

**MINUTES**

**MONTANA HOUSE OF REPRESENTATIVES  
54th LEGISLATURE - REGULAR SESSION**

**COMMITTEE ON HIGHWAYS & TRANSPORTATION**

**Call to Order:** By CHAIRMAN SHIELL ANDERSON, on January 23, 1995,  
at 3:03 P.M.

**ROLL CALL**

**Members Present:**

Rep. Shiell Anderson, Chairman (R)  
Rep. Rick Jore, Vice Chairman (Majority) (R)  
Rep. Patrick G. Galvin, Vice Chairman (Minority) (D)  
Rep. Joe Barnett (R)  
Rep. Matt Brainard (R)  
Rep. Robert C. Clark (R)  
Rep. Charles R. Devaney (R)  
Rep. Marian W. Hanson (R)  
Rep. Don Larson (D)  
Rep. Rod Marshall (R)  
Rep. Linda McCulloch (D)  
Rep. Daniel W. McGee (R)  
Rep. Jeanette S. McKee (R)  
Rep. William M. "Bill" Ryan (D)  
Rep. Roger Somerville (R)  
Rep. Joe Tropila (D)  
Rep. Jack Wells (R)

**Members Excused:** None

**Members Absent:** Rep. Dore Schwinden (D)

**Staff Present:** Valencia Lane, Legislative Council  
Kim Greenough, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing: HB 204  
Executive Action: HB 194 Postponed  
HB 246 Do Pass

{Tape: 1; Side: A; Approx. Counter: 012; Comments: None.}

HEARING ON HB 204

Opening Statement by Sponsor:

**REP. JOE TROPILA, House District 47, Great Falls,** stated that HB 204 requires the Department of Justice to specially mark a title of a salvage vehicle. The reason for this bill is because he had a circumstance in which he had to deal with a salvage vehicle and it was difficult to get work done on it and sell it. This would have the words "rebuilt" or "salvage vehicle" on the title.

Proponents' Testimony:

**Steve Turkiewicz, Montana Auto Dealers Association,** spoke in support of SB 204. **SEE EXHIBIT 1.**

**Dean Roberts, Administrator, Department of Justice, Motor Vehicle Division,** suggested an amendment. He said it would not change the intent of the bill. He also stated that in 1990 there was a task force set up on stolen vehicles in the state of Montana. From that task force there was a law put in effect. He claimed that Montana is the only state in the union that does not brand their titles. In 1996 the federal government will require the State of Montana to "brand" titles. **SEE EXHIBIT 2.**

Opponents' Testimony:

**Loretta Miller, Vice President of Montana Auto Dismantling and Recyclers Association, Owner of Green Meadow Auto Salvage,** stated that the Montana Auto Dismantling and Recyclers Association does not oppose the branded titles. The problem is there isn't enough brands. She said that the bill as written is too broad in scope and will not affect too many vehicles. She also said that the insurance company doesn't always keep the vehicles. The owners can choose to keep the totalled vehicle and that would limit the States statistics. She suggested that the highway patrol check a box on an accident report at the time of the accident and then the titles would be marked as such.

**Mickie Nazer, Nazer and Son Towing,** stated that he was a member on the task force Dean Roberts mentioned. He said that the only people affected by this bill are the people who are already honest.

**Ken Dietz, Dietz Auto and Truck Salvage Inc., Billings,** spoke against HB 204. **SEE EXHIBITS 3 and 4.**

**Curtis Johnson, Al Johnson Auto Wrecking, Billings,** spoke against HB 204. **SEE EXHIBIT 5.**

*{Tape: 1; Side: B; Approx. Counter: 002; Comments: None.}*

Informational Testimony: None

Questions From Committee Members and Responses:

REP. ROGER SOMERVILLE asked if anyone in the room had a title with them to show him where the current brand is. **Ken Dietz** replied no, but he would explain where it was located. He said that it was next to the odometer reading.

REP. ROGER SOMERVILLE asked if the average person would know what the brand meant on the title. **Dean Roberts** replied no, the average person would not know. The current brand was used specifically for the Department of Transportation record keeping.

REP. PAT GALVIN asked how the information was shown on a title and why are letters used instead of words. **Mr. Roberts** replied that the major brands in other states are words not letters. The major brands would be "rebuilt salvage", "junk rebuilds", "flood rebuilds", etc.

REP. JACK WELLS stated that the testimony from the opponents said that a lot of cars would slip through the cracks with this bill. He asked if Mr. Roberts would agree with that statement. **Mr. Roberts** replied that some would. He also stated that the insurance company has to turn in vehicles. He also remarked that there is a fiscal impact.

*{Tape: 1; Side: B; Approx. Counter: 193; Comments: None.}*

REP. JACK WELLS asked if some categories to cover 75% to 80% of the vehicles could be added to the bill. **Mr. Roberts** replied that the Department of Transportation did 1736 salvage transactions last year. He reported that not every car that gets totalled gets rebuilt.

REP. BOB CLARK asked if there was an \$18.50 fee charged. **Mr. Roberts** agreed that there was a \$18.50 fee charged. He reported that half of the fee would go to the inspector and the other half would to the general fund. **REP. BOB CLARK** asked if the highway patrol did the inspections. **Mr. Roberts** replied no, they did not do the third level inspections. **REP. BOB CLARK** asked who paid the fee. **Mr. Roberts** replied that the rebuilder would pay the fee.

REP. DAN MCGEE asked if HB 204 only addressed vehicles that have been stolen. **Mr. Roberts** reported that this bill was an anti-theft bill.

**REP. DAN MCGEE** asked if the bill is only addressing vehicles under five years old. **Mr. Roberts** replied that it was not in the bill the committee had (HB 204), but it was in current law.

**REP. MATT BRAINARD** stated that when a customer purchases a used vehicle that there is a certain amount of wear. He asked if the bill addresses the problem of high dollar vehicles entering the State. **Mr. Roberts** replied that HB 204 was an anti-theft bill, not a bill to protect the consumer originally. He also reported that they have been getting calls from dealers who did not know they had purchased a rebuilt vehicle until after the deal and they want to know what they are supposed to tell their customers.

**REP. ROD MARSHALL** asked the opponents if they want the committee to drop the bill. **Loretta Miller** replied that they feel the bill is unfair to those who follow the rules. If the State feels that vehicles need to be branded they need to be more specific.

**REP. DAN MCGEE** asked what would happen if a person wrecked a new car and repaired it himself and then sold it, would HB 204 cover an instance like that. **Mr. Roberts** replied no.

Closing by Sponsor:

**REP. JOE TROPILA** stated that the reason he brought HB 204 to the committee is because he wanted the people to be informed that they have purchased a rebuilt car. He also stated that he accepts the amendment Dean Roberts suggested.

{Tape: 1; Side: B; Approx. Counter: 613; Comments: None.}

EXECUTIVE ACTION ON HB 194

Motion: **REP. MARIAN HANSON** MOVED HB 194 DO PASS.

Discussion:

**REP. DON LARSON** asked if HB 194 passes would it eliminate the possibility that we could use the inn-keepers money for the signs. **REP. JOE BARNETT** stated that it was the old gate-type sign that the bill was addressing. Not the new blue ones.

**REP. DON LARSON** asked if they take that language out of the codes they could lose that money. **REP. CHARLES DEVANEY** replied that during the hearing the Department of Transportation was trying to get rid of the gate-type sign.

**REP. ROGER SOMERVILLE** reported that the current signs are break-away signs and the old ones are not.

**REP. JACK WELLS** explained that in 1991 a bill passed in order for the State to put back up the old gate-type signs.

**Valencia Lane** stated that the bill would eliminate the sections that state a requirement to have "welcome to" and "leaving Montana" signs. **CHAIRMAN SHIELL ANDERSON** asked if the bill made reference to funding. **Ms. Lane** replied yes, section 219 addresses the funding.

**REP. DON LARSON** stated that his point was if the committee passes this bill, would it eliminate the funding for the current signs. **CHAIRMAN ANDERSON** replied that the way he reads the bill, the funding for the gate-type sign would be lost not the funding for the current blue break-away signs.

**REP. BOB CLARK** reported that normally the highway signing was paid with the highway funds. He said that in 1991 they brought a bill that would have inn-keepers pay for this particular type sign. He also warned that the committee should be careful in passing HB 194 because the State might lose this money.

**REP. DON LARSON** stated that he feels if the committee passes this bill the state would lose their funding for these signs.

*{Tape: 2; Side: A; Approx. Counter: 011; Comments: New tape.}*

**CHAIRMAN ANDERSON** suggested that the committee should wait to act on HB 194 until further research was done. The committee agreed. Action was postponed until further research was done.

#### EXECUTIVE ACTION ON HB 246

**Motion:** **REP. JOE TROPILA** MOVED HB 246 DO PASS.

#### Discussion:

**REP. BILL RYAN** stated that the move from \$10,000 to \$50,000 was a substantial jump and that he felt it should be around \$25,000.

**REP. MARIAN HANSON** stated that the Department of Transportation could not accomplish a lot of construction work for under \$50,000.

**REP. JACK WELLS** said that he agreed with **REP. HANSON** and that \$50,000 doesn't cover too much in construction.

**REP. MATT BRAINARD** stated that he felt that it was a big jump also. Just to save on paper-work.

**REP. ROGER SOMERVILLE** reported that it costs \$200,000 for one mile of overlay on the highways. He also stated that to be fair the State has to set standards.

**REP. DAN MCGEE** reported the \$10,000 figure was established in 1965 and has been in effect for 30 years. Inflation has gone up since then.

HOUSE HIGHWAYS & TRANSPORTATION COMMITTEE

January 23, 1995

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**REP. CHARLES DEVANEY** noted that there is legislation that has been approved that the State will up the school bids to \$15,000.

**Vote:** The question was called. **A voice vote was taken.**  
Motion **CARRIED** with **REP. BILL RYAN** voting no.

*{Tape: 2; Side: A; Approx. Counter: 196; Comments: End of meeting.}*

ADJOURNMENT

Adjournment: 4:12 P.M.

  
\_\_\_\_\_  
REP. SHIELL ANDERSON, Chairman

  
\_\_\_\_\_  
KIMBERLEE GREENOUGH, Secretary

SA/ksg

# HOUSE OF REPRESENTATIVES

## Highways

ROLL CALL

DATE 01-23-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Shiell Anderson, Chairman	✓		
Rep. Rick Jore, Vice Chairman, Majority	✓		
Rep. Pat Galvin, Vice Chairman, Minority	✓		
Rep. Joe Barnett	✓		
Rep. Matt Brainard	✓		
Rep. Bob Clark	✓	Late	3:20pm
Rep. Charles Devaney	✓		
Rep. Marian Hanson	✓		
Rep. Don Larson	✓		
Rep. Rod Marshall	✓	Late	4:10pm
Rep. Linda McCulloch	✓		
Rep. Daniel McGee	✓		
Rep. Jeanette McKee	✓		
Rep. Bill Ryan	✓	Late	3:10pm
Rep. Dore Schwinden		✓	
Rep. Roger Somerville	✓		
Rep. Joe Tropila	✓		
Rep. Jack Wells	✓		





## HOUSE STANDING COMMITTEE REPORT

January 23, 1995

Page 1 of 1

Mr. Speaker: We, the committee on Highways and Transportation report that House Bill 246 (first reading copy -- white) do pass.

Signed:

*Kim S. Greenough for*  
Shiell Anderson, Chair

*Rep. Shiell Anderson*

Committee Vote:

Yes 7, No 1.

*Rep. Ryan voting no*

191635SC.Hdh



*The Big Sky Country*

MONTANA HOUSE OF REPRESENTATIVES

1/23/95

I give Joe Topulis my  
proxy on all votes before  
the Highways Committee  
this day.

Gar Salih



# Montana Automobile Dealers Association

*Serving Montana's Franchised New Car and Truck Dealers*

501 North Sanders  
Helena, Montana 59601

Phone (406) 442-1233  
Fax (406) 449-0119

STEVE TURKIEWICZ  
TESTIMONY ON HOUSE BILL 204  
JANUARY 23, 1995

EXHIBIT 1  
DATE 01-23-95  
HB 204

The Montana Automobile Dealers Association is a non-profit association representing the state's franchised new car and truck dealers.

The members of the Montana Automobile Dealers Association urge your **support** of House Bill 204.

Recently one of our members had a low mileage 1993 car in the service shop for warranty work. The vehicle wasn't purchased at the dealership and the service manager was unfamiliar with the car.

Upon completion of the work the car was returned to the owner and a warranty claim filed with the manufacturer. Upon receipt of the warranty claim the manufacturer replied to the dealer the car had been "totaled", salvaged and rebuilt, therefore the warranty was void. The Montana title didn't indicate the car had been totaled.

When confronted with the facts, the owner denied any knowledge about the car's previous status and demanded the warranty work be absorbed the dealer.

Shortly thereafter, the owner took the car to another dealership in another city and traded the car for a new car. He failed to disclose to the dealership the fact the car had been salvaged and rebuilt. Fortunately, the dealer received information from the first dealer and was able to initiate a title search and provide accurate information to a future buyer about the true status of the car. He still hasn't resolved the financial issues regarding the car's value as a trade-in for the new car.

No telling what problems the dealer would have faced had the salvaged car been sold to a customer without full disclosure about the car's status.

All of Montana's consumers, including the dealers, need the protection of a branded title indicating a car or truck has been salvaged and rebuilt. It for these reasons, we ask for a **"do pass"** recommendation on House Bill 204.

EXHIBIT 2  
DATE 01-23-95  
HB. 204

Amendments to House Bill No. 204  
First Reading Copy

For the Committee on Highways

Prepared by Valencia Lane  
(originally drafted by Brenda Nordlund of Dept. of Justice)  
January 23, 1995

1. Page 1, line 28.  
Following: "salvage"  
Strike: "vehicle"

EXHIBIT 3  
DATE 01-23-95  
HB 204

HOUSE OF REPRESENTATIVES

HIGHWAYS & TRANSPORTATION COMMITTEE

WITNESS STATEMENT

PLEASE PRINT

NAME Ken Dietz BILL NO. 204  
ADDRESS 1104 Bench Blvd DATE 1/23/94  
WHOM DO YOU REPRESENT? Dietz Auto & Truck Inc.  
SUPPORT \_\_\_\_\_ OPPOSE \_\_\_\_\_ AMEND \_\_\_\_\_

COMMENTS: The Bill as written and to be amended,  
only regulates salvage yards and what they purchase.  
To many vehicles fall between the cracks. The Salvage  
yards are the ones that financially and paperwork burden.  
We are not the ones creating the problem.

**Final Report**  
**of the**  
**Motor Vehicle Titling,**  
**Registration, and**  
**Salvage Advisory Committee**

(COPY ONLY OF THE "RECOMMENDATIONS FOR ACTION")

**Washington, DC**

**February 10, 1994**

## **Part III. Recommendations for Action**

After almost a century of rising use of automobiles, several significant problems are placing American drivers at risk whether they purchase and operate new or used vehicles. Costs of purchasing, operating, and repairing a motor vehicle have risen dramatically over the past 15 or 20 years; insurance and parts are also more costly.

Automobiles, whether new and in mint condition, used, or damaged, are now of substantial value to owners, insurers, resellers, rebuilders, dismantlers, and criminals dealing in stolen vehicles and vehicle parts. More than ever before, vehicle owners are at risk of:

- Having their vehicle stolen and resold with an illegal duplicate title or Vehicle Identification Number (VIN), or stripped for parts;
- Being carjacked at a stoplight, gas station, or mall parking lot; or
- Unknowingly purchasing an unsafe, used vehicle that was rebuilt, after a serious accident, by an unscrupulous rebuilder, possibly using stolen parts, for more money than the vehicle was worth.

In addition, Americans are keeping their cars longer, in part because of the significant cost of replacing them. Badly damaged automobiles that only a few years ago would have been declared a total loss and sold for parts and scrap are being returned to service — sometimes in unsafe operating condition. And every American is paying — financially, physically, and psychologically.

In enacting the Anti Car Theft Act of 1992 (Public Law 102-519), Congress recognized that making it more difficult for criminals and unscrupulous vehicle rebuilders to profit from the theft of automobiles and automotive parts was a first step toward solving

some of the fears and problems that have now become associated with vehicle ownership and operation. As a part of that Act, Congress mandated that the Motor Vehicle Titling, Registration, and Salvage Advisory Committee: study problems relating to motor vehicle titling, vehicle registration, and controls over motor vehicle salvage that affect the motor vehicle theft problem; examine the extent to which the absence of uniformity and integration of State laws regulating vehicle titling and registration and salvage of used vehicles allows enterprising criminals to "wash" the stolen character of the vehicles; and consider the adoption of a title brand on all certificates of title indicating that the applicable vehicle was previously issued a title brand or a title signifying "rebuilt," "reconstructed," or "flood." In responding to this mandate, the Committee has developed recommendations to the President, Congress, and the Governor of each State. The recommendations fall into the following categories:

- **Definitions.** Federal legislation is recommended for uniform definitions for salvage and nonrepairable vehicles, salvage and rebuilt salvage titles, a nonrepairable vehicle certificate, and flood vehicles.
- **Titling and Control Methods.** Recommendations are provided for determining when ownership documents for salvage and nonrepairable vehicles must be applied for and branded and how these brands must be carried forward on newly issued documents; how rebuilt salvage vehicles must be labeled or branded; methods for retitling salvage vehicles to obtain rebuilt salvage titles; and State recording requirements for salvage, rebuilt salvage, nonrepairable, and destroyed vehicles.
- **Duplicate Title Issuance.** Recommendations describe how and to whom duplicate titles should be issued; notification to the owner of record when a duplicate title has been issued to another party; when, to whom, and where duplicate titles should be mailed; how titles should be paid for; duplicate title branding;



and penalties for illegal applications and use.

- **National Uniform Standard for Vehicle Identification Number (VIN) Inspections of Rebuilt Salvage Vehicles.**

Recommendations specify requirements for verification of damage and sources for repair parts; actions upon discovery of stolen parts or vehicles; qualifications and legal protections for VIN inspectors; inspection costs; and uniformity in inspection forms.

- **National Uniform Safety Inspection for Rebuilt Salvage Vehicles.** Recommendations detail the criteria for uniform inspections; licensing of inspectors, including qualifications and required equipment; and legal protections for the States.

- **Exportation of Vehicles.** The recommendation specifies the documentation that a shipper must present to U.S. Customs officials in order to export a vehicle.

- **Funding.** Recommendations suggest possible sources for funding recommended programs and the purposes for which funds should be used.

- **Enforcement.** Recommendations suggest the types of penalties that should be imposed on persons or States who violate the provisions of the Committee's recommendations — if enacted.

Finally, the issue of whether vehicle owners and resellers should be required to disclose vehicle damage that was substantial, but would not classify the vehicle as salvage (under the Committee's recommended definition) was discussed at length by the Committee. A number of States now require that any substantial damage be recorded on the vehicle's title; however, opinions on whether such branding should be based on the dollar amount for repair of the vehicle or on the percent of damage as compared with the vehicle's market value vary widely. This issue may be outside of the

Committee's mandate and although the Committee believes that it is an important issue, particularly for consumers, it also believes that additional data and time are required before an appropriate study can be conducted.

## **RECOMMENDATION 1. UNIFORM DEFINITIONS**

All but three States in this country have instituted, or are now in the process of instituting, some form of title branding that indicates that a motor vehicle has been seriously damaged as the result of an accident or an act of nature, such as a flood. This is a positive step toward preventing thefts of vehicles and vehicle parts, and toward protecting consumers from unwittingly purchasing automobiles that have been rebuilt unsatisfactorily and/or with stolen parts. Without uniformity in the most basic definitions of vehicles that are no longer safe for use on roads or highways, however, titling problems and loopholes cannot be corrected. The Committee recommends, therefore, that Federal legislation be enacted to require the following definitions be used nationwide to describe seriously damaged vehicles, and that all States be required to use these definitions in determining the proper title designations for vehicles that fall within the categories described.

**1.1 Salvage Vehicle.** A Salvage Vehicle is any vehicle which has been wrecked, destroyed, or damaged, to the extent that the total estimated or actual cost of parts and labor to rebuild or reconstruct the vehicle to its pre-accident condition and for legal operation on the roads or highways, exceeds 75 percent of the retail value of the vehicle, as set forth in a current edition of a nationally recognized compilation (to include automated data bases) of retail values, as approved by the Secretary of Transportation. The value of repair parts for purposes of this section shall be determined by using the current published retail cost of the original equipment manufacturer parts or the actual retail cost of the repair parts to be used in the repair. The

labor cost of repairs for purposes of this section shall be computed by using the hourly labor rate and time allocations which are reasonable and customary in the automobile repair industry in the community where the repairs are performed. Salvage Vehicle shall also include any vehicle which an insurance company acquires ownership to pursuant to a damage settlement, or any vehicle that the vehicle's owner may wish to designate as a salvage vehicle by obtaining a salvage title, without regard to extent of the vehicle's damage and repairs.

**1.2 Salvage Title.** A Salvage Title is a vehicle ownership document issued by the State to the owner of a Salvage Vehicle. Ownership of the vehicle may be transferred on a Salvage Title; however, a vehicle for which a Salvage Title has been issued shall not be registered for use on the roads or highways unless issued a Rebuilt Salvage Title. A Salvage Title shall be conspicuously labeled with the word "Salvage" across the front.

**1.3 Rebuilt Salvage Title.** A Rebuilt Salvage Title is a vehicle ownership document issued by the State to the owner of a vehicle which was previously issued a Salvage Title and such vehicle has passed anti-theft and safety inspections by a State to ensure the vehicle was rebuilt to required standards. A Rebuilt Salvage Title shall be conspicuously labeled with the words "Rebuilt Salvage-Inspections Passed" across the front.

**1.4 Nonrepairable Vehicle.** A Nonrepairable Vehicle is any vehicle which is incapable of safe operation for use on the roads or highways and which has no resale value except as a source of parts or scrap only, or that the owner of the vehicle irreversibly designates as a source of parts or scrap. Such vehicle shall be issued a Nonrepairable Vehicle Certificate and shall never be titled or registered.

- 1.5 Nonrepairable Vehicle Certificate.** A Nonrepairable Vehicle Certificate is a vehicle ownership document issued by the State to the owner of a Nonrepairable Vehicle. Ownership of the vehicle may only be transferred two times on a Nonrepairable Vehicle Certificate. A vehicle for which a Nonrepairable Vehicle Certificate has been issued can never be titled or registered for use on the road or highways. A Nonrepairable Vehicle Certificate shall be conspicuously labeled with the words "Nonrepairable" across the front.
- 1.6 Flood Vehicle.** A Flood Vehicle is any vehicle that has been submerged in water to the point that rising water has reached over the door sill or has entered the passenger or trunk compartment. This disclosure must be made at the time of transfer of ownership and the brand "Flood" will be conspicuously entered on all subsequent titles for the vehicle.

## **RECOMMENDATION 2. TITLING AND CONTROL METHODS**

States will be able to minimize auto theft and irreputable rebuilders from repairing severely damaged or stolen vehicles and selling them to unsuspecting customers — either through auction or individual sales — only when new, uniform controls are instituted nationwide. To that end, the Committee strongly believes that the title of a vehicle that meets the definition of a salvage vehicle and the body of a rebuilt salvage vehicle should carry a permanently, easily identified brand that has been uniformly adopted and uniformly employed nationwide, and that vehicle identification numbers of vehicles that have been flattened, baled, or shredded should be recorded within a national database to ensure that criminals cannot affix improper VINs to stolen vehicles for titling purposes. In fact, during the first meeting, the Committee passed a resolution that motor vehicle titling

authorities should, at the earliest practicable date, indicate on a newly issued title for any vehicle, whether information readily accessible shows that the motor vehicle had previously been issued a title bearing any designation indicating that it was salvage, junk, or any language of similar significance. Further, the Committee wholeheartedly endorses the efforts of the American Association of Motor Vehicle Administrators in developing and adopting uniform vehicle ownership documents and recommends that these efforts continue. Specifically, the Committee recommends that Federal legislation be enacted to require the following.

- 2.1 If an insurance company is not involved in a damage settlement, the owner must apply for a Salvage Title or Nonrepairable Vehicle Certificate, whichever is applicable, before the vehicle is repaired or the ownership of the vehicle is transferred, but in any event, within 30 days after the vehicle is damaged. If an insurance company acquires ownership of a vehicle pursuant to a damage settlement, the insurance company must apply for a Salvage Title or Nonrepairable Vehicle Certificate within 15 days after the title is properly assigned by the owner to the insurance company, with all liens released. If the insurance company leaves the damaged vehicle with the owner, the State can allow the insurance company to: (1) notify the owner of his obligation to apply for a Salvage Title or Nonrepairable Vehicle Certificate for the vehicle and notify the State motor vehicle titling office that a Salvage Title or Nonrepairable Vehicle Certificate should be issued for the vehicle or, (2) withhold payment of the claim until the owner applies for a Salvage Title or Nonrepairable Vehicle Certificate. If a leased vehicle is involved, the lessor must apply for a Salvage Title or Nonrepairable Vehicle Certificate within 15 days after being notified by the lessee that the vehicle has been damaged. In addition, any person acquiring ownership of a damaged vehicle that meets the definition of a Salvage or Nonrepairable vehicle for which a

Salvage Title or Nonrepairable Vehicle Certificate has not been issued, must apply for a Salvage Title or Nonrepairable Vehicle Certificate, whichever is applicable. This application must be made before the vehicle is further transferred, but in any event, within 30 days after ownership of the vehicle is acquired.

- 2.2 When a Nonrepairable Vehicle Certificate is issued, the State records shall be so noted.
- 2.3 When a vehicle has been flattened, baled, or shredded, whichever comes first, the title or Nonrepairable Vehicle Certificate for the Vehicle shall be returned to the State, within 30 days. The State records shall be updated to indicate the destruction and no further ownership transactions for the vehicle will be permitted by any State.
- 2.4 When a Salvage Title is issued, the State records shall be so noted. No State shall permit the retitling for registration purposes, or issuance of a Rebuilt Salvage Title for a vehicle with a Salvage Title, without a certificate of inspection indicating that the vehicle has passed the required anti-theft and safety inspections by a State. This shall not preclude the issuance of a new Salvage Title for a Salvage Vehicle after a transfer of ownership.
- 2.5 After a vehicle titled with a Salvage Title has passed the required anti-theft and safety inspections by the State, the inspection official will affix a "Rebuilt Salvage Vehicle-Inspections Passed" decal to the left front door jamb of the vehicle and issue the owner of the vehicle a certificate indicating that the vehicle has passed the required anti-theft and safety inspections.
- 2.6 The owner of a vehicle titled with a Salvage Title may obtain a Rebuilt Salvage Title and vehicle registration by

presenting the properly assigned Salvage Title along with the certificate that the vehicle has passed the anti-theft and safety inspections to the State. The State may issue a Rebuilt Salvage Title and registration to the owner. When a Rebuilt Salvage Title is issued, the State records shall be so noted.

### **RECOMMENDATION 3. DUPLICATE TITLE ISSUANCE**

Duplicate vehicle titles are the basis for a number of motor vehicle and title-related crimes. For instance, a fraudulently obtained duplicate title can be used to facilitate the expeditious sale of a stolen vehicle or serve as proof of ownership to facilitate the illegal exportation of a vehicle. They can also be employed to wash salvage-related brands and/or other information off a certificate of title or to avoid branding of a motor vehicle title as salvage, and have been used in odometer rollbacks, insurance fraud (removing a damage brand to stage another accident, for instance), "curbstoning" of motor vehicles (by removing names from the chain of ownership on a title), and financial fraud (financing or "floor planning" the same vehicle through two financial institutions).

Many States already have procedures in place to control the issuance of duplicate titles. Because duplicate titles play such an important role in many thefts and other types of vehicular fraud, however, the Committee recommends that controls on the issuance of duplicate titles be strengthened, and made uniform throughout this country. To this end, the Committee recommends that:

- 3.1 If duplicate titles are issued over the counter, they be issued only to the vehicle owner, and then only after proof of ownership of the motor vehicle and personal identification with photograph is presented.

- 3.2 Applications for duplicate titles be multi-part forms with a sworn statement as to the truth of contents from the applicants.
- 3.3 When a power of attorney is used to obtain a duplicate title, the duplicate title, when issued, be mailed to the applicant or owner as requested at a street address (no post office box).
- 3.4 In situations where a power of attorney is used for application for duplicate title, States consider mailing one part of the multi-part application form or similar notice to the owner of record for the vehicle.
- 3.5 States restructure fees charged for duplicate titles in order to offset any additional cost incurred as a result of the adoption of these recommendations.
- 3.6 Criminal penalty for offenses relating to illegal application, issuance, or use of a duplicate title be a felony crime.
- 3.7 Duplicate titles be conspicuously marked "DUPLICATE" across the front.

## **RECOMMENDATIONS 4 AND 5. INSPECTIONS OF REBUILT VEHICLES**

A carefully rebuilt salvage vehicle can be an excellent purchase. It will often look and operate like a previously undamaged vehicle and can usually be purchased for significantly less than a new vehicle. A poorly rebuilt salvage vehicle, however, may look just as good and cost the same amount, but have stolen parts or damage that has not been corrected and cannot be seen by an untrained consumer eye. As a part of its legislative mandate, the Committee was required to establish inspection criteria for salvage vehicles that have been



rebuilt and offered for sale. This inspection program, which is to be conducted at the State level, will serve two purposes. First, by accessing available data systems, the inspection will determine if stolen parts were used to rebuild a vehicle. Second, it will determine if the vehicle has been rebuilt to standards that will ensure the safety of motorists and pedestrians.

The inspection criteria the Committee is recommending are significantly more stringent than routine periodic safety inspections. The new system would include two inspections: a VIN inspection to determine if the vehicle is free from stolen parts, and a safety inspection to determine whether it is safe for road and highway use. The Committee's goal in establishing criteria for the safety inspection is to ensure that a rebuilt salvage vehicle is safe for road and highway use. As new or alternative technologies, tools, and methods are developed or shown to accomplish such safety inspections, the criteria can be revised. Recommendations specific to each of these inspections follow.

#### **Recommendation 4. National Uniform Anti-Theft Inspection for Rebuilt Salvage Vehicles.**

- 4.1 Requestors for inspections provide declaration of vehicle damages and replacement parts, supported by titles, proof of ownership, bills of sale, and owner affirmation.
- 4.2 Component parts and/or vehicles, if unidentified, having altered, defaced, or falsified Vehicle Identification Number (VIN) be contraband and destroyed.
- 4.3 Provide minimum selection and training standards for certified vehicle VIN inspectors who are employed under each State's policies and regulations provided through guidelines established by the Secretary of Transportation with no inspectors privately contracted.

- 4.4 Each State inspection program be self-supported by fees derived from the inspection process.
- 4.5 State VIN inspectors be afforded immunity acting in good faith when inspecting rebuilt salvage vehicles.
- 4.6 Recommended VIN inspection forms be included in the Committee's report as an Appendix.

## **Recommendation 5. National Uniform Safety Inspection for Rebuilt Salvage Vehicles**

- 5.1 All States institute a uniform safety inspection for Rebuilt Salvage Vehicles.
- 5.2 The criteria contained in the *American Automobile Manufacturers Association 1993 Handbook for Inspection*, supplemented by *Section 9 (Presence of Emission Control Components of the American Association of Motor Vehicle Administrators/National Highway Traffic Safety Administration Recommended Programs for Inspection of Motor Vehicles Under 10,000 Lb. GVWR and Section 8 (Body Inspection) of the Saskatchewan Government Insurance Taxi and Total Loss Vehicle Safety Inspection Program* be adopted as the minimum standards for the safety inspection and attached as an Appendix to the Committee's report.
- 5.3 If the States contract the inspection program to private enterprise, the private enterprise entities be approved by the State and must meet training and equipment standards established by the Secretary of Transportation.
- 5.4 The vehicles be inspected and certified, with the States held harmless with respect to individual repair inspections, but

not with respect to the States' obligation to license and audit the performance of private enterprise chosen as licensees.

## **RECOMMENDATION 6. EXPORTATION OF VEHICLES**

Criminals frequently export stolen vehicles with fraudulent ownership documents. To prevent stolen vehicles passing through customs with fraudulent ownership documents, the Committee recommends that:

- 6.1 No motor vehicle may be exported from the United States, by transport, unless the exporter presents proof of ownership to U.S. Customs officials. Proof of ownership is a secure, unencumbered title or manufacturer's statement of origin. If a vehicle is encumbered, the exporter must also present written permission from the lienholder to export the vehicle. U.S. Customs officials will provide the Vehicle Identification Numbers for all vehicles that are exported to the National Motor Vehicle Titling Information System.

## **RECOMMENDATION 7. FUNDING**

In making its recommendations, the Committee is fully aware that there will be related costs to public agencies at the Federal, State, and local level. To defray these costs, the Committee recommends that:

- 7.1 Funding for recommended programs be derived from among the following sources:
  - a. Federal appropriations and grants.
  - b. State revenues and user fees (in addition to the recommended user fees for safety and anti-theft inspections recommended for Salvage vehicles,

fees could also be charged to all users of motor vehicles, such as titling and registration fees.)

- c. Federally mandated fees collected and retained by the States, such as a national fee for each motor vehicle registration issued.
- d. Monies obtained through recommended enforcement, such as penalties collected for violations of laws and regulations and proceeds from the sale of seized contraband.

7.2 Any funds obtained and earmarked for the recommended programs be dedicated for the sole purpose of implementation, administration, and enforcement of these programs.

## **RECOMMENDATION 8. ENFORCEMENT**

The Committee believes that its recommendations will not stem the problems of auto theft and fraud unless penalties for noncompliance are significant. To that end, the Committee recommends that:

- 8.1 Investigative authority and sanctions against violators of Committee recommendations, once enacted, parallel those currently contained in Title IV of the Motor Vehicle Information and Cost Savings Act.
- 8.2 A portion of Federal highway funding be withheld from any State that does not comply with provisions of Federal legislation implementing the recommendations of the Committee, within 3 years after enactment.

EXHIBIT 5  
01-23-95  
HB 204

HOUSE OF REPRESENTATIVES

Highway & Trans. COMMITTEE

WITNESS STATEMENT

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NAME Curtis Johnson BILL NO. 204

ADDRESS Billings mt DATE 1-23-95

WHOM DO YOU REPRESENT? Alvord & FUTO WRECKERS

SUPPORT \_\_\_\_\_ OPPOSE X AMEND \_\_\_\_\_

COMMENTS: Bill is very unfair  
titles are wrong marked

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COMMITTEE

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Burt & Johnson	A Johnson auto Salvage	204	X	
Steve Turkiewicz	MT Auto Dealers Assn	204		X
Loretta Miller	MADRA Green Meadow Auto Salvage	204	X	
Mikei Nazer	Nazer and Son Truck	204	X	
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