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MEMORANDUM

TO: Honorable Sen. Beyer, Chair

FROM: Aaron Knott, MCDA Policy Director

SUBJECT: Testimony in support of SB 803

DATE: 3/16/2021

BACKGROUND

The catalytic converter is an exhaust emission control device about the size of a muffler, which is typically on the bottom of a motor vehicle. This device helps to convert toxic fumes like carbon monoxide into safer gases like carbon dioxide. Without it, certain motor vehicles will emit thick and noxious black smoke, highly polluting and dangerous to inhale. The loss of a catalytic converter can significantly impair engine performance, and a car without a catalytic converter cannot typically pass a DMV emissions test or be lawfully registered in Oregon. The catalytic converter contains extremely precious metals which are significantly more valuable than gold. When a vehicle ends its useful life and is scrapped, the catalytic converter is often worth more than all the remaining parts of the vehicle combined. The replacement costs of a catalytic converter can easily exceed one thousand dollars, which often exceeds the value of the car.

A thief can saw off a catalytic converter, using nothing more than easily purchased tools, in minutes. After that, the severed catalytic converter will fetch several hundred dollars at a scrapyard or via an internet purchaser, who then sells to recyclers to extract the metals. Because the theft is so quick, the risk of apprehension is low yet the cash return is significant. This has created an exploding black and gray market in stolen catalytic converters that is driving significant losses to Oregonian businesses and vehicle owners across the state.

SENATE BILL 803 TARGETS THE BLACK MARKET IN CATALYTIC CONVERTERS

Supported by the full range of Oregon law enforcement, Senate Bill 803 targets the viability of the underground trade in catalytic converters. By way of analogy: Aluminum kegs used to hold beer have value for their scrap metal. Facing issues of the theft of these kegs for scrapping purposes, the Oregon legislature amended ORS 165.117(2)(a) in order to prohibit a scrap metal business from receiving a keg except from an OLCC licensed distributor or manufacturer. This stroke of the legislative pen decimated the local underground market for aluminum kegs. Senate Bill 803 applies a similar structure to the sale of catalytic converters. Catalytic converters are rarely sold by individual, non-commercial vendors who have pulled the catalytic converter off of their own vehicle without the assistance of an auto mechanic or dismantler, but the loophole that this creates allows catalytic converters to be sold with a minimal level of tracking or regulation, empowering the black market. By limiting their sale to commercial vendors, Senate Bill 803 directly targets the underground market.

But this only addresses half of the issue. While limiting sales to commercial vendors will tighten the market, it leaves in place a loophole by allowing unscrupulous commercial vendors to engage in the sale of stolen catalytic converters without accounting for their origin. Senate Bill 803 addresses this issue as well, by requiring that a scrap metal business retain the make, model year, vehicle identification number and license number associated with any catalytic converter they receive. This will provide our law enforcement with crucial information to identify, investigate and ultimately prosecute those businesses who choose to profit by skirting the law.

Oregon is not alone in this proposal. At least 15 other states are presently considering legislation attempting to shut down this black market.

While this legislation will not, by itself, serve to completely eliminate the underground commerce in stolen catalytic converters, it will add Oregon to the list of states where sales isare tightly regulated, slowly drying up the national market. We will continue conversations with the relevant stakeholders into the interim, and are open to any suggestions to refine or improve the effectiveness of this proposal.

We urge your support of Senate Bill 803.

Contact: Aaron Knott – Policy Director (aaron.knott@mcdca.us).