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IN REPLY REFER TO:

February 2, 2009

TESTIMONY OF THE DEPARTMENT OF TRANSPORTATION

HOUSE BILL NO. 156

COMMITTEE ON TRANSPORTATION

We oppose this bill. The bill adds airbags to Section 286-83, HRS as a resale component that requires department of transportation (DOT) approval.

The DOT does not have the capability to approve air bags. Although the National Highway Traffic Safety Administration (NHTSA) requires air bags to be installed in vehicles, even NHTSA does not approve them or require them to have any markings. Air bag manufacturers are the only parties that approve air bags. Once an air bag is installed in the vehicle and sold, air bag manufacturers do not release proprietary information about their products even to NHTSA. For these reasons, this bill would require the DOT to perform a task that is simply impossible for us to do.

The other words that are added to subsection (a) of 286-83, HRS are not necessary, because 291-11.6, HRS references Federal Motor Vehicle Safety Standards, which require shoulder harnesses and seat belt and shoulder harness assemblies, to be marked to indicate compliance with FMVSS 209.

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January 29, 2009

Rep. Joseph M. Souki, Chair
House Transportation Committee
Hawaii State Capitol, Room 433
415 South Beretania Street
Honolulu, Hawaii 96813

Re: **House Bill No. 156 (Relating to Vehicles)**

Dear Chair Souki and members of the Committee:

My name is Nathan Natori and I represent Insurance Auto Auctions (“IAA”), a licensed motor vehicle dealer which handles the sale of damaged and theft-recovered vehicles for the insurance industry. **IAA opposes Section 2 of House Bill No. 156 (Relating to Vehicles).**

The bill provides in Section 2 that “The seller shall sell the salvage vehicle only to a person licensed pursuant to chapter 437B (motor vehicle repairers), section 289-4 (used motor vehicle parts and accessories) or 445-232 (scrap dealers)” (parenthetical information added). The bill eliminates ***all*** other persons from the purchase of salvage vehicles, including licensed motor vehicle dealers, forcing everyone to purchase motor vehicle parts and rebuilt vehicles through three middlemen (motor vehicle repairers, used motor vehicle parts and accessories dealers, and scrap dealers).

Interestingly, there is no attempt to put a similar prohibition of selling to consumers on the three middlemen (licensed repairers, used parts dealers, or scrap dealers). Thus, once they purchase at auction they then can sell to licensed motor vehicle dealers and to the public, the supposed cause of auto theft. The true intent of this bill is revealed – competition is eliminated, enriching licensed repairers, used parts dealers, or scrap dealers. The end result will be insurers receiving less in the sale of these vehicles and offsetting less of the amounts paid in claims. This will cause insurance premiums to rise for policyholders.



Eliminating Competition/Creating Collusion

By eliminating other purchasers, including consumers, the bill would deprive consumers of a good opportunity to obtain affordable transportation. Instead, the bill forces these consumers to use a “middle man” in the purchase of these vehicles and ultimately pay more for them than buying direct.

Also, by eliminating licensed motor vehicle dealers and consumers, the bill reduces about 70% of the competition for the vehicles’ insurers coming to own through claims settlement process. As insurers receive less in the sale of these vehicles, they are able to offset less of the amounts paid in the claims. This causes insurance premiums to rise for policyholders.

The following is a summary of who has, over the past many years, been permitted to purchase our vehicles, and the few who would be permitted to purchase if House Bill No. 156 is passed:

Permitted Buyers Under Current Law

Licensed Repairers
Licensed Used Parts Dealers
Licensed Scrap Dealers
Licensed Motor Vehicle Dealers
Consumers who execute an affidavit

Permitted Buyers Under HB 156

Licensed Repairers
Licensed Used Parts Dealers
Licensed Scrap Dealers

Since, under House Bill No. 156, the “end user” of the vehicle would be prohibited from bidding on vehicles, the remaining “wholesale” buyers would, due to the reduced competition, be able to purchase their inventories more cheaply. They would also then be able to charge the consumer more for the car in the subsequent sale to the consumer. The consumer ends up losing two ways: first, he or she has to pay more for the vehicle; and second, he or she has to pay more for auto insurance, as insurers receive less in sale proceeds to offset the claims paid. However, the “monopoly” buyers established by House Bill No. 156 would profit.

Salvage Vehicles Are “Totaled” Vehicles Up For Auction And Do Not Encourage Auto Theft

To be perfectly clear, the salvage vehicles IAA auctions are vehicles deemed “totaled” by an insurance company. IAA, as agent of the insurance companies, auctions off the “salvage” vehicles for spare parts or to be rebuilt. Thus, IAA is not encouraging auto thefts. In fact, the purchasers of such vehicles are demonstrating their willingness to pay for a vehicle and its parts versus stealing automobiles. Consumers have long purchased salvage vehicles in Hawaii, as well as in many other states including Arizona, California, and Washington.

Section 1, in our view, incorrectly links automobile theft to the purchase of salvaged vehicles by non-licensed individuals. Having studied this issue for many years, we would assert that such linkage is not borne out by studies of the causes of auto theft. Although definitive studies on the



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detailed causes of auto theft nationwide are very hard to find, a consensus would, if compiled, list the causes, starting with the most frequent, along the following lines:

- Joyriding, transportation, commission of another crime
- Owner give-ups (insurance fraud)
- Stripping of parts (chop shop activity)
- Export
- Other (VIN switches, etc.)

In fact, the Honolulu Police Department is quoted in the January 24, 2003 Honolulu Star-Bulletin as stating that auto thieves are stealing cars for other criminals, and those people will in turn usually use the stolen vehicle to commit other crimes. The end result is “We have a lot of cars being stolen, but in comparison I don’t think we have a lot of auto thieves.”

House Bill No. 156 reads that if non-licensed persons are prohibited from purchasing salvage vehicles the market for stolen parts will be reduced. Thus, it makes the argument that Hawaii’s citizen will procure stolen parts to repair salvaged vehicles, while licensed repairers, used parts dealers and scrap dealers will not. This makes no sense and is unsubstantiated. Unfortunately, across the country, several licensed entities (dismantlers, body shops, etc.) have been found to be involved in auto theft, either through operating as a “chop shop” or by purchasing stolen parts. It would be offensive to legislators to have all their constituents deemed involved in auto theft based on no evidence and simply on their desire to rebuild a salvage vehicle or bid for spare parts.

Please also note that there is no plan to put a similar prohibition of selling to consumers on the licensed repairers, used parts dealers, or scrap dealers. Thus, once they purchase at auction they then can sell to licensed motor vehicle dealers and to the public, the supposed cause of auto theft. The end result of this bill is revealed – competition is eliminated, enriching licensed repairers, used parts dealers, or scrap dealers.

For the reasons listed above, Insurance Auto Auctions opposes House Bill No. 156.

Very truly yours,

Natori Law Office LLLC

Nathan T. Natori

**Hawaii State Legislature
House Transportation Committee**

**House Bill 156 (Takai)--Oppose
Hearing—February 2, 2009**

Statement of Copart, Inc.

Mr. Chairman and distinguished committee members. My name is Ryan Wong and I am the General Manager for Copart, Inc. here in Honolulu. On behalf of Copart, Inc., a salvage pool/auction operator and online remarketer of used vehicles with a location in Honolulu at 91-542 Awakumoku Street, I am here to express Copart's opposition to House Bill 156.

Copart is opposed to House Bill 156 as this legislation seeks to dictate, restrict, or limit the purchasing or sales of salvage vehicles. Hawaii is one of 38 states which allows an open and competitive marketplace for salvage vehicles. This fair and competitive marketplace is good for my company and good for the state of Hawaii. Under HB 156, Copart would be limited to selling salvage vehicles on behalf of our vehicle suppliers, only to licensed vehicle repair shops, used parts dealers, dismantlers, wreckers and scrap dealers.

The sponsors and proponents of HB 156 may attempt to portray their position of support for such buyer restrictions as serving a consumer protection or law enforcement-enhancing need. There is no credible or verifiable data to support any contention that buyer restrictions of salvage vehicles play any role in reducing auto related crime and/or fraud. The salvage certificate statutes on the books in Hawaii clearly provide the necessary mechanism for identifying salvage vehicles in Hawaii. A salvage vehicle cannot be re-registered and be eligible to be on the road without first passing a safety & mechanical inspection. Limiting who can purchase salvage vehicles from credible and respectable businesses such as Copart that specialize in salvage vehicle sales does nothing to improve public safety, crime prevention or consumer protection.

During these extremely difficult economic times, access to affordable and repairable used vehicles is an important and vital service we provide. Limitations under HB 156 block out many, many buyers who are interested in purchasing from Copart. HB 156 would limit tax revenues by eliminating potential purchasers and impede the fair market process.

On behalf of Copart, Inc. I urge you and members of the House Transportation Committee to Vote 'NO' on HB 156.

Thank you for your time and consideration.



Ryan Wong

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**HOUSE COMMITTEE ON
TRANSPORTATION**

February 2, 2009

House Bill 156 Relating to Vehicles

Chair Souki and members of the House Committee on Transportation, I am Rick Tsujimura, representing State Farm Insurance Companies, a mutual company owned by its policyholders. State Farm supports House Bill 156 Relating to Vehicles.

State Farm supports Section 3 of House Bill 156 which includes airbags as a resale component that requires department of transportation approval. This will help reduce the market for stolen parts.

Thank you for the opportunity to present this testimony.