
SENATE COMMITTEE ON PUBLIC SAFETY

Senator Aisha Wahab, Chair

2023 - 2024 Regular

Bill No: SB 55 **Hearing Date:** April 25, 2023
Author: Umberg
Version: April 10, 2023
Urgency: No **Fiscal:** Yes
Consultant: HM

Subject: *Vehicles: catalytic converters*

HISTORY

Source: Author

Prior Legislation: SB 986 (Umberg), failed Assembly floor, 2022
SB 1087 (Gonzalez), Ch. 514, Stats. 2022
AB 1740 (Muratsuchi), Ch. 513, Stats. 2022
AB 2682 (Gray), failed Senate Appropriations, 2022

Support: City of Santa Monica; City of Chico; City of Montebello; California District Attorneys Association, Orange County Transportation Authority; City of La Canada Flintridge; Crime Victims Alliance; City of Burbank; Prosecutors Alliance California; California New Car Dealers Association; CSAA Insurance Group; City of Encinitas; Upland Police Officers Association; Santa Ana Police Officers Association; Riverside Sheriffs' Association; Riverside Police Officers Association; Pomona Police Officers' Association; Placer County Deputy Sheriffs' Association; Placer County Deputy Sheriffs' Association; Palos Verdes Police Officers Association; Newport Beach Police Association; Los Angeles School Police Officers Association; Inglewood Police Officers Association; Fullerton Police Officers' Association; Culver City Police Officers' Association; Corona Police Officers Association; Claremont Police Officers Association; California Coalition of School Safety Professionals; Burbank Police Officers' Association; Arcadia Police Officers' Association; City of Alameda; City of Hayward; Orange County Sheriff's Association; City of South El Monte; Los Angeles County District Attorney's Office; California Contract Cities Association

Opposition: Alliance for Automotive Innovation (oppose unless amended)

PURPOSE

The purpose of this bill is to require a motor vehicle dealer to sell a vehicle with a permanently marked catalytic converter with vehicle's identification number unless the vehicle is sold for dismantling or salvage, the vehicle is sold at a wholesale auction or a buyer declines the marking offered by the dealer. This bill also adds additional traceable payment methods for core recyclers when purchasing catalytic converters.

Existing federal law requires the U.S. Department of Transportation to prescribe a vehicle theft prevention standard that covers major parts. (49 U.S.C §§ 33101 & 33102)

Existing federal law states that the vehicle theft standard includes affixing or inscribing identifying numbers or symbols on major parts. (49 C.F.R § 541.5.)

Existing state law defines a “collector motor vehicle” as a motor vehicle owned by a collector, used primarily in shows, parades, charitable functions and historical exhibitions for display, maintenance and preservation, and is not used primarily for transportation. (Veh. Code, § 259)

Existing state law defines a “core recycler” means a person or business, including a recycler or junk dealer, that buys used individual catalytic converters, transmissions, or other parts previously removed from a vehicle. (Bus. & Prof. Code, § 21610 subd. (a)(1).)

Existing state law requires recyclers to maintain a written record of sales of catalytic converters including the vehicle identification number etched or engraved on the converter, as specified. (Bus. & Prof. Code, § 21610 subd. (b).)

Existing state law prohibits core recyclers from providing payment for a catalytic converter unless:

- The payment is made by check and provided to the seller by mail or collected by the seller from the recycler, as specified. (Bus. & Prof. Code, § 21610 subd. (d)(1).)
- The core recycler obtain a clear photograph or video of the seller. (Bus. & Prof. Code, § 21610 subd. (d)(2).)
- The core recycler obtain a copy of a valid state or federal identification card that contains a photograph and an address of the seller. (Bus. & Prof. Code, § 21610 subd. (d)(3)(A).)
- The core recycler obtains a clear photograph or video of the catalytic converter that captures the permanent marking of the vehicle identification number, if applicable. (Bus. & Prof. Code, § 21610 subd. (d)(4).)
- The core recycler obtains a written statement from the seller indicating how they obtained the catalytic converter. (Bus. & Prof. Code, § 21610 subd. (d)(5).)

This bill allows for a core recycler to make payment for a catalytic converter by check, credit card, or any other traceable form of payment other than cash.

Existing state law prohibits the purchase of used catalytic converters, except from licensed businesses or individuals who possess documentation proving ownership that also include a vehicle identification number matching that marked on the converter, as specified. (Veh. Code, § 10852.5)

Existing state law requires car dealers to make detailed, specific disclosures of all charges included in automobile installment sale contracts, including “body part marking products” for purposes of “theft deterrent device.” (Civ. Code, § 2981 subd. (s)(3).)

This bill states that no dealer or person holding a retail seller's permit shall sell a new or used vehicle equipped with a catalytic converter unless the catalytic converter has been permanently marked with the vehicle identification number (VIN) of the vehicle to which it is attached.

This bill defines "permanently marked" as prominently engraved, etched, welded, metal stamped, acid marked, or otherwise permanently imprinted using a similarly reliable method of imparting a lasting mark on the exterior case of the catalytic converter.

This bill exempts the following from the requirements:

- A) Collector motor vehicles;
- B) Vehicles sold by a licensed automobile dismantler after being reported for dismantling pursuant to Section 11520;
- C) Vehicles sold by or through a salvage pool after obtaining a salvage certificate pursuant to Section 11515, a nonrepairable vehicle certificate pursuant to Section 11515.2, a certificate of title for a vehicle described in subdivision (f) of Section 11515 or subdivision (f) of Section 11515.2, or a similar ownership document issued by another state;
- D) Vehicles sold by or through a salvage disposal auction; and

This bill defines "salvage disposal auction" as an auction where a person or entity, engaged primarily in the business of selling total loss salvage vehicles on behalf of insurance companies and that has more than eight business locations in California, sells total loss salvage vehicles.

- E) Vehicles sold by or through a wholesale motor vehicle auction.

This bill defines "wholesale motor vehicle auction" means an auction where the dealer conducting the auction does not take ownership of the vehicle and the vehicle is sold to a nonretail buyer for resale.

- F) Vehicles where the buyer declines the seller's offer to permanently mark the catalytic converter, as specified, and the dealer discloses the catalytic converter permanent marking as a body part marking product in accordance with Sections 2981 and 2982.2 of the Civil Code.
- G) Vehicle purchased from a dealer licensed in this state who is also licensed in another state and does not have a warranty servicing facility in this state.

This bill provides that a violation to this section is punishable as an infraction.

This bill sunsets the exemption that applies to vehicles purchased from a dealer licensed in California who is also licensed in another state and does not have a warranty servicing facility in this state on January 1, 2025.

COMMENTS

1. Need for This Bill

According to the author:

Catalytic converter thefts more than quadrupled in 2021 from 2020—and the trend shows no signs of slowing down this year. There are significant challenges in prosecuting the theft of catalytic converters under current California law. Law enforcement can make arrests of individuals in possession of suspected stolen catalytic converters, but are often unable to prove a case in court. Unlike most major parts of vehicles sold in the United States, under existing law, catalytic converters do not have a serial identification number on them. The serial number is crucial to establish that parts are stolen, even if the stolen vehicle has already been broken down. Therefore, SB 986 will require car dealers to mark vehicles' catalytic converters up for sale. Requiring the marking of catalytic converters would be a tremendous help to law enforcement in their attempts to bring this significant theft issue under control.

2. Catalytic Converter Thefts

Catalytic converters are responsible for filtering out harmful byproducts in the exhaust gasses and burning them up. The converters work by using the chemical properties of small amounts of precious metals such as platinum, palladium, and rhodium to promote a chemical degradation of these harmful byproducts. Coupled with their easily accessible location under a vehicle, a potential thief can easily remove the converter with the right set of tools while damaging the vehicle in the process. The stolen converters are sold to scrap yards or other parties who reclaim the precious metals. Replacing the converter can cost the consumer thousands of dollars, more if other vehicle components are damaged.

In the 2021 report by the Congressional Research Service¹, thieves potentially make anywhere from \$25 to \$500 off stolen converters, depending on the type of model they were attached to. The COVID-19 pandemic disruption of the global supply chain has resulted in an increased scarcity of precious metals, contributing to increased demand. Economic tracking indicates that despite returning to pre-pandemic levels, the price of these metals remains exceptionally high and tempting for thieves. As of April 12, 2023, palladium averages \$1,470 per ounce, platinum averages \$1,019 per ounce, and rhodium averages \$8,000 per ounce². The increased theft has seen increased insurance claims, according to an analysis from the National Insurance Crime Bureau (NICB). The NICB is a U.S. insurance industry focused on preventing vehicular theft and insurance fraud. They state that catalytic converter thefts increased by 1,215% between 2019 and 2021³—insurance claims for catalytic converter replacements are roughly 52,000⁴. State Farm reports that California ranks number one for catalytic converter theft.

¹ “Addressing Catalytic Converter Theft,” accessed April 12, 2023, <https://crsreports.congress.gov/product/pdf/IF/IF11870/2>

² “Palladium - 2023 Data,” accessed April 12, 2023, <https://tradingeconomics.com/commodity/palladium>

³ “As Catalytic Converter Thefts Continue To Increase Nationwide,” accessed April 12, 2023, <https://www.nicb.org/news/news-releases/catalytic-converter-thefts-continue-increase-nationwide-nicb-partners-local-0>

In response to growing thefts, California recently enacted AB 1740 (Muratsuchi) and SB 1087 (Gonzalez) in 2022 that define who may sell and purchase catalytic converters, ensures that the sellers are the verifiable owners of the part's vehicle, and require a traceable payment method for transactions. The bills prohibit the purchase of used catalytic converter except from certain sellers and require core recyclers to track additional information about the vehicle the converter was removed from for better tracking purposes.⁵ These bills aim to make it more difficult for thieves to sell the converters and aims to disincentive potential thefts.

This bill would strengthen these policies from 2022 by encouraging new vehicles sold in the state to have their catalytic converters marked, recommendations made by state agencies and insurance officials.

3. Vehicle Identification Number

According to the California Bureau of Automotive Repair (BAR)⁶, engraving or etching catalytic converters with the corresponding VIN may prevent theft. Multiple law enforcement agencies and insurance groups, such as the NICB and State Farm, make the same recommendations. Etching may also alert reputable scrap dealers that a converter is stolen and can help identify the owner. BAR currently recommends checking with local law enforcement agencies for information on upcoming no-cost engraving/etching events. Etching/marking converters with the VIN will require the thief to spend considerable resources replacing the marked part, cutting into the profits of the theft—potentially disincentive thieves. Without markings, component-vehicle identification becomes extremely difficult if law enforcement is alerted. As mentioned, no-cost etching events is recommended but oftentimes are fair and few. Manual engraving is thus the most common method, where tools can be purchased from anywhere from \$25 to more than \$400—chemical etching on the other hand costs below \$30. And as a state, California may only require dealers to offer permanent marking as requiring manufacturers would need federal legislation to pass⁷.

By allowing an exemption for consumers to decline permanent marking in this bill, the burden of marking costs shifts from the dealer to the consumers. Charges will most likely be passed onto the consumer, should they accept marking, while considering the location and accessibility of the converter.

This bill would ensure that vehicle dealers would permanently mark all new or used vehicles in the state, if approved by the buyer, with the corresponding VIN to deter theft at the will of the consumer. This bill will help law enforcement track stolen converters and aid criminal prosecution since officers can directly link the marked devices to the corresponding vehicle.

⁴ “Catalytic Converter Theft: 10 Most Targeted Vehicles,” accessed April 12, 2023, <https://www.carfax.com/blog/catalytic-converter-theft>

⁵ “New laws clamp down on catalytic converter theft,” accessed April 12, 2023 <https://www.calcities.org/news/post/2022/09/28/new-laws-clamp-down-on-catalytic-converter-theft>

⁶ “Catalytic Converter Theft and the Smog Check Program,” accessed April 12, 2023, <https://www.bar.ca.gov/consumer/smog-check-program/catalytic-converter-theft>

⁷ “Catalytic converter theft targeted by federal PART Act,” accessed April 17, 2023, <https://www.autonews.com/service-and-parts/catalytic-converter-theft-targeted-federal-part-act>

4. Argument in Support:

According to the Los Angeles County District Attorney's Office:

Catalytic converter thefts have reached epidemic levels both nationally and in California. Nationally, there has been a 1,215% increase in these thefts since 2019. A recent report released by State Farm Insurance showed that California leads the nation in the number of catalytic converter thefts. In Los Angeles County, the Sheriff's Department reported a 400% increase in catalytic converter thefts from 2019 to 2020. Across California, catalytic converter replacements increased more than 90% in 2020. State Farm paid over \$15 million for 5456 catalytic converter theft claims in California in 2022, and they paid over \$50 million nationwide in just the first half of 2022.

While the number of catalytic converter thefts skyrocket across California, there are significant legal challenges to investigating and prosecuting these crimes under California's existing statutes. These motor vehicle parts are very valuable and easily removed by thieves. Most major vehicle parts such as the engine block, transmission, frame, doors, and firewall sold in the United States are identified by an imprinted serial number relating to the unique vehicle identification number (VIN). These identification markings allow law enforcement to establish that parts are stolen, even if the stolen vehicle has already been fully broken down. However, this serial number identification process currently does not apply to catalytic converters, and as such, vehicle manufacturers do not mark these parts with a serial number. Consequently, law enforcement may arrest individuals in possession of hundreds of suspected stolen catalytic converters but be unable to prove a single case in court because without any identifying markers, it is impossible to determine the source of these parts. Unless police catch these individuals in the act of theft, there is virtually no way to identify the crime victims to prove that the parts were stolen. This legal loophole has resulted in an explosion in catalytic converter thefts, which currently is a crime that brings high profits with very little fear of legal repercussions.

SB 55 would close this loophole by adding section 24020 to the Vehicle Code to require new and used car dealers to mark the catalytic converters of vehicles on sale, with some specified exceptions. The application of a VIN to a catalytic converter is usually done by etching, a process that is both easy and inexpensive. However, the bill would allow for other forms of permanent marking as well.

SB 55 would also amend Business and Professions Code section 21610 to require a traceable method of payment for core recyclers when purchasing used catalytic converters from sellers. SB 55 is necessary to combat the overwhelming surge in catalytic converter thefts which have placed an enormous burden on the victims of these crimes. The changes proposed by this bill aim to deter would-be thieves from engaging in these thefts in the first place and to assist law enforcement in apprehending those individuals who choose to commit these crimes.

5. Argument in Opposition:

According to the Alliance for Automotive Innovation, who oppose unless amended:

This bill would require dealers to etch or engrave the catalytic converters of all vehicles prior to sale. The Auto Innovators suggest several that would remove our opposition to the bill. The amendments would do the following:

- Add a visibility/accessibility standard: Most new cars are not affected by catalytic converter theft because the converters are within the exhaust manifolds, which can take multiple hours to dismantle on some cars. The permanent marking standard should be limited to vehicles that have visible catalytic converters that are at higher risk of theft.
- [...]
- Exemption for protective devices: Vehicles with protective devices that provide a deterrent to catalytic converter theft should be exempt from the requirement that the catalytic converter also be permanently marked.
- Allow auto dealers to recover costs: Marking catalytic converters is an expensive process. Dealerships should be able to recover the high costs of labor by being able to charge the consumer who will benefit from this service.
- Insurance discount: The bill should require a consumer discount on motor vehicle insurance rates if the vehicle's catalytic converter has an installed protective device or is permanently marked.

The Auto Innovators agree that catalytic converter theft has been a major problem in California, though rates have fortunately gone down in the past year. The amendments highlighted above would target the solution to the cars that are affected by catalytic converter theft, remove the risk of damaging a catalytic converter from etching or engraving, and provide fair compensation for auto dealers. For all the above reasons, the Alliance respectfully opposes SB 55 unless amended as outlined above.

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