

Approved: 2/23/93
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Chairperson Ben Vidrickson at 9:00 a.m. on February 22, 1993 in Room 254-E of the Capitol.

All members were present except:

Senator Brady - Excused
Senator Rock - Excused

Committee staff present: Hank Avila, Legislative Research Department
Ben Barrett, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Martha Ozias, Committee Secretary

Conferees appearing before the committee:

Pat Wiechman, Director for the Kansas Automotive Dismantlers
and Recyclers Association
Ed Newsom, President, Kansas City Salvage Pool, Inc.
Melvin L. Eshbaugh, President, Topeka Salvage Pool, Inc.
Anthony R. Pike, Manager of Electric Operations for the Board of
Public Utilities
Betty Mc Bride, Director, Division of Vehicles

Others attending: See attached list

Pat Wiechman addressed the committee in support of **SB 162** which would regulate salvage dealers. She explained the reason and purpose of this bill and stated that its passage would raise industry standards in Kansas, help deter vehicle theft and reduce the economic strain of illegal operations. (See Attachment A)

Ed Newsom spoke in opposition to **SB 162** explaining that this bill attempts to define and regulate Salvage Pools as well as define salvage vehicles. He stated that he felt the proposed definition of a Salvage Pool has not been thoroughly researched, is too general in nature, singles out Salvage Pools and prohibits the selling of vehicles to only certain individuals and entities. (See Attachment B)

The committee then heard from Melvin Eshbaugh who expressed concern that the salvage dealers had written up a law regulating themselves and proposing a law regulating another industry without the participation or knowledge of that industry. (See Attachment C)

A position paper of The American Salvage Pool Association was distributed to the committee but not read (See Attachment D) as well as a brief of the bill and fiscal impact state from the Secretary of Revenue. (See Attachment E)

The chairman appointed a sub-committee, consisting of Senator Papay as chairman along with Senator Jones and Senator Tiahrt, to further study this bill.

Attention was turned to **SB 178** relating to the permanent registration of certain vehicles. Anthony Pike spoke in support of this bill which would allow utility vehicles to be licensed as an agency of the city and to carry city license plates. (See Attachment F)

Betty McBride appeared in support of **SB 178** explaining that it would remove city, county or township vehicles, used for utility purposes, from the requirements of purchasing full registration and would allow those vehicles to qualify for a city, county, or township license plate. The fee for a city, county or township license plate is \$8.50, with a service fee, and the plate stays with the vehicle for as long as the vehicle is owned by the municipality. (See Attachment G)

Senator Papay made a motion to approve the minutes of the February 19th meeting. A second was made by Senator Tiahrt and the motion carried.

The meeting was then adjourned by the chairman.

The next meeting will be February 23, 1993.

GUEST LIST

SENATE TRANSPORTATION COMMITTEE

DATE: February 22, 1993

[illegible]



SENATE COMMITTEE ON TRANSPORTATION & UTILITIES

February 22, 1993

Senate Bill No. 162

Chairman Vidricksen, Members of the Committee:

I am Pat Wiechman, executive director for the Kansas Automotive Dismantlers and Recyclers Association.

Senate Bill 162 is the result of K.A.D.R.A. and the Division of Vehicles working over the past year to prepare changes to the Kansas Dealer Licensing Law as it applies to the salvage vehicle industry. The need for better control of the salvage vehicle industry has been recognized not only by K.A.D.R.A. members, but law enforcement, including the Kansas Highway Patrol. Concern has also been expressed by the Inspectors for the Division of Vehicles, the Division Administrators and the Director of Vehicles. On a national level, increased concern for better control of used parts and salvage vehicles has been expressed by the A.A.M.V.A. and various federal agencies. It is believed that there is a

direct connection between stolen vehicles and the control of used parts and salvage vehicles.

Some of you may have seen the segment on the national television program *48 Hours*. The show documented how **you** could end up owning a stolen vehicle. The story commenced with a backyard "strip shop" where vehicle parts were stored. The scene then moved to the auctioning of vehicles at a salvage vehicle pool, where the vehicles seemed to bring bids that made the viewer wonder how a legitimate person could afford to pay such prices. Next, the camera went to a shop where vehicles were being rebuilt and to a vehicles sales lot. When the program crew checked the VIN's of the vehicles offered for sale, it was found that some of the vehicles had been stolen and stripped, recovered, sold through the salvage pool and mysteriously rebuilt with parts from stolen vehicles. It became apparent that vehicles were being stolen and stripped of parts. After a length of time had expired for payment to be made to the insured on the stolen vehicles, the stripped vehicles were placed so they could be recovered, then purchased through the salvage pool and rebuilt with the parts that had been removed. The comment was made on the program by the salvage pool owner/auctioneer that the only way to afford such a price at the salvage pool was to already have the parts needed to rebuild the vehicle, especially if those parts were obtained without cost. Where is the failure in the system? In this scenario, the loophole is in letting anyone buy at the salvage pool.

Two of the five vehicle salvage pools in Kansas profess to sell only to vehicle dealers. Controlling who is allowed to buy at a salvage vehicle pool, is a major step in controlling what is sold. Right now in Kansas, without control, anyone - dealer or general public - can buy any of the hundreds of vehicles that

are sold through a salvage vehicle pool each month. Additionally, when the general public buys, there is a potential loss of sales tax revenue.

As you know, there is only one way in Kansas to transfer ownership of a used vehicle, be it wrecked or otherwise, and that is by assignment of a certificate of title. The sale bills for many of the vehicle salvage pools advertise vehicles to be sold on "bill of sale only;" and, in fact, vehicles are sold through the vehicle salvage pools without titles on bills of sale. Where is the failure in the system? There is nothing in Kansas Statutes that gives authority to any regulatory body to control sales activities that occur through the vehicle salvage pools.

In Kansas, a vehicle dealer must deliver title to a vehicle at the time of sale unless an agreement is made with the purchaser that the title will be delivered within the next 30 days after the sale of the vehicle. That applies to new, used and salvage vehicles. When a vehicle is wrecked or stolen and the insured is paid for the total loss, the insurance company becomes the owner of the wrecked or stolen recovered vehicle. Insurance companies pay claims without receiving titles from their insureds or claimants. Insurance companies are then required to obtain non-highway titles. In the meantime, the vehicles are marketed through the vehicle salvage pools. Many times, the titles are not available for forwarding to the buyers of the salvage vehicles for months, because the titles do not follow the vehicles to the pool. This means that the vehicles cannot be sold and ownership transferred to a retail buyer. The salvage vehicle dealer cannot even part out and sell parts off such a vehicle because the Division requires that a copy of the title and a copy of the bill of sale must accompany major component parts when the parts are sold; this requirement is also part of the law in Missouri

and other surrounding states, so the parts cannot be sold in these markets either; this information is also necessary for presentation to the Patrol for the inspection of a rebuilt vehicle.

As a specific example of the need for control in Kansas, a study was done with the cooperation of undercover law enforcement. Vehicles of a certain type were noted as they were sold through a vehicle salvage pool in this state. With the knowledge of the color and type of vehicle, those conducting the study were able to predict not only the theft of the vehicle but exactly the kind and color of vehicle that would be stolen from somewhere in the area, immediately following the sale at the vehicle salvage pool.

In Kansas, the only operation that can legally sell used vehicle parts is the licensed salvage vehicle dealer who has met all the state and federal requirements. But, apparently, those requirements are not enough. In practically every community in our State there are operations that are not licensed salvage vehicle dealers who are buying cars, with or without titles, parting out the cars and selling the parts. Incidentally, this type of operation is one of the disposal points for theft vehicles.

During this past month, a man came into my office. The man told me that he operates a "recycling center" in the southern part of Kansas. He informed me that he was told by the health department in his county that he doesn't have to do any of the licensing things for cars, since he "only handles about 30 cars a year" and then he "just buys and crushes them." When asked what becomes of the titles, he said, "most of them don't have titles." He said there are a lot of guys down there that go around buying cars and either getting the parts off of them to sell or just crushing them and selling them to the

shredders. "It's an easy way to make a living." This is not an exceptional occurrence. This sort of thing is happening every day all across our state.

Why would an industry advocate more regulation? No one wants to be under more control. However, the fact is, a legitimate business cannot compete with crooks. Kansas salvage vehicle dealers must meet the requirements of state and local zoning and licensing; they must comply with the federal and state Highway Beautification Acts; they are required to purchase expensive equipment to avoid polluting the atmosphere in compliance with the Federal Clean Air Act; and they must meet permitting requirements which include expensive testing to comply with the Federal Clean Water Act. Additionally, most of the salvage yards today try to keep their yards looking clean and weed-free with the parts stored neatly on racks and with showrooms or sales offices that are pleasing to be in. The illegal operations do not have any of those expenses and sometimes they don't even pay for the vehicles that are parted out.

The Highway Patrol and the Inspectors for the Division need improved means for enforcement and control. SB 162 gives improved definitions and parameters that reflect changes in the salvage vehicle industry. The "junk yard" of 25 years ago has been replaced by computerized salvage yards where the numbered inventory is racked for storage. The Federal Clean Air Act imposes severe penalties for freon pollution; the Federal Clean Water Act requires that salvage vehicle dealers comply with permitting requirements that are specifically directed at the salvage vehicle industry under Standard Industrial Classification Code 5015. As an industry, we are proud of our efforts to modernize and support efforts to rescue Planet Earth. After all, we are the *Original Recyclers*, we've been recycling since long before it was the stylish thing to do. Those parting out

cars illegally have no reason to do anything to protect our environment. As long as the criminal continues to operate, there is a blemish on the industry and the community in general, along with a loss of revenue from taxes that would be generated by the legitimate business. A thief tries to hide his business, increased standards make that concealment more difficult. There is simply no way the honest business can compete with the illegal operator who has little or no overhead. *Survival* is our motivation for seeking more control.

Many of the changes to the Kansas Dealer Licensing Law in SB 162 are modeled after the Ohio act which is recognized across the country as being an outstanding salvage vehicle control law. The definition changes are designed to better address the salvage vehicle industry as it exists today in interaction with the international community. By using the Standard Industrial Classification code in the definition of salvage vehicle dealer, Kansas conforms to the existing structure of American industry. Quoting from the *Standard Industrial Classification Manual*, "The Standard Industrial Classification (SIC) was developed for use in the classification of establishments by type of activity in which they are engaged; for the purposes of facilitating the collection, tabulation, presentation, and analysis of data relating to establishments; and for promoting uniformity and comparability in the presentation of statistical data collected by various agencies of the United States Government, State agencies, trade associations, and private research organizations." SIC code is now the standard used by federal agencies when addressing a given industry.

Since SB 162 contains many changes to Kansas law and in order to avoid the possibility of inadvertently harming an existing business, "grandfather clauses" have been included.

There are some editorial changes that need to be made to the bill. On Page 2 at Line 17, it should read "subsection (c); on Page 14, at line 34 number (3) should be changed to (4); then on Page 15, (4), (5), (6), at lines 2, 4 and 12 should be changed to (5), (6) and (7).

The Division has said that they will have no problem administering the changes in SB 162. We believe that by working together with the Legislature, the Division of Vehicles, and law enforcement to raise industry standards in Kansas, we can help to deter vehicle theft and reduce the economic strain of illegal operations. Together we can produce increased tax revenue from a tax structure already in place; and contribute to reduced losses in the insurance industry.

K.A.D.R.A. appreciates the opportunity to present this information to you. Your favorable consideration of SB 162 will be appreciated. I will be happy to attempt to answer any questions you may have.

Respectfully submitted,

Patricia M. Wiechman
Executive Director



The Honorable Ben Vidrickson
Chairman, Senate Transportation and Utilities Committee
State Senate
State Capital
Topeka, Kansas

February 17, 1993

Transmitted via Fax

Dear Senator,

I am writing to offer my written testimony in opposition of Senate Bill 162. Please understand that it was my intention to appear in person before the committee, but due to a death in the immediately family of my Office Manager, my presence is required in Kansas City on the date of this hearing. I hope this is not an inconvenience.

I am the President of one of the oldest and largest Salvage Pools in the Midwest, having been in business for over 30 years. In 1987 I made a substantial investment in the state of Kansas by relocating from Missouri. My company presently operates a 38 acre facility employing in excess of 25 people. Registered buyers from all over the United States, Canada, and Mexico regularly attend our weekly sales of 350 to 500 vehicles.

I think a brief description of the nature the Salvage Pool business is essential to the purpose of this testimony. Insurance companies, self-insured's such as rental companies, banks, finance companies, and vehicle dealers solicit our services for the disposition of vehicles, boats, campers, and other properties in an effort to obtain the highest monetary return. In 1992 over 17,000 items were consigned to my Salvage Pool by these various entities. The reason that these companies solicit our services is to foster honest and open competition, and increased demand resulting in the highest possible return on their merchandise. For example, an insurance company can rely on a Salvage Pool to remove a vehicle from a storage facility, pay the existing charges which average \$175.00, store the vehicle for an indefinite period of time with 24 hour security, process the title on behalf of the insurance company meeting all federal and state requirements including record keeping, advertise the vehicle, sell the vehicle, transfer title to the buyer, and collect and guarantee funds to the insurance company. Currently, our fee for the above services is \$40.00. Thus, I feel we have an invaluable service to offer, which is apparent by the volume of vehicles consigned without any contractual

obligation.

There are several issues that I would like to address. This bill attempts to define and regulate Salvage Pools, as well as define salvage vehicles. To my knowledge, not one Salvage Pool in the state of Kansas was contacted or consulted regarding this issue, nor were we aware that such legislation was being proposed. Inasmuch as this bill was sponsored by Kansas Automotive Dismantlers and Recyclers Association (K.A.D.R.A.), of which I am an associate member. I find it somewhat "curious" and objectionable that some input was not requested from our company, other Salvage Pool operators, or insurance companies.

It is my opinion the proposed definition of a Salvage Pool has not been thoroughly researched and is too general in nature. Please understand that in excess of 30% of all vehicles sold by my Salvage Pool are repairable, have insignificant damage, or no damage at all. These include such vehicles as recovered thefts, repossessions, hail damaged, and claimant vehicles totalled as a matter of economic convenience. In addition, it is my estimation that over 75% of our registered buyers deal in these types of vehicles, whether they be salvage dealers, used car dealers, and/or rebuilders. Therefore, I do not feel that the proposed definitions of Salvage Pools and/or salvage vehicles are appropriate.

Having expounded on the above, I would now like to address my primary objections to this bill. As written, this bill prohibits the sale of vehicles to any persons except licensed salvage vehicle dealers, as defined under this act, unless sales tax is collected. Conveniently, this bill prohibits used car dealers, rebuilders, and body shops from purchasing vehicles at Salvage Pools without paying sales tax which provides a favorable advantage to salvage vehicle dealers, such as members of K.A.D.R.A., and at the same time eliminates honest and open competition by limiting buyer participation. In addition, this bill does not address the issue of out-of-state buyer participation and licensure. Most states do not have a definitive and/or reciprocal type of license that would be equitable to the proposed licensing requirements of this bill. I must add that all vehicle dealers and most body shops and rebuilders are required by law to obtain a dealers license which excludes them from paying sales tax, as an integral part of their business. Therefore, as written, this bill is contradictory to the provisions put forth by dealer licensing, if in fact, any of the aforementioned would be able to buy a vehicle from a Salvage Pool in accordance with the proposed legislation. For the past 30 years only licensed dealers have been permitted to purchase vehicles at my Salvage Pool. Therefore, in this regard, I question whether any new legislation is required.

I have several other objections to this bill, albeit minor. However, in the interest of brevity, I will forego further

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elaboration in hopes that the previous testimony is sufficient to enlighten you in regards to my position.

In addition, please also be advised that, to the best of my knowledge, only one major insurer in the state of Kansas is aware of this proposed legislation that may dramatically affect the monetary return of salvage vehicles for all insurance companies. Also there has been some inference that by prohibiting the sale of vehicles to persons other than salvage vehicle dealers there will be some direct correlation to the reduction of auto theft. It is my opinion that such information is merely subterfuge and there is no statistical evidence to substantiate this allegation. On the contrary, my Salvage Pool has voluntarily cooperated with local, state and federal authorities beyond the scope of our responsibilities by providing specific information regarding our sales. We cooperate with and/or report to the Kansas Highway Patrol, Missouri Highway Patrol, Kansas City Kansas Police Department, Kansas City Missouri Police Department, numerous metropolitan Sheriff and Police departments, Kansas Bureau of Investigation, National Crime Information Bureau, and the Federal Bureau of Investigation. In addition, since our relocation to Kansas in 1987 we have supplied, on a voluntary basis, a weekly listing of vehicles sold to Mr. Marcus Woods, Bureau Chief of Dealer Licensing for the state of Kansas.

Finally, this bill singles out Salvage Pools and prejudicially prohibits the selling of vehicles to only certain individuals and/or entities. However, insurance companies, dealers, salvage dealers such as K.A.D.R.A. members, and body shops are not prohibited from selling vehicles to any one person or entity. Thus, I fail to see how this bill will prohibit nefarious individuals from obtaining vehicles for dubious purposes. Admittedly, without legal interpretation, it is my opinion that such legislation is a restriction of free trade.

In summation, it is my hope that this bill, in its current format, will not be approved without further input from those parties more directly involved than K.A.D.R.A. members and salvage dealers (i.e., Salvage Pools and insurance companies) as well as vehicle dealers, body shops, etc. It is my opinion that this bill is an "end run" by K.A.D.R.A. to further their own interest at the expense of insurance companies, Salvage Pools, and vehicle dealers and ultimately to be passed on to the constituency of the state of Kansas and surrounding states in the form of insurance premiums.

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Thank you for the opportunity to express my beliefs and opinions. I would invite you and any other interested parties to contact me if you have any questions or comments regarding this issue. I regret my inability to personally testify.

Sincerely,


E.A. Newson
President

cc: Mr. Marc Untersee, Attorney at Law
Wirken and King

Mr. Marcus Woods, Bureau Chief, Dealer Licensing
Kansas Department of Revenue

Mr. Leighton Richmond, Claims Superintendent
State Farm Insurance

Mr. Bill Lewis, Regional APD Claims Manager
Farmers Insurance

Mr. Jim Burke, Branch Claims Manager
American Family Insurance

Ms. Patricia M. Wiechman, Executive Secretary
Kansas Automotive Dismantlers and Recyclers Association

Mr. Ted Getnar, Claim Manager
Allstate Insurance

Mr. Charles Petrick, Claim Manager
Kansas Farm Bureau Insurance

Mr. Hank Avila, Legislative Research
State of Kansas

Mr. Joe Krahn
Kansas Department of Transportation

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February 11, 1993

Representative Rex Crowell
State Capitol 431-N
Topeka, KS 66612

Dear Mr. Chairman:

At the meeting of the House Transportation Committee held Monday, February 8, 1993, you invited me to submit written testimony on HB 2195 which relates to the regulation of salvage yards and salvage pools. I have commented mainly about salvage pools because that is the business I am in and the business about which I know the most.

Although I had only a short time to prepare for the meeting I raised questions about salesperson licenses for salvage pools; the bill's requirement for sales tax; adding dealers as persons to whom sales can be made without sales tax; requiring title on the premises or is a copy sufficient; requirements for disclosure of the owner and fencing requirements.

After leaving the meeting a number of other questions entered my mind and each day I think about the bill I have more questions. I have reached the conclusion that if you asked me again if I am a proponent or an opponent I would say I am opposed to the bill.

I have never been before the legislature before but I found it suspicious that the salvage dealers had written up a law regulating themselves. I found it more suspicious that the salvage dealers proposed a law regulating another industry without the participation or knowledge of that industry. I figured that since salvage dealers have plenty of work to do at their yards, they are too busy to propose legislation just for the good of the state. I figured there must be something in it for them. If government is to regulate business it needs to be to serve the public good, not to make it more convenient or more profitable for another industry.

I'm not sure I believe the bill can be changed enough to be a good one to pass, but at the least it ought to be looked at a lot more thoroughly.

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I have spoken to other salvage pool operators and if the public or any governmental agency, including law enforcement, has a problem with the industry we are anxious to meet and work out a solution to the problem and support legislation to correct it. However, we do not support the self-serving legislation prepared by the salvage dealers which was drafted without our participation.

Thanks for letting me appear before the committee and submitting this written testimony. Although I was nervous I appreciate the kind way I was treated.

Sincerely,

Melvin L. Eshbaugh

Melvin L. Eshbaugh

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Topeka Salvage Pool, Inc.

726 N.E. Kincaid Road
Topeka, Kansas 66616-9510

MELVIN L. ESHBAUGH
President

(913) 235-3046
Fax (913) 235-0639

TO: Rex Crowell
FROM: Melvin L. Eshbaugh
SUBJECT: House Bill No. 2195

- * This bill is one of a series that will be designed by KADRA to limit competition and give them a business advantage.
- * KADRA's ultimate goal is to pass legislation forcing insurance companies to sell their salvage to salvage yards only and the public and others to buy only from salvage yards.
- * This bill is designed so small changes in wording in future years will allow KADRA to reach their ultimate goal.
- * Salvage Vehicle Pools should be removed from this bill as they sell NO vehicles without clear title, sell NO parts or dismantle vehicles.
- * Salvage Vehicle Pools reason for existence is to allow public bidding on insurance salvage to eliminate price fixing by large salvage buyers and to ensure insurance salvage brings a fair market price.
- * This bill and it's sequels if passed would result in lower insurance salvage prices and higher insurance premiums.
- * Bill Lewis the regional manager of salvage for Farmer Ins. Group stated: It was necessary to remove salvage from a state with restrictive legislation and sell it in neighboring states in order to receive a fair market price for their salvage.
- * This bill would be particularly hard on the poor who are reliant on their ability to repair vehicles and the availability of reasonably priced used parts to earn a living or hold down the cost of operating a family vehicle.
- * Theft is a long standing problem in the transportation industry, the solution however is not to put the blacksmith or horse trainer out business but the horse thief.
- * Salvage Vehicle Pools keep excellent records of what is bought and sold through the pools and are more than willing to assist in helping catch thieves.

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Topeka Salvage Pool, Inc.

726 N.E. Kincaid Road
Topeka, Kansas 66616-9510

MELVIN L. ESHBAUGH
President

(913) 235-3046
Fax (913) 235-0639

December 14th, 1992

RATES

POOL FEE - \$40.00 per unit

STORAGE FEE - First 45 days - no charge
Thereafter - \$1.00 per day

TOWING RATES -

Within the city limits of Topeka \$20.00

Within 30 miles of the Pool, excluding
Topeka, \$30.00

From 30 miles to 60 miles \$45.00

From 60 miles to 100 miles \$55.00

Beyond 100 miles the rate is \$1.25 per loaded
mile

These rates are for cars and small pickups, the rates
for larger units will be based on size and mobility.

TITLE SERVICE - \$10.00 per title

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POSITION PAPER OF
THE AMERICAN SALVAGE POOL ASSOCIATION

We support any reasonable steps to curtail auto theft, and we see no problem with the licensing of auto salvage dismantlers. We are, however, concerned that there are portions of current licensing legislations for auto salvage dealers that attempt to exclude legitimate state-licensed automobile businesses, who should lawfully be permitted to bid on salvage automobiles, from attending auto salvage pools/auctions. As explained in the enclosed "Overview of the Insurance Industry's Total Loss Auto Salvage Disposal System" there are two categories of auto salvage and two categories of auto salvage buyers. No useful purpose is served by the exclusion of one of these categories of buyers. Indeed, this exclusion will reduce competition and the price received by insurers for the salvage automobiles. The direct result of which will be increased insurance costs to consumers.

For the reasons set forth above, the American Salvage Pool Association urges that the proposed licensure legislation be amended to remove the exclusion of licensed vehicle dealers.

OVERVIEW OF THE INSURANCE INDUSTRY'S TOTAL LOSS AUTO SALVAGE DISPOSAL SYSTEM

Every industry has its own intricacies that are only significant to those businesses involved. Some proposed legislation has been written without full knowledge of certain auto salvage disposal intricacies. These pieces of legislation are only concerned with one category of salvage buyer--the auto dismantler and recycler. The second category, auto salvage rebuilder, has been overlooked!

When discussing auto salvage, it is imperative to differentiate between "Obvious Total Loss Salvage" and "Constructive Total Loss Salvage". "Obvious Total Loss Salvage" are those vehicles that are obviously damaged beyond repair. "Constructive Total Loss Salvage"--over 30% of all total losses--are those units that are within the current four model years and are physically rebuildable; however, they are not financially rebuildable by the insurance company. Due to excessive labor costs, replacement car rental costs, delays in availability of new parts, lengthy repair time, etc. rebuilding these vehicles is not financially efficient for the insurance company. It is more cost and time efficient to declare these vehicles a total loss and recover the maximum dollar value for them from professional rebuilders. Due to the fact that the aforementioned restraints are not applicable to the repair of the vehicles after they have been declared a total loss, this "Constructive Total Loss Salvage" becomes cost efficiently rebuildable by professional rebuilders.

Some states have a licensure for "rebuilders"; however, in most states, rebuilders are licensed as used car dealers. These dealers are in business solely for the purpose of rebuilding and wholesaling or retailing the reconstructed vehicle. It is imperative that the rebuilder remain in the distribution chain. These rebuilders are regulated by each state as are the new car dealers, and there appears to be no reason why the salvage auctions/pools should be prohibited from selling directly to this licensure.

It is not uncommon for a rebuilder to pay 10 to 20% more for "Constructive Total Loss Salvage" than dismantlers and recyclers, who deal only in "Obvious Total Loss Salvage"--dismantling and selling the usable parts. Under proposed licensure legislations the few businesses that are licensed to purchase salvage are not licensed to rebuild and resell salvage; therefore, this legislation destroys the market for "Constructive Total Loss Salvage" and dramatically reduces the high salvage recovery dollars currently derived from the sale of these units.

The insurance industry requires a marketplace where both "Constructive" and "Obvious" total loss salvage can be sold in a highly competitive environment to ascertain maximum dollar recovery while controlling administrative costs. The salvage auction/pool creates a cost effective marketplace for both categories of salvage. In summary, selling both categories of salvage to their respective buyers permits the insurance industry to control administrative costs, increase salvage recovery dollars, and offer the consumers prompt claims handling at the lowest possible rates.



Obvious Total Loss Salvage



Constructive Total Loss Salvage

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Position Paper of
UNDERWRITERS SALVAGE COMPANY

Re: Proposed Legislation Limiting Buyers of Automobile
Salvage from Salvage Pool to Automotive Dismantlers and
Recyclers

Issue: Recently we have become aware of a state-by-state program, sponsored by certain members of the auto wrecking industry which program has as its goal the adoption of state laws which would restrict the sale of salvage automobiles from salvage pools only to licensed dismantlers and recyclers.

The proponents of such legislation proclaim as their goal the curbing of automobile theft. Per their argument, sales of automobile salvage to other than licensed dismantlers provide a means by which stolen cars can be put back on the roads, e.g. by removing the Vehicle I.D. Number from a purchased salvage vehicle and putting it on a stolen vehicle.

While Underwriters Salvage Company and its clients support any reasonable steps to curtail auto theft, we are concerned that another motivation behind some dismantlers' vigorous support of such legislation is the desire to diminish competition for salvage automobiles and, thus, to enable dismantlers (the favored buyers under the proposed legislation) to obtain salvage automobiles at lower prices than is currently the case.

Facts: Increased competition in bidding for salvage vehicles has the effect of increasing the price for which such vehicles are sold. Even given this, most salvage pools sell only to licensed dismantlers and licensed rebuilders. In Underwriters' salvage pools, approximately 75% of the licensed buyers are rebuilders and eliminating them from bidding would clearly reduce salvage returns.

Position: Regardless of the motivations, we believe that legislation which favors one group licensed by a state over another group licensed by that state is ill-conceived. Such legislation seems to presume, without, to our knowledge, any factual basis, that licensed rebuilders are a greater part of the auto theft problem than are licensed dismantlers. Secondly, such legislation ignores the fact that many dismantlers are also rebuilders. In short, we are concerned that the proposed legislation will reduce the value of salvage and cripple one legitimate buying source for salvage, without any indication that the auto theft problem will be positively impacted.

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Hank

MEMORANDUM

TO: Ms. Gloria M. Timmer, Director
Division of Budget

DATE: February 10, 1993

FROM: Kansas Department of Revenue

RE: Senate Bill 162,
As Introduced

BRIEF OF BILL:

Senate Bill 162, as introduced, amends several statutes regarding the licensure of salvage vehicle dealers.

New Section 1 establishes requirements for a salvage yard dealer's place of business. The new requirements would not apply to a dealer in existence prior to July 1, 1993, provided the dealer remains in continuous operation at the same location.

Section 2 provides that a notarized bill of sale and a copy of the vehicle title must be given to a buyer of a major component part as proof of possession.

Section 3 defines several terms relating to salvage vehicle dealers.

Section 4 creates a new dealer license for "salvage vehicle pool" with a license fee of \$50. The option to obtain a combination salvage and used vehicle dealer license has been deleted. Subparagraph (v)(1) lists the information that must be supplied at the time of application for a salvage vehicle dealers license. Subparagraph (w)(1) establishes the requirements for a salvage vehicle pool's place of business. The new requirements would not apply to a salvage vehicle pool in existence prior to July 1, 1993, provided the business remains in continuous operation at the same location.

Section 5 requires that information regarding the VIN of a major component part which has been sold or disposed of be included in the quarterly report. Titles and transfer certificates for the vehicles listed must accompany the report.

This bill would take effect on July 1, 1993.

FISCAL IMPACT:

Enactment of this legislation would have a minimal impact on the State Highway Fund in FY 1994.

Collections from the "salvage vehicle pool" license will be minimal. There are less than five salvage vehicle pools in Kansas.

ATTACHMENT E


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ADMINISTRATIVE IMPACT AND COMMENTS:

There are no administrative costs associated with this bill. This bill is identical to House Bill 2195.

APPROVED BY:



Nancy Parrish
Secretary of Revenue

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TESTIMONY OF ANTHONY R. PIKE
OF THE BOARD OF PUBLIC UTILITIES
IN SUPPORT OF
SENATE BILL NO. 178

My name is Anthony R. Pike. I am Manager of Electric Operations for the Board of Public Utilities of Kansas City, Kansas. The Board of Public Utilities is the largest municipally-owned utility in the State and serves electricity and water to the City of Kansas City, Kansas.

I am here in support of Senate Bill 178, amending K.S.A. 8-1,134, relating to the permanent registration of City, County or Township vehicles. The Board of Public Utilities is an agency of the City of Kansas City, Kansas. The Board operates approximately 381 vehicles which are currently individually licensed each year in accordance with the present statute. Annual licensing and registration costs for these vehicles is approximately \$30,000. Inasmuch as these vehicles are licensed each year, the cost over a normal 5-year life would be approximately \$150,000 for licensing fees. If, on the other hand, these vehicles were licensed in accordance with the statute as it relates to the City, there would be a one time cost of approximately \$3,000. This amounts to an estimated additional cost of nearly \$147,000 to the Utility over the normal life of these vehicles. The proposed statute revision is simply to allow the Utility vehicles to be licensed as an agency

of the City and to carry City license plates. We sincerely urge your favorable consideration of this proposed change. This is a local issue dealing only with municipally operated utilities, and would possibly impact only one other city, that of McPherson.

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STATE OF KANSAS

Betty McBride, Director
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Department of Revenue
Division of Vehicles

To: Honorable Ben Vidricksen, Chairman
Members of the Senate Committee on Transportation and
Utilities

From: Betty McBride, Director
Division of Vehicles

Date: February 22, 1993

Mr. Chairman, Members of the Committee,

My name is Betty McBride. I am the Director of Vehicles, and I appear before you on behalf of the Kansas Department of Revenue regarding Senate Bill 178.

This bill would remove city, county or township vehicles, used for utility purposes, from the requirements of purchasing full registration, and would allow those vehicles to qualify for a city, county, or township license plate. The fee for a city, county or township license plate is \$8.25, with a service fee, and the plate stays with the vehicle for as long as the vehicle is owned by the municipality.

If this bill passes as proposed, it would mean an annual loss to the general highway fund of approximately \$133,750.

I stand for your questions

ATTACHMENT G

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