



**House
Legislative
Analysis
Section**

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REVISE SALVAGE VEHICLE LAW

House Bill 4391 (Substitute H-1)
First Analysis (7-21-93)

Sponsor: Rep. Agnes Dobronski
Committee: Transportation

THE APPARENT PROBLEM:

In response to major problems with car theft and illegal "chop shops," Public Act 507 of 1978 amended the Michigan Vehicle Code to create a salvage vehicle title, and to require that businesses specializing in insurance company salvage vehicle recycling and repair be licensed. By 1988, it had become apparent that the 1978 act had significant shortcomings that reduced its effectiveness in deterring and combatting car theft and crime. After considerable debate and discussion among affected parties, the legislature enacted Public Acts 254 and 255 of 1988.

Public Act 255 of 1988 amended the vehicle code with regard to the titling, sale, repair, dismantling and disposal of late model vehicles sold for their salvage value instead of being repaired. The amendments required out-of-state salvage dealers to be licensed with the secretary of state, increased recordkeeping requirements (especially regarding late model major component parts), regulated salvage pools, and increased inspection duties and enforcement powers of the secretary of state. The act had a sunset date of January 1, 1993--which the legislature extended to January 1, 1994 in Public Act 304 of 1992--and required the secretary of state, in conjunction with the Insurance Bureau (in the Department of Commerce) and the Department of State Police, to report to the legislature on the effectiveness of the 1988 amendments in reducing automobile theft and automobile insurance rates. In December 1991, the Department of State issued a report titled Michigan's Salvage Vehicle Titling Law and the Reduction in Auto Theft and Auto Insurance Rates, which not only reported on the required study of auto theft rates and their effects on insurance rates in Michigan, but also looked at other effects of the 1988 amendments to the vehicle code that did not bear directly on theft or insurance rates but which the department nevertheless thought might warrant legislative attention.

At the request of the Department of State, legislation has been proposed that would implement

recommendations made in the December 1991 report.

THE CONTENT OF THE BILL:

The bill would amend the salvage vehicle sections of the Michigan Vehicle Code in a number of ways. It would create a new title, "scrap certificate of title," for vehicles that could only be used for scrap. Unlike salvage vehicles, scrap vehicles could not be rebuilt and retitled for sale. The bill would require insurance companies to get salvage or scrap titles for every vehicle they acquired through payment of a claim. (Currently, insurance companies are only required to get salvage titles for late model "distressed" vehicles.) The bill would revise the standards for issuing salvage titles, expand the list of salvageable parts that would have to be listed on the salvage title, standardize police inspections of rebuilt salvage vehicles, and require certification of inspections by the secretary of state. The bill also would create a new license, the salvage dealer agent's license, and restrict trade in salvage or scrap vehicles to licensed agents.

The bill would take effect January 1, 1994, except for provisions that would create a new vehicle inspection program by local police agencies, which would take effect July 1, 1993. Also, a provision that would raise the inspection fee from the current \$25 to \$125 would specifically take effect October 1, 1993. In addition, the bill would delete the January 1, 1994, expiration date that applies to certain sections of the act related to salvage vehicles and licensees and, thus, would permanently establish these provisions (as well as those added by the bill) within the act.

Definitions. The act currently defines a "used (or secondhand) vehicle parts dealer" as someone who is in the business of buying, or otherwise acquiring, vehicles in order to dismantle them and sell the used parts and remaining scrap material. The bill

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specifies that this definition would also include someone who bought, acquired, sold, or otherwise dealt in "major component parts" (a definition that also would be revised by the bill). The bill also would create a new dealer type, known as an "automotive recycler," which would generally apply to persons who fall under the current definition of a used or secondhand vehicle parts dealer. In addition, the bill would add the definition of "salvage vehicle agent" and change the definition of a "distressed vehicle."

Under the bill, the list of items included under "major component part" would be expanded to include a radio, alloy wheel, T-top, taillight, composite headlight, front or rear seats, and a vehicle's front and rear assemblies (and various related parts). The bill also would remove "trunk floor pan" from the list of items included under the current definition.

"Distressed," "scrap" vehicles. Currently, a "late model distressed vehicle" is the only vehicle required to have a salvage certificate of title. The act defines a "distressed" vehicle as one 1) that has been wrecked, destroyed or damaged, 2) that is considered by its owner or insurance company to be "uneconomical" to repair, and 3) whose ownership has been transferred because it is considered to be uneconomical to repair. Under the bill, a "distressed vehicle" would be one that had a "major component part" that had been wrecked, destroyed, damaged, stolen, or missing such that the estimated cost of repairs, which would include parts and labor, would be equal to or greater than 75 percent of the undamaged vehicle's actual cash value.

In addition, the bill would define a "scrap vehicle" as one that was "wrecked, destroyed, damaged," or that had a major component part stolen or missing so that the estimated cost of repairs would be equal to or greater than 91 percent of the actual cash value of the undamaged vehicle. The definition also would include any vehicle that came into the state with a scrap title or comparable certificate of title.

For purposes of these definitions, "actual cash value" would mean the retail dollar value of a vehicle as determined by 1) an "objective" vehicle evaluation using local market resources such as dealers or want ads, 2) an independent vehicle evaluation or appraisal, or 3) a current issue of a nationally recognized used-vehicle guide. Estimated costs of repair parts would be determined by using the

current published retail cost of original manufacturer equipment parts or by estimating their actual cost, while estimated labor costs would be computed using the hourly rate and time allocations which were reasonable and commonly assessed by repair shops located in the area where repairs were performed.

Salvage, scrap certificates of title. The act currently allows an insurance company either to acquire ownership of a distressed, late-model vehicle through the payment of damages, or allows the owner to retain ownership of such a vehicle. Depending on which occurs certain procedures must be followed, one of which includes applying to the secretary of state for a salvage certificate of title. The bill specifies that, except for a late model vehicle that had been stolen and recovered and that had no major component part removed, missing, destroyed, or damaged and not salvageable, an insurer that acquired ownership of such a vehicle by paying damages would have to follow similar procedures, with the following differences relative to applying for a new title:

* If the insurer acquired ownership of the vehicle by paying a claim and the estimated cost of repair, including parts and labor, was equal to or more than 75 percent but less than 91 percent of the vehicle's predamaged actual cash value, the insurer would have to apply for a salvage title; but if the estimated repair cost was equal to or greater than 91 percent of the vehicle's predamaged actual cash value, the insurer would have to apply for a scrap title.

* If the insurer, after paying a claim, allowed the owner to retain ownership and the estimated repair cost was equal to or more than 75 percent but less than 91 percent of the vehicle's predamaged actual cash value, the insurer would have to require each vehicle owner to apply for a salvage title; but if the estimated repair cost was equal to or greater than 91 percent of the vehicle's predamaged actual cash value, the insurer would have to require each vehicle owner to apply for a scrap title.

An insurance company could assign a salvage or scrap title only to a used or secondhand vehicle parts dealer, foreign salvage vehicle dealer, or vehicle scrap metal processor, or to an automotive recycler. Also, a scrap title would have to differ in color from that of a standard certificate of title issued for other vehicles, and would have to contain

a legend that the vehicle was not to be titled or registered but could only be used for parts or scrap metal. (Currently, police vehicles, vehicles owned by political subdivisions of the state, salvage vehicles and rebuilt vehicles all are required to have different-colored certificates of title.)

Similar provisions regarding application for either a salvage title or scrap title would also apply to a dealer, or to someone other than a dealer or insurance company, that acquired ownership of a late model distressed vehicle. However, whereas current law permits a dealer to sell a salvage vehicle to another dealer by assigning its salvage title to the buyer, the bill would permit a dealer to sell such a vehicle only to another automotive recycler, used or secondhand vehicle parts dealer, foreign salvage vehicle dealer or vehicle scrap metal processor. A dealer could sell a scrap vehicle only to a vehicle scrap metal processor. An owner of a vehicle could determine that it was a scrap vehicle or salvage vehicle without making any determination as to its actual cash value.

Someone receiving a scrap title could not sell the vehicle to anyone other than an automotive recycler, vehicle scrap metal processor, foreign salvage vehicle dealer licensed under the act, or a used or secondhand vehicle parts dealer.

If certain other entities (leasing companies, vehicle manufacturers, insurers not licensed in the state, and various others) owned a late model distressed vehicle, the titleholder--before the vehicle could be transported or sold--would have to surrender the title or assigned certificate of title to the secretary of state and apply for either a salvage or scrap title, depending on the amount of damage. When one of these entities estimated "the repair" of a distressed vehicle for purposes of applying for the proper title, a complete record of the estimate and, if the vehicle was repaired before ownership was transferred, of the actual cost of repairs performed and by whom would have to be maintained for at least five years by the entity. Estimates and repair records would have to be made available for unannounced inspections by a law enforcement agency or a representative of the secretary of state. The secretary of state could request one of these entities to provide copies of title documents, repair estimates, claims reports involving major component parts, and actual cash value determination documents to assist the secretary of state in monitoring compliance with the act.

Under the bill, a motor vehicle manufacturer would not be liable for any claims or causes of action that arose with respect to a vehicle for which a salvage, rebuilt or scrap certificate of title had been issued.

Scrap, salvage title fees. An application for a scrap title would have to include the complete name and current address of the owner and a description of the vehicle (including its make, style, model year, weight, color, and vehicle identification number--or VIN); also, the application fee would be \$15. A vehicle with a scrap title could be transported, but not driven, on a highway. The bill would prohibit someone from rebuilding or repairing a scrap vehicle and allowing it to keep its original VIN, and specifies that scrap vehicles could not get regular certificates of title. A vehicle brought into Michigan from another jurisdiction that had a rebuilt or salvage title issued by that jurisdiction would have to be issued a rebuilt or salvage title by the secretary of state.

The bill also would raise the fee for a salvage title from \$10 to \$15, and would require an application for such a title to include, in addition to basic identifying information, an estimate of the cost of repair, including parts and labor, and of the predamaged vehicle's actual cash value.

Police agency vehicle inspection program. Currently, a vehicle with a salvage certificate of title cannot get a regular certificate of title or registration plate unless a specially trained police officer certifies that 1) the VIN and parts-identification number have been examined for accuracy, 2) the applicant has proof of ownership of the repair parts, 3) the vehicle complies with required equipment standards, and 4) certification accompanies the application for a regular certificate of title. The current fee that must be paid to a police agency for inspecting a vehicle is \$25.

Under the bill, an application for a certificate of title on a repaired salvage vehicle would have to be accompanied by a form prescribed by the secretary of state and state police to authorize the issuing of a regular vehicle title. The inspection fee would remain \$25 until September 30, 1993; beginning October 1, 1993, it would be \$125. Under the bill, the fee would be credited to the budget of the police agency that covered enforcement of laws involving stolen vehicles and vehicle parts, and salvage vehicle inspections. A police agency would have to compensate an off-duty and limited

enforcement police officer for a salvage vehicle inspection.

Provisions relating to inspections by local police agencies and certification of inspection officers by the secretary of state would take effect July 1, 1993.

The secretary of state would have to issue a certificate to an officer who was specially trained by it to conduct salvage vehicle inspections, and only someone who had a valid certificate could perform them. The secretary of state, either at his or her own discretion or in response to complaints, would have to make reasonable and necessary public or private investigations within or outside of the state and gather evidence against a certified officer who had violated or was about to violate the act or rules promulgated under it. An officer trained and authorized by the secretary of state to conduct a salvage vehicle inspection would include either:

- * an on-duty or off-duty police officer; or
- * a previously certified police officer who had been appointed by the police agency as a limited enforcement officer to conduct salvage vehicle inspections. The police agency would have to give such officers access to the Law Enforcement Information Network (LEIN) system and authority to confiscate any stolen vehicle or vehicle parts discovered during an inspection, and could authorize such officers to arrest someone suspected of illegally possessing a stolen vehicle or vehicle parts.

The secretary of state could suspend, revoke or deny a certificate after an investigation if it determined that an officer had committed one or more of the following:

- * violated the act or a rule promulgated under it;
- * was found guilty of fraud in connection with the inspection, purchase, sale, or transfer of a salvage vehicle;
- * was found guilty of stealing, embezzling or misappropriating salvage inspection fees;
- * performed improper, careless or negligent salvage vehicle inspections;
- * ceased to function as a police officer due to suspension, retirement, dismissal, disability or termination of employment;

* was convicted of violating or attempting to violate Public Act 119 of 1986, which regulates the business of buying or receiving used motor vehicle parts;

* made a false statement of a material fact in his or her certification of a salvage vehicle inspection or any record concerning one.

Upon receipt of the appropriate abstract of conviction from a court and without any investigation, the secretary of state would have to immediately revoke the certificate of an officer who had been convicted of a violation or attempted violation of provisions in the Michigan Penal Code governing improper possession, use or representation (for sale) of motor vehicles.

Vehicles removed from, brought into, state. Under the bill, a licensed automotive recycler, used or secondhand vehicle parts dealer, vehicle scrap metal processor, vehicle salvage pool operator, distressed vehicle transporter, foreign salvage vehicle dealer, or broker who had removed a scrap vehicle from the state in order to rebuild or sell it to someone other than a vehicle scrap metal processor would automatically have his or her dealer license (or any salvage vehicle agent's license assigned to that dealer) suspended for 30 days. Upon receipt by the secretary of state of a written request from the dealer, he or she would have the right to an immediate hearing on the matter within the 30-day period.

A vehicle brought into the state from another state or jurisdiction that had a rebuilt, salvage or scrap title issued by that other state or jurisdiction would have to be issued a rebuilt, salvage or scrap title by the secretary of state.

Salvage vehicle agent license. The vehicle code currently provides for licenses in one or more of seven classifications: new vehicle dealer; used or secondhand vehicle dealer; used or secondhand vehicle parts dealer; vehicle scrap metal processor; vehicle salvage pool operator; distressed vehicle transporter; and broker. Only insurance companies and dealers with a used or secondhand vehicle parts dealer's license may deal in distressed late model motor vehicle or salvageable parts. (Registered motor vehicle repair facilities, however, may buy salvageable parts and salvage vehicles in order to use them in repairing other vehicles.) Only licensed dealers may buy vehicles to process into scrap metal (or to store or display vehicles as agents of

insurance companies), though vehicle scrap metal processors do not have to have a dealer license if they do not buy vehicles from unlicensed persons. Out-of-state dealers who buy, sell or otherwise deal in distressed late model motor vehicles must have foreign salvage vehicle dealer licenses. Vehicle salvage pool operators and brokers may sell, transfer or release distressed late model vehicles only to the vehicle's former owner, used or secondhand vehicle parts dealers, scrap metal processors, or registered motor vehicle repair facilities doing body work.

In addition to revising the current definition for a used or secondhand vehicle parts dealer and creating a new category of licensee (the "automotive recycler"), the bill would create a "salvage vehicle agent license." Beginning January 1, 1994, persons (including dealers) would be prohibited from purchasing, acquiring, selling or otherwise dealing distressed late model vehicles or salvageable parts through salvage pools without a salvage vehicle agent license from the secretary of state. Only an automotive recycler, used or secondhand vehicle parts dealer, or foreign salvage vehicle dealer that was licensed could apply for a salvage vehicle agent license. A dealer could not have more than two individuals, including him- or herself, licensed as a salvage vehicle agent.

Applications for salvage vehicle agent licenses would be in a form prescribed by the secretary of state and would have to be signed both by the agent and dealer who was appointing the individual as his or her salvage vehicle agent; also, a fee of \$50 would have to accompany each application for an agent license. The application would have to include the business name, address and dealer license number of the dealer-applicant; the name, address, social security number, and date of birth of the agent-applicant; a statement establishing the business reputation and character of the agent; a statement about the agent's past regarding dealer's and agent's licenses; and certification that the agent was not acting in the place of someone else in seeking a salvage vehicle agent license. A dealer would have to make a separate application for each agent license, along with his or her application for a dealer license. An agent's license would be issued and renewed with the corresponding dealer's license--though, if necessary, a dealer could apply for an agent's license at any time his or her dealer's license was valid--and would expire with it, too.

Within 15 days after receiving an application the secretary of state would have to investigate the qualifications of first-time applicants. Agent's licenses would have a full-face photograph of the agent, along with his or her name and address, physical description, signature, license number, and the name, address and dealer license number of the dealer for whom the agent could conduct business. The secretary of state would have to maintain a copy or a negative of the photograph for purposes of renewing or issuing duplicate salvage vehicle agent licenses. Agents would have to comply with the bill's provisions and, in addition, do all of the following:

- * buy or acquire salvage vehicles only for the dealer listed on their license;
- * "prominently display" their license on their person whenever they were at places where salvage vehicles were bought, sold, or offered for sale;
- * upon demand, show their license to peace officers or representatives of the secretary of state;
- * immediately contact the dealer if there was a change in the information on their license or application; and
- * immediately surrender their license to the dealer when their employment was canceled, stopped or was transferred.

Dealers would be responsible for notifying the secretary of state of any changes in the information on the license or application and for applying for duplicate licenses in cases of loss, mutilation or illegibility. A dealer could cancel his or her agent's license at any time and would have to notify the secretary of state within five days of the cancellation and send in the canceled license. Within five days of the cancellation, expiration, suspension or revocation of an agent's license, the agent also would have to surrender the license to the dealer or the secretary of state. Dealers also would be responsible for notifying each salvage pool or salvage auction with whom they did business of the cancellation. If an agent's license was lost, mutilated or illegible, the dealer would have to promptly apply to the secretary of state for a duplicate license to be issued. A duplicate license would cost \$50 and would have to be accompanied by the mutilated or illegible license.

A dealer would have to indemnify the secretary of state and any member of the public who suffered or sustained any loss by reason of any violation of the act by an agent that occurred within the actual or apparent scope of the agent's authority during the period when his or her license was valid. An agent required to be licensed under the bill, as a condition precedent to the granting of a license, would have to file with the secretary of state an irrevocable written stipulation, authenticated by the agent applicant, stipulating and agreeing that legal process affecting the agent, served on the secretary of state or his or her deputy, would have the same effect as if personally served on the agent. This appointment would remain in force as long as any liability of the agent remained outstanding within the state.

Criminal investigations of applicants. The secretary of state would have to do a criminal history check on applicants for vehicle dealer's licenses or salvage vehicle agent's licenses. All applicants would have to submit two sets of fingerprints with their applications--one of which the Department of State would forward to the Department of State Police, the other to the Federal Bureau of Investigation. Each set of fingerprints would have to be accompanied by a check or money order (made payable to the state police or the FBI, respectively) for the fee required to process prints. (The current state police fee for this is \$15.)

Prohibited conduct and penalties. The bill would list a number of prohibited actions and the penalties that could be applied in cases of violations. Penalties could include license actions (limitations, suspensions or revocations, denial of license applications), civil fines of up to \$25,000, probation, letters of censure, or requiring affirmative actions (including payment of restitution). Penalties could be imposed if a dealer or salvage agent did any of the following:

- * gave false or misleading information on an application;
- * violated, or helped others to violate, the bill's provisions or rules promulgated under it;
- * bought or acquired a salvage or scrap vehicle, or salvageable parts, either for a dealer for whom the agent was not licensed or acted as an agent on one's own (and not for a dealer);

* had been involved in fraud with regard to motor vehicles, salvage or scrap vehicles, or vehicle parts;

* engaged in unfair or deceptive practices, including lying;

* violated probation;

* violated a cease and desist order;

* did not pay money or turn over property received in the course of employment to a dealer or other person entitled to the money or property;

* acted as a dealer's agent--by buying, acquiring, selling or disposing of a vehicle--without reporting the transaction to the dealer;

* managed another agent or dealer's employee who violated the bill's provisions;

* acted for more than one party in a transaction without the knowledge of the other parties;

* allowed the illegal use of the agent's license;

* accepted, for the sale of a vehicle, remuneration from someone other than the dealer for whom the agent worked;

* went bankrupt or became insolvent; or

* possessed a vehicle or vehicle part that had been confiscated under the Michigan Penal Code or a similar law in another state or jurisdiction.

Grounds for license actions. The act currently describes a number of situations in which the secretary of state may deny, suspend or revoke a dealer's license, including when an applicant or licensee is in possession of a vehicle or vehicle part that was confiscated under the penal code. Before taking any license action the secretary of state must conduct an administrative hearing on the matter. Under the bill, this provision would apply not only to applicants and licensees, but also to stockholders, officers, directors or partners. The bill also would add to the list of situations that would fall under this provision possession of a vehicle, salvageable part or other property forfeited under criminal drug convictions, and would delete the requirement for an administrative hearing.

MCL 257.2a et al.

FISCAL IMPLICATIONS:

According to the Department of State, the bill would generate additional revenue to the department, though it could not determine how much, which would be used to defray its costs associated with implementing the bill's provisions. The department says it believes revenue that would be generated by new fees and fee increases proposed in the bill should, but may not, be enough to cover the costs of its additional duties under the bill. In addition, local police agencies would receive additional revenue under the bill as the fee for inspecting salvage vehicles would be raised from \$25 to \$125 per vehicle inspection, though the amount of the revenue increase also could not be determined. Money raised through vehicle inspection fees would have to be used for police agency salvage vehicle inspection programs. (7-19-93)

ARGUMENTS:

For:

Since the passage of Public Act 507 of 1978, the Department of State has issued salvage certificates of title for late model vehicles (up to six years old) which have been wrecked, damaged, or destroyed to the extent that the owner or insurance company which insured the vehicle considered it uneconomical to repair. Between the end of 1989 and the end of 1991, about 16 percent of all salvage-titled vehicles (about 6,600 a year) were rebuilt and inspected by specially trained law enforcement officers so that they would qualify for and receive "rebuilt" titles. Once a salvage vehicle has been repaired, it can receive a regular title so that it can be registered for road use again, but the regular title has to have a special legend reading, "This vehicle was previously issued a salvage certificate of title." There are a number of problems with the present situation, as indicated in a report to the legislature issued by the secretary of state's office in 1991 entitled Michigan's Salvage Vehicle Titling Law and the Reduction in Auto Theft and Auto Insurance Rates. One is the subjective nature of the decision whether or not a damaged vehicle is "economical enough" to repair. A related problem has to do with the difference in market price between so-called "clean-titled" and salvage-titled wrecked vehicles.

Currently, the only vehicles that must have salvage titles are late model distressed vehicles, where a

"distressed" vehicle is defined by law as one that (a) has been wrecked, damaged or destroyed, and (b) the owner or insurance company considers it "uneconomical" to repair, and (c) ownership of the vehicle has been transferred because the damage is uneconomical to repair. However, if an owner or insurance company considers a heavily damaged vehicle economical to repair, they can pay for the repairs and resell the rebuilt vehicle with a regular "clean" title, usually for considerably more than they could get for a rebuilt vehicle with a salvage title. These "clean-titled" rebuilt cars can be rebuilt and put back on the road without being inspected for stolen repair parts or switched Vehicle Identification Numbers (VINs), and can be sold to unsuspecting buyers (both in Michigan and in other states) who have none of the protections provided by the existing salvage title process. The difference in market price between clean-titled and salvage-titled vehicles provides an economic incentive both for insurance companies to avoid getting salvage titles on vehicles they acquire through claims and for out-of-state buyers to buy salvage-titled vehicles. Insurance companies understandably wish to avoid acquiring wrecked vehicles whose value will always be lowered by the stigma of a salvage title, while out-of-state buyers can, and reportedly do, bid high on salvage titled wrecked vehicles because they can either repair them and resell them in other states without revealing that the vehicle is a rebuilt salvage vehicle, or even repair them with stolen parts or switch Vehicle Identification Numbers (VINs) with stolen vehicles in other states that don't inspect rebuilt cars. In either case, unsuspecting retail buyers are misled and defrauded when major damage to vehicles they buy is concealed from them because the insurance company or dealer fails to get a salvage title for the vehicle.

Among other things, the report recommends that insurance companies be required to obtain salvage titles on all late model vehicles acquired through payment of claims in order to eliminate the subjective "economical to repair" criterion. The bill would implement this proposal and, in doing so, would substitute an objective standard that would be uniformly applied by everyone buying and selling damaged vehicles. In addition, the bill would provide for more comprehensive regulation of licensed dealers who buy salvage vehicles to safeguard against those who engage in unauthorized and wrongful buying and selling of salvage vehicles.

The bill also would add a "scrap" certificate of title to the vehicle code, to be applied to vehicles so badly damaged (such that the cost to repair them would be at least 91 percent of the predamaged vehicle's "actual cash value") that they cannot be rebuilt for road use. City of Detroit law enforcement officials believe that between 200 and 300 stolen vehicles are disappearing each month into the shredders operated by licensed scrap metal processors, who are not expected to get a title for the vehicles they buy. (The seller now must create and give the processor a Scrap Vehicle Inventory Form, which is not a secure form and which does not provide good proof of ownership.) Thus, stolen vehicles can be shredded into unrecognizable lumps of metal before law enforcement officers can identify and trace ownership. Requiring a scrap certificate of title for motor vehicles no longer fit for anything but recycling would greatly help prevent quick and easy disposal of stolen vehicles. And finally, the bill would expand the list of component parts that would have to be assigned part numbers and accounted for, which would greatly enhance the ability of law enforcement officers to track stolen parts and reduce the value of stolen parts in the marketplace.

For:

In order to limit access by unscrupulous and illegitimate out-of-state buyers, the vehicle code requires that everyone buying late model salvage vehicles (whether or not through an insurance company) be licensed. However, a large number of out-of-state buyers get around this licensing requirement by acting as "agents" of Michigan dealers already properly licensed to buy salvage vehicles. But Michigan doesn't license, register or otherwise regulate the agents and employees of licensed dealers, nor hold them to any particular standards of business reputation or character. Some Michigan dealers reportedly are all too willing to appoint as their agents anyone who will "kick back" a portion of the dollar sales volume to the dealer in exchange for the dealer showing the agent's activity in the dealer's own records. Out-of-state buyers can, and reportedly do, bid high for salvage wrecks because they can repair them and then resell them in another state where the retail buyer will never know of the damage and repair or, worse, because they will repair them with stolen parts or switch Vehicle Identification Numbers (VINs) with a stolen vehicle in another state that doesn't inspect rebuilt cars. By providing better regulation of such agents, the bill could significantly reduce the number of

unlicensed foreign buyers, and also help prevent unfair bidding competition in salvage pools posed by these "agents."

For:

The report also recommends improving the availability and quality of police inspections of rebuilt salvage vehicles. Requiring police inspection of all rebuilt salvage vehicles is probably the best deterrent to rebuilding with stolen parts, especially parts stolen and traceable in Michigan. Since 1978, the Departments of State and State Police and the National Auto Theft Bureau have provided training to police officers to perform the inspections required before a rebuilt salvage vehicle can be titled and registered for road use. However, the availability and quality of inspection services by these special trained law enforcement officers is inconsistent across the state, and under the current system, there is no standardization in the inspection process. Salvage inspectors create their own procedures based on the guidelines set forth in the Department of State training, and while some inspectors are extremely thorough, others are not.

Currently, there also is limited accountability by and for salvage inspectors, and there are no statutory requirements that inspectors be state certified before beginning inspections nor provisions for sanctions against inspectors who conduct improper inspections. Only the local police agency supervising the inspector may discipline or correct an errant officer, and many police agencies have stopped doing salvage inspections altogether. Salvage inspections take a low priority compared to the other duties police officers perform, and the \$25 inspection fee does not cover the actual cost of doing an inspection. Many rebuilders in the Detroit metropolitan area find it nearly impossible to get inspections for their vehicles, because there is little incentive for police agencies to perform inspections in the face of lay-offs, increased workloads, and major crime investigations. By raising the fees that police agencies receive for doing inspections (from \$25 to \$125), the bill would defray the cost of inspections and, thus, would encourage police agencies currently inactive in the program to resume conducting inspections. Furthermore, by establishing inspection standards and authorizing the secretary of state to certify and decertify inspectors, the bill would make inspectors more accountable and the inspection process more consistent.

Against:

Reportedly, a task force established at the federal level is currently studying whether to adopt national standards to regulate interstate commerce involving salvage/scrap vehicles and vehicle parts that would apply uniformly across state borders, and is expected to make its recommendations on the issue by the summer of 1994. The lack of uniformity among states in regulating this issue remains the biggest problem for a state like Michigan that would like to closely monitor those involved in the salvage vehicle industry. It may be wise to wait for Congress to move on this issue if for no other reason than the fact that trying to regulate those who deal in salvage/scrap vehicles and their parts, whether they are from Michigan or not, may be difficult unless similar standards are enacted and enforced elsewhere.

POSITIONS:

The Department of State supports the bill. (7-19-93)

AAA Michigan supports the bill. (7-19-93)

The Institute for Scrap Recycling Industries, which represents 110 scrap processors in Michigan, supports the bill. (7-19-93)

Anglo American Auto Auction, Inc., supports the bill. (7-19-93)

The Automotive Recyclers of Michigan supports the bill. (7-20-93)

The Michigan Insurance Federation supports the version of the bill (House Substitute H-1) that was reported from the House Transportation Committee. (7-20-93)

The Michigan Salvage Pool Association supports Substitute H-1 reported from committee, and will continue to do so as long as language is not added to it that would restrict attendance at auto salvage auctions. (7-19-93)