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Memorandum

Docket No NHTSA-2002-12231

Subject: ACTION: Preliminary Regulatory Evaluation
Expansion of Auto Parts Marking Requirement, Part 541

Date: JUN 19 2002

From: William H. Marsh
Associate Administrator
for Plans and Policy

Reply to
Attn. of:

To: Docket [Handwritten initials]
Thru: Jacqueline Glassman
Chief Counsel

Please submit the attached copy of the "Preliminary Regulatory Evaluation, Expansion of Auto Parts Marking Requirement, Part 541," March 2002, to the appropriate docket.

Attachment

Distribution:

Associate Administrator for Safety Performance Standards
Associate Administrator for Safety Assurance
Chief Counsel





U.S. Department
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National Highway Traffic Safety Administration



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PRELIMINARY REGULATORY EVALUATION

EXPANSION OF AUTO PARTS MARKING REQUIREMENT PART 541

Office of Regulatory Analysis and Evaluation

Plans and Policy

March 2002

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EXECUTIVE SUMMARY

The Notice of Proposed Rulemaking (NPRM) proposes to extend parts marking to the remaining passenger cars and multi-purpose passenger vehicles (MPVs) with a GVWR of 2,722 kg (6,000 pounds) or less which are currently not required to be marked. Light trucks are excluded from this proposal, unless they have interchangeable parts with vehicles that would be required to be marked.

Costs

It is estimated that an additional 3.25 million vehicles per year will have to be marked. The estimated cost is \$6.03 per vehicle. Thus, the total annual cost is \$19.6 million (in 2000 dollars). There is an additional cost of \$0.50 or less per replacement part. The number of replacement parts sold per year for 3.25 million vehicles is not known.

Benefits

The FBI estimates that the total value of vehicles stolen in calendar year 2000 was almost \$7.8 billion. In 2000, there were 1,165,559 reported stolen vehicles with an average value of \$6,682. This is just the value of the stolen vehicles, there are other costs associated with vehicle theft, such as the cost of insurance, police and time lost by the victims.

The value of unrecovered passenger cars and MPVs to which the Theft Act applies was \$2.756 billion. The agency estimates that the percent of vehicle thefts that are represented by vehicles not being marked currently, and would be required to be marked by this proposal, is 22 percent. The agency's estimate of the potential effectiveness of

the proposal is a 6.4 percent reduction in the economic loss for unrecovered thefts. Thus, the estimate of the value of thefts that could potentially be reduced by this proposal is \$38.8 million ($\$2.756 \text{ billion} * 0.22 * 0.064$).

Low Volume Manufacturers

The Act requires that costs may not be imposed on manufacturers of more than \$15 per vehicle (in 1984 dollars), which is equivalent to \$24.86 (in 2000 dollars). Based on assumptions and estimates in this evaluation, manufacturers with less than 373 vehicle sales in the United States could be exempt from the proposal. Given the impreciseness of these assumptions, a reasonable exemption point might be 500 vehicle sales per year.

INTRODUCTION

“The Motor Vehicle Theft Law Enforcement Act of 1984” (Theft Act), Pub. L. 98-547, was passed to address the growing concern over increased motor vehicle theft. The Theft Act added Title VI to the Motor Vehicle Information and Cost Savings Act. The purpose of “Part 541 – Federal Motor Vehicle Theft Prevention Standard” is to reduce the incidence of motor vehicle theft by facilitating the tracing and recovery of parts from stolen vehicles. Part 541 originally provided a list of 12 to 14 parts for passenger cars, which has since been expanded to include 18 parts to cover similar parts in light trucks and multi-purpose passenger vehicles (MPVs). These parts must be marked with the vehicle identification number (VIN) of the vehicle if the part is present on motor vehicles designated as “high theft” lines. The engine and transmission are typically stamped, while the other parts are affixed with a counterfeit-resistant label. Part 542 provides procedures for selecting the high theft lines, including those low theft lines that have major parts interchangeable with a majority of the covered major parts of a high theft line. The requirements became effective for passenger cars beginning with model year (MY) 1987 vehicles.

The Anti Car Theft Act of 1992 (ACTA) amended the Theft Act to include MPVs and light duty trucks with a gross vehicle weight rating (GVWR) of 2,722 kg (6,000 pounds) or less. The requirements became effective for the high theft lines of these additional vehicle types with MY 1997 vehicles. The ACTA also required that manufacturers mark

the covered major parts installed in passenger motor vehicles (except light duty trucks) in not more than 50 percent of the lines not designated as high theft lines.

In addition, the ACTA essentially stated that unless the Attorney General of the Department of Justice made a finding that extending the requirements to the remaining lines of passenger motor vehicles (except light duty trucks) would not substantially inhibit chop shop operations and motor vehicle thefts, then the requirements must be extended to all passenger motor vehicles, except light duty trucks. On July 21, 2000, the Attorney General transmitted to the Secretary of Transportation a report (Docket No. 2002-11442) on the effectiveness of expanding the auto parts marking requirement. The Attorney General's report concluded "that the available evidence warrants application of the vehicle theft prevention standard to the remaining motor vehicle lines." Because insurance and law enforcement investigators identified the lack of permanence as the most significant obstacle to increasing the effective use of markings, the Attorney General also urged DOT to require permanent non-removable markings.

To aid in preparing their review, the Department of Justice (1) contracted with Abt Associates, which provided a report entitled "An Evaluation of the Effectiveness of Automobile Parts Marking on Preventing Theft" and (2) published a Federal Register notice (63 FR 48758) requesting comments on the effectiveness of expanding the requirements.

In July 1998, the agency submitted a Report to Congress on the effects of the 1984 and 1992 Acts¹. The report concluded that it appears that the Acts have given the law enforcement community tools they can use to deter thefts, trace stolen vehicles and parts, and apprehend and convict thieves. The report found that (1) parts marking only had to be two percent effective to exceed its costs, (2) since many vehicles do not have to have marked parts, the deterrent effects of parts marking at this time may be offset by increased thefts of vehicles without marked parts and, (3) to the extent that parts marking can be obliterated, their long term deterrent effect may be diminished.

A limited number of vehicle lines, one per year per manufacturer (which can accumulate), can be exempted from the parts marking requirements if they have an anti-theft device installed as standard equipment on the entire vehicle line. The DOJ requested comments on this issue in its Federal Register notice (63 FR 48758). The auto industry argued that antitheft devices are preferable to marking auto parts. They argued that consumers desire antitheft devices and that these devices are effective. Law enforcement commenters argued that antitheft devices should be used together with parts marking, not in place of it. Investigators argued that antitheft devices deter joy-riding, while parts marking is aimed at chop-shops and professional thieves. In its July 1998 Report to Congress, NHTSA also stated that antitheft devices are not a suitable replacement for parts marking, because parts marking and antitheft devices are complements, rather than substitutes. A final decision on antitheft devices is up to the

¹ "Auto Theft and Recovery: Effects of the Anti Car Theft Act of 1992 and the Motor Vehicle Theft Law Enforcement Act of 1984", Report to Congress, July 1998, NHTSA, DOT HS 808-761.

Attorney General, who must decide whether antitheft devices are an effective substitute for parts marking.

The Notice of Proposed Rulemaking (NPRM) proposes to:

- (1) extend parts marking to the remaining passenger motor vehicle lines (except light duty trucks). Light duty trucks with a GVWR of 2,722 kg (6,000 pounds) or less would continue to be marked under the current procedures of determining high theft lines to be covered by the theft prevention standard. By definition, passenger motor vehicle lines include all passenger cars, and MPVs and light duty trucks with a GVWR of 2,722 kg (6,000 pounds) or less.
- (2) request comments on more permanent methods of parts marking and,
- (3) request comments on marking air bags and window glazing.

NUMBER OF VEHICLES INVOLVED

Table 1 provides a breakout of the number of vehicles involved by vehicle type and current parts marking for model year 2000.

Table 1

| Vehicle Type | Vehicles Required To Be Marked | Vehicles Voluntarily Marked | Vehicles Not Marked | Anti-Theft Device Exemption And Not Marked | Total |
|--|--------------------------------|-----------------------------|---------------------|--|------------|
| Passenger Cars | 4,163,495 | 0 | 1,669,297 | 3,340,455 | 9,173,247 |
| MPVs of 2,722 kg or less | 1,919,050 | 0 | 1,581,501 | 197,844 | 3,698,395 |
| MPVs between 2,723 kg and 4,536 kg | N.A. | N.A. | N.A. | N.A. | |
| LDTs of 2,722 kg or less | 306,786 | [153,045 N.A.] | [858,814 N.A.] | 0 | 306,786 |
| LDTs between 2,723 kg and 4,536 kg | N.A. | N.A. | N.A. | N.A. | |
| Total Applicable | 6,389,331 | 0 | 3,250,798 | 3,538,299 | 13,178,428 |
| % of Applicable | 48% | 0% | 25% | 27% | |
| Total of All Light Vehicles – 4,536 kg. GVWR or less | | | | | 16,823,076 |
| Applicable % of All | | | | | 78.3% |

N.A. = Not Applicable, Requirements don't apply to these vehicles.

As shown in Table 1 for MY 2000 vehicles, about 6.4 million vehicles currently must be marked and 153,000 vehicles are being voluntarily marked. There are about 4.1 million vehicles that are low theft vehicles. Under the proposal, the low theft passenger car and MPV lines that are currently not marked, would have to be marked. This includes 3.25 million vehicles, or 25 percent of the vehicles that the Act applies to.

COSTS

Section 604 of Motor Vehicle Information and Cost Savings Act states that the standard "... may not impose costs upon any manufacturer² of motor vehicles to comply with such standard in excess of \$15 per motor vehicle..." The \$15 was in 1984 dollars and is to be adjusted using the Consumer Price Index (all items – United States city average). The applicable consumer price index for 1984 is 103.9; the consumer price index for 2000 is 172.2. Thus, the standard may not impose costs upon any manufacturer in excess of \$24.86 ($172.2/103.9 * \15) per vehicle in 2000 dollars. The costs of parts-marking engines or transmissions are not taken into account in calculating a manufacturer's costs, according to the Theft Act, since these parts were identified by manufacturers before the Theft Act was promulgated.

The agency has estimated the typical costs to marking parts, using adhesive labels, for passenger cars in the 1991 Report to Congress.³ The range of costs for three manufacturers was \$3.35 to \$5.49, with an average cost of \$4.14, in 1988 dollars⁴. The consumer price index (CPI) for 1988 is 118.3; the consumer price index for 2000 is 172.2. In 2000 dollars, this range is from \$4.88 to \$7.99, with an average cost of \$6.03.

² The agency defines this cost as a manufacturer cost (variable and fixed cost to the manufacturer), which means that it does not include manufacturer profit or dealer markups.

³ "Auto Theft and Recovery, Effects of the Motor Vehicle Theft Law Enforcement Act of 1984", Report to Congress, March 1991, NHTSA, DOT HS 807-703.

⁴ "Evaluation of Methods and Costs to Mark Vehicle Parts for Theft Prevention: Volume 1", NHTSA, September 1988, DOT HS 807 616.

The distribution of costs, which will be used later, was 52 percent material and 48 percent labor. This means that in 2000 dollars, the average cost of \$6.03 can be distributed into \$3.14 for material and \$2.89 for labor.

These costs were developed under the assumption of a high efficiency operation with 250,000 or more vehicles produced per year. Most of the costs in this operation are variable costs, they vary with the amount of output. For example, the amount of label used and the labor to install the label are variable costs. Thus, for high volume vehicle manufacturers there is no problem with meeting the standard at a cost of less than \$24.86 per vehicle.

The total cost of the proposal to extend the parts marking requirement to the low theft lines is estimated to be \$19.6 million (3.25 million vehicles x \$6.03).

There is an additional cost of \$0.50 or less per replacement part. This \$0.50 estimate is the cost per label ($\$6.03/12$ parts). The replacement part marking of an "R" could also be stamped onto the part at a lower cost. The number of replacement parts sold per year for 3.25 million vehicles is not known.

Another issue that the agency must consider is whether small volume manufacturers can mark their parts for less than \$24.86. There are fixed costs that must be given more consideration when a small volume manufacturer must mark its parts for the first time, since these costs are spread out over a smaller number of vehicles. For example,

following the current industry practices, there is a fixed charge to design the individual company logo for the counterfeit-proof label for a new manufacturer to get into the business. There is also a one-time cost for a secured printer to type the VIN number on the label. Combined, these fixed costs are estimated to be \$6,000. We assume that the manufacturers would amortize these costs over a three-year period. Thus, there is a fixed cost of \$2,000, which must be spread over the annual volume sold by the manufacturer. For example, if the company sells 250 vehicles per year, the fixed costs would add \$8 per vehicle ($\$2,000/250 = \8). If the company sold less than 80 vehicles per year, the fixed costs alone would exceed \$24.86 ($\$2,000/\$24.86 = 80$ vehicles). It is possible that changes could be made in current industry practices to make the fixed costs less expensive for small vehicle manufacturers. Comments are requested on these costs and the possibility of achieving parts marking for small volume manufacturers at a lower cost.

Within the variable costs, the cost of the parts marking label itself varies depending upon the volume of labels bought from the supplier. At the very low end of vehicle sales, say supplying enough labels for 100 vehicles or less, the agency estimates the cost to be \$2.00 per label, for 500 vehicles the cost is estimated to be \$1.50 per label, for 1,000 vehicles the cost is estimated to be \$1.00 per label, for 2,000 vehicles the cost is estimated to be \$0.50 per label and for 5,000 vehicles the cost is estimated to be \$0.35 per label. The labor costs are believed to be the same, no matter what the number of vehicles produced, since it is assumed that they are applied by hand.

Most of the small volume manufacturers make two-door models, which means that they will use 10 labels per vehicle. Table 2 shows the estimated cost per vehicle for parts marking based on the number of vehicles produced, after considering fixed costs and variable material and labor costs.

Table 2
Estimated Costs for Low Volume Manufacturers
(in 2000 economics)

| Sales Volumes | Fixed Costs per Vehicle | Material Costs per Vehicle | Labor Costs per Vehicle | Total Costs per Vehicle |
|---------------|-------------------------|----------------------------|-------------------------|-------------------------|
| 100 | \$20.00 | \$20.00 | \$2.89 | \$42.89 |
| 500 | \$4.00 | \$15.00 | \$2.89 | \$21.89 |
| 1,000 | \$2.00 | \$10.00 | \$2.89 | \$14.89 |
| 2,000 | \$1.00 | \$5.00 | \$2.89 | \$7.89 |
| 5,000 | \$0.40 | \$3.50 | \$2.89 | \$6.79 |
| 373 | \$5.36 | \$16.59 | \$2.89 | \$24.84 |

Based on these assumptions, the sales volume that would result in a cost per vehicle of \$24.86 is 373 vehicles, which can be determined by solving for X (sales volume) in the following equation:

$$\$2,000/X + (\text{an interpolation to determine material cost}) + \$2.89 = \$24.86$$

The interpolation is $(X - 100)/400 = Y$; $(\$2.00 - \$1.50) * Y = Z$; $\$2.00 - Z = A$; $A * 10 =$ material cost

In order to stay within the Congressional requirement that the cost cannot exceed \$24.86 a vehicle, a company using adhesive labels would have to sell more than 373 vehicles per year. Thus, the costs for any manufacturer that makes less than 373 vehicles per year in

the United States would exceed the Congressional limit of \$24.86 for costs using the most common alternative of adhesive labels.

There are other marking methods available, which potentially could be used by small volume manufacturers that could result in less cost. In the 1985 Final Regulatory Evaluation⁵ the agency discussed stamping parts with the VIN number during the part forming operation. This has not been a favored alternative by large volume manufacturers because the part numbers must be matched on the assembly line to the engine/transmission. However, for a low volume manufacturer making only a few hundred, or a few thousand vehicles per year, matching numbers during assembly is not as daunting of a task and this might be the cheapest alternative. In the 1985 Final Regulatory Evaluation, we estimated the cost of stamping for large volume manufacturers at \$0.686 per part (in 1984 dollars). In 2000 dollars, this cost would be \$1.14 per part ($0.686 * 172.2/103.9$ using the 2000 CPI divided by the 1984 CPI). For the 10 parts that must be stamped for a two-door passenger car, the total cost would be \$11.40. This cost would be higher for a low volume manufacturer to write off the tooling costs, but might not reach the \$24.86 Congressional limit.

The agency also discussed sand blasting as an alternative for low volume manufacturers. The cost for sand blasting (which covers a VIN template, the labor time, and a clear coat paint finish to keep the part from rusting) was estimated at \$7.10 to \$9.20 per car (in 1984 dollars), or \$11.77 to \$15.25 in 2000 dollars plus the depreciation for the sand

⁵ "Final Regulatory Evaluation, Motor Vehicle Theft Law Enforcement Act of 1984", September 1995, NHTSA.

blasting tool which at that time cost \$4,500 (\$7,458 in 2000 dollars). Depreciating this \$7,458 cost over three years is \$2,486 per year. Thus, to not exceed the Congressional limit of \$24.86, the company would have to sell more than 190 to 258 vehicles ($\$24.86 - \11.77 to $\$15.25 = \13.09 to $\$9.61$. $\$2,486/\13.09 to $\$9.61 = 190$ to 258).

There are two questions raised in this notice for which the costs must be considered. The first is whether a more permanent marking system can be devised. In the past, the agency has considered engraving, etching and stamping methods. However, a considerable length of time has gone by since those deliberations, and the agency requests comments about whether a more permanent marking system could be utilized and stay within the cost limitations of the Act.

The agency has contacted several companies seeking comments about more permanent methods of parts marking. Avery Dennison and 3M both responded with similar ideas using adhesive labels that would allow the VIN number to be etched into painted metal parts. If the label is pulled off, the VIN number still could be read by investigators using a UV light. The number could be tampered with by removing the paint or grinding off the number. These methods provide evidence that tampering has occurred. 3M is confident that this label could be provided at a price to keep the total cost within the Congressionally mandated cost limit.

The second question is whether marking glazing or air bags are necessary and viable options within the cost limitations of the Act. The agency has always considered

marking glass to be a good theft deterrent for the entire vehicle, even though glass is not a typical chop shop resale item. We examined etching all of the major pieces of glass on the vehicle in the past and determined that the labor time of adding an etching process to the assembly line was too long and the resulting costs were too high to be within the cost limitations of the Act. Comments are requested as to whether this determination is still valid. Another option is to etch or sand blast the glazing on the doors as the marking on the door. Comments are requested as to whether the doors should be marked in a manner different from other major parts, that is on the glazing.

Air bags are being stolen for repair business. Comments are requested on the number of air bags stolen yearly, and whether they are being stolen in large enough number to make marking air bags a worthwhile proposition. Air bags were not on the list of parts in the Theft Act and it may take a legislative change to allow air bags to be marked.

The current marking procedure works as follows: When they know which engine and transmission will be put into which vehicle and the VIN, the engine and transmission are marked. In most cases they are stamped by hand by hitting a tool with a hammer. In some cases a metal tag is engraved with the VIN and riveted onto the part. Then, at the very end of the assembly line, a quality control person goes around the vehicle and attaches the adhesive labels to the applicable parts of the vehicle. A new method would have to be devised for air bags, because you can't take apart the steering wheel or dashboard to put on a label. There are several potential problems with applying an adhesive label or stamping a VIN number on an air bag, or door or bumper during the

manufacturing process. First, you now have to assure that you match VIN numbers on each of the parts with the engine/transmission. Second, if a fender or other part is damaged during the assembly line process or for some other reason has to be replaced, you would need a method to number the new fender or you have to put on a part with a replacement label.

In the July 1998 Report to Congress, there was a small discussion about the cost of marking air bags (see page xvii). One manufacturer indicated that it costs them about \$2 per vehicle to mark air bags and maintain cross reference information, after a one time cost of about \$14 per vehicle for facilities investments. Another manufacturer indicated that they used a low-cost adhesive label to mark air bags.

BENEFITS

The July 1998 Report to Congress found that a 2 percent reduction in the theft rate would create consumer benefits exceeding the cost of parts marking. The analysis provided five indications that parts marking quite possibly had beneficial effects at times.

- 1) A shift in theft rates in 1986 and 1987, coinciding with the introduction of parts marking. Cars with marked parts had lower theft rates than expected, while cars without marked parts had higher theft rates than expected, but this impact weakened as the cars got older and vanished by the time they were two years old. This is consistent with the view that many professional thieves subsequently learned how to obliterate the markings and found them less of a deterrent.

- 2) Recovery rates for 1987 models with marked parts were consistently higher than corresponding 1986 models. This favorable effect consistently deteriorated in later model years.
- 3) In calendar year 1987, the unrecovered theft rate of model year 1987 cars with parts marking was 26 percent lower than model year 1986 cars in calendar year 1986. As these model cars got older, the benefit diminished, but still persisted at about 6.4 percent.
- 4) Almost all car lines had lower theft rates in the early 1990's models than in their late 1970's models. However, the reduction was substantially greater in car lines with parts marking.
- 5) There was a strong reduction in the number of vehicles that were recovered in-part⁶ and a corresponding increase in the number of vehicles recovered in-tact. This trend was especially strong in those vehicles with parts marking.

For purposes of this analysis, the best estimate of the benefit of the parts-marking program, which persisted over time, and could be applicable to this extension of the parts-marking program is that the program reduced unrecovered thefts by 6.4 percent⁷ based on an analysis of unrecovered thefts per million vehicle years.

The agency examined the value of unrecovered thefts from two perspectives. Both resulted in similar answers. First, we examined the dollar value of unrecovered thefts in

⁶ In-part means that some parts were missing when the vehicle or vehicle frame was recovered. In-tact means that the total vehicle was recovered without parts missing.

⁷ "Auto Theft and Recovery: Effects of the Anti Car Theft Act of 1992 and the Motor Vehicle Theft Law Enforcement Act of 1984," Report to Congress, July 1998, DOT HS 808 761, Pg. A-34.

an older report. This estimate results in unrecovered thefts comprising 51.4⁸ percent of the economic loss associated with thefts. Here we conservatively assume that parts marking had no effect on recovered thefts. Second, we looked at just the percent of thefts that were recovered, without having estimates for the value of recovered thefts for calendar year 2000 data. The National Crime Information Center estimates for the year 2000, that 51.4 percent of the vehicles were recovered, meaning that 48.6 percent were unrecovered.

The Uniform Crime Report⁹ revealed that the total value of vehicles stolen in 2000 was almost \$7.8 billion. In 2000, there were 1,165,559 reported stolen vehicles with an average value of \$6,682. Passenger cars and light trucks comprised 93 percent of the thefts. As shown in Table 1, this rule applies to 78.3 percent of all light vehicles under 4,536 kg GVWR. Thus, the value of those unrecovered vehicles was \$2.756 billion ($1,165,559 * 0.486 * \$6,682 * 0.93 * 0.783$).

We examined the MY 2000 vehicles that were stolen in calendar year 2000 and divided them into marked and unmarked vehicles. The theft rates (thefts in calendar year 2000 per thousand MY 2000 vehicles produced) for the various groups considered in this rulemaking are:

⁸ Pp 23-24 of the Report to Congress show that direct economic loss from thefts amounts to 38.9% of the market value of the vehicles stolen (because 61.1% of the value is recovered). Since the 20% of thefts that are not recovered are total losses, they constitute 20/38.9 or 51.4% of the overall economic loss.

⁹ "Crime in the United States, 2000", U.S. Department of Justice, FBI, pages 53 and 286.

| | |
|--|------|
| High theft lines (marked) | 3.13 |
| Exempt high theft lines (unmarked) | 3.00 |
| Low Theft lines (unmarked) | 2.55 |
| Low Theft lines (2 voluntarily marked) | 1.57 |

Weighting the production figures in Table 1 with the theft rates shown above, results in an estimate that 22 percent of all thefts would be in the low theft lines that are currently not marked.

The agency's estimate of the percent of vehicle thefts that are not being marked currently, and would be required to be marked by this proposal, is 22 percent. The agency's estimate of the potential effectiveness of the proposal is a 6.4 percent reduction in the economic loss for \$2.967 billion in unrecovered thefts. Thus, the estimate of the value of thefts that could potentially be reduced by this proposal is \$38.8 million ($\$2.756 \text{ billion} * 0.22 * 0.064$).

Auto theft investigators described parts marking as a valuable tool for arresting and prosecuting thieves. By 1996, most of them felt that parts marking did assist in identifying and recovering stolen parts and vehicles. About three-fourths of law enforcement agencies in big cities said that parts marking helped in arresting both chop shop operators and professional thieves.

Even though it is unlawful to remove the labels from marked parts and the labels are required to leave evidence that they were once on the marked part, thieves have found methods for removing both the label and the footprint. The investigators then need to be sufficiently knowledgeable to recognize that the part should have a label. Also, without the label it is very difficult to trace the part back to the vehicle from which it was stolen. Thus, auto theft investigators say that more permanent methods for parts marking are needed.

For the purchasers of vehicles made by low volume manufacturers, there is almost no benefit from having their parts marked. There is essentially no market for a chop shop to deal with low volume vehicles because so few of them are in need of repair.

SMALL BUSINESS IMPACTS

The Regulatory Flexibility Act of 1980 (5 U.S.C. §601 *et seq.*) requires agencies to evaluate the potential effects of their proposed and final rules on small businesses, small organizations and small governmental jurisdictions.

Small Vehicle Manufacturers

Currently, there are about 4 small motor vehicle manufacturers in the United States. Because of their small sales volumes, these vehicles have been low theft vehicles and have not been required to meet the parts marking standard. By extending the standard to all passenger cars, these vehicles will have to meet the standard for the first time. As

discussed in the Costs section, some of the methods for marking vehicles would cost more than the Congressional limit and suggest that the agency should exempt some low volume manufacturers from the parts marking requirements. Comments are requested as to whether low volume manufacturers should be exempted from the parts marking requirements and how the agency should define low volume for such an alternative (e.g., 500 vehicle sales per year).

Manufacturers that make replacement parts would also be affected by this proposal. Most replacement parts are made by the original manufacturer, which are not small businesses. Sometimes, the molds are sold to other small business and they manufacture the replacement parts. However, the added cost to mark their parts (estimated at \$0.50 or less earlier in the analysis) is not significant compared to the price of a replacement part and will be passed on to their customers. So, we do not believe there will be a significant economic impact on small businesses in the replacement parts industry.