

Another crime crisis - car theft and hi-jacking!

■ Gillian Handley

PMR's recent forum took a close look at the car theft and hijacking problem, which is causing major concern not only to business but to every car owner. With over 40% of stolen vehicles taken out of South Africa and often paid for in dangerous drugs - the problem is enormous. There do appear to be solutions but heavy costs are involved and no-one is rushing to pick up the tab.

Huge losses

In 1994, 109 366 vehicles were stolen, 21.4 percent more than in 1993. Projections for 1995 put the figure over 110 000. Vehicle robberies have increased by 143% since 1992. (Incidentally, Wednesday is the most popular day for car theft).

Car rental companies, if only because of the sizes of their fleets, are the hardest hit of all. Budget's loss for one recent horrendous month was R2.5 million of a total fleet value of approximately R150 million. Avis estimates between 30% and 60% of car rental profit is lost to car theft and hijacking. Avis loses in the region of R10 million annually (200 cars). This figure is up 50% over the previous year which is in itself an increase of 25% over the year prior to that. Budget has a smaller fleet but experiences loss on a similar scale (approximately R7 million) with the same kind of escalating trend in evidence. Hollard Insurance says that the trends in claims show a steady increase over last year. Hijackings increased from 10% of thefts to 45% of thefts from April to May 1995. If hijackings are the thief's answer to anti-theft devices, it's clear that these devices may be compounding the problem.

Insurance industry not doing enough?

Car rental companies are self-insured. Insurance is a large cost factor of each vehicle which makes it an important purchasing decision. In 1991 Avis's premiums would have been R35 million so they switched to self-insurance at a cost of R10 million for the same year. (Car rental companies are insured against disasters, eg hail).

PMR's phone checks reveal concerns among fleet owners that car assemblers and short term insurers are raking in extra car sales (into Africa!) and premiums without helping to solve the problems.

Hollard estimates that premiums could be reduced by at least 30% if the car theft problem was solved. Fleet owners are now looking at reducing losses through preventative measures.

The forum was attended by

Patrick O'Brien, Operations Director of Avis, Mike Cronston, Fleet Manager - Budget Rent A Car, Charles Kemp, National Claims Manager - Hollard Insurance and

Lt Francois Steyn - SAP's Vehicle Theft Unit.

Additional input was obtained from Mano Diakakis of Unicode and Lt Colonel Gerald Davis, Commander of the SAP's Vehicle Theft Unit.

No foolproof product

Whatever is done to a vehicle, it can still be stolen. As soon as big business is involved in security, leaks occur. Specialists trained to fix problems in the systems often pass on information down to the thief.

Many fleet owners use their own vehicle recovery people. These are often ex-members of SAP Vehicle Theft Units, attracted by private sector salaries. Lt Colonel Gerald Davis, Commander of the Vehicle Theft Unit says that the recoverers employed by the fleet firms are of help to the police but some of the private recovery agents often cause problems by unethical means of recovering vehicles. Police have been bribed to return recovered vehicles to the recoverer so that he can get the commission. Also some recovery agents have engineered the theft in the first place, so they can 'recover' it.

Favourite makes and models

According to Avis, theft of minibuses amount to 50% (R500 000) of their monthly losses. In the past Toyota Hi-Aces accounted for 50% to 60% of these. Now many car rental companies no longer buy that model. If the theft of minibuses in general continues, Avis say they will not stock them - the price of popularity.

Certain cars are penalised by insurance companies as a higher theft risk but the insurance companies cannot publicise which models these are, because of pressure from the manufacturers. Neither can insurance companies 'blacklist' people who have made fraudulent claims in the past.

Police fighting the odds

In SA car thieves are prosecuted under common law. According to Davis, the police have 'hijacked' the road traffic act to enable them to prosecute thieves giving stiffer penalties for tampering with chassis and engine numbers. Catching a thief stealing a car is obviously the best way to go. Next best is to hammer him for tampering with the identity.

According to the SAP, close to 40% of all claims are fraudulent and in another 30% of the cases, vehicle identity is changed with new documents and resold. The initial price for a stolen car may be low but once it has changed hands a number of times, the car is priced close to its actual market value.

It is difficult to check up on stolen cars that have been through the whole 'laundering' process of identity change. The SAP recovery rate has increased (in 1994 to 46.06% thanks to increased investment in technology, manpower and systems) but this is not yet nearly enough.

Lack of vehicle identification and the lack of data available to the police at the point of investigation are still major problems. Comments from members of the car rental industry: "you need a 'bobby' for every block and decent pay levels for the police so that collusion is cut down".

If stolen cars are not reported and circulated instantly, the chances of recovery are greatly reduced. Over 40% of stolen vehicles leave the country. Once out, it is difficult to bring the car back. Identification, by restoring of electrochemically etched chassis numbers, is not legal evidence in other African countries. However, efforts are underway to improve regional co-operation. The International Association of Auto Theft Investigators has a southern African regional chapter which meets annually, is sponsored by the SAP Vehicle Theft Unit. At

the last conference there were 278 delegates of which only three were from the insurance industry.

Possible solutions

Several factors have been identified as having directly or indirectly contributed to the high rise in vehicle thefts and hijackings - the high growth rate of the population, high unemployment (especially youths) and poverty levels and the increase in overall crime levels. The RDP is given as a solution but results could take 20 years. An interactive, all-party system with vehicle identification and stolen vehicles data available immediately at the point of investigation, is vital to combat vehicle crime. The system should cover insurance, banking and other private sector parties as well as the SAP.

Police storage yards in Gauteng have approximately 7 000 recovered vehicles which cannot be identified. Car marking is essential to combat this problem. Police recover approximately 50% of stolen cars according to stats given by Unicode but only about 30% of the 50% are returned to the owners.

Vehicle identification

Unicode's vehicle identification information system has been accepted by the SAP for implementation at all border posts and Vehicle Theft Units. The South African Insurance Association has endorsed the system. Not all insurers support it because of the cost, although this should be quickly offset by increased recoveries and the identifying of fraudulent claims.

Manufacturers have also been slow to support identification systems because of the logistical problems and costs. Cynics suggests every car theft is another sale for the manufacturer, but Avis points out that the doomsday scenario of car rental companies put out of business by car thefts would mean huge losses to manufacturers.

Fraud - the third factor

Of the estimated vehicle insurance payout claims of around R1,4 billion in 1994, about 25% - R350 million - arise from fraud says Jim McIntosh, GM Operations for SA Eagle.

Rob Ward, head of Hollard Insurance Consumer Credit Division says fraud amounts to as much as 40% of vehicle theft losses. The trouble with fraud, say insurers, is that it is very difficult to detect.

"We accept that some claims may be fraudulent, but only a few such cases can be proved illegal and such proven fraudster would be pursued" says Andrew Jones, Personal Lines Manager of Commercial Union.

Ward comments: "In some countries such as Australia, they have a polygraph/lie detection system that appears to be working well."

Some of the scams are insuring non-existent cars, or insuring one car with several companies.

Ward says: "As far as the insurance industry is concerned, we need to take stronger action in pursuing and bringing to prosecution fraudulent situations. As far as the authorities are concerned, the judicial system should be a lot stricter on prosecuting offenders."

"For example, the prison sentence for stealing a R10 000 vehicle is the same for stealing a R100 000 vehicle."

McIntosh disagrees with Ward: "The industry in general terms has adopted a far more positive and firm approach and assist the police in the prosecution of fraudulent claims."

The Unicode System

Unicode comprises a number of transponders implanted on a vehicle with unique identification codes. A network of databases and identification units that identify 'Unicode'd vehicles at speeds of up to 140km/hour from 4,5 m are deployed at SAP Vehicle Theft Units and border posts. A file of data is electronically captured at point of installation and stored on the central database.

The Unicode database stores all vehicle theft and recovery data that exists on the SAP system, and is updated 3 times daily. It will also connect the insurance, banking and other private sector parties and enables all participants to exchange data on line, interactively.

Some manufacturers already have computer systems in place that could form the basis for an identification system.

Lt Colonel Davis says Unicode works well but that he had hoped for more support from the private sector, particularly insurance companies. Davis would like to see a vehicle identity system installed at manufacturing level as is the case in Australia and the US. A set of 12 labels costs about US\$12 which would probably be passed on to the motorist. The main problem is the logistics of installing such a system.

Davis says manufacturers have been accommodating where they can but often overseas parent companies do not understand the extent of the problem and tend to concentrate on locking devices.

Theft reduction system

Davis says an effective vehicle identification system that marked all major parts of all cars would deal a major blow to the market for stolen car parts. This would result in a drastic reduction in car thefts, and assist the police in matching stolen cars and car parts with their owners.

While Unicode works well for the police, legislation cannot promote a private company. Davis sees a system like Unicode as supporting a identification system that is enforced at manufacturing level. The more parts of a car marked, the better. (In Brazil, the preferred furniture in the squatter camps is a stolen car seat!) Emphasis should be placed on stopping the cars from leaving the country. Given enough manpower and the proper equipment at the borders, there would at least be a measure of control. Unicode can put a block on cars that signal if a car is being taken over the border without permission but at this stage there is no means to enforce vehicle confiscation.

All police charge offices should be fully computerised so that details of a stolen vehicle can be circulated instantly, buying valuable time.

As to the man on the street, Robin Scholtz, GM Corporate Relations for the AA, says that a questionnaire has been sent to all AA members requesting information on car theft experiences. The AA will look at pursuing additional legislation or amended legislation at government level based on the results of the survey which are due in August.

Conclusion

An effective vehicle identification system is a key requirement to check car theft. Since the 100% effective anti-theft device does not exist, the answer must be to destroy the market that makes car theft lucrative. Not only will a comprehensive vehicle identification system reduce the number of car thefts, it will also increase the effective prosecutions of thieves. The question remains - is the increase in cost at manufacturing level too high a price to pay?

And who is going to pick up the tab?