
ANTI CAR THEFT ACT OF 1992

SEPTEMBER 23, 1992.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 4542 which on March 24, 1992, was referred jointly to the Committee on the Judiciary and the Committee on Ways and Means]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4542) to prevent and deter auto theft, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

In the second sentence of section 646B (as added by the amendment reported by the Committee on the Judiciary)—

(1) strike “check” and all that follows through “section” and insert: “establish specific criteria for randomly selecting used automobiles scheduled to be exported, consistent with the risk of stolen automobiles being exported and shall check the vehicle identification number of each automobile selected pursuant to such criteria”;

(2) strike “any” and insert “such”; and

(3) strike “intended for export”.

BACKGROUND, PURPOSE, AND JUSTIFICATION

Automobile theft has become the Nation’s number one property crime problem. More than 1.6 million motor vehicles were reported stolen in 1991, an increase of 34 percent since 1986. The stolen automobiles were worth an estimated \$8-9 billion, representing over 50 percent of the property lost to crime.

According to law enforcement officials, automobile thieves turn stolen cars into profits in three ways. The most common is to bring a car to a “chop shop,” where it is dismantled and sold as replace-

ment parts. Some repair shops unscrupulously fuel the theft of automobiles by maintaining a willful ignorance about the source of the used parts they obtain.

A second technique for fencing the entire automobile is to obtain an apparently valid, or "washed," title for the stolen car, and then sell the car to an unsuspecting buyer. To acquire washed titles, thieves exploit a loophole in State motor vehicle titling systems. They essentially outrun the ability of the States to share information with each other and thus sell the vehicle before the stolen status can be determined.

The third, and increasingly common, alternative for profiting from stolen automobiles is to export the vehicle by ship for sale outside the United States. Most of the goods shipped overseas are now transported in standard-sized cargo containers. Once sealed, the contents of these containers are entirely hidden from U.S. Customs officers. Thieves take advantage of this container shipment practice by literally driving the vehicle in, sealing the container, and then hauling the container to the dock for shipment.

The economic impact of the three illegal profiting schemes described above is increasingly reflected in the rising automobile insurance premiums paid by car owners. As much as 64 percent of an automobile owner's comprehensive insurance premium is attributable to theft claims.

Perhaps relating to the opportunity for profit, criminals are increasingly committing violent crime in the form of "armed carjacking." In a single week last year in Detroit, 74 cars were stolen in armed carjackings.

H.R. 4542 was introduced by Mr. Schumer, Chairman of the Subcommittee on Crime and Criminal Justice, and Mr. Sensenbrenner on March 24, 1992. H.R. 4542 is designed to reduce auto theft significantly by driving the potential, and therefore the profit, out of the resale of stolen automobiles and major automobile parts.

SUMMARY OF H.R. 4542, AS AMENDED

H.R. 4542, as amended, would focus greater Federal attention on auto thieves and the process by which they commit their crime. With respect to the theft of automobiles, a new Federal crime is defined for armed carjacking, forfeiture remedies are applied to auto thieves, and the Federal sentences and fines are increased for existing Federal auto theft crimes. Additional law enforcement resources are encouraged by the provision of this bill which grants matching funds for qualifying State and local anti-car theft programs.

The Committee believes that additional law enforcement resources and increased sentences for Federal crimes are not sufficient in addressing the magnitude of the problem. Destroying the profit element associated with these crimes is a key focus of H.R. 4542.

The bill would require that the existing parts marking program be expanded to cover all cars, light trucks, passenger vans, and multi-purpose vehicles. Auto repair shops would be required to check the identification numbers of repair parts to determine if they had been reported as stolen. This check would not apply to

parts obtained directly from the manufacturer or parts pre-cleared by an insurance carrier.

The bill establishes a system and creates the incentive to have the States perform dramatically improved verification of out-of-state titles before issuing a new title for a used vehicle. The National Motor Vehicle Information System (NMVIS) is designed to counter the current practice of thieves whereby titles are "washed." The incentive for participation by the States is continued access to Federal highway funds.

The bill also tightens the Customs Service's enforcement of practices directed against stolen car exporters. The bill requires that all used vehicles intended for export be declared to Customs three days prior to shipment. As amended by the Committee on Ways and Means, Customs is directed to establish random selection criteria and check the vehicle identification numbers of the selected vehicles against the FBI's stolen car data base. Spot checks are required to be conducted to ensure a match between the declared identification and the actual goods being shipped. The bill also requires the study of the utility of a nondestructive inspection system to determine if shipping containers contain automobiles.

COMMITTEE ACTION

On September 10, 1992, the Subcommittee on Trade, by voice vote, ordered H.R. 4542 favorably reported to the full Committee on Ways and Means, with an amendment in the nature of a substitute consisting of the bill as ordered reported by the Committee on the Judiciary.

On September 22, 1992, the Committee on Ways and Means, by voice vote, ordered H.R. 4542 favorably reported to the House, as amended. The Committee approved the bill as reported by the Subcommittee on Trade, with an amendment.

SECTION-BY-SECTION ANALYSIS, COMPARISON WITH PRESENT LAW, AND JUSTIFICATION OF THOSE PROVISIONS WITHIN THE JURISDICTION OF THE COMMITTEE ON WAYS AND MEANS

TITLE III—ILLICIT TRAFFICKING IN STOLEN AUTO PARTS

Section 301. Stolen auto parts

Present law

Title VI of the Motor Vehicle Information and Cost Savings Act (15 U.S.C. Sec. 2021-2034) requires that the major parts of certain high-risk automobiles be marked with identification numbers.

Explanation of provision

Section 301 of the bill, as amended, replaces Title VI with the new Title VI. Section 605 of new Title VI provides that no person shall manufacture for sale, sell, offer for sale, or introduce or deliver for introduction in interstate commerce, or import into the United States any automobile or major replacement part unless it is in conformance with the theft prevention standard established by this Act. This new standard requires that major parts installed by the manufacturer be marked or labeled with the vehicle identi-

fication number of the automobile of which they are a part. In the case of major replacement parts, the standard requires that the parts be labeled in a manner which uniquely identifies the part and its manufacturer. When either a new or replacement part is identified by affixing a label, it must be done in a manner which is highly resistant to counterfeiting, cannot be removed in one piece, and if removed leaves a permanent mark on the previously labeled part.

Reasons for change

The Committee supports the intent of H.R. 4542, and believes that automobiles and major replacement parts imported into the United States should conform with the same marking standard applied to goods manufactured within the customs territory of the United States.

TITLE IV—EXPORT OF STOLEN AUTOMOBILES

Section 401. Random Customs inspection for stolen automobiles being reported

Present law

Existing Customs Service regulations require a person or entity exporting a used vehicle to report that vehicle's identification number to Customs at least three days prior to shipment. This requirement is sometimes waived, however, for exporters who claim that the vehicle is being exported for "personal use."

Explanation of provision

Section 401 of the bill, as amended, amends part VI of title IV of the Tariff Act of 1930 by inserting two new sections after the existing section 646. New section 646A directs the Customs Service to conduct random inspections of automobiles and shipping containers for purposes of determining whether such automobiles were reported stolen.

New section 646B requires that all used automobiles intended for export be declared to Customs at least 72 hours prior to export. The Customs Service is required to verify randomly selected vehicle identification numbers against the stolen vehicle data base and at the request of the Director of the FBI, furnish all vehicle identification numbers obtained under this process.

Reasons for change

The Committee believes that random examination of automobiles and containers which might contain automobiles is a positive deterrent to stolen car exports. In addition, the existing Customs regulations provide a loophole for thieves because not all intended exports of used vehicles are subject to declaration. This provision closes the loophole and requires all exported vehicles, including those for "personal use", to be declared. The declaration makes them subject to the random verification against the stolen vehicle data base.

Section 402. Pilot study authorizing utility of nondestructive examination system

Present law

No provision.

Explanation of provision

Section 402 of the bill, as amended, directs the Secretary of the Treasury to study the utility of a nondestructive examination system for the purpose of detecting shipping containers which may contain automobiles leaving the country.

Reasons for change

The use of standardized shipping containers has enabled car thieves to simply drive in, seal, and subsequently export stolen automobiles with a great deal of ease. The purpose of the nondestructive detection system is to ultimately allow determination of whether the detected automobiles have been stolen.

MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill: H.R. 4542, as amended, was ordered favorably reported by the Committee, by voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives relating to oversight findings, the Committee, on the basis of correspondence received by the Committee, a review of the record compiled on this bill by the Committee on the Judiciary, and Administration agency inputs, finds that the U.S. Customs Service provisions in this bill are necessary to assist in the deterrence of auto theft.

With respect to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGETARY AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that for provisions within its jurisdiction there are no tax expenditures or new budgetary authority providing financial assistance to State and local governments in the bill.

In compliance with clause 2(1)(2)(C) of rule XI of the Rules of the House of Representatives, the Committee agrees with cost esti-

mates furnished by the Congressional Budget Office on H.R. 4542, as amended, and required to be included herein:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 23, 1992.

Hon. DAN ROSTENKOWSKI,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 4542, the Anti Car Theft Act of 1992.

Enactment of H.R. 4542 could affect receipts and thus the bill would be subject to pay-as-you-go procedures under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. As a result, the estimate required under clause 8 of House Rule XXI also is attached.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 4542.
2. Bill title: Anti Car Theft Act of 1992.
3. Bill status: As ordered reported by the House Committee on Ways and Means on September 22, 1992.
4. Bill purpose: H.R. 4542 would establish several programs and make revisions to current law to prevent and deter auto theft.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1993	1994	1995	1996	1997
Spending subject to appropriation action:					
Specified authorization level.....	17	17	17		
Estimated authorization level.....	5	3	3	3	3
Total authorization level.....	22	20	20	3	3
Estimated outlays.....	11	17	20	13	7
Estimated revenues.....	(¹)	(¹)	(¹)	(¹)	(¹)

¹ Less than \$500,000.

The Department of Justice could incur additional costs to investigate and prosecute new federal crimes established by the bill. CBO cannot estimate the amount of any such costs at this time.

The costs of this bill fall within budget functions 400 and 750.

Basis of estimate: Title I of the bill would direct the Director of the Bureau of Justice Assistance to make grants to anti-car-theft committees, which are state or local government agencies devoted to combating motor vehicle theft. The bill would authorize appropriations of \$10 million in each of fiscal years 1993 through 1995 to carry out this provision.

Title II would require the Secretary of Transportation, in cooperation with the states, to establish a national motor vehicle title information system. The secretary would be authorized to designate a contractor who would operate this system and collect fees to cover the cost. States would be required to participate in this system, by making titling information available to the operator of the system and conducting title verification checks, or face reductions in their apportionments of federal grants under the federal-aid highways program. The bill would authorize the secretary to make grants to participating states to cover part of the cost of providing the required information. The bill would authorize \$7 million for each of fiscal years 1993 through 1995 to carry out these provisions.

Title III of H.R. 4542 would direct the Attorney General to enter into an agreement with an entity to operate a system to provide insurance carriers and automobile repair businesses with information on stolen automobiles and automobile parts. The Attorney General would enter into such an agreement only if it is determined that the Federal Bureau of Investigation's National Crime Information Center (NCIC) would be unable to operate such a system. Title III would authorize such sums as necessary to be appropriate to carry out this provision. Based on conversations with the Federal Bureau of Investigation and a potential operator of the proposed information system, we have assumed that NCIC would be unable to operate such a system. We estimate that the costs for an entity to operate the system would be no more than \$5 million in fiscal year 1993 and no more than \$3 million per year thereafter.

In addition, H.R. 4542 contains several other provisions that would result in costs to the federal government. We estimate that the total cost of these provisions would be less than \$500,000 annually. H.R. 4542 also would provide for new and enhanced penalties (including fines) for certain crimes, including armed robberies of motor vehicles, importation and exportation of stolen vehicles, and trafficking in stolen vehicles. These fines could increase receipts, but CBO estimates that any such increase would be less than \$500,000 annually.

This estimate assumes that the Congress will appropriate the full amounts authorized for each fiscal year. Outlay estimates are based on historical spending patterns for programs similar to those authorized by this bill.

6. Pay-as-you-go considerations: The Budget Enforcement Act of 1990 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. H.R. 4542 contains provisions that provide for new and enhanced penalties for certain crimes, which could result in additional receipts to the federal government. We estimate that any additional receipts would be less than \$500,000 per year.

7. Estimated cost to state and local governments: The grant program in Title I for anti-car-theft committees would require grantees to provide at least 50 percent of the costs of such committees. These costs could reach \$10 million per year in fiscal years 1993 through 1995, but the additional costs would probably be somewhat

less because some states already have established anti-car-theft committees.

States would incur costs as a result of the requirement that they participate in the national motor vehicle title information system or lose part of their federal highway construction funds. Based on information provided by the American Association of Motor Vehicle Administrators, we estimate that the total cost to states to initiate such a system would be about \$40 million. These costs would be incurred primarily in 1994 and 1995. This estimate assumes that the average state cost would be about \$800,000, but the cost in some states would be much higher. H.R. 4542 would authorize \$21 million in grants to states to pay for some of these costs, but the amount of the grant for each state would be limited to the lesser of 25 percent of the cost for that state or \$300,000. Once this system is established, the bill provides that operating costs could be reimbursed through user fees charged by the operator of the system.

8. Estimate comparison: None.

9. Previous CBO estimate: On July 30, 1992, CBO prepared a cost estimate for H.R. 4542, as ordered reported by the House Committee on the Judiciary. The cost estimated for that version are the same as those estimated for the Ways and Means version.

On September 22, 1992, CBO prepared a cost estimate for H.R. 4542, as ordered reported by the House Committee on Energy and Commerce. That version of the bill would authorize grants to states for the entire cost of establishing the national motor vehicle information system and would not limit the total amount to be appropriated. In addition, the Energy and Commerce version and require the Customs Service to check all vehicle identification numbers of used cars being exported against information in the National Crime Information Center. The CBO cost estimates reflect these differences. Other provisions in the two bills are largely the same, as are the costs reflected in the two estimates.

10. Estimate prepared by: Marjorie Miller, Mark Grabowicz, and John Stell.

11. Estimate approved by: C.G. Nuckols, Assistant Director for Budget Analysis.

CONGRESSIONAL BUDGET OFFICE ESTIMATE ¹

The applicable cost estimate of this act for all purposes of sections 252 and 253 of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be as follows:

[By fiscal years, in millions of dollars]

	1992	1993	1994	1995
Change in outlays	(1)	(1)	(1)	(1)
Change in receipts	0	0	0	0

¹ Not applicable.

¹ An estimate of H.R. 4542 as ordered reported by the House Committee on Ways and Means on September 22, 1992. This estimate was transmitted by the Congressional Budget Office on September 23, 1992.

INFLATIONARY IMPACT

With respect to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 4542, as amended, is not expected to have any inflationary impact on prices and costs in the operation of the general economy.

CHANGES IN EXISTING LAW (AS AMENDED BY THE COMMITTEE ON
THE JUDICIARY) MADE BY THE BILL, AS REPORTED

The changes made to existing law by the amendment reported by the Committee on the Judiciary are shown in the report filed by that Committee (H. Rept. 102-851, Part I).

For the information of the Members of the House of Representatives, the changes made by this Committee to existing law (as amended by the Committee on the Judiciary) are shown as follows (new matter is printed in *italic*, matter in which no change is proposed is shown in *roman*):

TARIFF ACT OF 1930

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TITLE IV—ADMINISTRATIVE PROVISIONS

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PART VI—MISCELLANEOUS PROVISIONS

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SEC. 646B. EXPORT REPORTING REQUIREMENT.

The Commissioner of Customs shall require all persons or entities exporting used automobiles, including automobiles exported for personal use, by air or ship to provide to the Customs Service, at least 72 hours before the export, the vehicle identification number of each such automobile and proof of ownership of such automobile. The Commissioner shall establish specific criteria for randomly selecting used automobiles scheduled to be exported, consistent with the risk of stolen automobiles being exported and shall check the vehicle identification number of each automobile selected pursuant to such criteria against the information in the National Crime Information Center to determine whether such automobile has been reported stolen. At the request of the Director of the Federal Bureau of Investigation, the Commissioner shall make available to the Director all vehicle identification numbers obtained under this section.

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