

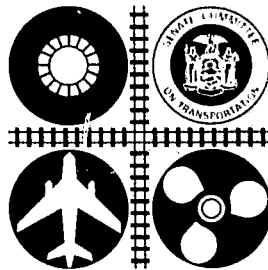


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Auto Thefts:

A Low Risk High Profit Crisis in New York State

MICROFICHE



**A Report by the New York State Senate
Committee on Transportation**

John D. Caemmerer, Chairman

January 16, 1978

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JOHN D. CAEMMERER
7TH DISTRICT
CHAIRMAN
COMMITTEE ON TRANSPORTATION

THE SENATE
STATE OF NEW YORK
ALBANY 12247

DISTRICT OFFICE
374 HILLSIDE AVENUE
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January 16, 1978

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ACQUISITIONS

Honorable Warren M. Anderson
President Pro Tem
New York State Senate
State Capitol
Albany, New York 12247

Dear Senator Anderson:

The automobile theft rate in New York State has reached horrendous proportions. It is a problem that has developed into a crisis.

Contrary to national trends, the auto theft rate in New York State continues to increase. As an individual state, we account for 10% of the national auto theft total. In 1976, the total number of auto thefts reported statewide came to 133,479, an increase of approximately 14% over the 1975 total. Sadly, our motorists pay 220% more for auto theft insurance than the national average.

The attached report outlines the scope of the auto theft crisis in New York State. It demonstrates that no area in the state is immune from the problem of auto thefts. The report also dramatically underscores that for various complex reasons, stealing cars in New York State is a low risk, high profit industry.

The Senate Committee on Transportation has scheduled a public hearing on auto thefts for January 24. We will investigate such topics as: professional auto theft rings; the impact of auto thefts on insurance rates; fraudulent auto theft claims; and ways to reduce auto theft rates.

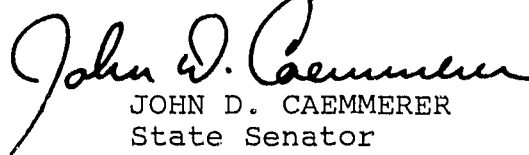
The Members of the Transportation Committee will be joined by the Chairman and Members of the Senate Standing Committee on Consumer Protection.

Based on the information we receive at the public hearing, and the continued research of both Senate Committees, legislative recommendations will be made to help solve the auto theft crisis in New York State.

Honorable Warren M. Anderson
January 16, 1977
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Clearly, the auto theft crisis in our state is a complex problem. Any workable solutions will require the full cooperation of all levels of government and law enforcement authorities along with the strong support of the public.

Sincerely,


JOHN D. CAEMMERER
State Senator

JDC:cmb

c.c. - Honorable Hugh L. Carey, Governor
Honorable Members of the New York State
Legislature

REPORT SUMMARY

While national auto theft rates declined in 1976 by 4%, the New York State total increased 14% to a statewide figure of 133,479.

New York City accounted for 72% of the auto thefts in New York State. Suburban areas like Nassau and Suffolk Counties on Long Island, however, have experienced significant increases in auto theft rates.

Statewide, New York automobile owners pay 220% more than the national average for auto theft insurance because of the high theft rates and low recovery rates.

Fraudulent auto theft insurance claims are also a significant part of the overall statewide crisis. While New York City police officials estimate that 55% of the autos stolen in that City can be attributed to the desire to obtain parts for resale, they also estimate that almost 24% of the reported auto thefts are actually fraudulent. The cars are "dumped" by their owners to obtain insurance payments higher than the actual value of the automobile.

The New York metropolitan area is a target for professional auto thieves because: an abundant supply of late model cars is available; the high demand for crash and replacement parts has made a lucrative market for used parts; a sophisticated stolen car disposal industry exists; export to foreign countries demanding late model used cars is relatively easy through New York ports; law enforcement problems; lack of uniform title procedures with neighboring states; and the lack of a standardized system for tracking useable parts taken from a stolen car and sold to other businesses and the general consumer.

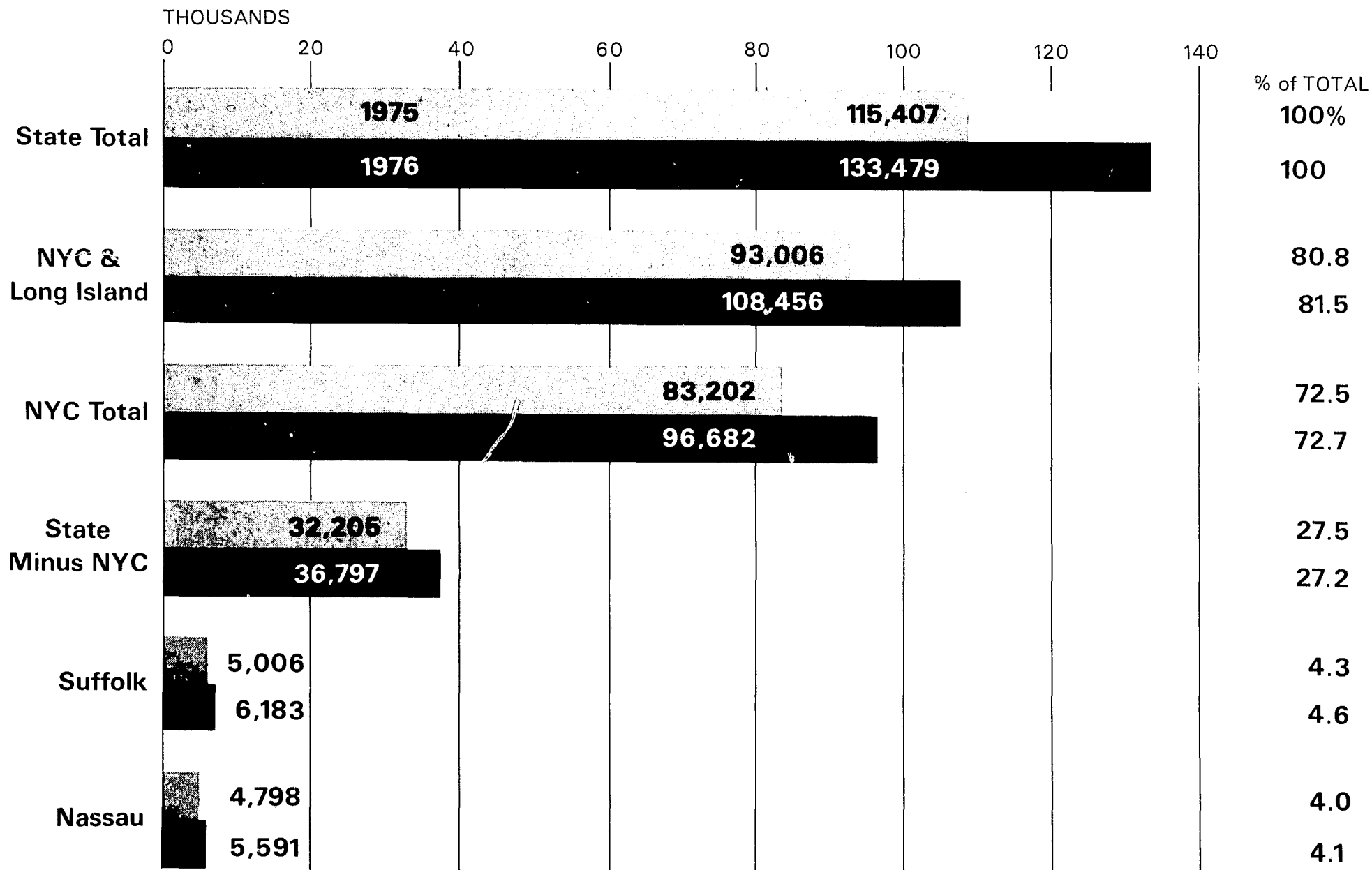
The Committee is in the process of studying the following recommendations to reduce the auto theft rate in New York State.

- License persons and businesses engaged in the sale, dismantling,

towing, rebuilding, or scrapping of motor vehicles and require that records be maintained of all transactions to include the vehicle identification number of every motor vehicle acquired or disposed of.

- Encourage automobile manufacturers to place vehicle identification numbers on the engine, transmission, front end assembly, tail clip, and doors.
- Increase the penalties for making false auto theft insurance claims.
- Increase the penalties for making a false auto theft report to police authorities.
- Clarify the distinction between an auto theft related to joyriding and one made for potential profit as in the case of a professional auto thief.
- Grant tax rebates to persons installing anti-auto theft alarms.
- Seek the establishment of a task force of federal, state, and local law enforcement officials to attack the problem of stolen vehicles exported out of the country.
- Seek the creation of an interstate compact on stolen motor vehicles so that uniform vehicle identification procedures can be established.

Auto Thefts in New York State - Selected Areas, 1975 & 1976



THE AUTO THEFT CRISIS

Nationally, the problem of automobile thefts has reached alarming proportions. In 1976, approximately one million vehicles were reported stolen. One auto theft occurs every 32 seconds. Including the value of the vehicle and the expense of attempted recovery, auto thefts cost the American consumer almost \$1.6 billion in 1976.

While the national auto theft rate dropped in 1976 by almost 4% over the 1975 total, stolen vehicle related expenses continued to increase due to a decline in the number of cars recovered. In 1955, for example, the stolen car recovery rate was 95%. Currently, the recovery rate has dropped to 70%, with some areas as low as 30%.

New York State accounts for more than 10% of the national auto theft rate. And, contrary to national trends, the statewide auto theft rate increased dramatically over the 1975 total.

115,407 vehicles were reported stolen in New York State in 1975. Increasing approximately 14% in 1976, the statewide total reached 133,429.

In New York City - which accounts for 72% of the state auto theft total - the number of reported auto thefts rose from 83,202 in 1975 to 96,682 in 1976. During the same period, the recovery rate dropped from 48.2% to 44.3%.

Auto theft rates are also increasing at alarming rates in the suburban counties of New York State.

On Long Island, for example, the number of reported auto thefts increased in Nassau County from 4,798 in 1975 to 5,591 in 1976. Suffolk County experienced higher auto theft rates with 5,006 stolen in 1975 and 6,183 in 1976, an alarming one year increase of 23%.

Combined, New York City and Long Island accounted for approximately

81% of the statewide auto theft rate with 108,456 cars reported stolen in 1976.

In keeping with the statewide trend, a spot check of Albany, Buffalo, Syracuse and the Counties of Westchester, Rockland and Putnam reveals that during 1976 auto thefts increased while recovery rates decreased.

As a result of the high auto theft rates, New York State car owners pay approximately 220% more than the national average for auto theft insurance.

The State Farm Insurance Company, for example, estimates that their average customer in New York State pays \$35 annually for auto theft insurance as compared to the national average of \$11.

HIGH PARTS PRICES = MORE AUTO THEFTS

Police officials in New York City estimate that at least 55% of the stolen vehicles in the City in 1976 were stolen for their parts. Since automobile theft is a low-risk crime with a high-profit return, this percentage can be expected to increase in the future unless countermeasures are instituted.

The substantial increase in the price of automobile crash parts, which rose approximately 65% between January 1, 1974 and January 1, 1976, has led to professionals stealing a large number of vehicles. To cite only one example, the price of a 1974 Pinto water pump rose from \$18.60 to \$31.75, a 71% increase, between 1974 and 1976. The price of all parts in a new \$5,000 automobile, if purchased separately would total over \$20,000. In other words, a late model automobile sitting on the street has a potential value far above that of its original purchase price.

OPERATION OF PROFESSIONAL THEFT RINGS

The professional thief looks for automobiles whose parts are in high demand. In one out of five thefts, the owner obliges the thief by leaving the key in the ignition. Another 20% of the stolen vehicles had the keys secreted in the vehicle - glove compartment, under the seat, or in the visor. But even when owners are cautious, it is difficult to stop the professional thief if the vehicle is parked in an unprotected area as thieves use thin, long saws that slide into the steering column and break the lock. They also use "slam hammers" - tools that strip an ignition system with one pull and replace the system with a new ignition key. Other vehicles simply are towed away.

THE PARTS STRIPPING PROCESS

Thefts usually are committed by young men who are paid approximately \$100 per car. A stolen vehicle that is to be stripped is driven to a predetermined site where the vehicle is picked up and taken to a cutting factory, and quickly becomes a pile of saleable parts. Illegal cutters receive between \$300 and \$400 per week. Whatever is left of the vehicle is given to a scrap processor.

According to the Federal Bureau of Investigation, New York engines and transmissions often are shipped to the Carolinas in exchange for cigarettes and Saturday night specials. Engines and transmissions cannot be used readily in New York because they have vehicle identification numbers (VINS) stamped on them. They, however, can be used in the southern states which do not regulate the motor vehicle salvage industry.

RESALE OF STOLEN VEHICLES WITHIN THE UNITED STATES

Many stolen automobiles are resold by matching a stolen vehicle with a junked vehicle of the same make and year whose title certificate and vehicle identification plates have been retained. The VIN plates on the stolen vehicle are replaced with those of the junked vehicle. Such an exchange is difficult to accomplish in states, such as New York, which require the surrender of the title certificates when the vehicles become salvage vehicles, but easily is accomplished in states without such laws.

The fact that stolen vehicles from New York State can easily be driven to other states - either for resale as whole units or to be dismantled for parts - causes one of the major difficulties in the attempt to find a long-term solution to the automobile theft problem. Congress currently is considering authorizing the National Highway Traffic Safety Administration to require that states adopt salvage title laws, using the rationale that stolen vehicles are more apt to be involved in automobile accidents.

THE EXPORT OF STOLEN VEHICLES

The existence of a substantial market for used American automobiles and parts in foreign countries, especially in the Middle East and South America, has led to a large, yet undetermined, number of stolen vehicles being exported through the Port of New York. Section 398-a of the New York General Business Law requires persons involved in the preparation of shipping orders, dock receipts, bills of lading and other export papers to verify the proof of ownership of vehicles being exported. These persons also must furnish the police with a description of the vehicles, including their VINS, at least forty-eight

hours prior to the shipment.

Two problems reduce the effectiveness of this law. First, it is a state law whose application is limited to the New York portion of the harbor and most vehicles are exported through Port Newark in New Jersey. Neither the laws of New Jersey nor federal regulations require that ownership be checked or that VIN numbers be entered on export documents. In consequence, stolen vehicles, instead of being shipped through the New York section of the Port, are channeled through New Jersey.

The second problem involves the operation of fraudulent freight forwarders who secure the necessary export documents for a \$50 to a \$100 fee. After the papers are filled out, the stolen vehicle is driven to the docks for shipment. The shippers have no way of determining whether the vehicle is stolen and simply put it on a ship. If a stolen vehicle is discovered on the docks, the authorities attempt to trace its legitimate owner and the thieves. What usually is discovered is that an alias was used and the freight forwarder cannot be located.

Complicating the enforcement of Section 398-a is the lack of sufficient law enforcement manpower to check each automobile that passes through the Port to determine if it has been stolen. Currently, spot checks are made from time to time, usually as a result of a tip that stolen vehicles are being exported.

INSURANCE FRAUD

Estimating the number of vehicles reported as stolen which actually represent insurance fraud is difficult. Rough estimates by New York

City police officials run as high as 25% of the total number of stolen vehicles. If the estimates are accurate, approximately 24,000 vehicles reported as stolen in the City in 1976 actually were disposed of by their owners to collect insurance.

Many reported stolen automobiles are "dumped" in order to collect the insurance which, if the vehicle is in poor condition, may exceed the actual resale value of the vehicle.

Techniques involved in "dumping" include driving the vehicle into a body of water or abandoning the vehicle in New York City so that the automobile will be picked up by the Sanitation Department's Derelict Automobile Program and reduced to scrap. Other owners arrange to have their cars stolen by the same type of people who are involved in stealing and stripping vehicles for parts. The car is picked up on the street and driven to a cutting factory where the vehicle is reduced to parts. A few days later, the owner reports the car as stolen.

Over and above the actual disposal of vehicles, some owners temporarily hide their cars and claim they were stolen in order to collect the insurance. One man in Boston dismantled his car, collected the insurance, and put the car back together again. Furthermore, extremely weak laws or the lack of title laws enable a person to take his vehicle from New York, dispose of the vehicle in another state with phony registration papers, and claim that the car was stolen. Since there is no computer interfacing of stolen automobile reports between the United States and Canada, a vehicle with a forged registration can be taken into Canada and disposed of with no one in the United States being aware of the disposal.

THE LAW ENFORCEMENT PROBLEM

Although automobile thefts have become increasingly burdensome to the consumer, finding a solution to the problem will not be easy. According to representatives of the National Automobile Theft Bureau, there is almost unanimous opinion among insurance experts and police officials that there is not enough manpower to enforce existing laws. The Waterfront Commission in New York City, which has power to inspect vehicles on the docks, simply does not have enough personnel to check every car being exported to determine if it is a stolen vehicle. Verification of changes in registry by out-of-state car owners who wish to register their vehicles in New York is done by one Department of Motor Vehicles clerk and one state trooper. In a recent year, over 400,000 changes in registry were processed by the Department.

CITIZEN ACTION TO COMBAT AUTO THEFT

The public can play a major role in reducing automobile thefts, and the forthcoming anti-car theft campaign in the New York metropolitan area deserves widespread publicity and support. This campaign was sparked by the National Automobile Theft Bureau which was the coordinator of a successful anti-car theft campaign in Boston in 1976.

Boston led the Nation for eleven consecutive years in terms of the rate of automobile thefts with the Uniform Crimes Report revealing that the rate in Boston was six times the national average. In early 1976, the Bureau established a special task force in the Boston area and invited all persons with a connection to automobiles and automobile theft to a conference in Boston. An anti-car theft (ACT) Committee, composed of an all industry group of insurance claims

executives, was formed by the conferees. The ACT Committee was divided into five sub-committees - Finance, Legislative, Materials Distribution Civic-Business-Industry, and Publicity - in order to organize an effective campaign. The Committee also organized a speakers bureau.

Members of the ACT Committee appeared on television, radio, and speaker's platforms to alert car owners to the steps they should take to foil automobile thieves. ACT members also met with law enforcement officials and Bureau representatives to review automobile theft reporting procedures, towing and storage problems, and salvage methods. These efforts generated news media support throughout Massachusetts. WNAC-TV and WRKO radio in Boston and the Automobile Legal Association's Auto and Travel Club, for example, developed a HOT CAR (Hands Off This Car) campaign to urge motorists to lock their cars and to use anti-theft devices. More than 500 spot announcements a month were broadcast on anti-theft prevention, along with feature programs and editorials. In addition, the power of public opinion had much to do with generating legislation making false automobile theft reports subject to a perjury penalty in order to reduce the incidence of "phantom" thefts reported to collect insurance claims.

The ACT campaign in the Boston area appears to have had a significant impact on the number of thefts. According to the Bureau's 1976 annual report, car thefts in Massachusetts declined 10% in 1976 and such thefts declined by 18.7% in Boston between June and December 1976 compared with the same months in 1975.

With the successful campaign in Boston very much in mind, the Bureau decided to organize another campaign in the New York metropolitan area. Automobile thefts in the New York State portion of this

area - New York City, and Nassau, Suffolk, Westchester, Rockland, and Putnam Counties - increased from 97,796 in 1975 to 114,089 in 1976. The first organizational meeting for the New York area campaign was held in September 1977 with insurance company representatives and police officials in attendance. During this and subsequent meetings an ACT Committee was formed which divided into subcommittees in order to organize the campaign scheduled to commence in the Spring of 1978.

LEGISLATIVE SUGGESTIONS

The staff of the New York State Senate Transportation Committee has conferred with a large number of persons concerned with automobile thefts in the State - including representatives of state and local police, the Federal Bureau of Investigation, insurance company representatives, automobile dismantlers, and officials from other states - who made a number of suggestions relative to action that the State Legislature might take to stem the rising tide of automobile thefts. A public hearing on this problem, co-sponsored by the Senate Committee on Transportation and the Senate Consumer Protection Committee, will be held on Tuesday, January 24, 1978, at 10:00 a.m. in the Van Buren Room (Hearing Room A) of the Legislative Office Building in Albany.

STRENGTHEN AUTOMOBILE SALVAGE LAWS

One of the main suggestions to reduce auto thefts involves strengthening New York's law dealing with the automobile salvage business. The proposal has been advanced that any person or firm involved in the selling, dismantling, towing, rebuilding, or scrapping of salvage vehicles should be licensed by the State and required to

maintain accurate records of all transactions, including the VIN number of every car that they deal with. The State Legislature can mandate that stiff penalties be imposed on lawbreakers, including revoking the licenses of recidivists.

ESTABLISH AN AUDIT TRAIL OF AUTOMOBILE PARTS .

Many experts believe that the best way to cut down on the traffic in stolen auto parts would be to require that vehicle identification numbers (VINS) be stamped on specified parts of the automobiles, thereby enabling law enforcement officials to easily determine whether a specific part came from a stolen vehicle. As it is now, it is almost impossible to set up an audit trail of automobile parts because such parts are interchangeable from one another. Yet representatives of automobile dismantlers, U.S. Department of Justice experts on auto theft, and a number of officials from various states, believe that the market in stolen automobile parts cannot be controlled until it becomes possible to easily trace where the parts came from. The suggestion is not being made that VIN numbers be stamped on all parts of the automobile, rather, most experts believe that it should be stamped on five specified parts - the engine, the transmission, the front end assembly, the tail clip, and the doors.

Ideally, the automobile manufacturers could be persuaded to voluntarily place these numbers on these parts as they have already been urged to do so by several federal and state officials and by the automobile dismantlers. If persuasion does not work, the next possible move would be federal action in this area. A federal inter-agency task force on auto theft is now working on this and there is hope that Congress will grant the National Highway Traffic Safety

Administration the power to require that VIN numbers be stamped on certain parts. It would also be made a federal offense to tamper with VIN plates, together with tough penalties for violators. The states can play a role here by encouraging Congress to act.

If Congress does not move on this matter, the states can act to require that VINS be stamped on specified auto parts. Such action would require a great deal of coordination between the state legislatures to ensure that uniform laws were passed, and action should only be taken if it becomes clear that federal action will not be forthcoming.

The State Legislature also can require that automobile dismantlers stamp or affix the VIN number of the automobiles on specified parts as they dismantle the vehicles. According to representatives of the U.S. Department of Justice, research is currently going on to develop a method of permanently attaching VIN numbers to auto parts in a convenient way, making it possible to determine the origin of every major auto part in a salvage yard. Instead of having to go through a tedious process of looking through the record books of vehicle dismantlers, any part in a salvage yard could be quickly checked to see if it came from a legitimate vehicle.

INCREASE THE PENALTIES FOR AUTO THEFT OFFENSES

Suggestions have been made that sections of the Penal Law be amended to provide for stiffer penalties for persons who make fraudulent auto theft claims. Hopefully, this would help deter people from disposing of their cars in order to collect the insurance. Specifically, Section 210.45 of the Penal Law can be amended to increase the penalty for making a false written statement from a Class A misdemeanor to a Class E felony. In order to commit insurance fraud,

an automobile owner must file a complaint with the local police. By making this false report, he is wasting the time and energy of the police in searching for a "phantom" vehicle and the taxpayer's money in financing the futile search. In addition, Section 175.50 of the Penal Law can be amended to increase the penalty for presenting a false insurance claim from a Class A misdemeanor to a Class E felony.

Section 165.05 of the Penal Law - unauthorized use of a vehicle - can be amended to distinguish clearly between the joyrider and the person who strips or sells a vehicle. This section of the Penal Law was promulgated to save the joyriding youth from a grand larceny charge. Unfortunately, many professional thieves are being charged with unauthorized use instead of grand larceny.

LEGISLATIVE ENCOURAGEMENT OF CITIZEN ACTION

One thing that the State Legislature can do quickly, and at minimal cost, would be to act to encourage the automobile owner to take a more active role in protecting his property. One step in this direction would be to aid car owners to purchase and install alarm systems, by granting a tax rebate or by reducing insurance premiums. Legislators also can inform their constituents of the nature of the auto theft problem in their newsletters. During the upcoming anti-auto theft campaign in the New York metropolitan area, being organized by the National Automobile Theft Bureau, for example, legislators could notify the public that free information on auto theft is available in the way of brochures and that speakers are available for local organizations.

REDUCING THE EXPORT OF STOLEN VEHICLES

Before any action is taken with regard to the export of stolen vehicles through the Port of New York, it should be determined just what the magnitude of the problem is. This could be accomplished by a task force operation conducted by members of the F.B.I., the Customs Bureau, the Waterfront Commission, and state and local police. This task force would examine the VIN numbers of every car about to be exported from the port at a given time. The VIN numbers would be taken down and put on a list to be checked in detail to determine if any vehicle is a stolen automobile.

REPORT CONCLUSION

Immense in scope, the auto theft crisis in New York State - as outlined in this report - is a low risk, high profit multi-million dollar industry. While most car owners never experience the problems of having a car stolen, the increased insurance premiums that result from our high rate of auto theft rob us all of our hard earned dollars.

A concerted effort must be made by all levels of government - federal, state and local - to find workable solutions to the auto theft crisis. Laws must be enacted to eliminate auto theft insurance claim frauds and remove the profit motive for stealing cars.

Additionally, the public must also participate in the effort to reduce auto theft rates. Eliminating practices that invite a visit from an auto thief will go a long way towards protecting one's own property.

Due to the complexity of the auto theft crisis in New York State, finding workable solutions to reduce the problem will not be easy. The Senate Standing Committee on Transportation, however, will continue to formulate legislative solutions to the problem and will seek the establishment of greater cooperation between the states and the various authorities involved in the law enforcement process.

END