
SENATE COMMITTEE ON PUBLIC SAFETY

Senator Steven Bradford, Chair

2021 - 2022 Regular

Bill No: SB 986 **Hearing Date:** April 26, 2022
Author: Umberg
Version: February 14, 2022
Urgency: No **Fiscal:** Yes
Consultant: SC

Subject: *Vehicles: catalytic converters*

HISTORY

Source: Los Angeles County District Attorney

Prior Legislation: SB 366 (Umberg), Ch. 601, Stats. 2021
SB 627 (Calderon), Ch. 603, Stats. 2009
SB 691 (Calderon), Ch. 739, Stats. 2008
SB 844 (Berryhill), Ch. 731, Stats. 2008

Support: AAA Northern California, Nevada, and Utah; Automobile Club of Southern California; California Contract Cities Association; California District Attorneys Association; City of Buena Park; City of Huntington Beach; City of Lakewood; Consumers for Auto Reliability & Safety; Fountain Valley Police Department; Los Angeles County Sheriff's Department; Orange County Sheriff's Department; Prosecutors Alliance of California

Opposition: Alliance for Automotive Innovation (oppose unless amended); California New Car Dealers Association (oppose unless amended); Insurance Auto Auctions, Inc. (oppose unless amended)

PURPOSE

The purpose of this bill is to 1) prohibit a dealer or retailer from selling a new motor vehicle equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number (VIN) of the vehicle to which it is attached; 2) require core recyclers to use a traceable method of payment for catalytic converters; and 3) provide that the exemption for catalytic converters received pursuant to a written agreement is only valid if the written agreement also includes a regularly updated log or record, as specified.

Existing law defines the term "core recycler" to mean "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. A person or business that buys a vehicle that may contain these parts is not a core recycler." (Bus. & Prof. Code, § 21610, subd. (a).)

Existing law requires a core recycler who accepts a catalytic converter for recycling to maintain a written record that contains all of the following:

- The place and date of each sale or purchase of a catalytic converter made;
- The name, valid driver's license number, and state of issue, or California-issued identification number, of the seller of the catalytic converter and the vehicle license number, including of issue of a motor vehicle used in transporting the catalytic converter to the core recycler's place of business. If the seller is a business, the written record shall include the name, address, and telephone number of the business;
- A description of the catalytic converters purchased or sold, including the item type and quantity, amount paid for the catalytic converter, and identification number, if any, and the VIN; and,
- A statement indicating either that the seller of the catalytic converter is the owner of the catalytic converter, or the name of the person from whom he or she has obtained the catalytic converter, including the business, if applicable, as shown on a signed transfer document. (Bus. & Prof. Code, § 21610, subd. (b).)

This bill additionally requires the core recycler to maintain information of any other identifying information etched or engraved on the catalytic converter.

Existing law requires a core recycler engaged in the selling or shipping of used catalytic converters to other recyclers or smelters shall retain information on the sale that includes all of the following:

- The name and address of each person to whom the catalytic converter is sold or disposed of;
- The quantity of catalytic converters being sold or shipped;
- The amount that was paid for the catalytic converters sold in the transaction; and,
- The date of the transaction. (Bus. & Prof. Code, § 21610, subd. (c).)

This bill additionally requires the core recycler to retain a description of the catalytic converter, including any unique identification number, the vehicle identification number, or any other identifying information etched or engraved on the catalytic converter.

Existing law states that a core recycler shall not provide payment for a catalytic converter unless all of the following requirements are met:

- The payment is made by check and provided to the seller by mailing the payment to the address on the seller's driver's license or identification card, or if the seller is a business, mailing the payment to the seller's business address;
- A clear photograph or video of the seller is obtained at the time of the sale;
- A copy of the seller's valid driver's license or a copy of s state or federal government issued identification card. If the seller prefers to have the check mailed to an alternative address, in addition to a copy of a driver's license or identification card, a gas or electric utility bill addressed to the seller at the alternative address with a payment due date no more than two months prior to the date of sale;

- A clear photograph or video of the catalytic converter being sold; and,
- A written statement from the seller indicating how the seller obtained the catalytic converter. (Bus. & Prof. Code, § 21610, subd. (d).)

This bill requires that the payment be made by any traceable form of payment other than cash.

Existing law provides that the requirements for sale listed above do not apply to a core recycler that buys used catalytic converters, transmissions, or other parts removed from a vehicle if the core recycler and the seller have a written agreement for the transaction. (Bus. & Prof. Code, § 21610, subd. (e).)

This bill requires that the written agreement for the transaction must also include a log or other regularly updated record of each individual catalytic converter received pursuant to the agreement that describes each catalytic converter with sufficient particularity, including any identification numbers or markings, to reasonably be able to match any catalytic converter in the core recycler's inventory to the written agreement under which it was received.

Existing law requires core recyclers accepting catalytic converters from licensed auto dismantlers or from recyclers who hold a written agreement with a business that sells catalytic converters for recycling purposes to collect only the following information:

- Name of seller or agent acting on behalf of the seller;
- Date of transaction;
- Number of catalytic converters received in the course of the transaction; and,
- Amount of money that was paid for catalytic converters in the course of the transaction. (Bus. & Prof. Code, § 21610, subd. (f).)

This bill additionally requires the core recycler accepting catalytic converters from licensed auto dismantlers or from recyclers who hold a written agreement with a business to collect a description of the catalytic converters including any unique identification number, the VIN, or any other identifying information etched or engraved on the catalytic converter.

Existing law requires a core recycler to keep and maintain the information required for the purchase of catalytic converters for not less than two years and to make the information available for inspection by local law enforcement upon demand. (Bus. & Prof. Code, § 21610, subds. (g)-(h).)

Existing law states that a person who makes, or causes to be made, a false or fictitious statement regarding any information required pursuant to this section is guilty of a misdemeanor. (Bus. & Prof. Code, § 21610, subd. (i).)

Existing law provides that a person who knowingly and willfully violates these requirements shall be punished as follows:

- For a first conviction, by a fine of \$1,000;

- For a second conviction, by a fine of not less than \$2,000 and the court may order the defendant to cease engaging in the business of a core recycler for a period not to exceed 30 days; and,
- For a third conviction, by a fine not less than \$4,000 and the court shall order the defendant to cease engaging in the business of a core recycler for a period of not less than one year. (Bus. & Prof. Code, § 21610, subd. (k).)

Existing law prohibits a motor vehicle dealer or retailer from selling any motor vehicle that is not in compliance with the requirements enumerated in the Vehicle Code. (Veh. Code, § 24000 et seq.)

Existing law states that unless otherwise specified, violations of the Vehicle Code are infractions. (Veh. Code, § 40000.1.)

This bill prohibits a dealer or retailer from selling a new or used vehicle, except a collector motor vehicle, equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the VIN of the vehicle to which it is attached.

This bill punishes a violation of the requirement to engrave or etch the catalytic converter with the VIN of the vehicle to which it is attached as an infraction.

COMMENTS

1. Need for This Bill

According to the author of this bill:

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. SB 986 will also require core recyclers to record and log the unique identification number on each catalytic converter along with the seller's name, date, number of catalytic converters sold and the amount of money given in exchange. This log will allow local law enforcement to investigate and prosecute criminals who have sold stolen parts.

2. Catalytic Converter Theft

Catalytic converters are devices that reduce pollution-causing emissions. Since 1975, all vehicles produced in the United States must have a catalytic converter as part of the exhaust

system. Some vehicles may have more than one catalytic converter. The precious metals inside act as catalysts; when hot exhaust enters the converter, a chemical reaction occurs that renders toxic gases, such as carbon monoxide and hydrocarbons, into less harmful emissions.

According to the National Insurance Crime Bureau:

We have seen a significant increase during the pandemic. It's an opportunistic crime. As the value of the precious metals contained within the catalytic converters continues to increase, so do the number of thefts of these devices. There is a clear connection between times of crisis, limited resources, and disruption of the supply chain that drives investors towards these precious metals.”

A catalytic converter is a device that looks like a small muffler along with the exhaust system. It is designed to convert the environmentally hazardous exhaust emitted by an engine into less harmful gasses. To do this, manufacturers use platinum, palladium, or rhodium. In recent years, the values of these precious metals have increased significantly. As of December 2020, rhodium was valued at \$14,500 per ounce, palladium at \$2,336 per ounce, and platinum going for \$1,061 per ounce. Typically, recyclers will pay \$50 to \$250 per catalytic converter.

According to NICB's Operations, Intelligence and Analytics study of reported thefts, there were 108 catalytic converter thefts per month on average in 2018, 282 average monthly thefts in 2019, and 1,203 average thefts per month in 2020. During this time period, the top five states for catalytic converter thefts were California, Texas, Minnesota, North Carolina, and Illinois. In 2020, there was a continual climb in thefts. January had the fewest number of thefts at 652, but it continued to climb markedly throughout the year, with December having 2,347 thefts.

(Catalytic Converter Theft Skyrocketing Nationwide, National Insurance Crime Bureau (March 2021) <https://www.nicb.org/news/news-releases/catalytic-converter-theft-skyrocketing-nationwide> [as of Apr. 11, 2022].)

In 2009, due to reports of increased catalytic thefts, California enacted SB 627 (Calderon), Chapter 603, Statutes of 2009. The law required core recyclers to comply with additional recordkeeping and identification procedures and new payment restrictions when purchasing catalytic converters. Specifically, the law required core recyclers to obtain identifying information about the seller of the catalytic converter including a copy of valid identification, a photograph or video of the seller, a photograph or video of the catalytic converter and information about the sale including date of the transaction and a written statement from the seller indicating ownership of the catalytic converter. This information must be maintained by the core recycler for a minimum period of two years and to provide this information for inspection by local law enforcement upon demand. (Bus. & Prof. Code, § 21610.)

This bill requires a core recycler to additionally obtain and keep information regarding any identifying information etched or engraved on the catalytic converter. This bill requires payment for a catalytic converter to be made by any traceable method other than cash. Additionally, this bill amends existing law that exempts a core recycler from these recordkeeping requirements when the catalytic converter was purchased pursuant to a written agreement between the core

recycler and the seller by requiring the core recycler to maintain a regularly updated log or record describing each catalytic converter received under the agreement.

3. Tools to Mark Catalytic Converters with Identification Numbers

With the increased interest in catalytic converter VIN etching services, a variety of etching products and techniques have been developed. One of the most common methods of etching a catalytic converter is to use an engraving hand tool to etch the number into the equipment.

According to information provided by Senate Business and Professions Committee's analysis of this bill:

Manual engraving tools can be purchased from hardware stores or online from a wide range of retailers for \$25 – \$400+. Chemical etch labels and kits can also be a cost-effective technique (often less than \$30) to ensure that even if the label is removed, identification information is still permanently detectable on the equipment. Automated industrial-level VIN etching machines can cost thousands, generally over \$1,000 for a small and simple machine and over \$5-10,000 for a larger and more complex machine, but many automotive professionals can still etch catalytic converters rapidly and effectively with manual tools.

(Sen. Com. on Business, Professions, and Economic Development, Rep. on SB No. 986 (2021-2022 Reg. Sess., Feb. 14, 2022, pp. 6-7.) Some police departments have also started to offer free catalytic converter etching programs.

According to the California New Car Dealers Association, while the etching process itself may be simple and inexpensive, accessing the catalytic converter for etching can be difficult for many newer car models. Catalytic converters are typically located on the underside of the car, but many newer vehicle models incorporate the catalytic converter as a part of the exhaust manifold, essentially making the catalytic converter difficult to access without disassembling a significant portion of the vehicle engine. In these cases, permanent marking of the catalytic converter will take hours of vehicle technician time and cost multiple hundreds of dollars to complete.

The Alliance for Automotive Innovation also raises concerns that etching or engraving could potentially damage the catalytic converter if not done properly and that there is little, to any, evidence that such marking serve as a deterrent to catalytic converter theft. For vehicles where the catalytic converter is hard to access, this could create a significant cost to consumers with very little law enforcement/public safety benefit.

4. Related Legislation

Due to increased reports of catalytic converter thefts, several bills have been introduced this year to address the problem. In the Assembly, there are 7 bills that have been introduced on the issue of catalytic converters. In the Senate, there are 3 bills which include this bill and SB 919 (Jones) and SB 1087 (Gonzalez).

SB 919 (Jones), among other things, makes it an alternate felony-misdemeanor to purchase, sell, receive, or possess a stolen catalytic converter, as specified. SB 919 also contains a similar provision to this bill on prohibiting a dealer or retail seller of a motor vehicle unless the catalytic converter has been engraved, etched, or otherwise permanently marked with the VIN of the

vehicle to which it is attached. However, the punishment for that violation would be a misdemeanor versus the infraction in this bill. Also similar to this bill, SB 919 prohibits core recyclers from purchasing a catalytic converter unless it has been engraved, etched or otherwise permanently marked with the VIN from the car from which it was removed and the sale is recorded on a regularly updated log, as specified. A violation of these requirements would be a misdemeanor with graduated fines.

SB 1087 (Gonzalez) makes it an infraction for any person to purchase a used catalytic converter from anybody other than certain specified sellers, including an automobile dismantler, an automotive repair dealer, or an individual possessing documentation, as specified, that they are the lawful owner of the catalytic converter. SB 1087 contained similar changes to the core recycler duties that are contained in this bill, however those provisions were amended out of the bill in Senate Business, Professions and Economic Development Committee to avoid any conflicts with this bill.

SB 919 (Jones), SB 1087 (Gonzalez) and this bill are all set to be heard by this Committee on the same day.

5. Argument in Support

According to the Los Angeles County Sheriff's Department:

Residents of Los Angeles County have suffered the effects of catalytic converter theft for far too long. Current laws relating to property theft are not sufficient to deter this low risk and high reward crime. To help address this, many of my patrol stations have hosted free catalytic converter engraving programs, however this effort alone is not enough.

SB 986 would prohibit a dealer or retailer from selling a new motor vehicle equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number of the vehicle to which it is attached and a violation of this provision would be punishable as an infraction.

AB 986 would also require a core recycler who purchases a catalytic converter to pay using a traceable form of payment other than cash. The bill would also require core recyclers to maintain an updated log describing each catalytic converter received pursuant to a written agreement.

6. Argument in Opposition

According to the New Car Dealers Association of California, who is opposed unless amended:

While we agree that catalytic converter theft is an issue, we differ in our approach regarding the etching or engraving of catalytic converters. Senator Umberg proposes to bar dealers from selling new and used vehicles equipped with a catalytic converter unless the catalytic converter has been engraved or etched with the vehicle identification number (VIN) of the vehicle to which it is attached.

While older model year vehicles may have catalytic converters that are relatively easy to access, many newer vehicles do not. For example, many vehicle models incorporate the catalytic converter as a part of the exhaust manifold, essentially making the catalytic converter almost impossible to access without taking apart half of the vehicle's engine. In many cases, permanent marking of the catalytic converter will take hours of vehicle technician time and cost multiple hundreds of dollars to complete.

While new car dealers do sell used vehicles, the vehicles usually targeted for catalytic converter theft are "aged out" of most new car dealer lots simply due to mileage, age, and condition and are instead sold via private party on platforms like Craigslist, eBay Motors, and Facebook Marketplace, where there would be no mandate to permanently mark the catalytic converter before sale. Additionally, given that newer vehicles have catalytic converters that are often much more difficult to access than on older vehicles, we are unsure that this sales ban would have a meaningful impact on the problem at hand.

All of that being said, CNCDA wants to be part of the solution and very much appreciates Senator Umberg and his staff's willingness to work with us. If this committee does decide to move forward with the sales prohibition in place, we would ask that dealers be reasonably compensated for the work being performed.

-- END --