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BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE AND  
TRANSPORTATION, SURFACE TRANSPORTATION SUBCOMMITTEE,  
CONCERNING S. 1407 AND THE PROBLEM OF ODOMETER FRAUD,

April 12, 1984.

Mr. Chairman, distinguished members of the Subcommittee, I am pleased to be here to discuss the views of the National Highway Traffic Safety Administration (NHTSA) on odometer fraud. Accompanying me is George Parker, the Associate Administrator for Enforcement.

Let me begin by expressing the Department's strong interest in new measures to control this costly fraud. I believe it is timely for Congress to examine the available alternatives.

Congress enacted the Federal odometer law in 1972 to control a fraud that seemed beyond the reach of the States acting individually. I wish I could tell you that the law has succeeded in its purpose. It has not. Despite hundreds of investigations by us and by the States, and despite numerous guilty pleas and thousands of dollars in fines, the testimony you hear today will support our impression that as many odometers are being reset today as before the law.

There are many reasons for this state of affairs, but the underlying cause is the enormous profitability of odometer fraud. Taking thousands of miles off an odometer - a job of a few minutes - can increase the market value of a car by hundreds of dollars. We estimate

that the average wholesale price increase for a car with an altered odometer is \$750.00. The prospect of such easy profit is so tempting that among some categories of used cars, such as leased cars, nine out of ten cars are altered before being sold to retail customers. The annual cost to consumers exceeds two billion dollars.

Today's hearing comes at a time of renewed interest in methods to control odometer fraud. The National Automobile Dealers Association (NADA) and the Independent Automobile Dealers Association (IADA) have both indicated their strong interest in controlling the problem. Last December, the NADA board of directors passed a resolution expressing support for vigorous enforcement and urging a variety of new anti-fraud measures. Within the last six months, we have participated in meetings involving manufacturers, dealers, and auctions as well as Federal and State law enforcement officials. The sense of these meetings is that there are steps that each of us can take to help reduce odometer fraud.

For our part, the Department of Transportation has just submitted to the Congress a draft bill that would increase the criminal penalties for odometer fraud from a misdemeanor with a one-year maximum sentence to a felony with a three-year maximum sentence. After discussions with the Department of Justice and concerned law enforcement officials at all levels, we have concluded that the present penalty simply does not present a deterrent. Because of heavy felony case loads, misdemeanors are not often investigated. In the cases where convictions are obtained, the sentences are short. The experience of jurisdictions where odometer fraud is a felony shows the much greater effect of a felony, with its longer sentence, its impact on the violator's ability to retain his business, and its effect on his civil rights.

The Department of Justice supports our bill. We believe that it is the simplest and most effective change that can be made in the Federal law and that it will enable us to marshal significantly greater enforcement effort against odometer fraud.

There are steps that others can, and should, take. There is no question but that odometer fraud is facilitated by the failure of several States to require odometer mileage on their titles. This makes it easy for a person to mail a title with high mileage to another person in one of these States and to obtain in return, at nominal cost, a new title washed clean of any odometer information, and then to reset the odometer to a lower figure. We have encouraged these States to amend their procedures to include odometer information both on the face of the title and on the back, where dealer reassignments are usually recorded.

In those States whose titles include odometer readings, the effectiveness of these readings depends on the diligence of the State in insuring that the forms are properly executed. With the vast numbers of used vehicles that are sold each year, on the order of 40 million, and with the high volume that each titling office has to process, the States must take extra precautions to prevent gaps or false readings on the titles. Some States have allowed the mileage to be routinely recorded as "unknown", to the confusion of subsequent purchasers.

In working with the States, we have seen increasing cooperation among them and a growing awareness that they must all include odometer readings on their titles. The list of States without odometer readings is steadily shrinking. In just the last year, six States have revised

their titles, leaving only 6 States and the District of Columbia without some provision for odometer readings on their titles. We expect the list to shrink further, as it becomes apparent to the remaining States that they are being used as laundromats to wash titles soiled by high odometer readings.

It remains to be seen whether the last States will make the needed changes, but there is significant pressure on them to do so from the States that presently require odometer information. In anticipation that they will respond to these pressures, the Administration is taking no position on S. 1407 at this time. We agree that the practices at which the bill is aimed should be stopped, and that titles for used cars should not be issued unless they contain an accurate odometer reading, but we would prefer to see this result accomplished by the States themselves. We believe that laws that derive from the States' own experience give them a greater stake in the enforcement of such laws. However, because our experience suggests that a significant amount of odometer fraud will continue as long as any State remains open to title washing, we would be willing to reexamine our position on S. 1407, if the current momentum subsides.

In conclusion, I again want to encourage the committee to increase the criminal penalties for odometer fraud, in keeping with the Administration's bill. I am convinced that such penalties will have an immediate and positive effect on the enforcement of the law.

This concludes my prepared statement. If you have any questions, I would be glad to try to answer them at this time.