



**AUTOMOTIVE
RECYCLERS
ASSOCIATION**
ESTABLISHED 1945



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For More Information Contact:

Jennifer Johnson
(571) 208-0428 (Phone)
(571) 208-0430 (Fax)

*Automotive Recyclers Association Reaffirms Call for Lawmaker Review
Cash Intensive Nature Of Motor Vehicle Sales Make Them Vulnerable To Criminal Activities*

Manassas, Virginia – Today, the Automotive Recyclers Association (ARA) reaffirms its call for state lawmakers to review and update gaps in laws that help perpetuate fraudulent car sales and related illicit activities. "The cash intensive nature of motor vehicle sales make them vulnerable to a number of criminal activities including money laundering, drug trafficking, automotive theft and fraud," says Michael E. Wilson, CEO of the Automotive Recyclers Association. "This is a position widely held in state and federal law enforcement circles in this country," Wilson adds.

Regrettably, as a result of current regulatory gaps, criminals are using the current salvage pool auction landscape to pursue their criminal activities. Salvage pool auctions acquire damaged cars from a variety of sources in order to sell them in one central location, attracting a larger number of buyers than a local auction. The largest vehicle auction operator in the United States estimates that five million total loss/salvage vehicles are sold annually, when all sources are included.

One of the most significant activities is VIN cloning. VIN cloning is when thieves copy a VIN from a legally owned vehicle and use it to replace the VIN from a similar, stolen vehicle. Severely damaged vehicles provide criminals inexpensive access to VINs, and more importantly the corresponding paperwork, so they can register stolen vehicles.

Also, more and more total loss/salvage auctions are letting unlicensed individuals bid on total loss/salvage cars. Many salvage cars are fixed by curbstoners and other unaccountable and untraceable people who do not restore safety components and do not reveal the prior status of the vehicle. Curbstoning is vehicle flipping – scam artists buy cheap damaged cars, make minor cosmetic fixes to them and sell them for a quick profit while avoiding any licensed dealer regulations. The modern motor vehicle is a highly complex product and the repairs must be done according to professional collision repair industry standards. If not, the repair could fail causing harm to all who travel our streets and highways.

Consumer Safety

Some salvage pool auction companies have promoted brokering schemes that could appear to be able to facilitate getting around legal restrictions designed to help protect the public from fraudulent and unsafe practices. "ARA has good standing relationships with many companies in the salvage pool auction industry. They provide a valuable resource to our members. But, there are a few companies that appear to have policies that could facilitate bypassing various laws," said Wilson. For example, one auction house recently advertised, "We help both foreign and domestic buyers purchase at all locations in Illinois, Ohio and any other state where laws impose restrictive barriers to out-of-state and foreign buyers. We also help foreign buyers register to bid at auctions without having to worry about providing the auction with unnecessary licenses and paperwork."

"The problems arising from letting unregulated buyers purchase salvage cars are numerous: cosmetically resurrected vehicles that are unsafe, taxes from the sales of vehicles and parts are not collected, waste products such as fluids and refrigerants are not properly collected, and the vital paper trail of what happens to these vehicles is not maintained." notes Mike Swift, past President of the Iowa Automotive Recyclers Association.

Auto Theft

The Department of Justice believes that "some of these buyers purchase junk and salvage automobiles at salvage pools in order to acquire VINs that can be used on stolen motor vehicles or to create cloned motor vehicles for other illicit purposes." According to the most recent numbers from CARFAX, as many as 225,000 of the 1.5 million cars stolen every year have been subjected to VIN cloning." Miami-Dade County Police Maj. Greg Terp, who for 11 years led an auto theft task force, remembers one case in which seven cars with the same VIN were found in five states and two Canadian provinces.

During the Department of Justice's recent drafting of regulations, salvage pool auctions sought to write themselves out of NMVTIS reporting requirements designed to aid law enforcement in the crackdown of VIN cloning and other criminal activities. One salvage pool organization went as far as to state that their inclusion would "compromise the integrity of the NMVTIS database and reduce the value of the information in the database" and "undercut the salvage laws of the state."

In comments submitted on the NMVTIS reporting rules, Iowa Attorney General Thomas J. Miller noted that the inclusion of salvage pools in the reporting requirements for junk and salvage yards "will help close a significant loophole" and will "further deter fraudulent used car sales, vehicle theft and vehicle parts theft." Experian Automotive reported that in the first six months of 2008, there were more than 185,000 titles that were initially branded in one state, transferred and re-titled in a second state in a way that resulted in the issuance of a purportedly clean title.

Lost Tax Revenue

Permitting unlicensed buyers to participate in salvage pool auctions could hurt state and local governments by reducing sales tax revenue. Many states require used car buyers, including salvage pool auction participants, to pay a sales tax on their purchase. Furthermore, taxes collected on the sale of used parts from vehicles purchased at salvage auctions could be lost from unregulated business selling parts on Craigslist or eBay. The purpose of licensing requirements is to ensure compliance with all regulations, including sales tax laws.

Given the broad range of problems identified above, ARA will continue to advocate for the protection of the consumer and the automotive recycling industry from potential fraud and environmental hazards that modern technology and commerce opportunities have created, and also continue to highlight loopholes in outdated laws and regulations.

Established in 1943, the Automotive Recyclers Association ("ARA") represents an industry dedicated to the efficient removal and reuse of "green" automotive parts, and the proper recycling of inoperable motor vehicles. ARA represents over 4,500 auto recycling facilities in the United States and fourteen other countries around the world. With programs such as the Certified Automotive Recycler Program (CAR) and other partnerships, ARA members continue to provide consumers with quality, low cost alternatives for vehicle replacement parts, while preserving our environment for a "greener" tomorrow. To learn more about the Association, visit ARA online at www.a-r-a.org or call (571) 208-0428.