.

Senator MATHIAS. Yes.

Mr. X. If they made the column thick enough. This is thin right here and it holds the lock, this pin. Right there. It will take just a second and break that off.

[Mr. X. pounding and demonstrating on auto.]

Mr. X. This is more the way a high school kid would do it.

[Mr. X pounding on car.]

Senator MATHIAS. This is an example of the auto thief who doesn't get his car, the carowner has a mess, the insurance company has a claim to pay.

Mr. X. Yes.

Senator MATHIAS. Well, I think you demonstrated the method of how you get started.

Mr. X. Yes.

Senator MATHIAS. Let me ask counsel if they have any questions of Mr. X.

Mr. FAY. No, Senator Mathias.

Mr. OMAN. No, sir.

Senator MATHIAS. Maybe the difficulty on that you have experienced here represents that the automobile manufacturers have

moved one step ahead during the period of time that you have been out of business.

Mr. X. Not really. It would only take a second. You might say that was good enough.

Senator MATHIAS. Right. Well, I think that demonstrates just how brutal this whole thing may be. We realize that you are here voluntarily. You are here with the presence of your attorney who is beside you.

Mr. X. Yes, sir.

Senator MATHIAS. I think you have given us a very graphic illustration of exactly what is the nature of this problem.

Mr. X. Yes.

Senator MATHIAS. I think also your life history as you recounted for us was very revealing to any young person in this country who may be tempted to try to build up their initial nest egg for going into business by acquiring their capital in this way.

As you described to us you felt the FBI sooner or later began to come around and question your friends and wanted to know what you were up to. This is what is going to happen in the vast majority of cases.

Mr. X. Yes.

Senator MATHIAS. By being here you not only showed us technically what happens, but I think your own experience in life is a human question.

Mr. X. Yes, sir.

Senator MATHIAS. It is a poor way to go about getting a start. We are grateful to you for giving us a kind of a first hand view of this whole problem which we could not have received from anyone else.

Mr. X. Could I just say one thing? A professional who wanted the car would have the key. Somebody off the street could still get the car. I could still get that thing going in just a second.

The car that I saw before was apparently an earlier 1979 and didn't have that piece in the back of the lock.

Senator MATHIAS. Right. I understand that.

Mr. X. Right.

Senator MATHIAS. The press has wanted to ask questions. I am sorry. I cannot permit that because of the circumstances under which he is here before the committee. The questions the press may want to address can be asked after he has left the hearing and would be a matter for him and his counsel.

All right. Mr. X, we thank you very much for being here.

Mr. X. Thank you, Senator Mathias.

[The prepared statement of Mr. X follows:]

PREPARED STATEMENT OF MR. X

I have been asked to testify today because I had occasion to plead guilty to at least two criminal indictments alleging my participation in auto theft and related activities.

From about 1966 until 1978 I was closely involved in many many automobile thefts. Since obviously some cars are worth more than others of the same era and vintage my activities became specialized. Thus I decided to direct my attention to and did become very adroit in breaking into and stealing the Chevrolet Corvette. I cannot estimate how many corvettes and other cars I stole but I can assure you that I was never indicted for as many offenses that I did in fact commit. After my

arrest in 1978 I would suggest that owning a Corvette in the Maryland and Virginia area became a much safer affair than it had been since I started stealing Corvettes in 1966.

After I had stolen a car I would use one or the other of the following techniques to dispose of that vehicle. The first is the CHOP SHOP. In many cases I would know that a particular body part was needed to repair a particular car. Knowing this I would go out and find a car identical to the car needing that part and steal the entire car for that part. I would take the car to my garage and remove the needed part and sell it. Next I would remove and discard the transmission and engine which, because they are numbered could lead the police to the real owner. After disassociating myself with any other identifiable parts I would finish chopping up the vehicle into the various component parts I knew I could sell to legitimate body shops sometime in the future.

The other technique I would use is the re-tag or VIN-switch. Say for example that I discovered a wrecked Corvette in a junk yard. I would find out who held the title to the corvette and contract for the purchase of that wreck. After hauling the wreck away I would remove the vehicle identification plate from the car's dashboard and also remove any parts which I could later sell. The rest of the vehicle save for the transmission and engine if in repairable condition I would destroy or otherwise conceal. Next I would go out and steal a corvette identical to the wreck. I would then drive that identical car to my garage where I would simply switch the vin plates, restamp and replace the engine and transmission, remove any confidential vin numbers or other identifying features and then sell the car as my own. By this point neither the police nor the car's real owner could ever identify that car as the car that was stolen. Since my only expense using this technique was my labor and the cost of the wreck I believe that I averaged between \$3,000 and \$5,000 profit each time I employed this scheme.

The Staff of the Subcommittee has asked that I demonstrate how I used to enter and start the cars that I stole. You will notice a model of the Ford Zephyr that has been adopted for this purpose is in the hearing room today. Although I must admit I never had much to do with Ford Motor Company products, I would like to take a moment to try and show you how I typically used to enter and start a car I wanted to steal.

Senator MATHIAS. Our next witness is Mr. Jarm. I understand you are the one who brought the repossessor's tools.

Mr. JARM. Yes, sir.

Senator MATHIAS. The tools you manufacture are used both lawfully and unlawfully; is that right.

Mr. JARM. Yes. There are people who have a legitimate need for these tools, repossessors and locksmiths.

Senator MATHIAS. I think Mr. X has explained some of the uses of these tools. These are typical tools made.

Mr. JARM. Yes. We developed the rubber key and some of the lock extractors.

STATEMENT OF FRED JARM, PRESIDENT, CREDIT INDUSTRY ASSOCIATES

Mr. JARM. When we take a car for a bankrupt finance company, they don't want the column damaged like that. We try to do it quickly and use tools such as the rubber key.

Senator MATHIAS. That would be the lawful use for these tools.

Mr. JARM. Yes.

Senator MATHIAS. For a repossessor of a financial company.

Mr. JARM. That is right. We do try to regulate the sale of them. The tool is serial numbered in three different places.

Senator MATHIAS. What is your market? How are your tools marketed?

Mr. JARM. Well, we have a list of repossessionors in the United States and locksmiths that are on our mailing list.

Senator MATHIAS. There is no licensing here?

Mr. JARM. No.

Senator MATHIAS. If I would write to you and say, "I want to buy one of these tools," you would have no reason not to sell it to me.

Mr. JARM. Correct.

Senator MATHIAS. So they really are available to anyone who would write to you.

Mr. JARM. That is right.

Senator MATHIAS. They are available to anyone who approaches you.

Mr. JARM. That is correct.

Senator MATHIAS. Do you keep any record of the people to whom you make the sale?

Mr. JARM. Yes, sir. Last November, NBC, in Chicago, did a special on auto theft and they came to our business and bought \$600.00 worth of tools and paid cash. However, they didn't talk to me about it. They didn't give us an opportunity to state when they were there we did record the license number of the vehicle they came in, all the tools that they purchased were serial numbered and record of the sale is made.

Senator MATHIAS. Do you advertise?

Mr. JARM. I have a flyer we mail to repossessionors and locksmiths. I advertise in the locksmith trade magazine.

I might also add, sir, in May, 1978, I participated in the 15th Annual Midwest Vehicle Subconference, on theft.

In 1979, it was in Kokomo, Ind. There were over 250 auto theft investigators where these tools were demonstrated. Members from General Motors and Ford and Chrysler were also present.

Senator MATHIAS. Has counsel any questions?

Mr. FAY. No, sir.

Mr. OLMAN. No, Senator Mathias.

Senator MATHIAS. Mr. Jarm, we appreciate your being here.

Mr. JARM. Thank you.

Senator MATHIAS. Thank you for bringing these tools.

Mr. JARM. Thank you, Senator.

[The prepared statement of Mr. Jarm follows:]

PREPARED STATEMENT OF FRED JARM

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you today to discuss some of the tools and methods used by auto thieves.

My name is Fred L. Jarm of Arlington Heights, Illinois. I have been in the automobile repossession business in the Chicago area for the last twelve years. I am President of Credit Industry Associates, Inc. of Arlington Heights, Illinois. This company, in addition to repossession work, develops and markets repossession and locksmith tools and supplies under RSD Locksmith supply division. Some of these products will be discussed and/or demonstrated here today. Many of the products are serial numbered and we do attempt to record and regulate the sale of these products as much as possible.

I have participated in the 15th Annual Midwest Vehicle Theft Conference held in May of 1978 in Iowa City, Iowa; and the 16th Annual Vehicle Theft Conference at Kokomo, Indiana in May of 1979. At these conferences I demonstrated to over 250 Auto Theft Investigators of various local, state, and Federal Law Enforcement Agencies some of the techniques used to steal a vehicle. Representatives of the

"Big 3" auto manufacturers were also present at these conferences, and several ideas were exchanged with them. They have, however, declined offers and suggestions put forth to them with responses such as " * * * We continue to work closely with the FBI, the NATB, the International Association of Chiefs of Police and the International Association of Automobile Theft Investigators to develop this information." " * * * the previously named organizations have been very helpful in this regard and we believe they adequately serve our needs." This was a response from David E. Martin, Director, Automotive Safety Engineering of General Motors in reply to a letter I wrote offering to enter into a contract to develop better locking systems and anti-theft devices. Other responses from General Motors' Carl Strames and James Dotto, "We build transportation, not bank vaults."

Mr. G. R. Williams of Ford Motor Company declined our offers of building prototype theft proof vehicles and suggesting and testing anti-theft devices and better locking systems.

Chrysler point blank said they would not spend the money.

All three felt any improvements must be "cost effective." When I mentioned one ignition lock improvement idea I had might cost \$1.40 per car, Dotto and Stramer from GM said "When you get it under .40¢ or less then let us know."

I sincerely feel that if people in vehicle locksmithing and recovery industry had access to key code information from the auto manufacturers when a legitimate need arose that there would not be a need for many of the tools we will be reviewing today. If there is no legitimate need there is no market and therefore no tools. This suggestion was declined by General Motors.

I believe that in order to reduce the problem of auto theft the following should be done:

- (1) More severe punishment for the crime—from theft to possession.
- (2) VIN numbering of more major parts of the vehicle.
- (3) Better locking and anti-theft devices.

FORD MOTOR CO.,
Dearborn, Mich., June 1, 1978.

Mr. F. L. JARM, JR.,
President, Credit Industry Associates, Inc.,
Arlington Heights, Ill.

DEAR MR. JARM: Thank you for the letters dated April 18, 1978 and May 12, 1978. After reviewing your proposals and considering many factors, Ford Motor Company has decided not to accept your proposals.

As you know, Ford has made significant improvements in the ignition lock security system. These ignition lock improvements were effective to the point that, I believe, precipitated the development of your new device designated to defeat them. My concern is that this new device may ultimately end up in the possession of auto thieves. I trust that you will continue to take every precaution possible to prevent this from occurring by selling the device to only licensed locksmiths and repossessionors.

I am sure our paths will cross again at some anti-theft conference or locksmith convention, at which time we can discuss further the philosophies of the organizations we each represent.

Sincerely,

G. R. WILLIAMS,
Vehicle Regulations Manager.

GENERAL MOTORS CORP.,
Warren, Mich., January 9, 1978.

Mr. FRED L. JARM,
President, Credit Industry Associates Institution,
Arlington Heights, Ill.

DEAR MR. JARM: This is in response to your letter of December 6, 1977 to Mr. Estes offering to enter into a contract to aid us in our efforts toward reducing vehicle thefts. As you suggest, we do try to keep alert to the various methods that are used to steal our vehicles. We continue to work closely with the FBI, the NATB, the International Association of Chiefs of Police and the International Association of Automobile Theft Investigators to develop this information. When dealing with these organizations it is apparent that there are various ways to steal our vehicles and those used vary geographically. Countermeasures against theft should be effective nationally as well as locally. However, the previously

named organizations have been very helpful in this regard and we believe they adequately serve our needs. Of course, we would appreciate any inputs you may wish to share with us.

In addition, we do not believe it is in the best interests of our customers to assemble all the key codes of GM vehicles by Vehicle Identification Number. We do not do this internally and you can surely recognize the risk of assembling this information for dissemination outside the corporation regardless of the legitimacy of the request.

Therefore we are sorry that we can't offer a more favorable reply to your offer but trust you will appreciate our position. Again thank you for your interest in General Motors.

Very truly yours,

DAVID E. MARTIN,
Director, Automotive Safety Engineering.

Senator MATHIAS. Our first panel is the salvage yard owners: Mr. Weber, Ms. McClary, Mr. Vogt, Mr. Shpak, Mr. Beckwith, and Mr. Hoffman.

First of all, I regret that I have to remind you that we are very strictly limited in time, and we are actually running a little behind.

If you could keep your statements limited to not more than 5 minutes. I will ask counsel to be the timekeeper and to advise us when each witness gets to that time limit.

Mr. Shpak, do you want to begin?

PANEL OF SALVAGE YARD OWNERS:

STATEMENTS OF SAMUEL SHPAK AND ROBERT HOFFMAN, CO-FOUNDERS AND BOARD DIRECTORS, RECYCLERS ASSOCIATION OF MARYLAND; FRANK L. VOGT, GENERAL MANAGER, VOGT'S AUTO PARTS RECYCLERS; DIANE McCLARY, FOUNDER AND CO-ORDINATOR, MARYLAND AUTO & TRUCK RECYCLERS ASSOCIATION, AND FRANK "BUTCH" WEBER, PAST COCHAIRMAN, AUTOMOBILE DISMANTLERS & RECYCLERS ASSOCIATION OF AMERICA

Mr. SHPAK. Senator, my name is Sam Shpak. I am president and operator of Auto-Com, Inc., a used auto parts communications system located at 6232 Deepark Road, in Reisterstown, Md.

I am currently the executive director of Recyclers Association of Maryland, Inc., a nonprofit corporation, composed of 50 auto recycling businesses within the State of Maryland. Having been in the auto recycling industry for over 25 years, I am thoroughly familiar with its concerns, problems, and needs.

Senate bill 1214, the Motor Vehicle Theft Prevention Act of 1979, was obviously drafted in an attempt to provide some methods of preventing and prosecuting commercial auto theft.

Unfortunately, the legislation, as proposed, will neither assist anti-auto-theft measures nor will it fit harmoniously with the operating procedures of the auto-recycling industry.

The full and complete text of the deficiencies of this legislative proposal are more than adequately specified by James A. Beckwith a legal specialist on auto theft and the auto salvage industry, in his "Critique: The Motor Vehicle Theft Prevention Act of 1979, Titles II and III."

Copies of this critique have been previously supplied to this committee and other Federal agencies in January 1980.

I would like to add that Mr. Beckwith is sitting to my left.

My opposition to this legislation is in particular the following:

One, title II, grants unlimited rulemaking authority for security standards to the Department of Transportation. Included among the security standards is the labeling of major component parts with the vehicle identification number, VIN.

Unfortunately, the additional VIN labeling requirement will not be limited to new car manufacturers and must logically include salvage yard operators and their present inventory.

Such a requirement will put many salvage operators, the majority of which are mom and pop operations, out of business due to financial cost alone.

Additionally, the VIN placement will not aid law enforcement since professional thieves can remove the VIN label, or it may come off through normal wear and tear alone, depending upon the placement locations.

In any event, the focus of criminal investigation will then be centered on the possessor of the part—whether salvage operator or citizen—and not upon the thief; who is, after all, the main culprit.

Two, sections 510 and 511 provide a blanket prohibition for the removal, alteration, or obliteration of the VIN, without regard for the fact that many State laws allow for such removal, replacement, or alteration.

Thus, a citizen, or even a police officer, can obey the State law and commit, in the same act, a Federal offense.

Since State law cannot really amend Federal law, the State requirements are not available as a legal defense.

Three, sections 510 and 511 apply, by their terms, to any motor vehicle regardless of whether that motor vehicle is in interstate commerce, or intrastate matters. This raises the question of the preemption of the field of motor vehicle regulation by the Federal Government.

If preemption is not the intent of this subcommittee, then the legislation should be redrafted accordingly.

Four, there is a serious failure in the legislative proposal to define certain terms used. Most notably, the term "motor vehicle" is left undefined, thus creating an area for future litigation which could be avoided.

Some States, most notably Colorado, have experienced protracted litigation over such simple issues as vehicle classification and definition. Legislation should avoid problems, and not create them.

Five, Senate bill 1214, if enacted in its present form, would be enforceable only by Federal peace officers, and not State law enforcement agencies; nor could it be prosecuted by State prosecutors.

Yet, the bulk of investigative talent, information, and resources lies at the State and local level.

As a consequence, Senate bill 1214 does not offer assistance to present agencies in attacking the problem. You will duplicate existing methods, rather than strengthening present methods.

As a primary investigative duty, Senate bill 1214 will place enforcement in the hands of the FBI; an organization which is already

overtaxed on its manpower assignments, and which has not traditionally concentrated its efforts on commercial auto theft matters.

I strongly suggest that Senate bill 1214 be amended to include the following particulars:

One, allow for a person's obedience to State law as a legal defense to charges under sections 510, 511, and 2319.

Two, exclude from coverage under sections 510 and 2319 the obliteration, alteration, or removal of the VIN as a result of damage caused by collision, fire, road damage, or natural causes.

Three, exclude, by statutory language, auto parts recyclers from any legal requirement to mark major component parts with the vehicle identification number under title II.

Four, exclude scrap processors, auto demolishers, and auto parts recyclers from the prohibitions of sections 510 and 511, who have bought, received, or possessed a vehicle which is either no longer considered a motor vehicle or has been crushed, flattened, destroyed, or otherwise reduced for sale as metal scrap.

Five, exclude from the forfeiture provisions of section 511 those scrap processors, demolishers, and auto parts recyclers who possess vehicle component parts whose VIN's have been removed or obliterated other than by the process of loading, unloading, crushing, flattening, destroying, grinding, handling, or otherwise reducing the vehicle or component part for sale as metal scrap.

Six, allow as permissible conduct under sections 510, 511, and 2319, the removal, restoration, or replacement of the VIN when the removal, restoration, or replacement of the VIN is done in accordance with State law.

Seven, amend the wording of section 511(a)(1) to exclude from forfeiture or seizure as a motor vehicle or motor vehicle part which has been purchased or is owned by an innocent purchaser of such part without actual knowledge of the stolen character of said motor vehicle or motor vehicle part.

Eight, amend section 511(a)(2) to disallow forfeiture and seizure of a motor vehicle or motor vehicle part when the motor vehicle has a replacement identification number authorized by the Secretary of Transportation or is in conformity with the applicable law of the State where such motor vehicle was last titled or registered.

Nine, award funds to State police and motor vehicle agencies for the creation and operation of special auto theft strike forces composed of State investigators, legal specialists, and vehicle examiners operating on a multistate basis.

Ten, the limitation of Senate bill 1214 provisions to those motor vehicles or motor vehicle parts moving or engaged in interstate commerce, thereby preserving the State-Federal jurisdictional distinctions.

Gentlemen, I have used up my allotted time for my direct testimony. I welcome your questions on this matter.

Senator MATHIAS. Thank you very much. I must say your statement is a model statement, and one that this committee does not always get. In the statement you not only cover what you think is wrong, but make some suggestions for how you think it can be improved. That is just what we hope to get from these hearings.

I hope that you will follow the ensuing testimony so you see whether or not other witnesses agree, and then we can develop a consensus, and the committee can then deal with the sponsors of the bill in attempting to shape it in the proper way.

Mr. SHPAK. Yes, sir.

Senator MATHIAS. Who would like to follow?

Mr. VOGT. I would, Senator.

Senator MATHIAS. Mr. Vogt, would you proceed.

I am asking counsel to give you 1 minute notice when the 4 minutes has elapsed.

Mr. VOGT. My name is Frank L. Vogt III. I am a general manager of Vogt's Auto Parts Recyclers of Finksburg, Md., a company which sells used auto-truck parts.

In addition, I am president-elect of the Maryland Auto & Truck Recyclers Association.

The association represents 125 auto parts recyclers in the State of Maryland, or 75 percent of all auto parts recyclers in the State. I also represent two circuit line communication networks which cover seven States.

During the past few years, the used auto and truck parts industry has become a highly professional, progressive industry. We provide affordable used auto parts to: new car dealers, used car dealers, body shops, service repair shops, auto and truck fleets, the Maryland State Highway Administration, the Maryland State Police and the motoring Public.

By salvaging and recycling used automotive parts, we save the United States an estimated 80,000,000 barrels of oil a year which would otherwise be used in the manufacture of new automotive parts.

While other industries tax our Nation's dwindling supply of energy, the automotive dismantling and recycling industry continues to conserve. We conserve energy, oil, metallic resources, manpower and time. We contribute to the community and to the country. We are a national resource.

Today, we find ourselves faced with a tremendous and destructive problem—auto theft.

As legitimate business men and women, we dismantlers and recyclers find we cannot compete with the "low prices" offered by "chop shops" and others who traffic in stolen parts.

Business seems to be booming for our "competitors."

In recent years, Maryland has become a dumping ground for the remains of "hot" cars.

Also, last March, a heavy equipment theft ring was uncovered in Garrett County.

I am not only concerned as a businessman, but as a consumer as well. Auto theft increases the amount I must pay in taxes and in car insurance premiums.

For instance, up to 20 percent of my State Farm auto insurance premium is paid to auto theft coverage. This amount can only increase as the rate of auto theft continues to skyrocket all over the country and in Maryland as well.

My customers, Carroll County residents, are reluctant to buy used auto parts. Auto thieves have received so much press coverage that

the general public is reluctant to support even legitimate parts dealers. The auto thief smears the public image of our industry. He threatens our very livelihood.

The auto theft problem can only get worse unless we act now. The Maryland Auto & Truck Recyclers Association and the two communication circuits that I represent believe that passage of the Motor Vehicle Theft Prevention Act of 1979 would be a major step forward in the fight against auto theft.

The State trade association has endorsed the Motor Vehicle Theft Prevention Act and has pledged to support other measures to curb auto theft. In fact, the bylaws of our State association contain provisions for the "termination of membership" for those who have been convicted of auto theft crime.

The two communications networks of parts' recyclers have also pledged not to knowingly deal in stolen parts.

The passage of this auto theft measure will protect the existence of our businesses and will enhance the pride and the integrity of a respectable industry.

As a small businessman, and on behalf of the auto parts recycling industry in Maryland, I would like to thank you, Senator Mathias, for your sincere interest in seeking a solution to the auto theft problem. I do hope that you, in your wisdom, will help us with this industry problem.

Thank you.

Senator MATHIAS. Thank you, Mr. Vogt.

I have some questions for the panel. Is there anything that anyone else would like to say before I begin to ask some questions?

[No response.]

Senator MATHIAS. Well, let me ask Mr. Vogt this. Currently your components are not marked with a vehicle identification number, right? Most major components, by most manufacturers?

Mr. VOGT. Right.

Senator MATHIAS. That is the general condition of the trade right now.

Mr. VOGT. Yes.

Senator MATHIAS. How can you, as an honest salvage operator tell whether you are purchasing a hot car or hot parts or not? What guidance do you have?

Mr. VOGT. As far as purchasing a complete car or parts?

Senator MATHIAS. Yes. Either one. Suppose some kid comes in to you with a car or with parts, offers them for sale? What guidance do you have as to whether or not it is a legitimate transaction?

Mr. VOGT. We make it our policy not to buy any parts unless they are part of the components of the car and that car comes with a certificate of title.

The majority of our cars we buy are insurance company cars that are total vehicles. They do come with the necessary papers.

One thing in Maryland, we are required by the State to inventory each car. Every car we have is inventoried with a State control number. So, I think this step on behalf of Maryland has been curbing some of this problem.

As far as parts purchased, not on the car, we don't have any way to trace those parts. We hope we are dealing with the right people,

legitimate business people, but without having some type of VIN number on a front end or door, there is no way to trace it.

Senator MATHIAS. But you, as a salvage operator, deal with the whole car and that is the way you avoid that kind of particular problem.

Mr. VOGT. We had a few instances where people stop by with parts in the back of a pickup truck. We made a call to the State police. In two out of three cases I am aware of, those parts were hot parts.

Senator MATHIAS. Ms. McClary, I understand that you are a long line vendor.

Ms. McCLARY. I am.

Senator MATHIAS. Would you explain for the record exactly what a long line vendor is?

Ms. McCLARY. Could I identify myself, first?

Senator MATHIAS. Please.

Ms. McCLARY. My name is Diane McClary. I am the president of the Maryland Auto & Truck Recyclers Association.

I am also State chairman of the Automotive Dismantlers & Recyclers Association. I am part owner of B & B Auto Salvage, in Upper Marlboro, Md.

I just recently put together for parts exchange a long line of communication system for our association.

A long line circuit is a communication system between auto salvage or recycling yards. It is used to fill customer orders from an inventory of other companies on the line, long line circuit.

For example, if a customer called me for a Corvette front end, then I would get on my long line circuit and I would put out a request. This request would be heard in the offices or sales offices of the other companies that were members of the long line circuit.

Any company who had that part would then fill the order and either ship it to me or to my customer.

Senator MATHIAS. In other words, you dial a number.

Ms. McCLARY. No, sir. It is on a loudspeaker, a lot of times. Some line of communications might be on a teleprinter, like a printout.

Senator MATHIAS. But it is a method for you to communicate with all of your members, with everybody who purchases this service?

Ms. McCLARY. Yes sir.

These long line circuits operate differently. The Maryland Auto & Truck Recyclers line is basically a Maryland line. But I could deal in long lines that cover five, six, seven, or eight States.

Many times I deal with people that I have never met.

Senator MATHIAS. Is there any way to identify an illegal transaction using the long line?

Ms. McCLARY. No, sir, there isn't. Just recently a company called Yellow Bird Auto Parts, which is a member of Seaboard Line, owned by Mr. Shpak, was convicted of auto theft.

Two of our members drove up to the address given by Yellow Bird. There was no company there.

If I bought parts from Yellow Bird or Yellow Bird bought parts from me, in that particular case there was no occasion we could check and in many cases there is no identifying marks on the parts at all. You have no idea—can't trace it back.

Senator MATHIAS. Let me turn to Mr. Shpak, because in his statement, he notes that any professional thief could remove any identifying marks.

But, if a thief did remove the mark, wouldn't that immediately put a dealer on notice that the mark had been removed and raise a question about the legitimacy of the transaction, and wouldn't it also put the thief under additional criminal liability for altering or removing motor vehicle identification numbers?

Mr. SHPAK. May Mr. Beckwith answer that?

Senator MATHIAS. Mr. Beckwith.

Mr. BECKWITH. Well, first of all, let us make an assumption, Senator Mathias, that you caught the thief with the part, which invariably you will not do.

Secondly, once the thief has removed the VIN, then your concentration in terms of criminal prosecution is on the possessor, whether he be a thief or a purchaser or another reseller, whatever else.

So, in terms of reducing the thief, sure, adding another provision like 510 and 511 do, saying that it is not only a crime to remove the VIN, but to sell a part that doesn't have a VIN on it, that is fine. That covers that.

But first of all, it depends upon where the VIN is placed if it is on a component part. Is it in a location where it can be subject to damage or obliteration through noncriminal means.

Secondly, the possessor or purchaser of the part, is he one who will acquire the part through a noncriminal method?

For example, many long line operators will buy parts over a long line system and they have never seen the part.

Advertising through the means of using a VIN number is essentially of little utility to the purchasers on the long lines, because they neither have access to the computer to run the number, nor do they have access to a current hot list of VIN numbers from stolen vehicles.

So, the part is brought into the yard now of the purchaser who has purchased it over a long line system. If the part is stolen, he has committed that crime when he purchased it over the long line long before he actually ever gained physical possession of it. But he has not had any ability to defend himself by determining whether the part is stolen or not.

So, essentially it doesn't matter to him whether the VIN number is on that component part or not on that component part.

Right now, the only way of his being able to know that it is stolen is if he has actual knowledge, otherwise he is going on a hunch.

Senator MATHIAS. But if there was a VIN number required and if it had obviously been removed, wouldn't that be enough to arouse the caution, the prudence of any potential purchaser whether he is in the business or whether he is just a casual purchaser?

Mr. BECKWITH. First of all, if he knows where it is and it is removed and he can find out from looking at that location that it has been removed, yes, that tips him off and says, regardless of whether it is stolen or not, I better not possess it because it is unlawful just because it doesn't have the VIN on it.

Senator MATHIAS. Wouldn't that also then put that purchaser on notice that this is a dubious seller and maybe this is not the person with whom to do business?

Mr. BECKWITH. No.

Senator MATHIAS. It wouldn't?

Mr. BECKWITH. No.

Senator MATHIAS. Why not?

Mr. BECKWITH. Because many of the parts—you see, I have to back up to answer. Many salvage operators obtain most, if not all of their inventory from purchases—excuse me, through purchases from insurance carriers.

As Mr. Vogt mentioned, purchasing a vehicle typically from a salvage pool, on a contract, and a vehicle is presumed to be legitimate.

Other operators use a common but bad practice in the industry of buying over the counter, something which you inquired of Mr. Vogt about. A man comes in and has a carburetor and sells it, or he has a fender and sells it.

Senator MATHIAS. Individual components, disassembled?

Mr. BECKWITH. Typically, yes. It is a bad practice. Hopefully the industry will soon start getting away from it because it only fosters chop shop operations. But, to get to your question, if I am an operator, hypothetically, in Colorado, where I am from, and I sell a part to Mr. Vogt, in Maryland, and Mr. Vogt gets that and it has a removed VIN plate, depending upon its location, depending upon the amount of knowledge and depending upon the number of contracts that Mr. Vogt has had with me, he cannot necessarily make a determination that my merchandise of—is of dubious, legal status, simply because one part or other parts had a VIN missing.

Now when you get a part, Senator, and that VIN is missing, that is all you can say about it. It is missing. And unless you know other circumstances and other criteria—

Senator MATHIAS. Suppose Ms. McClary's long line service would do just that, either give the VIN or say VIN missing. Then, at least that again raises the question in the mind of the potential purchaser, doesn't it?

Mr. BECKWITH. Sure. It should. Now let me ask it in a different way. Ms. McClary operates her long line and sells a left front fender for a 1980 Ford Torino, a hypothetical. She puts it out and says it is VIN-123456 or it has VIN missing.

First of all, Ms. McClary better not say VIN missing, because under this Federal legislation it would be unlawful for her to even have it in her yard, unless it were legally missing because of some State legal requirement or some other reason.

Presumptively, when she looks at the part, and the VIN is missing, it is illegal. So, she had better not even say that.

If she does say the VIN, it does not help me if I am buying because I have no way of knowing whether that VIN is hot or cold.

If I am a professional thief trying to sell a front end, I can obtain or counterfeit or otherwise manufacture VIN plates that would be cold.

Now when I say VIN plates, I am making an assumption that on metal component parts, that a plate is used, although a plate label or sticker, depending upon how the manufacturers wish to do it can be used.

So, "plate" refers to all three.

Senator MATHIAS. You just made a statement which raises another serious question. Somewhere in the literature on this unhappy subject is the conclusion that the value of disassembled components may be as much as three times the whole car.

So that say you have a \$10,000 car, you make \$30,000, if you should chop it. I see some disagreement on that.

Mr. HOFFMAN. I would have to disagree with you. In every car you receive there are certain parts which will just remain there until the car is picked over.

I would say if you had a \$10,000 car, you could make \$30,000 worth of parts. There are the motor, transmission, front, rears, the doors, the clips. But certain cars you just don't sell all the parts.

I would say on certain cars you could make a good healthy, profit like that. There are certain cars which are not worth anything near that amount.

Senator MATHIAS. In those transactions where you can make a profit by dealing only in the disassembled parts, if you do have a profit margin built into the part market, then aren't we really faced with the fact that cars are going to be stolen regardless of the difficulty, because that is where the profit is?

Mr. HOFFMAN. Senator, I would like to add this point. I believe right now most of the dealings in stolen car parts and chop shop operations are directly between the chop shops and the body houses and mechanical shops today do not filter into the yards as they at one time did, 2 or 3 years ago.

The customers, the ultimate customers, our customers, are buying directly from these shops, chop shops. We very rarely hear anything on the lines today that would make you suspicious. What would have made me suspicious previous times was the price, \$1,000 product selling for \$600. That would make you very suspicious, really, the price, right there.

The condition of the parts when they come down, you would see a front end that looked like it just came right off a showroom floor. Now you know in any wrecked automobile there is going to be some damage on the part that has been repaired.

The same way with rear clips that show no damage from an accident where the floor would be buckled slightly or the roof would be buckled. They look like they came right off the car. I have seen where some of the chop shops have delivered to my customers prices that cut me out. A rear clip where they didn't even bother to open the trunk and take a spare tire out, where a person's personal effects were still in the trunk of the car.

In one particular time in which I turned somebody in on this, they were able to trace the stolen car because there were Chinese newspapers still in the trunk of the car. They had never opened the trunk to take the spare tire out, the newspapers or the owner's golf clubs. They were still in the trunk of the car when they arrived at the shop.

Stolen parts, it is a red flag. You get very suspicious when someone offers you something like that. It is not coming across the lines.

Senator MATHIAS. Would you say that the parts market is overpriced?

Mr. HOFFMAN. The used car parts market?

Senator MATHIAS. Right.

Mr. HOFFMAN. Yes, for a particular reason. The marketing of the cars by the insurance company, now they go through auctions. The auto auctions are open to unlicensed buyers, people who are not licensed by the State of Maryland as auto wreckers, new car dealers

or used car dealers. These people go down to a salvage auction and see a car that may have \$700 worth of parts and pay \$1,400 for the title and the serial plate.

They take the Maryland salvage certificate, send it out of State and get a legitimate out of State title and bring it back in there or they will sell the car with an open title. Insurance companies are guilty of this. They are so greedy to get high salvage return that they will sell to anybody who comes along. Anybody who flashes a dollar bill at the auction and buys the car.

Then they take the serial plate and the title and they steal another car just like that and then they have another loss for another insurance company. They are not worried about that today.

Senator MATHIAS. That is adding fuel to the flame.

Mr. HOFFMAN. That is right. They raise the price of salvage for the legitimate dealer. If you go to any auction you can see these title buyers there, at every auction. They are there every time.

You know what they are up to when they buy a car with \$1,000 worth of parts on it and pay \$2,000 for it. They are after that little tinsplate and that title. That is all they are after.

I have worked with Maryland State Senator Strvel on automobile theft legislation for the last 4 years in Annapolis. One of the pieces of legislation which we passed was to prevent the open sale of these burglar tools. That is all I call them. They demonstrated them today, through the mail, to auto salvage yards.

I receive a periodical in the mail to sell me these tools. We entered legislation and passed it, I think it was two sessions ago, on this particular area.

We have tried to work on some consumer protection legislation on motor vehicle rebuilders where they take a salvaged vehicle and they repair it, a lot of times using stolen car parts. Then they pass it on as a legitimate used car.

But it is very hard to get this type of legislation passed in Annapolis. It has been opposed by the Maryland Auto & Truck organization on every occasion.

Senator MATHIAS. You said, and of course, I think it is obvious, that not all parts are as marketable as others.

Mr. HOFFMAN. Yes.

Senator MATHIAS. Let me ask the whole panel this question. Is it true that where there are major marked components such as transmissions or engines that they may even be discarded in an illegal transaction to avoid identification and profits made on the minor parts, and if that is true, wouldn't it help if the minor parts were identified?

Mr. HOFFMAN. Well, it is very hard to identify a front end, because the front end may be broken down into components like the grill, fenders, and what not. By stamping the cars at the factory, with a serial number, would be one thing. But to have the salvage yard out in the field with something like 300 cars there and to have to stamp every part that I send out, it would be an economic hardship.

Senator MATHIAS. I am not the author of this bill, but it is my understanding that this is not required by this bill.

Mr. HOFFMAN. Oh. From my reading of the bill I assumed that manufacturers would pick up with the serial numbers and we would be responsible for what inventory we handled.

Senator MATHIAS. I am advised by counsel that would not be required by the bill.

Mr. HOFFMAN. I feel that the audit trail is very poor at the present time with the diversity of title laws, handling of titles, in every State that you go to. We would need a uniform title law throughout the United States.

Plus the fact there is no audit trail to tell where the car, when a wrecked car goes into the hands of the salvage yard or it could wind up in the hands of the serial plate swapper.

So the audit trail is poor. There is also a very poor audit trail from the time of an accident. There should be ways the State police should be able to flag down and check cars to see if they are being repaired with legitimate used parts, new parts, or "hot" parts.

The temptation of a shop to use a used stolen part is very great. Economically they can save themselves \$700 or \$800 on a \$3,000 job. They know where to go then to get the parts, too.

Senator MATHIAS. Of course, if many carowners are like I am, I usually run a car over 200,000 miles. After a while I become dependent upon used parts to help the car running for the last 50,000 miles. Ultimately I have to look to salvage parts when new parts become unavailable.

Mr. HOFFMAN. The most valuable part of the used part market is in late model cars. In my operation we handle cars from 1977 to 1980. In other words, we don't do the huge volume of some of the others do, but we do the quality. We handle fewer cars but better parts.

Senator MATHIAS. You just said something I wanted to ask Mr. Shpak about. Mr. Shpak made reference to, and I agree with him, that Federal preemption is a very serious business. For the United States to oust the States of their responsibilities and their jurisdiction in any matter, criminal or civil, is a serious thing. It makes a big difference in the way people carry on their business and their lives thereafter. It is a whole different ball game.

I take it very seriously. You just described how somebody with an illegitimate motive will go in and pay two times as much as an old clunker is worth in order to get the title and the VIN plate.

Mr. SHPAK. Yes.

Senator MATHIAS. Then they take it to another State and given the volume of this problem, 32 cars a second, they don't all follow that pattern.

Mr. BECKWITH. One every 32 seconds.

Senator MATHIAS. One every 32 seconds. Let the record show that. [Laughter.]

Senator MATHIAS. Let the record show that inflation is bad, but it isn't quite that bad. [Laughter.]

Senator MATHIAS. One every 32 seconds. The availability of an interstate device to facilitate at least some of this, doesn't that at least raise a question as to whether or not the time for Federal preemption is on us?

Mr. HOFFMAN. What I am asking for would be uniform titling laws between the States so that it would not be as easy to circumvent Maryland's salvage certificate law by going to North Carolina and mailing the title down there and coming back to Maryland with a North Carolina title.

Then the insurance company sells the car with an open North Carolina title. The audit trail has been broken.

Senator MATHIAS. But if the States do not in a timely way adopt a uniform titling provision, then what other option have we other than Federal preemption?

Mr. HOFFMAN. Through Federal legislation.

Senator MATHIAS. That is right.

The States could preempt the Fed's by taking the kind of voluntary, uniform action that you are suggesting.

Mr. HOFFMAN. Through Federal legislation, yes. But the States will not do it. It is very hard to get the States to do that.

Senator MATHIAS. Let me ask Mr. Shpak one last question.

Mr. SHPAK. I didn't have a chance to answer. Basically what we are asking is, the people will buy the old wreck, but to get a VIN plate and title for the purpose of plating the vehicle that is stolen or steal later, it does not necessarily go into the auto parts cycle.

It will go as a stolen vehicle. It may go—this is the odd thing—he may sell it to a legitimate buyer who will use it for a while, trade it in, and it will be sold and 10 years or 15 years later it may end up in the auto wrecking yard, who will buy it legitimately for the title, checking the VIN plate, and all this time the VIN plate and title represent a lost automobile which was stolen.

You can find it years and years later if you check, if you bother checking for the hidden numbers.

Senator MATHIAS. Mr. Shpak, one final question. In your statement—and I will pose this to the whole panel if anyone else wants to comment on it—in your statement you raised a question about the requirement of an inventory. Don't you keep an inventory anyway?

Mr. SHPAK. Yes; of vehicles. What worries us in the industry is that the Secretary of Transportation is going to have the power to issue rules and regulations which will require every salvage yard—

Senator MATHIAS. That is a legitimate worry.

Mr. SHPAK [continuing]. Yes, to mark all the parts. If you have 400 or 500 vehicles in your yard, right now in this State and a whole lot of States you have to inventory the vehicle when it comes in, and you are supposed to provide the Motor Vehicle Administration with your proof of ownership, which is the title, and then they will issue other papers and so on.

Those little businesses which consist of three or four employees will have to face the hardship of having to inventory tens of thousands of parts, and it is one thing. In terms of labor and so on, they will go out of business.

That is one thing.

Second, if you consider the mentality of the employees, we do not get the cream of the crop. If you send a man out in the field and tell him to mark those numbers down on things, how are you going to mark them?

We have in the State of Maryland, the Vehicle Motor Administration has the law not that you have to hang your tag on your car with a special number, they use paint and mark the fenders and so on. When you sell the fender the number goes away with it. They are having problems with it now.

If you put legislation in there that every major part, which on a wrecked auto may be 10 to 15 items per vehicle, will be marked. People who didn't go to college and didn't graduate from high school, you are facing a heck of an economic problem.

This is the thing that basically bothers everybody.

Senator MATHIAS. Mr. Weber, did you want to say something?

Mr. WEBER. Yes, sir. My name is Frank Weber. I am past cochairman of the Automobile Dismantlers and Recyclers Association of Maryland.

In answer to part of your question and that Mr. Shpak has addressed also, the requirement by the Secretary of Transportation or the authority of the Secretary of Transportation will be to require the manufacturers to put the VIN numbers on the vehicles.

This specific bill does not require anything of the salvage dealer in the way of putting on VIN numbers. If there is a requirement in the State of Maryland, or I am from Virginia, it will be done at the State level. But this bill specifically protects the salvage dealer and will require that the manufacturer put the VIN number on and not the salvage operator.

Second, I would like to address the flow of stolen parts that Mr. Hoffman mentioned to the repair shops.

In 1978, of the vehicles stolen approximately 38 percent of those vehicles were stolen strictly for their component parts.

I don't believe that 38 percent were stolen and sold directly to the repair shops and body shops. These parts are traveling through our communication networks and salvage yards.

I am a salvage dealer, and I have no right to question anyone on any major component part which would arrive to me from within my State or from another shop to another State without numbers on it.

If there are numbers on there, I as a legitimate and honest salvage dealer should question any part that comes in with those numbers on it. Any numbers on the parts would provide me with the tools for making the decision whether I want to handle a part with a number or without a number.

Senator MATHIAS. Mr. Vogt, would you want to comment on this question?

Mr. VOGT. Yes. I represent 75 percent of our industry in the State. Keeping records is not our major problem. We have been able to keep records for the State inventory auto wreckers' section regulations for some time. It has not been a problem.

I am an active auto recycler. Mr. Shpak has had dealings in auto parts in the past, but he is not a licensed auto recycler in this State.

I don't see where it is a problem. I have been on the phone this week with many of our members. We have a resolution here that endorses your efforts in this solution.

We would like to build the same way you have written it. I think it needs some revision. I think it is the right measure. It is a measure to curb the auto theft.

As far as Mr. Hoffman's comments on uniform titling, our association has been sending a representative to the State NBA administration meeting every year. They just had a meeting last September. It doesn't look like that uniform titling bill is going to come about any time in the near future.

I have notes here from that meeting and it does not look like the 50 State NBA's will cooperate.

Senator MATHIAS. This touches on two general philosophical problems. One is the question of Federal preemption. I don't find the Congress anxious to take on more business or look for more subjects to legislate on, but on the question which was of some interest to all of you, of State taxation of interstate business, for example, I have been trying for almost 20 years to get the States to have a uniform method of imposing sales taxes and franchise taxes, other local taxes on businesses, so that although the rates might vary, you would at least know on what basis, whether it is going to be a payroll tax or an inventory tax or a franchise tax, at least some understanding as you move from one jurisdiction to another, you would know the basis on which you are being taxed.

We simply can't get the States to agree. I think the ultimate result is going to be that Congress is going to impose some regulation on the State taxation of interstate commerce, not because Congress is looking for more business, but because we started out 20 years ago with about 2,000 local taxing jurisdictions, we now have 8,000. That begins to be a burden on interstate commerce.

It is a parallel example that if the States don't do things, then the whole thrust of our constitutional system is that the Federal Government must.

Ms. McClary.

Ms. McCLARY. Yes, sir, I think we can see this in the State of Maryland, that the States are going to do this type of thing.

The State of Virginia has a bill that requires numbers on component parts. The States are going to do it themselves because of the consumer result, the insurance companies' problems with stolen automobiles, and the billions and billions of dollars that it costs all of us, especially the legitimate used car dealers.

So, I don't think this bill is doing that kind of a thing in the States. I think the States are going to do it anyway. They are already doing it.

Senator MATHIAS. Well, if they do, it would be a relief.

Yes, Mr. Beckwith.

Mr. BECKWITH. The only thing I wish to clarify for myself is something you mentioned and that is relative to this matter of marking the individual component parts by the salvage operator.

You have said, your counsel said it was not in the bill or is required. I dispute that, but because of the complication of a dispute, whether or not it is legally required in the present language or not, I believe, and as Mr. Shpak has stated in his testimony today, if it is placed in the legislation or the auto recyclers are specifically excluded from being required to mark the individual component parts, then that may satisfy the major objections, not all of them, that my clients have.

I should mention that I am commissioned to represent Oregon, Colorado, New Mexico, Kansas, Nebraska and if I have the name right, Recyclers Association of Maryland, which is the other organization in Maryland. There are apparently two of them, if I am correct.

And, other individual operators in the Western States who oppose this legislation on at least one ground being this marking of the additional component parts.

Senator MATHIAS. Well, I think that since counsel for both Senator Biden and Senator Percy are here, and they understand what the authors of the bill intended. The fact that we have surfaced this question will make it possible to go back and review the text.

Mr. BECKWITH. Sure. But I believe if it is definitely stated in the bill as to what the bill means, that will resolve some of the disputes.

Senator MATHIAS. Fine. Let me ask a mechanical question.

Mr. BECKWITH. Yes.

Senator MATHIAS. Is it assumed that a single identifying number will be used for all the major component parts?

Mr. FAX. Yes, Senator; that is correct. This legislation envisions using the alphanumeric vehicle identification number as it appears on the VIN plate or a derivative thereof which is sufficiently succinct to render positive identification without confusion.

Senator MATHIAS. So Mr. Vogt could in fact, and I am intensely sensitive to the paperwork burden that grows and grows and grows on business people, particularly smaller businesses that don't necessarily have accountants and attorneys and everybody else that is necessary under their roof all the time.

But you could have a form in which you would have the major body parts, the major components, and then all you would really need to do is know a single number which would apply to all of those parts. That could be dealt with in that way.

Well, I also want to take this opportunity to thank Mr. Weber for providing the committee with the demonstration vehicle. It was very graphic, very educational, and a little bit shocking. But I think the committee has a better idea now of exactly how it is done.

I understand Ms. McClary provided the transportation to get it here.

Ms. McCLARY. I drive the company truck.

[Laughter.]

Senator MATHIAS. We appreciate both of you making this possible because it does make it a much more vivid demonstration of the problem we are up against. Thank you all very much.

Mr. SHPAK. Senator, could I make a little extra comment? If somebody can look at the figures how much the insurance companies collect for theft policies and how much they pay out every year.

Senator MATHIAS. Stick around and we will get that information.

Mr. SHPAK. Yes. One other thing, and I think Mr. Hoffman overlooked something. We see how the vehicle gets stolen, the parts are moved and so on, but somewhere along the line every estimate the insurance company writes which is above \$1,000 in value, a report should be submitted to the State police in the State and they in turn can follow and see where the parts came from.

Senator MATHIAS. Thank you all.

Mr. WEBER. Thank you Senator Mathias.

Mr. VOGT. Thank you, sir.

Ms. McCLARY. Thank you Senator.

Mr. SHPAK. Thank you.

[The prepared statements of Messrs. Shpak and Vogt follow.]

PREPARED STATEMENT OF SAM SHPAK

My name is Sam Shpak, president and operator of Auto-Com, Incorporated, a used auto parts communications system located at 6232 Deepark Road, in Reisterstown, Maryland. I am currently the executive-director of Recyclers Association of Maryland, Inc., a non-profit corporation composed of 50 auto recycling businesses within the State of Maryland. Having been in the auto recycling industry for over 25 years, I am thoroughly familiar with its concerns, problems and needs.

Senate Bill 1214 (The Motor Vehicle Theft Prevention Act of 1979) was obviously drafted in an attempt to provide some methods of preventing and prosecuting commercial auto theft. Unfortunately the legislation, as proposed, will neither assist anti-auto theft measures nor will it fit harmoniously with the operating procedures of the auto recycling industry. The full and complete text of the deficiencies of this legislative proposal are more than adequately specified by James A. Beckwith, a legal specialist on auto theft and the auto salvage industry, in his Critique: The Motor Vehicle Theft Prevention Act of 1979, Titles II and III. Copies of this Critique have previously been supplied to this committee and other federal agencies in January, 1980.

My opposition to the legislation is in the following particulars:

1. Title II grants unlimited rule-making authority for "security standards" to the Department of Transportation. Included among the security standards is the labeling of major component parts with the vehicle identification number (VIN). Unfortunately, the additional VIN labeling requirement will not be limited to new car manufacturers and must logically include salvage yard operators and their present inventory. Such a requirement will put many salvage operators, the majority of which are mom and pop operations, out of business due to the financial cost alone. Additionally, the VIN placement will not aid law enforcement since professional thieves can remove the VIN label, or it may come off through normal wear and tear alone, depending upon placement locations. In any event, the focus of criminal investigation will then be centered on the possessor of the part—whether salvage operator or citizen—and not upon the thief: who is, after all, the main culprit.

2. Sections 510 and 511 provide a blanket prohibition for the removal, alteration, or obliteration of the VIN, without regard for the fact that many state laws allow for such removal, replacement or alteration. Thus, a citizen, or even a police officer, can obey the state law and commit, in the same act, a federal offense. Since state law cannot amend federal law, the state requirements are not available as a legal defense.

3. Sections 510 and 511 apply, by their terms, to "any motor vehicle" regardless of whether that motor vehicle is in interstate commerce, or intrastate matters. This raises the question of the preemption of the field of motor vehicle regulation by the federal government. If preemption is not the intent of this sub-committee, then the legislation should be redrafted accordingly.

4. There is a serious failure in the legislative proposal to define certain terms used. Most notably, the term "motor vehicle" is left undefined, thus creating an area for future litigation which could be avoided. Some states, most notably Colorado, have experienced protracted litigation over such simple issues as vehicle classification and definition. Legislation should avoid problems, and not create them.

5. Senate Bill 1214, if enacted in its present form, would be enforceable only by federal peace officers, and not state law enforcement agencies; nor could it be prosecuted by state prosecutors. Yet, the bulk of investigative talent, information and resources lies at the state and local level. As a consequence, S.B. 1214 does not offer assistance to present agencies in attacking the problem. You will duplicate existing methods, rather than strengthening present methods.

6. As a primary investigative duty, S.B. 1214 will place enforcement in the hands of the F.B.I.; an organization which is already over-taxed on its manpower assignments, and which has not traditionally concentrated its efforts on commercial auto theft matters.

I strongly suggest that S.B. 1214 be amended to include the following particulars:

(a) Allow for a person's obedience to state law as a legal defense to charges under Sections 510, 511 and 2319.

(b) Exclude from coverage under Sections 510 and 2319 the obliteration, alteration or removal of the VIN as a result of damage caused by collision, fire, road damage or natural causes.

(c) Exclude, by statutory language, auto parts recyclers from any legal requirement to mark major component parts with the vehicle identification number under Title II.

(d) Exclude scrap processors, auto demolishers, and auto parts recyclers from the prohibitions of Sections 510 and 511 who have bought, received or possessed a vehicle which is either no longer considered a motor vehicle or has been crushed, flattened, destroyed or otherwise reduced for sale as metal scrap.

(e) Exclude from the forfeiture provisions of Section 511 those scrap processors, demolishers and auto parts recyclers who possess vehicle component parts whose VIN's have been removed or obliterated other than by the process of loading, unloading, crushing, flattening, destroying, grinding, handling or otherwise reducing the vehicle or component part for sale as metal scrap.

(f) Allow, as permissible conduct under Sections 510, 511 and 2319, the removal, restoration or replacement of the VIN when the removal, restoration or replacement is done in accordance with state law.

(g) Amend the wording of Section 511(a)(1) to exclude from forfeiture or seizure as a motor vehicle or motor vehicle part which has been purchased or is by an innocent purchaser of such part without actual knowledge of the stolen character of said motor vehicle or motor vehicle part.

(h) Amend Section 511(a)(2) to disallow forfeiture and seizure of a motor vehicle or motor vehicle part when the "motor vehicle has a replacement identification number authorized by the Secretary of Transportation or is in conformity with the applicable law of the state where such motor vehicle was last titled or registered.

(i) Award funds to state police and motor vehicle agencies for the creation and operation of special auto theft strike forces composed of state investigators, legal specialists, and vehicle examiners operating on a multi-state basis.

(j) The limitation of S.B. 1214 provisions to those motor vehicles or motor vehicle parts moving or engaged in interstate commerce, thereby preserving the state-federal jurisdictional distinctions.

Gentlemen, I have used up the allotted time for my direct testimony. I welcome your questions on this matter.

SUMMARY OF TESTIMONY

S.B. 1214 is an inappropriate remedy to attack the problem of commercial auto theft in the following particulars:

(1) Labeling of major component vehicle parts by auto recyclers is a logical step by the Department of Transportation which will be not only overly burdensome to the industry but also of little investigative value to the auto theft investigator; (2) Section 510 and 511 disallow lawful state activity as a legal defense to VIN removal alteration or removal, and thus effectively repeal state law; (3) Section 510 and 511 may dangerously expand traditional federal authority beyond vehicles moving in interstate commerce, thus jeopardizing state regulation of motor vehicles; (4) S.B. 1214 fails to define the subject matter of its provisions; to-wit "motor vehicle"; (5) the provisions of S.B. 1214 are not enforceable by state officers, thereby not offering assistance to those persons presently combating commercial auto theft; (b) enforcement of S.B. 1214 is lodged with Federal Bureau of Investigation, whose manpower is already overtaxed, and whose traditional focus on commercial auto theft has been minimal, and (7) S.B. 1214 fails to address the major problems of salvage switch, insurance fraud and financial fraud in commercial auto theft operations.

Proposed amendments to S.B. 1214 to correct these deficiencies will be offered by the witness. Additionally, needed remedies to combat the more serious problem of salvage switch and fraud will be offered by the witness. These will include but not be limited to, the exclusion of auto recyclers from VIN labeling programs, the funding of special, multi-state auto theft strike forces, and limiting the jurisdiction of S.B. 1214 to those vehicles and vehicle parts moving or engaged in interstate commerce.

SUGGESTED QUESTIONS

1. You have stated that the Secretary of Transportation "must logically include salvage yard operators" in the VIN placement program for marking major component parts. Isn't this an exaggerated interpretation?

2. Wouldn't having the major component parts labeled with the VIN reduce the rate of vehicle thefts, since a thief will be less disposed to stealing a vehicle or part which can readily be identified?

3. What terms used in the legislation are, in your opinion, vague and confusing as a result of their lack of definition?

4. It is unquestionably true that organized crime has become involved in commercial auto theft operations, with resulting reported instances of murders, extortion schemes, and heavy volumes of stolen parts crossing interstate lines. How would your proposed solutions or amendments to this legislation eliminate organized crime's involvement with auto recyclers? Wouldn't S. 1214 guard against such involvement by organized crime?

5. The Automotive Dismantlers and Recyclers Association (A.D.R.A.) has openly supported S. 1214, if not participating or assisting in its drafting. Isn't your opposition not in harmony with the majority of A.D.R.A. members?

6. Many of your recommended amendments to S. 1214 would exclude scrap metal processors, auto demolishers and auto parts recyclers from coverage under this legislation. How is such exclusion justifiable?

7. Apart from your proposals for amendments to this legislation what activities at the state level would effectively combat commercial auto theft? Please specify.

8. If parts are numbered, then it is obvious that a purchaser can easily determine whether the purchased part is stolen or not. If the part is not numbered, then how would you be able to determine whether the part is legal or illegal to purchase?

PREPARED STATEMENT OF FRANK L. VOGT

My name is Frank L. Vogt, III, I am general manager of Vogt's Auto Parts Recyclers of Finksburg, Maryland, a company which sells used auto and truck parts. In addition, I am President Elect of the Maryland Auto and Truck Recyclers Association. The Association represents one hundred twenty five auto parts recyclers in the State of Maryland, or 75% of all auto parts recyclers in the state. I also represent two circuit line communication networks which cover 7 states.

During the past few years, the used auto and truck parts industry has become a highly professional, progressive industry. We provide affordable used auto parts to: new car dealers, used car dealers, body shops, service repair shops, auto and truck fleets, the Maryland State Highway Administration, the Maryland State Police and the motoring public.

By salvaging and recycling used automotive parts, we save the United States an estimated 80,000,000 barrels of oil a year which would otherwise be used in the manufacture of new automotive parts. While other industries tax our nation's dwindling supply of energy, the automotive dismantling and recycling industry continues to conserve. We conserve energy. Oil, metal resources, manpower, time. We contribute to the community and to the country. We are a national resource.

Today, we find ourselves faced with a tremendous and destructive problem—Auto Theft.

As legitimate businessmen and women, we dismantlers and recyclers find we cannot compete with the "low prices" offered by "chop shops" and others who traffic stolen parts. Business is booming for our "competitors." In recent years, Maryland has become a dumping ground for the remains of "hot" cars. Also, just last March, a heavy equipment theft ring was uncovered in Garrett County.

I am not only concerned as a businessman, but as a consumer as well. Auto theft increases the amount I must pay in taxes and in car insurance premiums. For instance, up to 20% of my State Farm auto insurance premium is paid to auto theft coverage. This amount can only increase as the rate of auto theft continues to skyrocket all over the country and in Maryland as well.

My customers, Carroll County residents, are reluctant to buy used auto parts. Auto thieves have received so much press coverage that the general public is reluctant to support even legitimate parts dealers. The auto thief smears the public image of our industry. He threatens our very livelihood.

The auto theft problem can only get worse unless we act now. The Maryland Auto and Truck Recyclers Association and the two communication circuits that I represent believe that passage of the Motor Vehicle Theft Prevention Act of 1979 would be a major step forward in the fight against auto theft. The state trade association has endorsed the Motor Vehicle Theft Prevention Act and has pledged

to support other measures to curb auto theft. In fact, the By-laws of our State Association contain provisions for the "termination of membership" for those who have been convicted of auto theft crime.

The two communications networks of parts recyclers have also pledged not to knowingly deal in stolen parts.

The passage of this auto theft measure will protect the existence of our businesses and will enhance the pride and the integrity of a respectable industry.

As a small businessman, and on behalf of the auto parts recycling industry in Maryland, I would like to thank you, Senator Mathias, for your sincere interest in seeking a solution to the auto theft problem. I do hope that you, in your wisdom, will help us with this industry problem.

Senator MATHIAS. The second panel, Mr. Weglian, Mr. Johnson, Mr. English and Mr. Hegarty.

Gentlemen, as I indicated at the outset, your statements will be included in full at the conclusion of your oral presentation.

PANEL OF LAW ENFORCEMENT OFFICIALS:

STATEMENTS OF STEVE WEGLIAN, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE; THEODORE JOHNSON, DIRECTOR, COALITION TO HALT AUTO THEFT; SGT. SCOTT ENGLISH, MARYLAND STATE POLICE, AND FOUNDER, AUTO THEFT INVESTIGATION UNIT, AND EDWARD D. HEGARTY, SPECIAL AGENT IN CHARGE, BALTIMORE DIVISION, FBI

Mr. WEGLIAN. Mr. Chairman, my name is Steve Weglian. I will rest on the statement the Department has prepared and submitted.

I would just like to make these additional points based on the few questions that have been asked.

Federal preemption. The only area of Federal preemption in this bill, of any consequence, is in terms of the State authority over the manufacturing of the motor vehicle in the sense that manufacturers want one standard to comply with in terms of vehicle security.

They do not want to be faced with the situation where they have to produce a separate car for the State of Ohio, Maryland, Virginia and so on, because each State has a different security standard.

In fact, right now, no State really has a security standard, and only two or three States require numbers on the motors and the transmissions.

So, in reality there will be very little preemption because—
Senator MATHIAS. Preemption really will affect Detroit.

Mr. WEGLIAN. Exactly, Senator.

The main purposes of the bill are clearly set forth by just the names of the various titles of the bill. Title II is aimed at slowing down the thief, making it more difficult to steal the car, and putting numbers on the parts so that you can curb the fencing of the stolen vehicle on parts after the vehicle has been stolen which is title III of the bill.

Title IV hopes to cut down the exportation of stolen vehicles outside of the country by giving the U.S. Customs Service a mandate in this area.

Title V concerns the theft of "off-highway" vehicles which is growing in importance because of its cost to business and the consumer. There is need for some Federal review in this area.

Thank you, Senator.

Senator MATHIAS. Mr. Hegarty.

Mr. HEGARTY. I, as special agent in charge of FBI operations in the State of Maryland, welcome this opportunity to testify concerning the FBI's role in professional automobile theft along the eastern corridor and to furnish our views on the impact of the Motor Vehicle Theft Prevention Act of 1979.

The FBI's attention is drawn to this regional problem for several reasons:

First, car thefts nationally are on a dramatic upswing. Uniform crime reports figures for the first 9 months of 1979 show an 11-percent increase over 1978 figures for the same period in reported thefts.

As this rate, this year's losses traceable to vehicle thefts will be approximately \$3.5 billion.

Second, the upswing is a trend. Since 1967 when optional antitheft devices were first placed on automobiles, the rate of car theft has increased at an average of 4 percent per year, from 1967 through 1978. But this increase is only one factor in this trend. There has also been a large reduction in the vehicle recovery rate—9 of 10 in 1967, as compared to 6 of 10 today.

Together, these changing statistics indicate widespread renumbering, retitling, and resale of stolen vehicles. They also point out the growth of a new kind of criminal operation called the "chop shop" in which vehicles are disassembled for the purpose of selling their component parts.

Third, we have reason to believe that organized crime has taken over part of the "chop shop" industry. If it remains a lucrative business, these criminal groups will attempt to establish even more control.

Centering our view to the State of Maryland, we note approximately 17,000 vehicles have been reported stolen in the State each year for the past 3 years.

However, recovery rates on these vehicles has been approximately 80 percent; whereas, Baltimore City, the largest city in Maryland, reported approximately 6,000 vehicles are stolen each year with a recovery rate of 90 percent.

As it concerns the FBI's investigative emphasis on this regional crime problem, we note 482 commercialized auto theft cases, including chop shop matters, have been opened and investigated by the FBI in the past year: along the eastern coast from the New York City area to the Alexandria, Va., area. Some of this traffic flows through Maryland.

The FBI has specific jurisdiction over interstate vehicle theft, but in recent years, in accordance with Department of Justice guidelines and instructions, we have redirected our resources more to professional ring cases.

We observe these ring operations are not limited only to major cities or large metropolitan areas, but our investigators have found such illegal activity even in the smallest locales along the eastern corridor.

The present view of the FBI is that in areas of concurrent jurisdiction, the FBI ought to do those things that the local law enforcement agencies cannot do at all, or cannot do as well, or to assist local agencies and cooperate with them in a number of mutually beneficial ways.

Now the Dyer Act created a large area of jurisdiction when it was enacted. It received for many years an increased amount of FBI

attention, and we point with a good deal of pride to the recovery and savings. But today with the expanding criminal enterprise, the sophistication of white collar crime and the challenges in foreign counterintelligence, it has been necessary for the FBI to concentrate primarily in these priority areas, and that has meant some pulling away from the individual car cases and other cases of lesser priority.

Placing this type of investigation in perspective, only .6 percent of our total special agent manpower are assigned to these investigations in this eastern coast territory.

This reflects the heavy emphasis we are placing on investigations designated by the Department of Justice as priority I. They are white collar crime, organized crime, and foreign counterintelligence.

Automobile theft is a phase of our general property crimes program, and this has been assigned a priority II status.

We say this because the other mandated responsibilities make it very difficult to shift present investigative resources into automobile theft matters in any significant way.

One answer to this problem on the part of the Federal Government is the Motor Vehicle Theft Prevention Act of 1979. It promises to give the FBI a valuable new tool in combating vehicle thefts and will make us more effective with the resources currently available.

By giving the Secretary of Transportation regulatory authority to issue standards that would require new antitheft devices, new cars would be less vulnerable to theft. This could reduce casual thefts and allow us to concentrate even more on the ring-type operations and organized chop shop enterprises.

If, as proposed, this same regulatory authority were used to order the placement of vehicle identification numbers on the major components of new cars, the chop shop operations could no longer deal in unnumbered, untraceable parts. And although removal of the number might conceal the vehicle's origin, this itself would draw suspicion.

As you know, along with the new requirement to number the major components, the statute would make it a Federal crime to remove or alter such a number. It would make it a Federal crime to traffic in motor vehicles or motor vehicle parts that have had required numbers removed or altered.

And, it would give us the power to seize and possibly cause the forfeiture of vehicles or component parts where numbers have been removed or altered.

These new prohibitions center directly on the activities of the chop shop operations, and they would give us productive new investigative avenues to bring these operations to a halt.

But, as important as any of these new elements, is the requirement to amend the RICO or racketeer influenced and corrupt organizations, statute, to classify trafficking in stolen motor vehicles and their parts as racketeering activities.

We know that organized crime has entered the auto theft business because it is extremely profitable and yet relatively risk free. RICO prosecutions will greatly increase the risks to chop shop operators.

For the first time, they will face heavy fines, heavy prison sentences, and possible forfeiture of their criminal enterprises. This will discourage some, and it will allow us to hit many of the others hard enough to bring this situation under control.

For all of these reasons, Mr. Chairman, the FBI supports this proposal and would be pleased to see it enacted.

If the members of the committee have any questions at this time, I will be happy to answer them.

Senator MATHIAS. I have several questions for you, but let me hear from the other members of the panel.

Mr. ENGLISH. I am Sergeant Scott of the Maryland State Police. I am presently assigned to criminal investigation section, Hagerstown.

I am also the first vice president of the Association of Auto Theft Investigators.

I have been a member of the auto theft unit of the Maryland State Police for approximately 8 years. I had the opportunity to investigate many different types of vehicle thefts and related cases.

I don't have enough time today to go into each specific type. The Maryland State Police is continuing its efforts to prevent and protect and detect crimes of vehicle theft.

Since 1971, when I became involved in vehicle theft investigations, I have seen thefts where the entire unit or vehicle has been stolen, the serial number or VIN removed from a salvaged or wrecked vehicle, placed on a stolen unit and resold to the unsuspecting public.

In the past 5 years we have seen a decrease in this type of criminal activity, and with the upturn of inflation, vehicles now being stolen and then disassembled for parts.

We began to hear the term "chop shop." Vehicles are literally chopped up and major component parts sold on the open market, most times at wholesale or below prices.

These parts are almost always unidentifiable. As the manufacturers increase their prices for parts and new vehicles, criminals realize the profit to be made in the parts business, with little or no risk.

Stolen parts are not only sold locally, but they are shipped great distances, in some cases, out of country to foreign markets.

If this legislation is enacted, it could be a deterrent in these types of cases.

I wish to go on record supporting the concept of Senate bill 1214 or the Theft Prevention Act of 1979.

This legislation is greatly needed. Vehicle thefts are increasing at an alarming rate. In 1979, the State of Maryland had a 2,650 vehicle theft increase over 1978. The figure was 20,243.

Not only are total thefts increasing, but recoveries are decreasing. In my opinion, based on investigations with other police and related agencies, this decrease is due to theft for parts or the chopping of vehicles.

With each vehicle stolen valued above \$2,000, it is not difficult to see the enormity of the problem to the public and to law enforcement.

I cannot overemphasize the importance of this legislation. It is needed. Make no mistake about it. It is not perfect legislation. It will not stop vehicle thefts, but it will help.

As I stated before, the Maryland State Police can and does support the concept of the bill. However, I do question the enforcement of this provision.

If the FBI or other Federal agencies won't enforce it, how can the States enforce it with Federal law?

How can States help in its enforcement?

I do not feel one agency can act alone. The States as well as the State of Maryland have enacted legislation in the past few years in the field of vehicle theft. Some of these have been susceptible from all reports.

Maryland was one of the first States to enact a salvage title bill. This law required the inspection of police of all rebuilt vehicles before a new title was issued.

We in this State saw a decrease in the replated thefts after legislation was passed.

I only bring this to the committee's attention to show how a concerted effort could be useful in combating vehicle thefts.

In order to effectively combat the problem we must participate and coordinate our efforts. Legislation, both Federal and State, law enforcement, motor vehicle administrators, insurance companies, wreckers, and vehicle manufacturers and the courts must all work together to solve the problem.

In closing, I urge passage of Senate bill 1214.

Senator MATHIAS. Thank you.

Mr. JOHNSON.

Mr. JOHNSON. My name is Ted Johnson. I am here representing the Coalition to Halt Automotive Theft. The coalition is a relatively new organization which was assembled this past fall for the sole purpose of supporting this legislation and the enactment of it in the Congress.

Therefore, because of the bill's importance, we urge that you consider this measure promptly and that you report it favorably from committee to the Senate at the earliest possible date.

There are presently 16 members in the coalition. I won't name them now. They are included in my statement. They are drawn however from three areas, the automotive services industry, the insurance industry, and associations of law enforcement officials.

We are today offering for your consideration some proposed amendments to S. 1214 which we are proposing principally to remove some unintended ambiguity and—ambiguities, excuse me, with the bill's language. A note that some of these will go a long way—

Senator MATHIAS. One of the reasons we have public hearings because those problems do arise in the legislative process. This is the time to raise them.

Mr. JOHNSON. Some of these will go a long way to allaying some of the concerns and fears that were raised earlier.

Finally, I would note that this bill attacks the problem of automobile theft in two, wisely two related ways.

First, it provides the tools that law enforcement authorities need to identify, arrest, successfully prosecute, and punish the criminal.

Second, and just as important, it strikes at the crime itself by diminishing its profitability to the criminal, and therefore his incentive to commit the crime in the first place.

We urge your favorable consideration of this bill, Senator.

Thank you for the time.

Senator MATHIAS. First of all, I have a series of rather technical questions for Mr. Weglian. I am going to propose to submit those to him in writing and ask him to respond in writing.

Mr. WEGLIAN. That will be fine, Senator.

Senator MATHIAS. I will direct that will be made a part of the dialog.

Let me then turn to Mr. Hegarty. In your statement you note that the Baltimore recovery rate is about 90 percent, which is about 10 percent better than the national average. I am delighted to hear it.

Why do you think it is that way?

Mr. HEGARTY. I can't say with any degree of absolute certainty what the reason for that is, Senator Mathias. I think that in Baltimore City the great percentage of motor vehicle thefts are done by amateurs, as opposed to professionals. There is a very substantial amount of joyriding.

I think in the area of 50 percent of vehicle, motor vehicle thefts in the city of Baltimore, are committed by juveniles.

I would have to consider the strong possibility that the statistical figure of 90 percent may result from the fact that there is no sophisticated chop shop operation in the Baltimore City area.

A third reason would be probably the small geographical area that is encompassed by the city of Baltimore, as compared to the rest of the State of Maryland, which would enable the law enforcement authorities in the city of Baltimore to detect the stolen vehicles more readily because they come in contact with vehicles in the smaller geographical area, more often than you would in a rural area.

Mr. ENGLISH. Senator, I think I could answer that question. In most jurisdictions that I am familiar with not only in the State of Maryland, but also outside the State of Maryland, when a motor vehicle is stolen it becomes a statistic. It is usually identified by the VIN and the serial number.

If that vehicle is subsequently recovered, stripped of all its major component parts such as engine, transmission, door, front-end assembly, if that vehicle can be identified by law enforcement as being a certain particular vehicle, that is considered a recovery.

We are not seeing the true picture when we say a vehicle was stolen and a vehicle was recovered. Within the last several years the Maryland State Police would keep statewide crime statistics, have started keeping a dollar value.

I do know in 1978, the dollar value of vehicles stolen in the State of Maryland against what was recovered was like about 59 percent where the dollar value was recovered. Now we did not break that down into specific vehicles, strictly on a dollar amount.

But I think when you are talking about stolen rates and recovery rates, we are not seeing the true picture. If the vehicle is worth \$4,000, and it is recovered and worth \$500, as far as law enforcement is concerned, it is a recovery, but it is a total loss.

I think probably that is why you see the figures in the Maryland area.

Senator MATHIAS. Let me ask you this question. What should the average citizen do to reduce his exposure to this kind of loss? What would you advise?

Mr. ENGLISH. Yes.

Senator MATHIAS. Take the key out of the ignition, number one.

Mr. ENGLISH. Right. At one time the theft rate with keys left in the ignition was over 40 percent. But due to several civic organizations and several police departments within this State put on drives called

"Lock your car and pocket your key," drives. That figure has dropped significantly.

Senator MATHIAS. Do you think that is the result of the educational program?

Mr. ENGLISH. Right. If a thief wants that car bad enough, he is going to get it regardless of whether you have the key, it is locked up, or what. Thieves do like special type vehicles too. Some manufacturers' vehicles are not taken, you know, the percentage is very low, others are very high.

Senator MATHIAS. Mr. Hegarty.

Mr. HEGARTY. Senator, the existing locking mechanisms on cars are not going to be any deterrent to the professional car thief.

Senator MATHIAS. This demonstration made that clear, Mr. X made that clear.

Mr. HEGARTY. Yes, sir. I still think it is very, very good advice when you leave your car, abandon your car, leave your car, walk away from it, not to leave the keys in the ignition and to lock the car and keep the windows rolled up.

The great bulk of car theft activity is done by juveniles, and often-times an adult criminal career begins with the first theft of an automobile. We should try to deter it as best we can.

Senator MATHIAS. Let me ask Mr. Johnson whether the numbering system proposed in this legislation is going to increase the cost of manufacture significantly?

Mr. JOHNSON. The manufacturers themselves are the ones that are addressing that question, and can best address that question. They have, however, testified that the cost of the numbering will be nominal, very nominal, compared to the total cost of an automobile and the cost of manufacturing that automobile.

I would like to point out, if I may, that that cost in the price of a new car, let's say it is \$5 or less, over the life of a car, that small investment could recoup a much larger saving in insurance premiums paid by each individual motorist. It is a good investment.

Senator MATHIAS. Do you see that this legislation would be of benefit to the consumer?

Mr. JOHNSON. Very definitely.

Most directly, in terms of all of us as consumers, in terms of lower insurance premiums or at least some pressure in this age of inflation to drive premium costs down.

Second, for the individual who as the consumer runs the threat of having his own vehicle stolen and has to live under that threat, this bill will be a help.

Senator MATHIAS. Does counsel have any questions for this panel?

Mr. FAY. No, sir.

Mr. OMAN. No, Senator.

Senator MATHIAS. Let me ask you this final question, Mr. Johnson. Why are the members of your coalition who have rather differing interests, I won't say conflicting, but at least different interests, why have they gotten together and supported this particular legislation?

Mr. JOHNSON. Self-interest, Senator Mathias. On the one hand; the law enforcement community needs better tools to attack this problem. They believe this bill will do it. The automotive services

industry wants to clean up their industry. They don't like competing with illegitimate businesses, sometimes unfairly.

Third, the insurance industry, the third major component group of the coalition is very cognizant of the answer I just gave to my previous question that you asked me, that is, that this bill, if enacted and effected, will be a pressure, will provide pressure to keep the cost of insurance down.

That also all coincides with the consumer interests, Senator.

Senator MATHIAS. I said that was the last question, but it is hard to choke these things off when you get on an interesting subject. But in the last panel the question was raised as to whether or not the States were capable of taking further action which would deal with this problem without Federal intervention.

Is there anything that any of you would recommend that States do that might relieve the Federal Government of the necessity for further action?

Mr. Weglian.

Mr. WEGLIAN. Well, Senator, I don't believe there is anything the States can do that would relieve the Federal Government of doing what this bill calls for. The States do have a mandate here and a necessity to deal with improvements in their vehicle titling laws and laws relating to controls over vehicle salvage.

The State of Ohio and several States are considering legislation to put identification numbers on the parts. What that means is that Detroit might be confronted with different laws in five different States. I think that there is more of a national interest there.

But the States, I would say many States, at least 20 States right now in the last 3 or 4 years have actively begun serious reviews of their laws relating to vehicle titling and their controls over vehicle salvage. We are all in favor of this because it is basically the States' area of responsibility. We look for voluntary and cooperative action here.

At this time, Senator, in the last couple of years, we have begun to see some movement here which we hope that will continue.

Senator MATHIAS. Does anybody else want to give advice for the states?

Mr. ENGLISH. Only in the way of manpower. We have the same problem and titling.

Senator MATHIAS. Uniformity of titling provisions would be helpful?

Mr. ENGLISH. Yes. I think we have been trying to work on a uniform title now for 15 years. They still haven't half of the States' agreement on what type of title they are going to have, and also, the State police, we have a manpower problem just like the FBI. Auto theft is a low priority item.

Senator MATHIAS. As I said earlier, trying to get the States to enact uniform legislation is very often like trying to get a bunch of cows into a barnyard and get them all headed in the same direction. It doesn't happen overnight.

Do you feel, Sergeant English, that this legislation as you understand it, as it is presently written, would be helpful to you?

Mr. ENGLISH. Definitely. Definitely. As far as I am concerned, the two major parts of this bill are the part, No. 1, of having the

manufacturers' mark on the major component parts, with a VIN or similar system.

No. 2, which has not been really discussed today, but the forfeiture if you don't comply. And believe me, the forfeiture part in this proposed bill will hurt the thief where it hurts most, in the pocketbook.

The State of Maryland does have a State law right now prohibiting any manufactured article that indicates a serial number, to possess it with that serial number removed. We do confiscate, but it has never really been tested.

Senator MATHIAS. Mr. Weglian.

Mr. WEGLIAN. Senator, the criminal provisions in this bill are in title III. It has been our experience in the past that generally states, when there is a national effort, will pass laws that are similar to a major new Federal criminal statute if they have similar serious problems in their state.

Senator MATHIAS. It becomes a model.

Mr. WEGLIAN. It becomes a model, that is right.

The other thing is, we have to realize that 30 States—over 30 States right now Senator, already make it a State crime for any person to remove the manufacturer's serial number. So we are not breaking new ground in this.

Senator MATHIAS. Gentlemen, we are very grateful for your being here. Your testimony is very helpful. Mr. Weglian, we will propound questions to you in writing to be answered for the record.

Mr. WEGLIAN. Fine, Senator.

[The prepared statements of Messrs. Weglian, Johnson, and Hegarty follow.]

PREPARED STATEMENT OF STEPHEN M. WEGLIAN

My name is Stephen M. Weglian, and I am an attorney in the General Litigation and Legal Advice Section of the Criminal Division of the United States Department of Justice in Washington, D.C. It is a pleasure for me to appear before you today both as a representative of the Criminal Division and also of the Federal Interagency Committee on Auto Theft Prevention. We commend Senator Charles McC. Mathias, Jr. and the staff on this Subcommittee for their dedication in holding this hearing on one of the most important crime prevention measures presently before the Congress.

Motor vehicle related theft is a serious national crime problem. Thefts of the motor vehicle, its contents and its accessories accounted for over 45 percent of all larcenies reported to law enforcement in 1978. The combined costs to the public attributable to these thefts approached \$4 billion in 1978. Of course, all of us as consumers and taxpayers must bear the costs of these vehicle related crimes. Motor vehicle theft has over the past decade evolved more and more into a professional crime. While juveniles arrested for motor vehicle theft still constitute more than 50 percent of those arrested, the juvenile participation rate has been declining. In fact, the solution rate itself for motor vehicle theft has declined from 24.3 percent in 1967 to 16.3 percent in 1978. This represents a decline of 33 percent. Moreover, the value recovery rate of 86 percent of all stolen motor vehicles in 1967 has dropped to 61 percent in 1978. These statistics clearly indicate that professional thieves have increasingly entered into the stolen motor vehicle area of crime. Especially alarming is that the initial crime reports for 1979 show a national increase in motor vehicle theft of 11 percent over 1978. Some cities experienced increases of over 25 percent in 1979. The increase is reflected in all geographical areas: north, south, east, west, urban, suburban and rural.

The motor vehicle theft problem is a very complex one to which there is no single or quick solution. Thoughtful analyses by concerned individuals during the past few years show that many diverse entities, both in the private and public sectors, have to modify to some extent their current practices in order to bring this costly problem under control. The insurance industry, motor vehicle manufac-

turers, and motor vehicle dismantlers and recyclers, to name but three, are being asked or required to make various changes in their operations. Many states including New York, Illinois, Michigan, Massachusetts, Ohio, Utah, Connecticut, Texas, Virginia, Iowa, Arizona, Florida, Kentucky, Rhode Island, Indiana, as well as others, have recently examined or are presently examining their laws concerning the titling of motor vehicles and the controls over the disposition of vehicle salvage. There can be little doubt that spreading across the nation is a realization that there must be adequate, but reasonable controls over vehicle salvage in order to curtail the market for stolen motor vehicles and parts. The broad-based and cooperative efforts being undertaken in the states mentioned above is a wonderful example of the principle of "Federalism" working at its best.

While the states, private industry, and individual vehicle owners all have their responsibilities, the federal government also has the obligation to do those things which are appropriately within the responsibility of the national government. The various provisions of S. 1214 reflect those areas where the Federal Government can contribute its fair share to this fight.

In March 1975 the Federal Interagency Committee on Auto Theft Prevention was created. It is co-chaired by the Department of Justice and the Department of Transportation. Representatives on the Committee come from three other Federal Departments—Treasury, State, and Commerce—and include such agencies as the National Highway Traffic and Safety Administration (NHTSA), the Federal Bureau of Investigation (FBI), the Law Enforcement Assistance Administration (LEAA), the Census Bureau and the United States Customs Service. The Committee has these basic goals:

1. The installation of improved locking systems for motor vehicles.
2. Improvements in motor vehicle titling and controls over vehicle salvage.
3. Better vehicle and component part identification.
4. Establishment of export controls and recovery of stolen vehicles from foreign countries.
5. Better coordinated law enforcement.
6. Increased citizen participation against motor vehicle theft.

With the Committee's support and through its efforts, several significant actions either have been taken or are presently being undertaken. These include:

1. A National Workshop on Auto Theft Prevention was held in New York City during October 1978.
2. The Department of Justice is in the process of revising its prosecutive guidelines for interstate motor vehicle theft offenses.
3. A revised treaty with the Republic of Mexico on the return of stolen motor vehicles is being negotiated.
4. The National Committee on Uniform Traffic Laws and Ordinances adopted in August 1979 changes to the Uniform Vehicle Code (UVC), which serves as the model state code for vehicular matters, relating to vehicle titling and controls over vehicle salvage which had been suggested by the Interagency Committee.

The Interagency Committee also helped draft and submit to Congress the predecessor of S. 1214 in the 95th Congress (S. 3531).

The Department of Justice supports the enactment of S. 1214. We are in agreement with the section-by-section analysis of S. 1214 as set forth with its introduction. We do have three specific suggested changes to Title II of the bill which are set forth in Appendix I. We feel these changes will make the bill more workable. In addition, we have seen other various draft changes to Titles II and III of the bill. We agree with most of these suggested changes but withhold our formal endorsement until we have seen their precise language. We do acknowledge the need to include several specific exceptions in Sections 301 and 304 of the bill to remove from their coverage the legal and/or accidental destruction of the identification numbers on motor vehicles and motor vehicle parts. We also feel it would be advantageous to incorporate by reference the definition of motor vehicle in section 102 of the National Traffic and Motor Vehicle Safety Act of 1966 (15 U.S.C. 1391) for proposed sections 510, 511, and 2319 of title 18, United States Code. We will gladly work with the staff of this Subcommittee on the actual language to accomplish such changes.

We favor the retention of Section 502 of the bill which calls for a report by the Attorney General on the "off-highway" vehicle theft problem. The recent segment on the TV show "60 Minutes" more than adequately demonstrates the need for this study. It should be noted that Title IV of the bill does contain provisions which will give the U.S. Customs Service authority to help curb the exportation of stolen "off-highway" vehicles as well as other self-propelled vehicles.

In conclusion we believe this legislation is beneficial to the American public.

APPENDIX I

There are three areas in Title II of S. 1214 where we would recommend change. They are:

1. Section 202(b)(2) and (3) state that the Secretary of Transportation must take into account in the proposed and final standards certain specific ongoing technological developments. While we believe that the specific technological areas cited should be fully considered, we are apprehensive that focusing the rulemaking process by statute on specific technology could predetermine the results and undermine the whole program. Accordingly, we recommend that section 202(b)(2) be amended to read:

"(2) the proposed rules concerning the prevention of the unauthorized starting of the motor vehicle and the theft of motor vehicle parts shall take into account ongoing technological developments."

Section 202(b)(3) should then be deleted and paragraph "(4)" should be renumbered paragraph "(3)". The specific technological areas presently cited could then be set forth in the section-by-section analysis of the bill. This approach would accomplish the purposes of the provision without unduly prejudicing the rule-making process.

2. In Section 202(a) of the bill there is reference to several specific groups with which the Secretary must consult closely in exercising his authority. While each of the specific groups mentioned should be consulted there are undoubtedly others. Accordingly, we recommend that Section 202(a) be amended to read in relevant part:

"... the Secretary shall consult closely with the Attorney General, the law enforcement community, the insurance industry, the motor vehicle manufacturers, and any other groups and individuals interested in or affected by the motor vehicle theft problem."

Of course, the specific groups now listed as well as other equally capable groups could be set forth in the section-by-section analysis of the bill.

3. Finally, we believe in the section-by-section analysis of Section 201 of the bill it would be advisable to use appropriate language to show that the cost/benefit analysis that the Secretary must make is one of judgment and that an absolute conclusiveness for his determination is not required, if such were indeed possible, in such an area where the various contributing factors to motor vehicle theft are not humanly controllable and are constantly changing.

PREPARED STATEMENT OF THEODORE W. JOHNSON

I am Theodore W. Johnson, the executive director of the Coalition to Halt Automotive Theft. We very much appreciate the opportunity to appear before you today.

The Coalition to Halt Automotive Theft was organized this past fall for the sole purpose of supporting the enactment of the Motor Vehicle Theft Prevention Act of 1979, S.1214, the bill under your consideration today. Because of its importance, we urge that you consider this measure promptly and that you report it favorably from Committee to the Senate at the earliest possible date.

We are also offering some amendments to S.1214 which the Coalition proposes principally to remove some unintended ambiguities with the bill's language. We will be happy to discuss these with you or with staff if you wish. I stress that the amendments are largely of a technical nature.

The Coalition presently consists of 16 members, affiliates and advisors, drawn principally from three areas: the automotive services industry, the insurance industry and associates of law enforcement officials. The active members and affiliates of the Coalition are: Academy Auto Parts; American Insurance Association; Automotive Dismantlers and Recyclers of America; Automotive Service Councils, Inc.; Chesterfield Auto Parts Company; Commercial Union Assurance Co.; Government Employees Insurance Company; Greater Cleveland Crime Prevention Committee; International Association of Auto Theft Investigators; International Association of Chiefs of Police; National Association of Independent Insurers; Nationwide Insurance Companies; New York/New Jersey Anti-Car Theft Committee; State Farm Mutual Automobile Insurance Company and the Washington Metropolitan Auto Body Association. The National Auto Theft Bureau acts as an advisor.

I want very briefly to underscore the need for this legislation. The problem of motor vehicle theft has been fully documented in earlier hearings. The one indisputable fact that emerges is that law enforcement presently lacks adequate tools and the authority to attack this growing criminal problem effectively. This bill provides a remedy—new tools and expanded authority are made available to law enforcement officials. And, I must say, it is long overdue.

As we have learned, auto theft is not a nickel-and-dime crime. Accordingly, the Motor Vehicle Theft Prevention Act provides the means to attack the crime in a major assault. I stress that this bill is directly aimed at cracking down on the major auto theft operations, especially those with links to organized crime.

Wisely, the bill does this in two related ways: first, it provides the tools law enforcement authorities need to identify, arrest, and successfully prosecute and punish the criminal. Second, and just as important, it strikes at the crime itself by diminishing its profitability to the criminal and, therefore, his incentive to commit the crime in the first place.

The permanent numbering of major component automotive parts and the stringent penalties for altering or removing the identification number which this bill requires will work to put the car thief and chop shop operator out of business. It will, in effect, dry up the market for stolen parts, just as the numbering of engines and transmissions has already made those parts worthless to the thief. In fact, they are more than worthless, they are a liability to the thief, because the numbered parts in his possession can be legally identified and can tie him clearly to the crime.

Removing the profitability of the motor vehicle theft, strengthening criminal penalties, providing new tools and expanded authority to law enforcement—these are the objectives of the Motor Vehicle Theft Prevention Act. We believe that this bill addresses those objectives forthrightly and in a strong, aggressive fashion.

The Coalition to Halt Automotive Theft urges your prompt and favorable action on the Motor Vehicle Theft Prevention Act of 1979. The affiliates of the Coalition, our advisors and I stand ready to assist you and your staff in any way we can.

Thank you for the opportunity to present testimony today.
I will be happy to answer any questions you have.

PREPARED STATEMENT OF EDWARD D. HEGARTY

We welcome this opportunity to testify concerning the FBI's role in professional automobile theft along the Eastern corridor and to furnish our views on the impact of the Motor Vehicle Theft Prevention Act of 1979.

The FBI's attention is drawn to this regional problem for several reasons: First, car thefts nationally are on a dramatic upswing. Uniform Crime Reports figures for the first nine months of 1979 show a 11 percent increase over 1978 figures for the same period in reported thefts. At this rate, this year's losses traceable to vehicle thefts will be approximately 3.5 billion dollars.

Second, this upswing is a trend. Since 1967 when optional antitheft devices were first placed on automobiles, the rate of car theft has increased at an average of 4.0 percent per year from 1967 through 1978. But this increase is only one factor in this trend.

There has also been a large reduction in the vehicle recovery rate—9 of 10 in 1967 to 6 of 10 today. Together, these changing statistics indicate widespread renumbering, retitling, and resale of stolen vehicles. They also point out the growth of a new kind of criminal operation called the "chop shop" in which vehicles are disassembled for the purpose of selling their component parts.

Third, we have reason to believe that organized crime has taken over part of the "chop shop" industry. If it remains a lucrative business, these criminal groups will attempt to establish even more control.

Centering our view to the State of Maryland, we note approximately 17,000 vehicles have been reported stolen in the state each year for the past three years. However, recovery rates on these vehicles has been approximately 80 percent; whereas Baltimore City, the largest city in Maryland, reported approximately 6,000 vehicles are stolen each year with a recovery rate of 90 percent.

As it concerns the FBI's investigative emphasis on this regional crime problem, we note 482 commercialized auto theft cases, including chop shop matters, have been opened and investigated by the FBI in the past year along the eastern coast

from the New York City to the Alexandria, Virginia, area. Some of this traffic flows through Maryland.

The FBI has specific jurisdiction over interstate vehicle theft, but in recent years, in accordance with Department of Justice guidelines and instructions, we have redirected our resources more to professional ring cases. We observe these ring operations are not limited only to major cities or large metropolitan areas, but our investigators have found such illegal activity even in the smallest locales along the Eastern corridor.

The present view of the FBI is that in areas of concurrent jurisdiction, the FBI ought to do those things that the local law enforcement agencies cannot do at all, or cannot do as well, or to assist and cooperate in a number of ways, such as the NCIC system in helping them specifically in this case to locate stolen cars. The Dyer Act created a large area of jurisdiction when it was enacted. It received for many years an increased amount of FBI attention, and we point with a good deal of pride to the recoveries and to the savings, but today with the expanding criminal enterprise, the sophistication of white collar crime and the challenges in foreign counterintelligence, it has been necessary for us to concentrate primarily in these priority areas, and that has meant some pulling away from the individual car cases and other cases of lesser priority.

Placing this type investigation in perspective, only .6 percent of our total Special Agent manpower are assigned to these investigations in this territory. This reflects the heavy emphasis we are placing on investigations designated by the Department of Justice as Priority I. They are White Collar Crime, Organized Crime, and Foreign Counterintelligence. Automobile theft is a phase of our General Property Crimes Program, and this has been assigned a Priority II status. We say this because the other mandated responsibilities make it very difficult to shift present investigative resources into automobile theft matters in any significant way.

One answer to this problem on the part of the Federal Government is the Motor Vehicle Theft Prevention Act of 1979. It promises to give the FBI a valuable new tool in combating vehicle thefts and will make us more effective with the resources currently available.

By giving the Secretary of Transportation regulatory authority to issue standards that would require new antitheft devices, new cars would be less vulnerable to theft. This could reduce casual thefts and allow us to concentrate even more on the ring-type operations and organized chop shop enterprises.

If, as proposed, this same regulatory authority were used to order the placement of vehicle identification numbers on the major components of new cars, the chop shop operations could no longer deal in unnumbered, untraceable parts. And although removal of the number might conceal the vehicle's origin, this itself would draw suspicion.

As you know, along with the new requirement to number the major components, the Statute would make it a Federal crime to remove or alter such a number. It would make it a Federal crime to traffic in motor vehicles or motor vehicle parts that have had required numbers removed or altered. And it would give us the power to seize and possibly cause the forfeiture of vehicles or component parts where numbers have been removed or altered.

These new prohibitions center directly on the activities of the chop shop operations, and they would give us productive new investigative avenues to bring these operations to a halt.

But, as important as any of these new elements, is the requirement to lassid the RICO or Racketeer Influenced and Corrupt Organizations, Statute to civitiefy trafficking in stolen motor vehicles and their parts as racketeering actiaet s. We know that organized crime has entered the auto theft business because it is extremely profitable and yet relatively risk free. RICO prosecutions will greatly increase the risks to chop shop operators.

For the first time, they will face heavy fines, heavy prison sentences, and possible forfeiture of their criminal enterprises. This will discourage some, and it will allow us to hit many of the others hard enough to bring this situation under control.

For all of these reasons, Mr. Chairman, the FBI supports this proposal and would be pleased to see it enacted. If the members of the committee have any questions at this time, I will be happy to answer them.

Senator MATHIAS. Thank you.

I hoped we could adjourn at noon completing the record, but I find we still have the third panel. Let me ask Mr. Horrigan and Mr. Beauchamp if it would be convenient for them to return after a break, say at 1:30 p.m. Is that agreeable?

Mr. HERRIGAN. Yes, sir.

Mr. BEAUCHAMP. Yes.

Senator MATHIAS. The committee finds itself under an obligation to adjourn for another pressing engagement at this time. We will then stand in recess until 1:30 p.m.

[Whereupon, at 12:02 p.m., the hearing was recessed, to reconvene at 1:30 p.m., the same day.]

AFTERNOON SESSION

Senator MATHIAS. (acting chairman), presiding. The subcommittee will come to order.

Mr. Horrigan and Mr. Beauchamp we want to thank you for remaining through the recess period. We regret that it was necessary to ask you to do that. But we are happy you are here. We are happy to have your statement. As I said at the outset, your full statement will appear in the record at the conclusion of your oral testimony. You could give us a brief summary of it in any order in which you may decide among yourselves.

PANEL OF INSURANCE ADJUSTERS:

STATEMENTS OF J. LYLE BEAUCHAMP, CLAIMS DIVISION, U.S.F.&G., AND THOMAS HERRIGAN, VICE PRESIDENT, INTERNATIONAL ASSOCIATION OF AUTO THEFT INVESTIGATORS

Mr. BEAUCHAMP. Thank you, Senator Mathias.

Mr. HERRIGAN. Senator, I have Mr. Verne Purvine, attorney for the company.

Senator MATHIAS. Mr. Purvine, we are glad to have you with us today.

Mr. BEAUCHAMP. First, I would like to say that U.S.F. & G. is one of the largest, in fact, we are the sixth largest of the stock insurance companies that write through independent agents. When you include the direct writers, we are the ninth largest writer of property and casualty insurance.

Therefore, we are directly interested in this problem.

Senator MATHIAS. And, it is appropriate to add, an institution of which the State of Maryland is very proud.

Mr. BEAUCHAMP. Thank you Senator Mathias.

A lot has been said, and a lot of what I have said probably is repetition, but one thing that I find is that automobile theft and parts of an automobile or contents of an automobile is the most frequent crime in the United States.

Stolen automobiles are used in many other crimes.

Another thing that hits home to the average taxpayer and citizen is the fact that the automobile is the second largest investment that

the average individual or married couple make in their lifetime. So, it means a lot to them financially.

We have noticed, in our own company and in our membership in the National Automobile Theft Bureau that the number of cars being stolen is not only increasing, but the number being recovered is decreasing more rapidly. This is brought about, obviously, by the fact that they are professionals and not so-called, what was referred to as "joy riders," we like to refer to as "amateurs," because there is nothing joyous in a young person stealing an automobile and starting a career of crime or injuring someone.

I refer to the chart that has been placed up front there, Senator Mathias, and is also in my testimony. That is our estimation, based on the best information we can gather from the various sources available to us.

Fifty-five percent of the vehicles today that are stolen are stolen to get parts, many of them for specific parts. A lot of this is due to the fact that on 1980, 1979, 1978 cars, new parts are not readily available to the person who has an accident.

About 10 percent are stolen for resale. About 10 percent are amateurs. Unfortunately, about 25 percent are insurance frauds.

Senator MATHIAS. Insurance fraud would be primarily committed by the policyholders themselves?

Mr. BEAUCHAMP. By the policyholders themselves. We are talking about first party insurance, generally, sir.

So, we are talking about people who go out and contract to have their car stolen or burned or otherwise. They have a gas guzzler. They have a transmission that goes up, an electrical system goes up, and they decide that it would be convenient if it were stolen.

Unfortunately, the fact seems to be that automobile theft does not have a high priority; as we have heard from the FBI this morning; they have limited manpower. The States and local governments have limited manpower.

The insurance companies are doing all that they can to change this situation, and through the National Automobile Theft Bureau have been working with the local crime prevention people, the local law authorities to apprehend, investigate, and recover vehicles.

We also have conducted seminars for police departments and we are very active in the anti-car-theft committees, these ACT committees. They have been held in Boston, New York, northern New Jersey, Philadelphia, Oklahoma, Missouri, and to a limited effort by local organizations like the Boy Scouts and the Jaycees. You will find these lock-it-and-pocket organizations are working out, to make people conscious of the fact that that is a valuable piece of property they are leaving there with keys in the care or with the motor running or with the windows unlocked.

To conclude, I would say that everybody, everybody, whether they own a car or not, is interested in reducing the cost of comprehensive, which is the theft portion of insurance.

If honest citizens will lock it and pocket it, and will park their cars and take care of their cars and try to prevent putting their cars in a place where they are open to theft, this bill and similar legislation, if it is passed, and the States will pass their title laws and their salvage laws, we will go to a great way to stop this.

Automobile insurance is very competitive in the United States. Rates are controlled by the fact of the loss ratio. If you can reduce the number of car thefts in any area, ultimately the rates are going to come down by all of the companies competing for that business.

That is the answer to it. We as insurance companies are interested in reducing the rates and reducing the theft ratio.

This new law is not the solution to all of our problems, but we hope it will act as a stimulus to the manufacturers of automobiles, law enforcement agencies, insurance companies, and to the public in general.

Thank you.

Senator MATHIAS. Thank you, Mr. Beauchamp. I have several questions, but I will reserve them until Mr. Horrigan testifies.

Mr. BEAUCHAMP. Thank you.

Mr. HERRIGAN. Senator, it is an honor for me to appear here today and speak in support of this bill. I am Thomas J. Horrigan, security claim investigator for Government Employees Insurance Co., the fifth largest private passenger automobile stock insurance company in the country.

I have served in a position as theft investigator, total theft claims examiner, and total theft coordinator and auditor since 1974, with GEICO.

Prior to joining GEICO, I served as a police officer for 25 years with the Metropolitan Police Department in Washington, D.C.

I retired as a detective sergeant with the last 13 years in criminal investigation auto theft work.

Prior to that I served as a uniformed officer, special investigator, with the District Attorney's Office, the Morals Division, and the Juvenile Bureau.

I am presently executive secretary and am one of the past presidents of the International Association of Auto Theft Investigators.

I am a member of the International Association of Chiefs of Police Auto Theft Committee, and have been privileged to instruct State and municipal law enforcement officers from coast to coast on a subject of auto theft investigation.

I have written a basic instructional book for law enforcement officers entitled "Vehicle Theft Investigation" which was published by the International Association of Chiefs of Police.

I am a graduate of the University of Louisville Southern Police Institute in Louisville, Ky.

Senator, you have received testimony and documentation revealing that auto theft is a \$4-billion-a-year business operated largely by organized crime.

While many may shrug off that figure thinking that it doesn't matter because insurance companies will pick up the tab—that's what they are for—it is actually the public and the individual registered owner of a motor vehicle who actually covers the cost.

Our company paid out a net of approximately \$13.2 million in auto theft claims in 1979. The chart below shows an increase in theft payments per car insured during the 5-year period from 1974 to 1978.

Because theft losses represent the largest single element of comprehensive claim payments, the 55-percent increase cited actually accounts for 87 percent of the total comprehensive increment in payments per car during the period.

This increasing cost of auto theft is the largest single factor in the cost of comprehensive coverage and has doubled the cost of our insureds' comprehensive coverage premium.

In Maryland our insureds will pay \$1.7 million this year for auto theft coverage. All persons insured in Maryland will pay approximately \$40 million for this coverage in 1980, and nationwide all insurance consumers will pay approximately \$2 billion for auto theft coverage in the year 1980.

So you can see, this is not a problem that only affects insurance companies. In so many cases, supposedly "victimless crime," much of the public is the ones that are hurt.

We at GEICO are very concerned, first, that our insureds are subjected to unnecessary financial burden caused by automobile theft, and second, that automobile theft is growing so rapidly simply because law enforcement tools are inadequate. The crime is too easy, too lucrative, and of too low a risk, and I might add, has a very low priority as compared to other crimes which was testified to by the FBI this morning.

In my more than 30 years' experience in law enforcement and investigative work, the last 18 of which I have spent investigating automobile theft, I have found, as have others who have testified before this subcommittee, that auto thieves have become so phenomenally successful because theirs is an easy, highly lucrative, low risk crime for which the punishment is so lenient in many jurisdictions as to be disregarded by thieves.

It is unstoppable by the inconsistent and widely varying array of State laws throughout the country sought to be enforced by ill-equipped, undermanned police departments.

If law enforcement begins to effectively restrain auto theft in one State, the thieves simply move their operations across State lines into a State with less effective statutes and less effective law enforcement.

We have found that there is no single effective solution to this broad auto theft epidemic. Rather, each of the several identifiable problem areas must be attacked.

I respectfully suggest that what is needed to combat the ease and risk-free nature of auto theft and resale is: Better security devices on automobiles; identification of major component parts with VIN numbers or VIN number derivatives; tighter control of title documents on salvage automobiles; a Federal auto theft statute that will eliminate the present "safe havens" enjoyed by auto thieves by providing a single uniform law and penalties throughout the country; and, finally, tighter regulation on the exportation of vehicles.

Let me expand on some of these needs.

First, in my 18 years of auto theft investigation it has been shown repeatedly that if it were more difficult to steal a car, fewer thefts would occur. It is as simple as that.

We have all seen demonstrations and heard testimony as to just how easy it is to steal a car. A professional thief can get into an automobile, even those protected by today's antitheft devices, within seconds.

Second, the free saleability of stolen automobile component parts must be restricted. Because valuable stolen parts are not numbered,

they cannot be identified by police, and evidence of the crime is therefore nearly impossible to obtain.

Thieves and their accomplices are well aware of this critical gap and trade in these unidentifiable stolen parts with impunity. They know they can't get caught because it can't be proved that these parts they are warehousing are stolen.

We estimate that if auto manufacturers were to mark all major component parts with VIN numbers, this "chop shop" process of stealing, disassembling, and reselling automobiles would be reduced by as much as 70 percent.

We understand that to so mark component parts would cost a mere \$5 per vehicle.

As important as identifying component parts with VIN numbers is the need for a Federal auto theft statute to eliminate the "forum shopping" relied upon by professional thieves to avoid more effective law enforcement and stiffer penalties in some States.

Many States simply do not have on their books the kinds of statutes that impose criminal penalties for the alteration and removal of VIN numbers.

Thank you, Senator, for this opportunity.

Senator MATHIAS. We thank you for being here.

I think this is a very compelling diagram in which you identified motivation for auto theft as 55 percent stolen parts, 10 percent resale, 10 percent amateurs, whom you decline to call "joy riders," and 25 percent insurance frauds.

I am interested in the 55 percent stolen for parts, in the light of our earlier colloquy which I think both of you heard, that taking your car and chopping it up and selling the parts is sometimes more lucrative than simply reselling the whole car.

Do you have any comment that would throw light, either of you, on that?

Mr. HERRIGAN. It is certainly less of a risk. No. 1, if you chop up a car and you eliminate—there are three things on a motor vehicle that have a number, the engine, the transmission, and the serial plate itself.

If you eliminate those as soon as they come into your possession, the car is at your disposal; it cannot be identified.

Mr. BEAUCHAMP. Out in Illinois they just broke up a very large ring there, millions of dollars involved, as a result of Secretary of State Dixon's efforts and his task force. They found that some chop shoppers had leased an unproductive agricultural field south of Chicago. They had a back hoe and would use it to dig a trench to put the motors, transmissions, and other parts with numbers on them, bury them in that field rather than get caught with them.

In New York, they had cases—

Senator MATHIAS. Just junked that much of it?

Mr. BEAUCHAMP. They junked that much of it. The profit is in the parts that they can sell without numbers.

There was a recent case, I was at a committee meeting 2 weeks ago, there was a recent case in Indiana where a State policeman stopped a flat bed truck loaded with auto parts. They all looked like they were brand new, out of the factory.

The judge ordered that the driver and the owner of the truck be released because there was no way to identify that those parts were stolen.

So, this is the profit in the chop shop, is that the parts are not identifiable.

Mr. HERRIGAN. Excuse me, Senator. Another area of problem is that if one carrier has a car stolen and goes into a chop shop operation, and it is cut up for parts, and then part of it—I had pictures, but I don't have them with me, of a 1979 Grand Prix, in which the front clip, the two doors, the seats inside, the trunk lid, the rear bumper had been taken off a car. The car had no physical damage other than the parts that were stolen.

If we were to rebuild that car, what guarantee would we have that we weren't buying our own parts back?

Senator MATHIAS. Are either of you aware of the existence of confidential VIN's hidden VINS?

Mr. HERRIGAN. Yes, sir.

Mr. BEAUCHAMP. Yes, sir.

Senator MATHIAS. I see.

Mr. BEAUCHAMP. The National Automobile Theft Bureau provides a service for the insurance companies and for law enforcement agencies and identifies vehicles for us and for the State police and local police and so forth. They know where the numbers are.

They have in their computers the pedigree of every car that comes off the line, in Detroit, and now most of the major foreign cars go back about 3 years now.

Mr. HERRIGAN. Four years.

Mr. BEAUCHAMP. Four years. So we can trace the pedigree of a car from its way back in those States that have title laws.

Senator MATHIAS. How do the professional thieves react? They must get pretty smart pretty fast on finding these, don't they?

Mr. BEAUCHAMP. They learn. They are way ahead of us. As soon as an improvement is made, they learn how to beat it.

Mr. HERRIGAN. It is a simple matter to put a heating torch to a number on a frame and bubble it up so as to eliminate any chance of restoration of that number. That's all it takes.

Senator MATHIAS. If you put a tape or a plate as an identifying mark, that can be removed, chisled off, separated.

If you actually stamp the metal deeply, it is pretty hard to obliterate it without making it clear that something has come out there. Possibly if the stamp is of a kind that affects the molecular structure of the metal itself, you can raise those numbers again, even though they are not visible to the eye.

Have either of you come into any contact with any discussion of the various methods of identification?

Mr. HERRIGAN. Well, I can tell you that I don't care what is done to an automobile, that within a very short period of time, the thieves will have some way to by-pass or circumvent whatever is done, whether it is cutting out the number, whether it is cutting out a section of the door post when the serial plate used to be on the door post of the automobile and then inserting a second door post into its place, repainting it, finishing it off, unless you strip the paint down you would never know that that had been removed and replaced.

Mr. BEAUCHAMP. Ford Motor Company is experimenting with a tape. I don't know what the chemical tape is that they are using on their top line Lincoln cars. It is the kind of tape that if it is removed or tampered with, it will self-destruct and they are using this on their component parts in an experimental program working with the Federal Government in trying to find another method besides the present method of stamping into the metal.

Senator MATHIAS. That wouldn't give you the same opportunity to reconstruct the numbers. You would notice that they were gone, and therefore, you might presume something was wrong, but it wouldn't really give you the opportunity to raise them out of the metal.

Mr. BEAUCHAMP. As you mentioned, talking to the auto parts people on the panels this morning, a lot of it depends upon whether they will not, will refuse to accept a part and sell it without the numbers when this numbering system goes in.

Of course, they are going to be subject to inventory these parts. You will establish a title trail for parts like you now have for the whole car.

Senator MATHIAS. The committee has been told that as the price of automobiles goes up, we can expect either an increase in defaults on automobile loans or an increase in the rate of insurance fraud, let's say arson of automobiles by the owner.

Is this something new or does this happen in each repetitive economic cycle?

Mr. HERRIGAN. Automobile fraud has been with us for years and years, Senator, it is not something new. When I was in law enforcement at one time we had 30,000 titles, blank titles, missing from two States, Missouri and Ohio, that were unaccounted for by the motor vehicle people in those States.

Now these titles were a means of transferring ownership of a stolen vehicle from one State to another. They were a means of registering a vehicle and getting insurance on it when actually the vehicle did not exist, what we call in the trade a "phantom automobile."

So, Mr. X this morning talked about replating automobiles. That is the old salvage switch that we have lived with for years and years, taking a stolen automobile, taking a salvage and putting the plate from the salvage on to the stolen automobile and putting it back out on the street.

It is something we have lived with.

Senator MATHIAS. They switched the identity, in other words?

Mr. HERRIGAN. That's all. That's all it is, disguising a car. And when titles are free and easy to obtain, then you have real headaches.

Senator MATHIAS. I see.

Mr. BEAUCHAMP. I think, historically, fraud and arson do increase when economic conditions change, particularly with the gasoline situation, people are trying to get rid of gas guzzlers, and with the cost of automobile repairs, they can't afford them.

But fraud has been with us and we have been living with it. Most companies are stepping up their requirements and their investigations on automobile thefts and are more demanding upon a policyholder after the fact.

Senator MATHIAS. Well now, what you are really saying is that a car can be totally destroyed, wiped out, physically disappear, and yet, it can still have some value to a thief.

Mr. BEAUCHAMP. The VIN number and title can, sir; yes, for insurance purposes.

Senator MATHIAS. They survive the death of the car.

Mr. HERRIGAN. That is one reason why we need State legislation or Federal legislation demanding that the title be surrendered when the car becomes a total loss.

Senator MATHIAS. Are you further saying that policyholders may actually take out policies and pay the premiums on a car that doesn't exist?

Mr. HERRIGAN. Absolutely.

Mr. BEAUCHAMP. In this State, I don't know of any agents that look at automobiles before they insure them. Some States require that now; it is just something new that is coming in.

Senator MATHIAS. To actually physically sight the car.

Mr. BEAUCHAMP. And physically inspect it, either by the agent or by a paid inspector. But this is something new that has just developed. That is underwriting, that is before you write the policies.

Senator MATHIAS. What procedures do either of your companies have to deal with "phantom policy"?

Mr. BEAUCHAMP. Well, if the automobile theft is reported, before we will pay you the claim, it runs through the NATB computer. If that has previously been stolen or burned or has been involved in a theft or fire by a member company, then we will be notified immediately and we have a defense. But not all companies are member companies.

Senator MATHIAS. It does depend on access to that computer data.

Mr. BEAUCHAMP. It does depend on that.

Senator MATHIAS. That is really the only defense you have.

Mr. BEAUCHAMP. Well, we investigate too.

Senator MATHIAS. Yes.

Mr. BEAUCHAMP. That is the first line of defense.

Mr. HERRIGAN. The other alternative is to trace a vehicle. You can trace it frontward or backward. By tracing a vehicle, we mean if a car is presently registered in the State of Maryland, we go to the motor vehicle agency in Glen Burnie and ask them, "What proof of ownership did the present owner produce when he brought the car into the State and ask for registration and title?"

From there, you backtrack either up the line or if it is a relatively new car, you start at the factory and come down the line.

Senator MATHIAS. Suppose a car is stolen and is recovered. You settled with your policyholder. So you have the car, whatever is left. What do you do to see that the car or the VIN does not eventually get to a chop shop or into a thief's hands who will reuse the—

Mr. HERRIGAN. I gather from your question this car is a total loss?

Senator MATHIAS. Yes; let's say it is completely stripped.

Mr. HERRIGAN. All right.

Senator MATHIAS. All you are getting back are nuts and bolts. It is completely stripped.

Mr. HERRIGAN. It becomes salvage, what we call salvage. In the State of Maryland, we require to have what they call a salvage title. We submit a valid Maryland title and secure a salvage certificate.

The salvage certificate then goes with the vehicle to the salvage yard. As far as I am concerned—as far as GEICO is concerned—we do not sell to individuals. We sell only to people who are registered with our salvage dealer, who happens to be ADB in Brandywine.

We can follow that car from GEICO to ADB and from ADB to whoever sold it. We require that much information on the paperwork.

We are in contact with law enforcement at least once a week getting information from our files as to who owns the car now, what happened to this car, and information like that.

Mr. BEAUCHAMP. We follow the same procedure. The salvage is reported to the National Automobile Theft Bureau who put it in their computer exactly to whom it was sold and for what amount.

Now if it is left with the policyholder, in a commercial risk, like a truck, a man has a fleet of trucks, he might want the parts on that truck because he does his own maintenance repair.

If we leave that with the insured, then we still put that into the computer so that it will be recorded that that vehicle was a salvaged vehicle.

Senator MATHIAS. So you don't take any chances on that, then?

Mr. BEAUCHAMP. No.

Mr. HERRIGAN. You see, all States do not—the problem is that all States do not have what we call a salvage certificate.

In the State of Florida, we are required to submit—as soon as we pay 70 percent of the value of the car as a total loss—we are required to submit the title to the State.

What we call "jumping title" is when, rather than submit it to the State, I submit it to the next buyer down the line.

I might add, we just discharged one of our assistant managers in the Miami office for jumping five titles. That is how serious GEICO thinks the State regulation should be followed.

Senator MATHIAS. You raise the question of actually sighting the car before you write the policy. I suspect that the insurance industry across the board would not like to see a requirement of that in this bill or any other Federal legislation.

Do you think there is any likelihood that the industry might internally require that of their own agents?

Mr. HERRIGAN. You really wouldn't need it on every vehicle, Senator. If you buy a car from a reputable dealer and you can submit a bill of sale from a reputable Cadillac dealer—

Senator MATHIAS. Or if you have a policyholder who calls you up and says, "I bought an extra car. I bought a new car and traded my old one in," and you have been doing business with him for 30 years, I mean that kind of a thing, you wouldn't necessarily want to—

Mr. HERRIGAN. I can't answer that question.

Senator MATHIAS. Your trust in human nature doesn't go that far. [Laughter.]

Mr. BEAUCHAMP. It is like you say, it is the walk in business. We are a consumer-related organization. We are required to some degree to accept everyone who walks in and offers a piece of business.

I think companies are more and more getting around to requiring their agent or their sales representative, whoever it might be, to personally see this vehicle. Some of them are requiring them to go look on the windshield and read the VIN number. Some States are requiring that, sir.

Senator MATHIAS. It sounds like it is a simple requirement and yet, I can see the human complications in it.

Mr. BEAUCHAMP. It is like seatbelts. You can require all the seatbelts you want, if you don't put it in there it is not going to do any good.

Senator MATHIAS. There has been recurrent testimony today that it is still profitable for a thief to steal a car and chop it up and then abandon the numbered parts because they are the ones who present dangers to them. Out of what is left, he can make a profit. It is worth it to take the risk and go to all that effort just to get what he can out of the unnumbered parts.

Now, if more parts were numbered, at least in theory, more would have to be abandoned, and therefore, the profit margin would be reduced.

Does that follow or is there some error in thinking in that?

Mr. HERRIGAN. No, that is true. If you take the dollar out of the crime, you don't have crime. If it becomes so expensive for the thief to abandon half, one-third of the major component parts of the vehicle, he is not going out and steal it.

There are some States like Ohio that require, if I am not mistaken, legislation that a component or derivative number would be on every part in excess of value in excess of \$50. That is almost, just about 90 percent of the automobile.

If you put numbers, derivative numbers on eight or nine component parts, the front clip, the rear clip, the deck lid, the fenders, the doors, this is mainly where you want your numbers.

You can go into a salvage yard and look at doors and you will find the Federal sticker has been obliterated, scrapped off and it is a Federal offense to scrap a Federal sticker, but it is still done.

Senator MATHIAS. So that that theory ought to work in any event.

Mr. HERRIGAN. I hope so.

Senator MATHIAS. Let me ask counsel if they have any questions.

Mr. FAY. No, Senator Mathias; thank you.

Mr. OMAN. No, sir.

[The prepared statement of Messrs. Beauchamp and Herrigan follow:]

PREPARED STATEMENT OF J. LYLE BEAUCHAMP

J. Lyle Beauchamp is directly responsible for the investigation of settlement, and payment of all automobile comprehensive (theft), collision, and property damage claims in the United States and Canada for the United States Fidelity & Guaranty Companies.

The United States Fidelity & Guaranty Company ranks sixth in premium writings of property and casualty insurance of the national stock insurance companies who write business through independent insurance agents. USF&G ranks ninth when you include the production of the direct writing insurance carriers.

Mr. Beauchamp is a member of the Maryland Bar and has 45 years experience in the insurance business. He currently serves on the Subcommittee on Automobile Physical Damage of the American Insurance Association and the Eastern Advisory Committee of the National Automobile Theft Bureau. He is the past president of the Loss Executive Association of New York and served in the Counter Intelligence Corps in World War II.

TESTIMONY IN FAVOR OF THE ENACTMENT OF S. 1214, AUTOMOBILE THIEF PREVENTION ACT OF 1979

The theft of an automobile, parts thereof, or the contents of it, is by far the most frequent crime in the United States today. The F.B.I. reports the average auto theft involves about \$4,000. They report that the average bank robbery also is approximately \$4,000 and most of these are committed by criminals using one or more stolen vehicles.

An automobile is the second largest single investment made, and expense incurred, by the average man, woman, or married couple in their lifetime.

Every citizen and taxpayer of the United States is a direct or indirect victim when an automobile is stolen. This is true whether he owns a vehicle, is insured or uninsured, is a employee or stockholder of an automobile insurance company, or in no way is associated with the automobile or insurance industries. Auto thefts create direct and indirect substantial costs for all of us when workers are left without their basic transportation, persons are injured by a felon driving a stolen car or the added expense on the police and court systems in dealing with these criminals.

Unfortunately, with the changes in the economy, the availability of new replacement parts, the cost of new automobiles, and inflation, the majority of automobiles stolen today are taken by professionals. They end up in a "Chop Shop" where all of the usable parts without VIN numbers are carefully removed and shipped to another location. They are eventually sold to used part dealers, auto repair shops, or auto rebuilders. The identifiable parts with VIN numbers—dashboard, motor, transmission, and certain parts of the vehicle are often destroyed in a crusher, burned, buried, abandoned, or otherwise disposed of and not put into open commerce. This is an additional waste of valuable machinery, parts, and equipment.

With the growth of professionals, rings, and syndicates, the number of recovered vehicles or partially recovered vehicles has decreased and the number of cases where an arrest occurs also has declined. For example:

Year	Total thefts	Percent recovered	Percent arrests
1959.....	288,300	92	26.2
1969.....	871,900	84	18.0
1979.....	1,100,700	59	14.0

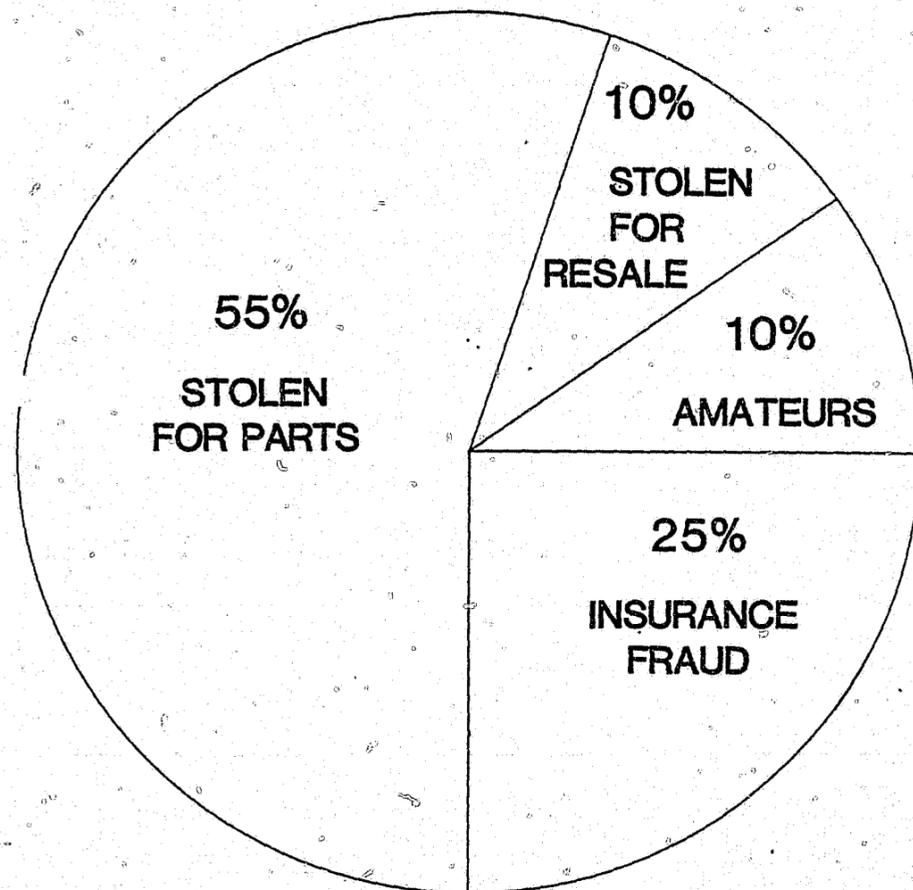
These figures are based on the latest F.B.I. statistics.

The attached diagram indicates the estimated reasons for automobile thefts in 1979. The great increase in the number of cars being stolen for parts by professionals accounts for the reduced number of recoveries and arrests. Twenty years ago many of the thefts were recorded as "Joy Riders," a term which the insurance industry does not use because the theft of any automobile for any purpose is a serious matter.

The Automobile Physical Damage Committee of the American Insurance Association has increased its efforts to make automobiles less vulnerable to theft, to investigate automobile theft crimes, and to combat automobile insurance fraud. It is working hand in hand with the National Automobile Theft Bureau. During the past year it has spent a full day in both the Ford Motor Company and the General Motors National Headquarters exchanging information and ideas with their engineers and executives. We have cooperated with the American Association of Motor Vehicle Administrators and with state police in working for uniform and tighter controls on registration and titling of automobiles. We have met with national associations of automobile recyclers, salvors, and body shops.

Anti-Car Theft Committees (ACT) have had remarkable success in a group of major cities during the past two years. These cooperative efforts have been very effective in Boston, Massachusetts, New York City, Northern New Jersey, Detroit and Wayne County, Michigan, Cleveland and Cuyahoga County, Ohio, Philadelphia and Delaware County, Pennsylvania, and Oklahoma and Missouri. Working with the National Automobile Theft Bureau and local authorities, we plan to continue expanding this program.

REASONS FOR AUTO THEFTS



New York City's new rotation Tow Program was implemented July 1, 1979. Police now arrange for immediate pick-up of located stolen cars and abandoned vehicles, protecting them from vandals and thieves. NATB is immediately notified so the insurer can claim the vehicle from the contract tow operator. As a result of the rotation tow program, NATB's Eastern Division started on a 24-hour, 7 day a week operation, beginning July 1. Latest data indicates NATB has been processing an average of 1,900 calls a month since the new system became effective.

In Massachusetts and Connecticut special seminars have been held for local and state police in the recognition and investigation and identification of automobile thefts. These three day seminars are free to those attending because of financing by the participating insurance companies.

The United States Fidelity and Guaranty Companies fully support the "Motor Vehicle Theft Prevention Act of 1979."

We sincerely believe that this strong federal legislation is necessary to deter the professional auto thieves, to take the profit out of "Chop Shops" and the exportation of stolen vehicles, and to strengthen the criminal justice procedures pertaining to these crimes.

We must continue to encourage the adoption of standard state automobile certificate of title laws and regulations concerning the sale of salvage and salvage title laws.

Unfortunately, many law enforcement agencies still place a low priority of the crime of motor vehicle theft. This same attitude exists among many of our prosecuting authorities and within the judicial system. Few of those who are actually convicted ever serve a day in jail.

Except in those areas where there has been an Anti-Car Theft Committee activity or a local "Lockit and Pocket It" campaign, there is apathy on the part of the general public to the problem. The passage of the "Motor Vehicle Theft Act of 1979" should in itself bring to the attention of the law enforcement community, the judiciary, and the people of this country that this situation requires more than just a token effort.

The 1979 annual report of the Southern Division of the National Automobile Theft Bureau indicates a 21 percent increase in auto thefts. In 1979 they investigated 66 theft rings involving 1,094 vehicles of which 582 proved to be stolen, 143 persons were charged.

The annual report of the Pacific Division of the National Automobile Theft Bureau reports 62 theft rings investigated in 1979 involving 602 vehicles, 303 of which have been recovered to date. One hundred and forty individuals came under investigation in these cases.

The Eastern Division reported assisting law enforcement in the investigation of 124 professional auto theft rings last year. They reported numerous indictments and recovery of automobiles or automobile parts, stolen parts, trucks, and tractors in Connecticut, Massachusetts, New Jersey, New York City, and Philadelphia.

The Southwestern Division reported the investigation of 71 new professional auto theft ring cases in 1979 involving 984 vehicles including the return of 83 vehicles from the Republic of Mexico.

Last year the Western Division of the NATB in Chicago investigated 324 individual insurance fraud cases and conducted 79 theft ring investigations. This was a 54 percent increase over the prior year. They recovered 1,314 stolen vehicles.

Everyone is interested in reducing the cost of automobile comprehensive (theft) insurance to the honest citizens of the United States who lock their cars and pocket the keys and do their parts in protecting their property from theft. In the competitive automobile insurance market in this country, rates and premiums are based on loss ratios. The "Motor Vehicle Theft Act of 1979" will be a valuable tool in fighting organized crime who operate "Chop Shops," distribute and sell stolen parts, and export whole vehicles and auto parts. It will also aid in apprehending and convicting professional automobile thieves. By reducing the number of stolen cars in any given area, the ultimate result will be reduced automobile theft rates in that territory.

The new law is not the solution to all of our problems, but it will act as a stimulus to the manufacturers of vehicles, law enforcement agencies, insurance companies, and to the general public at large.

PREPARED STATEMENT OF THOMAS J. HORRIGAN

Senator Mathias, Members of the Subcommittee, I am honored to have this opportunity to testify on the serious and growing problem of automobile theft, and to speak in support of S. 1214, the Automobile Theft Prevention Act of 1979.

I am Thomas J. Horrigan, Security Claims Investigator for the Government Employees Insurance Company of Washington, D.C. (GEICO), the fifth largest private passenger automobile stock insurance company in the Country. I have served in this position and in the related positions of Theft Investigator, Total Theft Claims Examiner and Total Theft Coordinator/Auditor since 1974.

Prior to joining GEICO, I served as a police officer for 25 years with the Washington, D.C. Metropolitan Police Department. I retired as a Detective Sergeant with thirteen years service in the Criminal Investigations Division Auto Theft Unit. Prior to that I served as a uniformed officer, a Special Investigator with the District Attorney's Office, with the Morals Division, and the Juvenile Bureau.

I am Executive Secretary and past President of the International Association of Auto Theft Investigators. I am a member of the International Association of Chiefs of Police Auto Theft Committee, and I instruct state and municipal law enforcement officers from coast to coast on the subject of auto theft investigation. I have written an instructional book for law enforcement officers entitled "Basic

Vehicle Theft Investigation," which was published by the International Association of Chiefs of Police. I am a graduate of the University of Louisville Southern Police Institute in Louisville, Kentucky.

Senator, you have received testimony and documentation revealing that auto theft is a \$4 billion a year business operated largely by organized crime. While many may simply shrug off that figure thinking that, "it doesn't matter because insurance companies will pick up the tab—that's what they're for," it is actually the public that pays.

Our Company paid out a net of approximately \$13.2 million for auto theft claims in 1979. The chart below shows the increases in theft payments per car insured during the 5-year period 1974-1978.

(In percent)

	Annual Increment	Increment since 1974
1974.....	Base	Base
1975.....	+41	+41
1976.....	+30	+83
1977.....	0	+83
1978.....	-15	+55

Because theft losses represent the largest single element of comprehensive claim payments, the 55-percent increase cited actually accounts for 87 percent of the total comprehensive increment in payments per car during the period.

This increasing cost of auto theft is the largest single factor in the cost of comprehensive coverage and has doubled the cost of our insureds' comprehensive coverage premium. In Maryland our insureds will pay \$1.7 million this year for auto theft coverage. All insureds in Maryland will pay about \$40 million for that coverage in 1980, and nationwide, all insurance consumers will pay approximately \$2 billion for auto theft coverage in 1980. So you can see, this is not a problem that affects only insurance companies. As in so many cases of supposedly "victimless crime," much of the public is hurt.

We at GEICO are very concerned, first, that our insureds are subjected to this unnecessary financial burden caused by auto theft, and second, that auto theft is growing so rapidly simply because law enforcement tools are inadequate. The crime is too easy, too lucrative, and of too low a risk.

In my more than 30 years' experience in law enforcement and investigative work, the last 18 of which I have spent investigating auto theft, I have found, as have others who have testified before this Subcommittee, that auto thieves have become so phenomenally successful because theirs is an easy, highly lucrative, low risk crime for which the punishment is so lenient in many jurisdictions as to be disregarded by thieves. It is unstoppable by the inconsistent and widely varying array of state laws throughout the country sought to be enforced by ill-equipped police departments. If law enforcement begins to effectively restrain auto theft in one state, the thieves simply move their operations across state lines into a state with less effective statutes and less effective law enforcement.

We found that there is no single effective solution to this broad auto theft epidemic. Rather, each of several identifiable problem areas must be attacked. I respectfully suggest that what is needed to combat the ease and risk-free nature of auto theft and resale is: better security devices on automobiles; identification of major components parts with VINs; tighter control of title documentation of salvage autos; a federal auto theft statute that will eliminate the present "safe havens" enjoyed by auto thieves by providing a single uniform law and penalties throughout the country; and, finally, tighter regulation on the exportation of vehicles. Let me expand upon some of these needs.

First, in my 18 years of auto theft investigation it has been shown repeatedly that if it were more difficult to steal a car fewer thefts would occur. It's as simple as that. We have all seen demonstrations and heard testimony as to just how easy it is to steal a car. A professional thief can get into any automobile, even those protected with today's anti-theft devices, within seconds.

Second, the free saleability of stolen automobile component parts must be restricted. Because valuable stolen parts are not numbered they cannot be identified by police and evidence of the crime is therefore nearly impossible to obtain. Thieves and their accomplices are well aware of this critical gap and trade

these unidentifiable stolen parts with impunity. They know they can't get caught because it can't be proved that the parts they're warehousing and selling are stolen.

We estimate that if auto manufacturers were to mark all major component parts with VIN numbers, this "chop shop" process of stealing, disassembling and reselling automobiles would be reduced by as much as 70 percent. And we understand that to so mark component parts would cost a mere \$5 per vehicle.

As important as identifying component parts with VIN numbers is the need for a federal auto theft statute to eliminate the "forum shopping" relied upon by professional thieves to avoid more effective law enforcement and stiffer penalties in some states. Many states simply don't have on their books the kinds of statutes that impose criminal penalties for the alteration and removal of VIN numbers.

Thank you, Senator, for this opportunity to discuss this bill.

Senator MATHIAS. You gentlemen have obviously had a lot of experience in this side of the business. Your testimony and your statements are particularly valuable to the committee.

We are very grateful to you for being with us here today. As you know, there will be further hearings on this subject. This testimony will be published in printed form. I am sure it will be widely read throughout the whole industry.

So, it will be of guidance not only to the Congress, but to everybody who has a very personal interest in this. I think the testimony today shows there are very few people in this country that don't have a direct or indirect interest in this subject matter.

So, we are grateful to you for participating.

The record will remain open for additional statements and for the response to written questions that will be propounded.

The subcommittee stands in recess, subject to the call of the Chair.

[Whereupon, at 2:08 p.m., the hearing was adjourned, subject to the call of the Chair.]

APPENDIX

QUESTIONS OF SENATOR MATHIAS AND RESPONSES OF DOJ



United States Department of Justice

ASSISTANT ATTORNEY GENERAL
CRIMINAL DIVISION
WASHINGTON, D.C. 20530

Mr. W. Michael Fay
Counsel to the Subcommittee
Subcommittee on Criminal Justice
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Mr. Fay:

Reference is made to your letter of April 29, 1980 to Mr. Stephen M. Weglian of the Criminal Division wherein you requested answers to certain technical questions which the lack of time at your Subcommittee hearings on S.1214 in Baltimore on April 14, 1980 did not permit to be asked.

The questions and the answers thereto are attached hereto.

Sincerely,

PHILIP B. HEYMANN
Assistant Attorney General
Criminal Division

By: *[Signature]*

MARK RICHARD
Deputy Assistant
Attorney General

Attachment

Ten Questions Often Asked About The Motor Vehicle
Theft Prevention Act (S.1214 and H.R. 4178)

1. Q. Does Title II of this legislation give the Secretary of Transportation regulatory authority over any state agency, vehicle dismantler, rebuilder, or scrap processor?
 - A. No. This bill gives authority to the Secretary of Transportation to regulate only the manufacturers and distributors of new motor vehicles and motor vehicle parts by requiring them to comply with certain federal security standards which the Secretary has determined after careful study to be cost beneficial to the consumer.
2. Q. If the Secretary of Transportation has no authority under this bill to regulate vehicle dismantlers, vehicle rebuilders, scrap processors, etc., who has such authority?
 - A. The degree to which these businesses need to be regulated is presently governed and will continue to be governed even after passage of this legislation by state law.
3. Q. Will vehicle dismantlers, rebuilders, scrap processors have to keep any special records for any federal agency under this legislation?
 - A. No. All requirements for business records which must be kept for vehicle control purposes by these entities will remain governed by state law.
4. Q. Does Title III of the legislation prohibit states from passing or enforcing their own criminal laws relating to the removal or falsification of the vehicle identification number (VIN)?
 - A. No. On the contrary, the legislation encourages states to enact and enforce similar state laws which parallel the federal statutes. In fact, over 30 states presently make it a state crime to remove or falsify a vehicle

identification number. It is hoped that all states will make such removal or falsification a state crime and make any such vehicle or part having a removed or falsified number subject to seizure and possible forfeiture under state law.

5. Q. What exactly is meant when the concept major "component part marking" is mentioned?
- A. "Component part marking" means affixing to certain major components of the vehicle the vehicle identification number (VIN) or a derivative of the VIN so that the part can be identified to the vehicle from which it came. The marking would take place during the original assembly process of the vehicle.
6. Q. A motor vehicle has thousands of parts, what exactly are the major components to be marked with identification numbers?
- A. Component identification is aimed at curtailing professional motor vehicle theft and the so called "chop shop" operation. The parts most often mentioned for automobiles are the motor, transmission, doors, hood, both front fenders, radiator core support, deck lid, and trunk floor. Most experts agree this is the outer limits of the parts needed to be numbered.
7. Q. How much will it cost to number those additional parts not already being numbered by the vehicle manufacturers?
- A. Based upon testimony given recently to a United States Senate Subcommittee the motor vehicle manufacturers believe that such additional numbering can be done by them at a cost to the consumer of less than \$5 per vehicle and probably in the \$2-3 range.
8. Q. Does this legislation interfere with any state law relating to the replacement and restoration of missing or damaged identification numbers for vehicles or vehicle parts?
- A. No. The legislation recognizes the need for a strong state system for replacement and restoration of missing or damaged identification numbers. The Vehicle Equipment Safety Commission (VESC) has recently approved

Regulation VESC-18 "Standardized Replacement Vehicle Identification Number System". It is hoped that all states will adopt laws and procedures consistent with this VESC regulation.

9. Q. Does Title II of this legislation preclude the States from passing their own security regulations to which the manufacturers and distributors of new motor vehicles and parts must comply?
- A. Title II of the legislation does require for the sake of national uniformity that any such state security standard must be identical to the federal security standard. As a practical matter, no state has any security standard at the present time and only two or three states require that the manufacturer identify uniquely any part of the motor vehicle and such parts are limited to the motor and transmission.
10. Q. If a state should enact a security standard identical to a federal security standard can the state enforce such a standard?
- A. To be permitted to enact a standard but not enforce it would be a meaningless gesture. However, the degree and manner of enforcement may be subject to legal limitations. A recent federal court opinion in the Third Circuit (Truck Safety Equipment Institute v. Kane, 466 F Supp 1242) holds that while states may enact safety standards identical to the federal safety standard the state may not enforce its standard against a manufacturer prior to first sale of the product if the manufacturer has certified his compliance with the identical federal standard. What this appears to mean is that a state cannot require a manufacturer who has complied with the requirements of federal certification to be subjected to prior testing by each state before sale of his federally certified product in that state. However, the states are still free to buy such products in the market place, test them at state expense, and punish in accordance with state civil and criminal laws any manufacturer whose product is not in actual compliance with any state

safety standard which is identical to the federal safety standard. It would appear that the state's enforcement power of any identical security standard it may enact would be comparable to that which it presently has for any identical safety standard.

PREPARED STATEMENT OF AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation, the largest general farm organization in the United States, appreciates the opportunity to comment on the Motor Vehicle Theft Prevention Act of 1979. We commend the members of this Subcommittee for its efforts to help reduce crime.

Farm Bureau is well aware of the economic hardships and inconvenience that result from the loss of personal property. Recent evidence has shown that auto theft has increased significantly. We support your efforts to reduce this type of crime and the personal losses that result from it. We believe S. 1214, the Motor Vehicle Theft Protection Act, is designed toward that end.

Theft in rural areas of farm equipment, farm commodities, live stock, and other personal property is a direct interest of farm and ranch families. Unlike the auto theft problem, no specific data exists to determine the nature and scope of this particular problem. Our best estimates place national losses between \$500 million and one billion dollars annually. Farmers and ranchers in this country cannot afford such losses, and it is our hope that Title V of S. 1214 will lead to solving the problem without the creation of burdensome government regulations.

The voting delegates to our 1980 annual meeting adopted the following policy regarding this issue:

"Rural theft is a major problem. While we do not object to a federal survey of the scope of the problem, any federal role must be limited to assistance to states in publicizing the need for identification of machinery and other personal property. We are opposed to the titling, registration and licensing of farm machinery at the state or federal level.

"Farm Bureau supports use of the standardized 10-character machinery identification system, which includes the National Crime Information Center (NCIC) number."

We believe the appropriate solution to this problem will be found at state and local levels. As a result, Farm Bureau, in cooperation with state and local law enforcement agencies, has developed a nationwide program utilizing owner-applied numbers (OAN). To date 40 State Farm Bureaus have programs underway, and we believe this to be the most comprehensive program currently in use. Our goal is to assist law enforcement officials in identifying the criminal, establishing the means by which property can rightfully be recovered and, as a result, building an effective deterrent to rural crime.

Farm Bureau's program uses a basic 10-character number recognized by the National Crime Information Center (NCIC) and other law enforcement agencies. The participating farmer or rancher applies an OAN to his property with the use of engraving tools in a standard location as well as locations known only to himself. Confetti with the farmer's OAN is available for mixing with grain and other commodities. He then registers the identified property with a designated law enforcement agency, usually the county sheriff. Once property is reported as stolen, notice is sent to all states requesting that an alert of the reported theft be distributed and that the stolen property can be identified by the individual OAN. Gate signs indicating that farms have identified property are available.

It is our intention to create as much awareness as possible among law enforcement personnel to the rural theft problem, losses due to the increasing value of farm machinery and equipment, and "down time" losses to farmers. We are also educating our members as to law enforcement procedures, regulations and training necessary to adequately serve their needs.

While Farm Bureau is generally supportive of S. 1214, we have two concerns relative to Title V. First, is the terminology of "off-highway" vehicles included in Title V. In addition to off-highway vehicles farmers and ranchers are faced with the potential theft of self-propelled equipment as well as self-powered equipment. Potential targets are tools, welding equipment, parts, supplies, chemicals and fertilizers. Farm Bureau recommends that references in Title V to "off-highway vehicles" also include implements of husbandry.

Our second concern deals with titling and registration of farm equipment. Farm Bureau has long opposed any effort in this area because of fear of eventual licensing and tax levies for such equipment. The cost to many individual farmers would be excessive due to the number of individual pieces of equipment necessary to operate even a small acreage. Title V, Sec. 501(a)(10) states that the report shall include information on the passage of any state laws relating to the titling or deeding of off-highway vehicles. Farm Bureau recommends that report language specifically indicate that regulations not be imposed to require titling, registration, and/or licensing of farm machinery at the state or federal level.

Farm Bureau believes that the provisions of Title V will provide meaningful data to determine the scope of the problem dealing with the theft of farm machinery. This information, along with efforts in the private sector, will help bring about appropriate solutions to the problem without creating burdensome government regulations.

We appreciate your consideration of Farm Bureau's views and request that our comments be made a part of the hearing record.

END