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TRANSCRIPT

Program Transcript

Read the program transcript of Chris Masters' report "Cars Wars."

Reporter: **Chris Masters**

Date: **26/06/2006**

CHRIS MASTERS: By the turn of the century Australia had one of the worst car theft rates in the world.

DAMON DUPREIZ: I had a 1997 model Nissan GTR Skyline, a high-performance car. It's considered a super car. I stood up quickly and saw what was pretty much the worse thing you could imagine, which was three guys pulling out of the car with balaclavas on. Two had baseball bats and one had an axe.

CHRIS MASTERS: Police came to term the south-west of Sydney a Bermuda Triangle, where by the thousands cars disappeared.

MAN: Yeah, it vanished into the big black hole somewhere.

CHRIS MASTERS: At the peak of the problem in 2001 over 20,000 cars vanished without trace. One explanation for what was occurring later emerged when a joint police operation exposed an Aladdin's Cave of vehicles and parts bound for the Middle East.

JOHN ALT, DETECTIVE CHIEF INSPECTOR, NSW POLICE: They know motor vehicles inside out. The knowledge of the shipping overseas, the knowledge of the shipping laws and processes and the whole lot. So it is very organised and very sophisticated.

CHRIS MASTERS: Tonight we look at the industry of organised car theft and Middle Eastern crime groups who've captured the largest market share. In the interim, as car theft rates have come down, the amount of vehicles unrecovered has not moved so far. Tonight's program asks why these vehicles continue to vanish in car park proportions.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: Unfortunately the thieves don't give us their annual returns, so we don't really know what's happening. We suspect some of it is being exported. How big that is, we don't really know.

CHRIS MASTERS: Returning from a night out Iris Anastasiou watched a group of men break into her much-loved Toyota.

IRIS ANASTASIOU: "Oh, my God. They're taking my vehicle. Someone's actually taking my vehicle." And then all of a sudden I just saw them get in and I went weak on the knees.

CHRIS MASTERS: Paused at a traffic light in Sydney's busy CBD, this woman was threatened with a knife as thieves appeared on both sides of her BMW.

JUDY MACCIONI: And somebody leaned across me, undid my seatbelt. They put their hand on my husband's side, who was driving, they put their hand on his ignition so that he couldn't do anything with the key and they said, "Get the fuck out of the car."

CHRIS MASTERS: This man had his Mitsubishi Pajero stolen from his driveway while he was sleeping.

JAMES McBLAIN: Early hours of Monday morning I got a call from the police and they told me that they'd recovered the car and it had been destroyed by fire.

CHRIS MASTERS: The three victims had something further in common. Parts of their vehicles were later discovered in shipping containers after Customs officials grew suspicious.

JENNIFER REIMITZ, AUSTRALIAN CUSTOMS: There seemed to be a lot of exports of car parts to the Middle East, which is not really a normal exportation. The volumes just seemed excessive. There were other sort of indicators which looked a bit strange as well.

CHRIS MASTERS: Led by New South Wales Police, a joint operation was begun. For six months, police watched two groups operating from these premises. One was led by this man, George Elfar, who had earlier come to notice.

REPORTER: Elfar was said to be the brains behind a multi-million dollar car stealing racket operating in Sydney's south-west. Police claimed he paid car thieves to steal 200 late model vehicles. They were then cut up for parts or reassembled.

CHRIS MASTERS: Having fled Australia while on bail, Elfar carried on business as usual from his home country, Jordan. Telephone intercepts revealed him directing the operation of stealing cars to order. Using transcripts of evidence we've reproduced conversations using the voices of actors. Here an associate speaks

with Elfar's son Andrew.

TAREK: Andrew, I spoke to your dad today about the Merc.

ANDREW: Yeah.

TAREK: My mate just rang me now. He said he can get one. And it's going to be six cylinders, but it's going to be fucking white or silver coloured.

ANDREW: White or silver only?

TAREK: Yeah. He's saying he's finding it very difficult to find the green colour. He reckons that they are all old models, you rarely find any. Because I spoke to your dad today and he said, "Please make sure it is six and please make sure the colour is green."

JOHN ALT, DETECTIVE CHIEF INSPECTOR NSW POLICE: Some of it was ad hoc. A car thief would have a car and present and say, "Do you want it?" But there was also evidence that it was to order a specific type of car. It had to be a specific colour, model, year make. So some of it was very, very specific.

BRIAN ELHASSAN: My name is Brian Elhassan. I own this baby here. That's an '03 WRX Impreza.

CHRIS MASTERS: The other syndicate was also a family enterprise. A key figure, as it happens, a star of the show car scene.

MAN: It was Brian that brought out Mr CRX...

CHRIS MASTERS: In the modified car world Brian Elhassan went on to become known as Mr WRX. Elhassan and his cars frequently appearing in magazines and specialist videos.

MAN: You're looking at a set of \$10,000 rims.

BRIAN ELHASSAN: You're looking at a \$200,000 car.

CHRIS MASTERS: Elhassan was at home in a community deeply attached to its cars. But it should be said, a flash car or a Middle Eastern background does not a criminal make.

WALLY: I've always loved lions. I've got a thing about lions. I've got a lot of pictures of lions at home.

EDDY: Oh, you can't put a price on something like this 'cause you've just got to enjoy it. That's basically about it. If you're gonna count the money, it's not worth really going into it.

MARK: The wheels, I just purchased them two days ago. They're from Ozzy Tyres.

It's the first car in Australia to have these wheels on it.

CHRIS MASTERS: And it's a labour of love, is it?

NATALIE: Oh, yes. (Laughs) I work for my car, yeah. I don't shop for anything other than car shopping.

CHRIS MASTERS: With the help of his brothers, Brian Elhassan ran MC Racing from a small garage in Bankstown.

JOHN ALT, DETECTIVE CHIEF INSPECTOR, NSW POLICE: From one of their crime syndicates who were set up as a registered business and everything, we found no evidence of legitimacy. The other one, there were some efforts of legitimacy, albeit in a very small and ad hoc way. And it really had no bearing on what they were doing in the illegitimate world.

CHRIS MASTERS: In one of hundreds of intercepts delivered as court evidence Brian Elhassan gave a clue to how he might have been paying for his expensive hobby, appearing to offer a stolen engine for sale.

BORHAN: It's a stand but it has been passed through the police. The one that was in my other one.

MAN: He wants it but he wants to change it. You know what I'm talking about?

BORHAN: He wants one hot?

MAN: Yeah, yeah, he doesn't care.

BORHAN: Yes, I do have a hot one. But I only have the block and the head. The injection I have removed.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL:
Traditionally car theft's been extremely easy in this country to the point in around about the late '90s we had the second highest rate of car theft in the Western industrial world. Professional car theft in particular. It was extremely easy to change a vehicle's identity, launder it through the registration system of any state or territory and then sell it to an unsuspecting buyer.

CHRIS MASTERS: Evidence collected from the Elhassan premises spoke of a major rebirthing racket. At this stage in 2001-2002, when theft rates had soared to 145,000 cars, rebirthing was ridiculously easy.

ROBERT McDONALD, IAG HEAD OF RESEARCH: There are a number of ways. If this is the stolen vehicle then the first thing you need to do is to put an engine with the correct identification number in it, so you'll take an engine from another donor car. It could be an accident-damaged car, it could be another car that you get from another source so that the engine number matches the VIN. And then

you have to modify this VIN so it's not terribly rocket science. You can either have the metal cut out and a new piece welded in with the identifier of the donor car... And the compliance plates and the bill plates are really very low-technology. They're just some pop rivets and a couple of pieces of aluminium.

CHRIS MASTERS: The car's birth certificate is this imprinted Vehicle Identification Number, or VIN, which is duplicated on the compliance plate.

ROBERT McDONALD, IAG HEAD OF RESEARCH: You know, a piece of aluminium with a couple of rivets and a couple of numbers stamped into metal is not really what you'd consider acceptable for what is basically most people's second most valuable asset.

CHRIS MASTERS: The Elhassan enterprise was a classic chop shop - one of a cluster operating from Sydney's south-west - where cars were rebirthed and dispersed, frequently interstate.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: Pretty well 80 per cent to 90 per cent of the vehicles that we recover in Victoria - and we're talking jobs involving in excess of 100 vehicles - 80 per cent to 90 per cent of those vehicles came from Sydney. So there was obviously quite sophisticated connections involved in stealing the cars in Sydney, shipping them to Melbourne and then preparing them for resale. We've seen instances where the wreck has been bought in Brisbane, the stolen car comes from Sydney and then the rebirthed car has been sold in Melbourne.

The compliance plate is fitted in the rear hatch.

CHRIS MASTERS: In one of the confiscated vehicle compounds Gerry Bashford from the Victoria Police Organised Motor Vehicle Theft Squad showed us a classic rebirthed vehicle.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: Unfortunately an innocent buyer lost this vehicle when it was seized. The offenders have sold it - generally advertise it through the classifieds. And an innocent buyer rings up and buys it. Obviously if they had have done some research on the history of the vehicle they would have found it, at some stage or other, had been wrecked and then they might start asking a few more questions. It's the old saying - if it sounds too good to be true, it usually is.

LAURIE McADAM: The description sounded exactly what we were looking for. It's a 2001 Toyota Corolla hatch - even had mag wheels - and was about \$18,000, which was a good price. Now, I got it, in the end, for \$17,000 but the reason that the car was as low a price as it was was based on the fact that he was going to Lebanon that very day. His father-in-law, the owner's father, had already gone to Lebanon. And they were going to be there for about three months and they

needed the money.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: There are warning signals for people who are really in the know of what to look for.

CHRIS MASTERS: One man who's seen it all is Ray Carroll who runs the National Motor Vehicle Theft Reduction Council, set up with funding from the insurance industry and governments in response to the theft epidemic.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: We have stories from people who have really been devastated by the fact that they may have borrowed \$15,000-\$20,000 to buy this car. They no longer have the car. You can't claim it on insurance. There's no-one you can sue because the thief is the person who's done this and he's long gone.

CHRIS MASTERS: Laurie McAdam was one of over 100 victims of a different Middle Eastern group. Although he made appropriate checks, the forgery fooled everyone except the police with Laurie McAdam doing his money cold.

LAURIE McADAM: While we felt badly about it, and still do - I think it's immoral, etc, etc, but I still can't see if everyone's done their job why anybody else but us should pay. Do I like it? Absolutely not.

CHRIS MASTERS: A weak link in the system had long been the auction yard - a giant nursery for born-again vehicles. Every year around 70,000 vehicles deemed by insurers to be repairable write-offs are offered for resale. One technique of the rebirthers is known as 'strip and buy back', where you steal a car and store the parts then wait to purchase the original shell at auction. When different gangs used muscle to compete for cars the auction houses were forced to bring in muscle of their own.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: We saw occasions at the auctions where we actually had two different crime groups fighting over particular vehicles and openly threatening each other in the auction in front of members of the public.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: We've certainly had legitimate recyclers who go to these auctions to buy stock to tell us that on particular occasions they'd be showing an interest in buying a particular vehicle and people would walk over to them and say, "You won't buy this car." And threatened things like their business would be burnt down or something of that nature if they did buy it.

WOMAN IN CALL CENTRE: We would have had to have sighted the car...

CHRIS MASTERS: Another facilitator was the registry office. Rebirthers were able to exploit the fact that in different states different systems did not communicate.

Ray Carroll was instrumental in setting up a Written-Off Vehicle Register, which eventually brought all states online. But in the meantime crooks were watching every move.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: The thieves were using the fact that the state registration systems didn't talk to each other in real time.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: I think there's no doubt that in that time of implementation people were able to get around the system by perhaps realising that they couldn't steal a car in Sydney and put it through the registration process here because they'd be found out. But in one of the other states it hadn't yet been implemented, so let's take the car to the other state and register it there.

CHRIS MASTERS: There was also evidence of inside help. While VicRoads was struggling with internal corruption the NSW RTA had similar problems. At a range of registry offices corrupt officials were processing fraudulent registrations. Evidence given to the Independent Commission Against Corruption in 2000 spoke of ethnic groups exploiting extended family relationships.

IRENE MOSS, NSW ICAC COMMISSIONER: There was fear in some people's minds that if they didn't cooperate bad things would happen to them.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: In the past there's been evidence that friends, family and associates of criminals have in fact found themselves jobs within government departments. And the RTA is one of them where I've got no doubt they've been providing assistance and information to those criminals.

CHRIS MASTERS: While working mostly independently, the Elhassan and Elfar operations sometimes overlapped, both using this freight forwarding company to organise the containers. The Elhassans were brazen - filling the container in the street with a range of stolen property - even loading a Bobcat, hired then purloined from this agency. Unknown to them, one intricately packed container was diverted and inspected by Australian Customs and NSW Police.

JOHN ALT, DETECTIVE CHIEF INSPECTOR, NSW POLICE: Surprisingly a 40ft shipping container - the amount of property that can go into it would be a surprise to myself certainly and anyone else. They were packed to conceal stolen goods. Now, stolen vehicles and parts are large but they were surrounded with legitimate parts and to get to the stolen parts on any cursory examination is a very difficult task.

JENNIFER REIMITZ, AUSTRALIAN CUSTOMS: There were cars, there were car parts, cars in various states of disassembly. There were in some instances boats,

jet skis - a whole range of different goods but in the main a lot of car parts.

CHRIS MASTERS: The Elhassans had organised to send the goods to Beirut where Brian's brother Marwan waited. The container went first to Japan. Here a consignment is easily lost in traffic. Japan is the largest exporter in the world of second-hand cars. Every year 1.5 million vehicles depart - among them increasing numbers that are stolen.

HIROSHI SATO, JAPAN USED MOTOR VEHICLE EXPORTERS ASSOC.: The Middle East is one of the biggest markets for stolen cars exported from Japan. The main reason for this is that (the Middle East) is a relay point and authorities are not making efforts to find stolen cars. I understand there is a shop there that only sells stolen cars.

CHRIS MASTERS: Once they arrive in Lebanon, cars that cruised the streets of Sydney are lost to the bazaars of Beirut and beyond. The struggle to survive in a lawless environment has bred a generation of backyard mechanics.

MECHANIC: It's our occupation, there are a lot of smash repair shops, it's our business. We don't have a lot of education and we learn our work on the job, and it becomes our livelihood.

CHRIS MASTERS: What the Elhassans knew was there was international currency in all that junk. The chassis rail and identification number from Sydneysider James McBlain's burnt out Mitsubishi could be used to rebirth a shining new and expensive car on a different continent. Telephone intercepts revealed Marwan Elhassan telling his brother he was doing very well, selling a Jaguar for over \$100,000. But he was not so pleased when the container, which had been covertly inspected, turned up. In attempting to repack it, police had damaged some of Marwan's stolen goods.

MARWAN: They have ruined everything inside the container. They haven't left anything untouched. They damaged the jeep. One of the motorbikes isn't there. All the stuff has been turned upside down.

BORHAN: Where? Here?

MARWAN: In Australia, yes!

BORHAN: Damn...

MARWAN: They have fucked it all. I can't locate the other motorbike because they have jumbled up everything so much. Now me and two other workers are trying to sort it out.

CHRIS MASTERS: Soon after, NSW Police moved in for a series of arrests.

JOHN ALT, DETECTIVE CHIEF INSPECTOR, NSW POLICE: The end result was we

seized several thousand exhibits over the course of the investigation which was... Trawling through those is a massive process and very time consuming. Also going through the covertly gathered evidence is a very demanding task over a long period of time, and the identification of all the vehicles we seized, which was over 60 stolen vehicles, and then we ended up charging 23 people.

CHRIS MASTERS: The operation later won an international award. Not often are entire syndicates wrapped up. But it also demonstrated the high cost of policing car crime. A six months operation that ended up using 450 police netted approximately 15 convictions - two of the principals, Marwan Elhassan and George Elfar, escaping by remaining overseas. Inside MC Racing, police found stolen engines, cut chassis rails and vehicle identification numbers, as well as compliance plates and auction invoices. The ongoing task of identifying parts as stolen would be exhausting. Victoria Police faced a similar problem when they conducted a similar search of these premises. Within a baffling maze of junk was an expensive array of deconstructed vehicles. From the mess, police extracted 60 stolen engines. The operator, Nasser Houli, received a suspended sentence and is now back at the yard.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: Where the vehicle might be made up of different components from different other vehicles, all the histories of those vehicles need to be gathered. All of the evidence for those particular vehicles need to be gathered, we need a lot of experts involved to say that this part belonged to another car, or information from the manufacturer that this car was built in such a way and it didn't come with this engine, so it tends to be very, very complex.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: Historically we've had problems and it, the problem is always with identification. If you can't prove to a criminal standard that the vehicle is stolen, well, you don't have a prosecution.

MAN: Known always as a trendsetter, we're waiting with bated breath to see what else comes out of the MC Racing garage.

BRIAN ELHASSAN: Every year you are going to see something new. It's going to keep going, keep going, keep going until I probably...until I can't drive.

CHRIS MASTERS: Within the modified car community, the news of the arrest and later conviction of one of their stars raised more questions. Tracing the provenance of all the parts in Elhassan's expensive show cars was difficult, although police were able to identify an engine as stolen. For some time, the extraordinary amounts spent on such cars has aroused suspicion.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: We visit quite a few of the car shows, and quite often I've seen things at those shows that certainly raise my eyebrows and invariably gets followed up as to what the history

of a car is and where it came from.

CHRIS MASTERS: But police aren't of the view that the biggest black hole swallowing so many expensive parts is to be found here. While some enthusiasts do the pinching, others bear the losses, sometimes in frightening circumstances. When Damon Dupreiz's prized Nissan was targeted, he had to run for his life, thieves with baseball bats chasing him for the keys, after he had enabled the immobiliser.

DAMON DUPREIZ: That particular car, I actually put it up for sale straightaway. I put it on consignment at a specialist yard and pretty much refused to drive that car again, because I realised that that car is not worth my life.

CHRIS MASTERS: Would people target this and want to steal a car like this?

MAN: If they want to pinch it they will, but they pinch everything these days.

MARK: No, it's good, yeah, you've just got to watch out, like scratches and stuff like that, because with custom paint work you can't just like, you know, you can't just go get it fixed. You have to go get the colour re-matched, and the paint is very expensive. And if the wheels, like they're \$4,500 wheels - if you gutter them going through Macca's drive-through or something, it's all over, mate.

CHRIS MASTERS: While police identify a proportion of an estimated \$300 million market in what are known as 'midnight spares' ending up with backyard operators, there is a lot also heading for the front yard.

How do police know if parts are stolen?

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: Quite often we don't. We simply can't know in every case. A lot of parts, primarily the major parts, are marked with either serial numbers or even the VIN number, however, the more minor parts on a car simply don't have any markings at all.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: This is something we're starting to see a little bit more of, with a very late-model Ford Focus.

CHRIS MASTERS: Here we see a car which appears to have been stolen for spare parts alone, the sum of which often exceed the purchase price of the vehicle.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: It's very difficult to determine, um, what is illegal and what is legitimate once it gets into the parts system.

CHRIS MASTERS: The good news is the raw numbers of stolen vehicles that are recovered is coming down. A range of measures, in particular improved vehicle security, has significantly lowered car theft rates in the last 5 years. The bad news is the rate of unrecovered vehicles is still high. With Customs investigating only

2.5 per cent of outgoing cargo, illegal exports explain some evaporation. Most, however, appear to filter into the parts trade.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: We think there's mechanisms whereby stolen parts are either knowingly or unknowingly entering the legitimate repair industry. And if you think about the volume of parts, cars that are missing, and the parts that they would provide, they have to be entering the legitimate industry in some respects.

CHRIS MASTERS: This inestimable number of illegal parts enters the market alongside a large quantity of second-hand parts imported from Japan.

JAMES McCALL, MOTOR TRADERS' ASSOCIATION, NSW: It's very easy to legitimise spare parts. You simply bring in an empty container from offshore, your bookwork says that that container is really full of spare parts for cars. When that container is unloaded, of course it's empty.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: And quite often it's not the fault of legitimate car wreckers. They simply...they buy the parts, and mixed in amongst them are stolen parts. They've got no way of telling either.

CHRIS MASTERS: A well-worn battleground trampled by the smash repair and insurance industries has proved an ideal environment for the thieves.

TERRY FLANAGAN, TR FLANAGAN SMASH REPAIRS: We know there's a lot of cars being stolen. Um, the insurance companies, if they adopted better practices, they could stop a lot of these cars being stolen. But I think they like some of them to be stolen, ah, for the fear, ah, that's imposed on people that they'll take out insurance, in case their car is stolen.

PROTESTOR: Because of what they are doing, 70 per cent of all repairs are shoddy...

CHRIS MASTERS: Pushed to the brink last year in NSW, smash repairers fired a major salvo at their paymasters, in particular, NRMA Insurance.

RICHARD NATHAN, NATHAN'S AUTOBODY REPAIRS: They were arrogant, they were domineering, they were bullying.

SAL SOLARNO, A. SOLARNO & SONS SMASH REPAIRS: The way the insurance company again treat the repair industry - more dictating, intimidating. It's about time we actually stood up to these insurance companies and, ah, held our ground, really, yes.

RICK JACKSON, IAG INSURANCE AUSTRALIA GROUP: Unfortunately, what you were seeing downstairs is the repairers who didn't get chosen.

CHRIS MASTERS: The open fighting between the two groups followed a mighty

collision of market forces. Drier roads, random breath testing, safer cars and speed cameras were forcing many smash repairers to close doors. Privatisation and demutualisation of insurers further concentrated the market. First AAMI and later NRMA Insurance introduced preferred repairer programs, insisting a principal motive was to improve integrity.

DALLAS BOOTH, INSURANCE COUNCIL OF AUSTRALIA: It has to be integrity. Integrity has to be the heart of it because the insurers can't deliver on their commitment to their customers unless they know they're getting a quality repair, a safe repair, but also at a competitive price.

CHRIS MASTERS: The repairers saw this as nonsense, saying that the motive was more cost cutting, which would only accelerate crooked behaviour.

RICHARD NATHAN, NATHAN'S AUTOBODY REPAIRS: I think some of them have absolutely no idea of what goes on on the shop floor or care less. It's corporate profits.

DAVID PURCHASE, VICTORIAN AUTOMOBILE CHAMBER OF COMMERCE: They, ah, have dictated the method of repair, they continue to dictate preferred suppliers, ah, they continue to dictate the parts that will be used. Um, they continue to pay very, very low hourly rates. And they have done - and continue to do - all they can to control this industry. And therefore market concentration has occurred on a large scale. And...and...that process has, I think, in...in some ways, assisted motor vehicle thieves.

CHRIS MASTERS: The way the repairers saw it, insurers were encouraging crooked and dangerous behaviour by screwing down repair costs. The way the insurers saw it, they were trying to fix a system prone to rorting. Beyond the many legitimate pick-ups such as this, tow truck operators routinely collected kickbacks to capture cars, while lazy and compliant insurers paid a series of often-inflated bills.

DALLAS BOOTH: So the inflation of quotes, the inclusion of work in an insurance quote, that work might not be necessary, the use of expensive parts. There's a wide range of ways in which the system can be rorted if somebody really wants to. It gets back again to this issue of integrity - in the insurer having confidence with the repairers that they're working with.

CHRIS MASTERS: If, ah, somebody's quoting, and they know that insurers are going to pay for it, they automatically load up the quote. Does that happen, Terry?

TERRY FLANAGAN, TR FLANAGAN SMASH REPAIRS: Sure. Sure that happens. And it has to happen because the rates of pay are \$30.90 an hour. Now, the materials involved in that are about \$15. So if you're getting \$15 an hour to repair a motor car, ah, there's no way you can pay your men and make any profit on the job. So

we have a situation where the insurance companies control this funny money, funny time process.

We're really surgeons of steel...

CHRIS MASTERS: Both sides had surrendered to a corrupt system, with both sides blaming the other.

TERRY FLANAGAN, TR FLANAGAN SMASH REPAIRS: There's approximately, ah, \$6000 worth of labour and there's \$12,000 worth of parts. And, ah, I've been allowed all new parts on this...this car, which is the proper way to repair the car, OK? But some insurance companies, ah, want to use different parts.

JAMES MCCALL, MOTOR TRADERS' ASSOCIATION, NSW: These sorts of tactics can make pirates out of honest men.

CHRIS MASTERS: Insurers have also been criticised for narrow thinking - selling wrecks at auction that are used by rebirthers, thereby encouraging the theft of more cars.

GERRY ALTUN, ACCIDENT SOLUTIONS: The joking conversations that we have amongst the industry with insurance companies are, "Yeah, we know, we wrote off a Ford today. "It fetched \$10,000 at the auctions when it was only worth 2. "Hopefully, the car that gets stolen for that to be rebirthed with is insured with someone else and not us."

DALLAS BOOTH, INSURANCE COUNCIL OF AUSTRALIA: Look, it's difficult to know what the insurance company can do. I mean, they present their vehicles at a public auction. If two or three people are in there spiking a particular bid on a particular wreck, it's hard to know what the insurance company can do about that, other than to report suspicions and observations to the authorities.

CHRIS MASTERS: Many repairers also believe the squeeze was applied to the wrong people. Sal Solarno's workers have an accumulated 247 years of experience, which he now sees counts for little.

SAL SOLARNO, A. SOLARNO & SONS SMASH REPAIRS: Years ago, yes, we could sell our business for a certain amount. Today, ah, for the amount of profit that one makes, which is almost nothing in some cases, you're losing, it's not a viable business. We hope that it does get better. And, look, some insurance companies are trying.

CHRIS MASTERS: An attempted antidote to the toxic relationship is a new code of conduct brokered by the Federal Government and due to commence in September.

MAN AT MEETING: Mr James McCall.

CHRIS MASTERS: A win more for repairers, the code more clearly improves transparency than integrity of a still-leaky system.

DALLAS BOOTH, INSURANCE COUNCIL OF AUSTRALIA: So the transparency will be there. Um, that will aid the process, we hope. We believe it will aid the process.

CHRIS MASTERS: Will it stop the rorts?

DALLAS BOOTH, INSURANCE COUNCIL OF AUSTRALIA: The insurers will be...the insurers try to stop the rorts by working with repairers that they've got confidence in.

CHRIS MASTERS: Many of the important reforms that are occurring are being driven more by the market. Companies such as Holden Special Vehicles, a special target of criminals, have been investing more in security.

PHIL HARDING, HOLDEN SPECIAL VEHICLES: We were very conscious of increasing insurance premiums, and we wanted to introduce a technology that would make it easier for our customers to purchase our products and, uh, cut the cost of ownership. And when we launched this new technology we certainly found insurance premiums were reducing, and the technology for us has resulted in a 60 per cent reduction in the unrecovered car theft for HSV.

CHRIS MASTERS: One weapon to blast a large hole in the business of car theft is this tiny microdot. Within each is engraved 10 times the vehicle identification number. Developed by a former Australian insurance broker, these telltale microdots are now being sprayed not just all over the car but all over the world.

IAN ALLEN, DATADOT TECHNOLOGY: When you start spraying 10,000 of these tiny little one millimetre dots on the underbody of a car - and remember, we're putting them into the chassis, we're putting them into the boot, they're on the wheels, the brakes, the springs - it's just impossible.

CHRIS MASTERS: Beyond Holden Special Vehicles, other manufacturers such as Ford Performance Vehicles, Porsche, BMW and Subaru have become equally besotted by the dot.

RAY CARROLL, NATIONAL AUTOMOTIVE THEFT REDUCTION COUNCIL: The performance WRX Subaru, um, that did have a significant theft problem leading up until, um, the start of 2003, and Subaru, to their credit, put in, um, a key pad immobiliser, so even if someone stole the keys to the vehicle, which is becoming more common, ah, they couldn't start the car. But also to stop the professionals simply picking the car up and, or using threats of violence to start, to steal the car, they've applied microdot identification. We've seen a 92 per cent drop in the rate of stolen WRXs, almost to the point where current models, it's rare to see, to have one stolen.

CHRIS MASTERS: Manufacturers, long criticised for apathy towards car theft the popular perception being it encourages new sales - have been slow to buy the magic bullet and apply it to all new cars.

IAN ALLEN, DATADOT TECHNOLOGY: With the manual application it takes seven to eight minutes per motor vehicle, and that's no good for a company like General Motors or a Ford or a Toyota. Their cars are rolling off the production line every 40 or 50 seconds.

CHRIS MASTERS: Funding for the development of a robotic applicator that would do the job in 40 seconds has now been found.

IAN ALLEN, DATADOT TECHNOLOGY: It has been a technical solution that we haven't had the answer to until just recently.

CHRIS MASTERS: What is already clear is antitheft technology that has been adopted has pushed crooks in new directions. Police report older cars as newer targets. Thieves have been caught stealing cars for scrap value alone. No register is kept of such disposals, so when a car is crushed and chewed up for scrap, so too is its identification number.

GERRY BASHFORD, DETECTIVE SERGEANT, VICTORIA POLICE: We suspect some of that is a reaction to the wreck register, which applies to cars 15 years and younger, so we're, in one way we've forced the thieves to go back to the older cars. Ah, we've also seen an increase in scrap value for, for metal prices so there's a bit of an incentive to steal an older car and just sell it for scrap and also with some of the older cars, particularly if it's good condition, obviously there's a large demand for good condition older parts where the manufacturer no longer supplies those parts.

CHRIS MASTERS: While the system ever tightens there remains plenty of loopholes. This vehicle - disposed of privately rather than by an insurer - will not find its way onto the wrecks register. But the newest and perhaps most worrying strategy of organised crime is one that can catch even the most wary consumer.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: This particular vehicle was stolen from the northern beaches of Sydney in early 2004. It didn't reappear on the market until about the middle of the year and at that time it was sold through the Trading Post and a poor unsuspecting buyer paid what he thought was market value and he managed to buy the car, took it away, had it re-registered or the registration transferred, and it wasn't until a couple of months after that that we came knocking on his door and took the car off him. Now, the reason we took the car off him was that there was another vehicle driving around Sydney streets with the same number plates.

CHRIS MASTERS: The vehicle has been cloned. The crime involves two thefts, first

of a vehicle and second of a vehicle identity.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: In fact it's not, because on the back you can see that there's no engraving all the way through. It's certainly been computer-etched, so that is a forgery.

CHRIS MASTERS: A Middle Eastern group, in this case, stole one vehicle as well as another vehicle's identity, cleverly forging identifiers including the number plates.

SCOTT WHYTE, DETECTIVE INSPECTOR, NSW POLICE: It came to police notice when the owner of the vehicle whose identity had been stolen realised that he didn't have a renewal for his registration and contacted the authorities, and that was when we stepped in. It's probably three or four months after the, the buyer of this car has negotiated the sale. And you know, I, I don't blame him. He doesn't remember very much about the person he bought it off. We have struggled with the forensics. We have some ideas, but unfortunately, no, we don't have a success story here.

CHRIS MASTERS: The cloning of vehicles is a new chapter in an old story. Crime groups having imported skills from all over the automotive world have long found Australia a soft target. And they have had some esteemed allies. Manufacturers, insurers, repairers and auction houses intent on protecting their own interests have tended to overlook the public interest. Poor communication between major parties has created a bigger party for thieves. While a range of useful reforms is making their work more difficult, the party is far from over.

[End of transcript]

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