



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021**

ON THE FOLLOWING MEASURE:

H.B. NO. 446, H.D. 2, RELATING TO MOTOR VEHICLES.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Friday, February 26, 2021 **TIME:** 11:00 a.m.

LOCATION: State Capitol, Room 308, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**
(For more information, contact Lance Goto,
Deputy Attorney General, at 586-1160)

Chair Luke and Members of the Committee:

The Department of the Attorney General (Department) offers the following comments on this bill.

The purposes of this bill are to: (1) establish the offense of theft of a catalytic converter as a class C felony; (2) define "catalytic converter"; (3) require vehicle registration records to be kept for businesses engaged in transactions of used motor vehicle parts or accessories; (4) require these businesses to refuse purchase of used motor vehicle parts or accessories and report the attempted sale to police if a seller does not provide certain information; (5) change the fine for any violations of the used motor vehicle parts and accessories law; and (6) require the scrap dealer and seller to follow the same requirements under chapter 445, Hawaii Revised Statutes (HRS), for the purchase of a scrap catalytic converter, palladium, platinum, and rhodium as is required for the purchase of copper, beer kegs, and urns, except when the seller is a "manufacturing, industrial, or other commercial vendor that generates or sells catalytic converters in the ordinary course of its business, such as a licensed scrap dealer, towing company, or muffler repair shop."

Sections 4 and 5 of the bill include catalytic converters and catalytic converter metals in the scrap dealer purchase provisions of part X of chapter 445, HRS. But as licensed scrap dealers are not authorized to deal in used motor vehicle parts, sections 4 and 5 should be removed from the bill. The sale of used auto parts, like catalytic

converters, is controlled by chapter 289, HRS, entitled "Used Motor Vehicle Parts and Accessories." To deal in such used auto parts, a dealer, including a scrap dealer, would have to be licensed under chapter 289. That is why "scrap" is defined under section 445-231, HRS, as "any secondhand or used metal except those used motor vehicle parts provided in chapter 289 (emphasis added)." That definition specifically excludes used motor vehicle parts. Whereas, section 289-1, HRS, defines "used motor vehicle part or accessory" as "a motor vehicle part or motor vehicle accessory which has been the subject of prior sale at retail, either individually or attached to a motor vehicle as a component part or accessory thereof." That definition would appear to include a catalytic converter. The Department recommends confining the regulation of scrap catalytic converters to chapter 289, HRS.

The Department appreciates the intent of sections 4 and 5 of this bill to address the sale of stolen catalytic converters and the valuable metals contained therein, but as the sale of used catalytic converters is regulated by chapter 289, and not chapter 445, licensed scrap dealers cannot purchase catalytic converters as scrap. But they could purchase the metals removed from and sold independently of a catalytic converter. Palladium, platinum, and rhodium appear to fall within the definition of "scrap." Therefore, these three metals could be treated like copper is treated under section 445-233, HRS, by amending section 5 of this bill and replacing "catalytic converter, catalytic converter metals" at page 4, lines 19 through 20, with "palladium," "platinum," and "rhodium."

The Department is also concerned with the proposed amendment to section 445-233(b), HRS, at page 4,, line 15, through page 5, line 2:

(b) If the scrap presented for purchase by anyone other than a manufacturing, industrial, or other commercial vendor that generates or sells catalytic converters in the ordinary course of its business, such as a licensed scrap dealer, towing company, or muffler repair shop, is copper, a catalytic converter, catalytic converter metals, a beer keg, or an urn, in whole or in part, the seller shall provide a copy of a receipt that describes, with particularity:

This amendment creates an exception to the receipt requirement for those selling copper, a catalytic converter, catalytic converter metals, a beer keg, or an urn to a licensed scrap dealer. If the seller is a "manufacturing, industrial, or other commercial

vendor that generates or sells catalytic converters in the ordinary course of business, such as a licensed scrap dealer, towing company, or muffler repair shop"(emphasis added) then the seller does not have to comply with providing a receipt to prove proper ownership and possession of the item being sold, including not just a catalytic converter, but also copper, a beer keg, or an urn. This amendment may create unintended and unnecessary weaknesses in the scrap dealer transaction provisions.

The Department appreciates the opportunity to share its concerns.



February 26, 2021

**TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE
ON HB 446 HD2 RELATING TO MOTOR VEHICLES**

Aloha Chair Luke, and committee members. I am Gareth Sakakida Managing Director of the Hawaii Transportation Association (HTA) with over 375 members involved with the commercial ground transportation industry.

HTA supports this bill.

The theft of a catalytic converter renders a vehicle inoperable, and is extremely costly to replace especially in the case of commercial motor vehicles (cmv). There is a very light inventory of parts and accessories for a cmv.

Furthermore, many businesses are still experiencing depressed economic activity so personnel is reduced making fleets easier targets.

Mahalo.

TESTIMONY OF MICHAEL ONOFRIETTI

COMMITTEE ON FINANCE
Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair

Friday, February 26, 2021
11:00 a.m.

HB 446, HD2

Chair Luke, Vice Chair Cullen, and members of the Committee on Finance, my name is Michael Onofrietti, ACAS, MAAA, CPCU, Senior Vice President, Actuarial Services, Product Development & Management for Island Insurance and Chairman of the Auto Policy Committee for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Catalytic converter thefts are a rising problem nationwide and a growing problem in Hawaii. Stealing the device from an SUV or other vehicle with high ground clearance can take under one minute, and the devices are desirable because they contain platinum which currently trades for nearly \$1,300 per **ounce**. Compare this to copper, another frequent target of thieves, which trades for about \$4 per **pound**.

Under Hawaii's motor vehicle insurance law, theft is covered under Comprehensive (also called Other Than Collision) coverage. According to NAIC data over 75% of Hawaii insured vehicles include Comprehensive coverage. Replacing the catalytic converter itself can cost thousands of dollars but there are other costs:

- Thieves often damage other components located near the converter which also must be replaced.

- Availability of converters for some vehicles is a challenge because of the nationwide increase in thefts. This means consumers are often unable to use their vehicles for extended periods of time while waiting for parts.
- Many consumers purchase coverage to provide for a rental car when their insured vehicle is damaged. If a catalytic converter is backordered, rental vehicle expenses will be extended.

The above claims costs will be passed to consumers in the form of higher insurance premiums for Comprehensive coverage. Any measures that may prevent these increased claims costs will be a benefit to Hawaii insurance consumers.

Thank you for the opportunity to testify.



February 24, 2021

Chair Sylvia Luke and Members of the Committee
Committee on Finance
Hawaii House of Representatives

RE: House Bill 446 HD 2 – Catalytic Converter Theft

Dear Chair Luke and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 property and casualty insurance companies, including many who write business in Hawaii. Working hand-in-hand with our member companies and law enforcement, we investigate organized criminal conspiracies dealing with insurance and vehicle crime.

Catalytic converter theft is on the rise, in part due to the rise in prices associated with precious metals, including rhodium, platinum, and palladium which are used in the construction of catalytic converters as these metals act as catalysts, removing toxic elements from the exhaust stream.

The relative ease and speed in which a thief can remove a catalytic converter, coupled with the financial reward a thief can reap selling the scrap metal is what drives thefts.

Installing a replacement catalytic converter costs hundreds to thousands of dollars, and because thieves try to remove the converters as quickly as possible, their hastiness often causes repair costs to be higher due to other areas of the car being damaged.

Among the most targeted business establishments for catalytic converter thefts are vehicle dealerships and fleet operation such as shipping companies. This is due to the large number of converters all in the same place. Thefts from these type of places can lead to replacement costs in excess of tens of thousands of dollars, and additional lost revenue due to halted operations.

Subsequently, we ask for your support of HB 446 HD 2 which, among other things, establishes the offense of theft of catalytic converter as a class C felony and requires licensed used motor vehicle part dealers to collect the vehicle registration records from the person selling the used vehicle parts to the dealer.

Thank you for your review and consideration; if you have any questions or need additional information, please contact me at hhandler@nicb.org or 847-544-7083.

Sincerely,

A handwritten signature in blue ink that reads "Howard Handler".

Howard Handler
Senior Director, Government Affairs



To: The Honorable Sylvia Luke, Chair
The Honorable Ty Cullen, Vice Chair
House Committee on Finance

From: Mark Sektnan, Vice President

Re: HB 446 HD2 – Relating to Motor Vehicles
APCIA Position: SUPPORT

Date: Friday, February 26, 2021
11:00 a.m.; Conference Room 308

Aloha Chair Luke, Vice Chair Cullen, and Members of the Committee:

The American Property Casualty Insurance Association of America (APCIA) is pleased to **support HB 446 HD2**, which establishes the offense of theft of a catalytic converter as a class C felony, and requires licensed used motor vehicle part dealers to obtain certain information by a seller of a catalytic converter that the seller has the lawful right to sell and dispose of the catalytic converter. Representing nearly 60 percent of the U.S. property casualty insurance market, the American Property Casualty Insurance Association (APCIA) promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

Catalytic converter theft is on the rise, in part due to the rise in prices associated with precious metals, including rhodium, platinum, and palladium, which are used in the construction of catalytic converters as these metals act as catalysts, removing toxic elements from the exhaust stream.

The relative ease and speed in which a thief can remove a catalytic converter, coupled with the financial reward a thief can reap selling the scrap metal is what drives thefts. Installing a replacement catalytic converter can cost several hundred to several thousand dollars, and because thieves try to remove the converters as quickly as possible, their hastiness often causes repair costs to be higher due to other areas of the car being damaged. Among the most targeted business establishments for catalytic converter thefts are vehicle dealerships and fleet operation such as shipping companies. This is due to the large number of converters all in the same place. Thefts from these types of places can lead to replacement costs in excess of tens of thousands of dollars, and additional lost revenue due to halted operations.

HB 446 HD2 would establish the offense of theft of catalytic converter as a class C felony and require scrap dealers to follow the same requirements regarding a written statement for the purchase of a catalytic converter as is required for the purchase of copper, beer kegs, and urns.

For these reasons, APCIA asks the committee to **pass** this bill.

February 26, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
Members of the House Committee on Finance

LATE

RE: HB446 HD2 Relating to Motor Vehicles - SUPPORT

AAA Hawaii **supports** HB446 HD2. This bill establishes a new offense for theft of a catalytic converter. It also holds businesses that buy and sell used motor vehicle parts more accountable over suspicious transactions involving catalytic converters.

Catalytic converters change harmful substances in a car's exhaust gasses (carbon monoxide, nitric oxide, nitrogen dioxide and hydrocarbons) into less harmful substances like carbon dioxide and water vapor by means of chemical reactions. The earning potential for catalytic converters is high when sold to metal scrappers. Cities across the country have reported a spike in thefts, especially from auto repair facilities and businesses with fleet vehicles. However, theft of catalytic converters is also a problem in neighborhoods where idle vehicles are left in the same location for a long time.

Replacement parts are not cheap. New catalytic converters are usually \$1,000 minimum plus labor costs. More importantly, catalytic converters are critical emissions components. The EPA forbids the sale and installation of any used catalytic converter that is not refurbished and certified by an approved manufacturer.

AAA Hawaii was founded in 1915 in Honolulu and is a leader in motorist services and a strong advocate for traffic safety. With almost 170,000 members in Hawaii and 60 million nationwide, we coordinated a national media campaign last month to highlight the rise catalytic converter thefts and provide motorists with tips to safeguard their vehicles. Unfortunately, education is not enough. We support making theft of catalytic converters a crime that can be tracked and holding dealers more accountable in identifying and reporting suspicious sales. We urge a yes vote on HB446 HD2.

Sincerely,

Liane Sumida

Liane Sumida
General Manager

1130 N. Nimitz Highway, Suite A170, Honolulu, HI 96817

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LATE

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February 25, 2021

Honorable Chair Sylvia Luke,
Vice Chair Ty Cullen & Members of the House Committee on Finance

Re: Testimony in Support of HB446 HD2

Chair Luke, Vice-Chair Cullen and Members of the House Committee on Finance:

Roberts Hawaii *strongly* supports House Bill 446 HD2, which makes theft of catalytic converters a class C felony and requires scrap dealers to perform certain responsibilities and to obtain information and documentation from the seller at the time of sale.

As the largest ground transportation and tour operator in the State of Hawaii, Roberts Hawaii has a large fleet of vehicles that support a diverse range of transportation services to our community. In 2020 alone, we were the victims of theft and damage of no less than 26 catalytic converters that were installed on Special Education vehicles that we use to service students on our Department of Education routes. The theft and damage occurred on multiple occasions, typically occurring at night or on the weekends. The approximate value of the parts was \$38,500, requiring more than 100 hours of labor to repair our vehicles.

Making theft of catalytic converters a class C felony and requiring licensees to secure proper ownership documentation will disincentivize the destruction and theft of our property and undermine any illegal after-market use or sale of our stolen catalytic converters. This law would also have the benefit of protecting our vehicles, thereby ensuring continuity of service to the Department of Education and our other partners.

Thank you for the opportunity to testify on this measure.

Sincerely,

Roy Pfund
President & Chief Executive Officer



檀島旅遊

Hawaii Global Holiday, Inc.

2032 S. Beretania St, #101, Honolulu HI 96826

Tel: (808) 921-0999 Fax: (808) 921-0998

February 25, 2021

Mark M. Nakashima, Chair
Scot Z. Matayoshi, Vice Chair
Members of the Committee on Judiciary and Hawaiian Affairs

LATE

RE: H.B. No. 446 H.D. 2 – Relating to Motor Vehicles

Aloha Chair Nakashima and Members of the Committee:

My name is Hai Shi, and I am the president of Hawaii Global Holiday Inc. Our company is the largest Chinese tour operator and transportation company in Hawaii, and has been servicing Chinese visitors since 1996. The theft of catalytic converters can pose a heavy financial burden on individuals and businesses, and its impacts are felt even greater during these difficult economic times due to the COVID-19 pandemic. As such, we strongly support the passage of House Bill 446 H.D. 2.

In March 2020, three catalytic converters were stolen overnight from our vehicles that were parked on private property. The total cost of purchasing replacements and their installation was approximately \$6,000. This was a significant financial burden as our business was severely impacted by pandemic travel restrictions. The catalytic converter part itself is relatively inexpensive compared to its installation. It is unfortunate that these thieves are costing individuals and businesses thousands of dollars in installation fees to obtain a relatively small amount of money. We hope that this bill is able to hold scrap dealers accountable and curb catalytic converter theft.

Mahalo,
Hai Shi

Representative Sylvia Luke, Chair

Representative Ty J.K. Cullen, Vice Chair

HOUSE COMMITTEE ON FINANCE

Friday, February 26, 2021

Support for H.B. No. 446 HD2, Relating to Motor Vehicles

Dear Honorable Members of the House Committee on Finance,

I am a social work graduate student and a concerned resident of Honolulu. I strongly support H.B. No. 466 HD2, Relating to Motor Vehicles, which will require individuals selling catalytic converters to provide a copy of the vehicle registration.

With an ongoing rise of motor vehicle break-ins, damages and thefts, it is necessary to defer thieves of committing these acts. Often times motor vehicle theft crimes are committed at night and take less than two minutes. In order to promote safety within our communities, residents should not have to fret, nor fear, whether or not our motor vehicles will be vandalized each morning.

Legal safeguards and consequences urgently need to be enacted to address the community's concerns as motor vehicle theft crimes should be the least of individuals worry. As a social service provider, I help individuals who are in need of financial support or resources and the number of residents desperately needing these services has increased during the difficult economic impact of this pandemic. A replacement catalytic converter is roughly \$1,000 to \$2,000 which is simply not feasible for anyone to incur.

Both buyers and sellers of stolen catalytic converters must acquire legal consequences and HPD should be notified of sellers who are unable to provide proper documentation. I urge the committee to pass H.B. No. 466 HD2 to restore safety within our communities.

Thank you for your time and the opportunity to testify.

Sincerely,



Taylor Kirk

801 S. King Street #3108

Honolulu, HI 96813