
SENATE COMMITTEE ON TRANSPORTATION
Senator Lena Gonzalez, Chair
2023 - 2024 Regular

Bill No:	SB 55	Hearing Date:	4/11/2023
Author:	Umberg		
Version:	4/10/2023 Amended		
Urgency:	No	Fiscal:	Yes
Consultant:	Jacob O'Connor		

SUBJECT: Vehicles: catalytic converters

DIGEST: This bill prohibits motor vehicle dealers from selling a vehicle equipped with a catalytic converter unless the converter has been permanently marked with the vehicle's identification number, the vehicle is sold for dismantling or salvage, the vehicle is sold at a wholesale auction or a buyer declines the marking offered by the dealer.

ANALYSIS:

Existing federal law:

- 1) Requires the U.S. Department of Transportation to prescribe a vehicle theft prevention standard that covers major parts. (49 U.S.C §§ 33101 & 33102) This requirement includes affixing or inscribing identifying numbers or symbols on major parts. (49 C.F.R § 541.5.)

Existing state law:

- 1) Defines a "collector motor vehicle" as a motor vehicle owned by a collector, used primarily in shows, parades, charitable functions and historical exhibitions for display, maintenance and preservation, and is not used primarily for transportation. (Vehicle Code (VEH) §259)
- 2) Requires core recyclers to maintain a written record of sales of catalytic converters including the vehicle identification number etched or engraved on the converter. (Business and Professions Code (BPC) §21610)
- 3) Prohibits core recyclers from providing payment for a catalytic converter unless:

- a) The payment is made by check and provided to the seller by mail or collected by the seller from the recycler;
 - b) The core recycler obtains a clear photograph or video of the seller;
 - c) The core recycler obtains a copy of a valid state or federal identification card that contains a photograph and an address of the seller;
 - d) The core recycler obtains a clear photograph or video of the catalytic converter that captures the permanent marking of the vehicle identification number, if applicable; and
 - e) The core recycler obtains a written statement from the seller indicating how they obtained the catalytic converter.
- 4) Prohibits the purchase of used catalytic converters, except from licensed businesses or individuals who possess documentation proving ownership that also include a vehicle identification number matching that marked on the converter. (VEH §10852.5)
- 5) Under the Automobile Sales Finance Act, requires car dealers to make detailed, specific disclosures of all charges included in automobile installment sale contracts, including “body part marking products”. (Civil Code §2981 - 2984.6)
- 6) Requires licensed automobile dismantlers to report to the Department of Motor Vehicles when they have purchased a vehicle for the purpose of dismantling. (VEH §11520)

This bill:

- 1) Defines, for the purpose of this legislation:
- a) “Permanently marked” as prominently engraved, etched, welded, metal stamped, acid marked or otherwise permanently imprinted using a similarly reliable method of imparting a lasting mark on the exterior case of the catalytic converter;
 - b) “Salvage disposal auction” as an auction where a person or entity, engaged primarily in the business of selling total loss salvage vehicles on behalf of insurance companies and that has more than eight business locations in California, sells total loss salvage vehicles;

- c) “Wholesale motor vehicle auction” as an auction where the dealer conducting the auction does not take ownership of the vehicle and the vehicle is sold to a nonretail buyer for resale.
- 2) Allows core recyclers to make payments for catalytic converters by credit card or any other traceable form of payment other than cash.
- 3) Prohibits a dealer from selling any vehicle equipped with a catalytic converter unless the converter has been permanently marked with the vehicle identification number of the vehicle to which it is attached.
- 4) Allows dealers to not mark a vehicle’s catalytic converter if a buyer declines the marking offered by the dealer and the dealer discloses the marking as a “body part marking product” in the sale contract.
- 5) Exempts from this requirement:
 - a) Collector motor vehicles;
 - b) Vehicles sold by a licensed automobile dismantler after being reported for dismantling;
 - c) Vehicles sold by or through a salvage pool after obtaining a salvage certificate, a certificate of title, or a similar ownership document;
 - d) Vehicles sold by or through a salvage disposal auction; and
 - e) Vehicles sold by or through a wholesale motor vehicle auction.
- 6) Delays the implementation of this requirement until January 1, 2025 for vehicles purchased from a dealer licensed in California who is also licensed in another state and does not have a warranty servicing facility in this state.

COMMENTS:

- 1) *Purpose of bill.* According to the author, “Catalytic converter thefts more than quadrupled in 2021 from 2020 —and the trend shows no signs of slowing down this year. There are significant challenges in prosecuting the theft of catalytic converters under current California law. Law enforcement can make arrests of individuals in possession of suspected stolen catalytic converters, but are often unable to prove a case in court. Unlike most major parts of vehicles sold in the United States, under existing law, catalytic converters do not have a serial

identification number on them. The serial number is crucial to establish that parts are stolen, even if the stolen vehicle has already been broken down. Therefore, SB 55 will require car dealers to give consumers the option of permanently marking a catalytic converter with its vehicle identification number (VIN) at the time of sale. Requiring the marking of catalytic converters would be a tremendous help to law enforcement in their attempts to bring this significant theft issue under control.”

- 2) *Vehicle identification numbers (VINs).* VINs are 17-digits codes made up of numbers and letters that are assigned to vehicles when they are manufactured. This code contains information on the vehicle including the country and manufacturing plant of origin, the vehicle type, and the model year. VINs allow for unique identification and tracking of a vehicle and its parts. Federal regulations require auto manufacturers to etch or stamp a car’s unique VIN on the engine, transmission and a dozen other major vehicle parts, but currently not the catalytic converter.
- 3) *Catalytic converters clean car emissions.* Catalytic converters are an essential and required component of motor vehicle exhaust systems. They are responsible for changing toxic emissions from the combustion engine into less-toxic alternatives before they are released into the air. Catalytic converters work by using the chemical properties of small amounts of precious metals such as rhodium, palladium and platinum to promote a chemical reaction in exhaust fumes that degrades the toxic pollutants.
- 4) *Catalytic converters are attractive targets for thieves.* Catalytic converters are often located in readily accessible locations in a vehicle’s undercarriage. With simple equipment, a potential thief can saw off most catalytic converters in minutes, likely damaging the car in the process. The converters can then be quickly sold to scrap yards who then sell them to recyclers who reclaim the precious metals. According to a 2021 report by the Congressional Research Service titled *Addressing Catalytic Converter Theft*, stolen catalytic converters can be sold by thieves for anywhere from \$25 to \$500 depending on the type and model of vehicle they were stolen from. Replacing a catalytic converter, especially if additional components were damaged during the removal, can cost a consumer thousands of dollars.
- 5) *Catalytic converter thefts spiked during the pandemic.* Palladium and rhodium, the precious metals in catalytic converters, have become particularly valuable recently due to scarcity and disruptions in the supply chain related to the COVID-19 pandemic. While the prices have been dropping from their largest spikes over the last two years, they remain quite high. According to online

price trackers, the price of palladium as of March 1st, 2023 was \$1453 per ounce, down 39% from its price two years prior, but up 46% from its price on the same date in 2018. Rhodium follows a similar trend, costing 74% less than it did in 2021, but 46% more than in 2018. The spike in value of palladium and rhodium increased the value of stolen converters, encouraging their theft. The pandemic may also have created more opportunities for thieves to target unattended vehicles as people traveled less.

Whatever the cause, the number of catalytic converter thefts dramatically increased over the recent years, according to an analysis from National Insurance Crime Bureau (NICB) of submitted insurance claims. According to the NICB, which is a U.S. insurance industry trade association focused on preventing insurance fraud and vehicle theft, the number of reported catalytic converter thefts nationwide has increased from 1,489 in 2018 to 64,701 in 2022. The increase in thefts has leveled off in recent years as rare metal prices have fallen, but remain much higher than they used to be. This spike in thefts is particularly notable in California, which accounted for nearly 37% of all thefts in 2022 and experienced a 40-fold increase in thefts from 2018. These numbers are based on insurance claims filings so they likely underreport the true number of thefts.

- 6) *The Legislature acted to reduce thefts.* In the previous legislative session a slew of bills were introduced to address the problem of increased catalytic converter thefts. The two bills that were enacted (SB 1087 (Gonzalez) and AB 1740 (Muratsuchi)) addressed this problem by focusing on the point of sale for stolen converters. They prohibited the purchase of used catalytic converters except from certain sellers and required core recyclers to track additional information about the vehicle the converter was removed from in order to better track the ownership of the converter. These changes were made to make it more difficult for thieves to sell stolen converters and disincentive the thefts. These bills have only been in statute for a few months, so it is too soon to say if they are successfully reducing thefts. One of the pieces of information that was newly required to be tracked is the VIN marked on the converter, if the converter is marked. This bill helps strengthen that recent policy by encouraging newly sold vehicles in California to have their catalytic converters marked.
- 7) *Etching catalytic converters.* Etching VINs to track components, discourage theft, and aid prosecution is already required for several essential vehicle components. Additional etching of VINs on windshields and other nonessential components has been marketed to consumers as an anti-theft measure. Marking parts with the VIN requires a thief to spend time and money to replace the

marked part or remove the markings. This cuts into the profit of the theft, potentially reducing the incentive to steal the vehicle. Etching is recommended by many groups including law enforcement agencies, the California Bureau of Automotive Repair, and insurance groups. Without a VIN, proving a component was stolen from a vehicle is difficult, stymieing prosecution. Etching of VINs aids prosecution and also increases the odds that a component, if recovered by law enforcement, will be able to be returned to the original owner. Occasionally, free etching services will be offered by these groups at public events.

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. 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.

- 8) *Getting at those hard to reach places.* While the etching process itself is often simple and inexpensive, accessing the catalytic converter for etching can be difficult for newer vehicle models. Many newer models incorporate the catalytic converter as a part of the exhaust manifold, making the catalytic converter difficult to access without disassembling a significant portion of the vehicle engine. In these cases, automobile technicians may require specialized equipment or additional time to access the catalytic converter for etching. This can greatly increase the cost of etching to the dealer, which will be reflected in the price for the consumer. It also runs the small risk of damaging the converter or other components during the removal and reattachment necessary to access these converters.
- 9) *Why give dealers the responsibility to etch converters?* For most other car components, VIN etching is performed by the manufacturer, eliminating concerns about accessing parts. Unfortunately, California's ability to regulate manufacturers is limited. National legislation to require manufacturers to etch catalytic converters has been reintroduced (S.154 - PART Act), but given the speed of national legislation and the outsized burden California faces from converter thefts, it is reasonable for California to act where it can to protect vehicle owners. Should the national legislation be enacted this measure will not

be entirely redundant. A benefit of requiring dealers, rather than manufacturers, to etch converters is that it will affect older vehicles if they are resold. Given the increasing average age of vehicles nationally, including used vehicle dealers will help increase the speed with which all California vehicles have their catalytic converters etched.

- 10) *Giving consumers the power to decide.* Requiring etching of catalytic converters would increase operating costs to dealers, which will likely be passed onto consumers. The exact amount these services will cost consumers is difficult to estimate as they will be folded into the cost of the vehicle, which itself is often negotiable. For vehicles with easy-to-access converters the cost will likely be low (~\$30) and many dealers may opt to simply etch these vehicles regardless and not include the cost in the price. For the more difficult-to-access converters, services will cost more (~\$100 or more) and given the lack of evidence that a VIN would reduce the chance of a theft, a consumer might prefer to invest in some other anti-theft device. There are theft-prevention alarms, cages or steel plates available at a slightly higher cost (~\$50-\$500) which might better protect their property, though no research has been performed to evaluate their efficacy either. By allowing dealers to either etch a converter or offer consumers the option to reject etching, this bill promotes converter etching for easy-to-access converters and allows consumers to decide if the cost of etching hard-to-access converters is worth the theft prevention and prosecution aid VIN etching may provide.
- 11) *Double Referral.* This bill has been double referred to the Senate Committee on Public Safety.

RELATED LEGISLATION:

AB 1519 (Bains) – Would prohibit anyone from removing or altering the VIN marking on a catalytic converter. *This bill is pending in the Assembly Transportation Committee.*

AB 641 (Fong) – Would revise the definition of automobile dismantler to include a person who keeps or maintains on property owned by the person two or more used catalytic converters that have been cut from a motor vehicle using a sharp implement. *This bill is pending the Assembly Transportation Committee.*

SB 986 (Umberg, 2022) – Would have required a traceable method of payment for catalytic converters and prohibited dealers from selling a vehicle equipped with a catalytic converter unless the converter was engraved with the vehicle's VIN. *This bill failed passage on the Assembly floor.*

SB 1087 (Gonzalez, Chapter 514, Statutes of 2022) – Prohibited any person from purchasing a used catalytic converter from anybody other than specified sellers or the verifiable owner of the vehicle and makes a violation punishable as an infraction.

AB 1740 (Muratsuchi, Chapter 513, Statutes of 2022) – Prohibited core recyclers from purchasing or receiving a catalytic converter from any person that is not a commercial enterprise or verifiable owner of the vehicle from which the catalytic converter was removed.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

Unknown

POSITIONS: (Communicated to the committee before noon on Wednesday, April 5, 2023.)

SUPPORT:

Arcadia Police Officers' Association
Burbank Police Officers' Association
California Coalition of School Safety Professionals
California Contract Cities Association
California District Attorneys Association
California New Car Dealers Association
City of Alameda
City of Burbank
City of Encinitas
City of La Cañada Flintridge
City of Montebello
City of Santa Monica
City of South El Monte
Claremont Police Officers Association
Corona Police Officers Association
Crime Victims Alliance
CSAA Insurance Group
Culver City Police Officers' Association
Fullerton Police Officers' Association
Inglewood Police Officers Association
Los Angeles County District Attorney's Office
Los Angeles School Police Officers Association
Newport Beach Police Association

SB 55 (Umburg)

Orange County Sheriff's Department
Orange County Transportation Authority
Palos Verdes Police Officers Association
Placer County Deputy Sheriffs' Association
Pomona Police Officers' Association
Prosecutors Alliance California
Riverside Police Officers Association
Riverside Sheriffs' Association
Santa Ana Police Officers Association
Upland Police Officers Association

OPPOSITION:

Alliance for Automotive Innovation

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