



National Motor Vehicle
Theft Reduction
Council

October 2020

7th Review of the National Motor Vehicle Theft Reduction Council (NMVTRC)

Overarching Report on the
Performance and Future
of the Organisation

Purpose

To advise state and territory Ministers Responsible for NMVTRC business and the Insurance Council of Australia of the outcomes of the 2020 Review of the NMVTRC and to make recommendations on the organisation's future beyond June 2021.

Background

The NMVTRC was established in 1999 as a joint initiative of all Australian governments and the insurance industry to facilitate the implementation of strategic responses to combat vehicle theft in Australia. In accordance with the inter-governmental/insurance industry agreement under which it operates, the NMVTRC is required to present a review of its seventh term of operation (the '2020 Review') for the consideration of Responsible Ministers and the Insurance Council of Australia.

The 2020 Review identifies the contribution of the NMVTRC's operations to theft reduction activity since 2015/16 and quantifies the net community benefit resulting from the NMVTRC initiative. It also assesses the level of support from key stakeholders for the dissolution or extension of the organisation.

Review process

The external inputs into the 2020 Review were an:

- expert study undertaken by public policy consultants Niskin Enterprises (NE) to quantify the economic and social benefits of the NMVTRC's theft reform activities for the five years to mid-2020 (the benefits element); and
 - independent survey by Nexus Research of stakeholders' perceptions of the NMVTRC's performance in meeting its objectives and their support for dissolution or extension (the stakeholder element).¹
-

1. Full copies of the reports by NS and Nexus are enclosed with this submission.

The Benefits Element

To determine costs and benefits (and the contribution of the NMVTRC in the overall vehicle theft reform process), NE undertook a detailed analysis of the economic gains from theft reform activity and analysed the NMVTRC's performance in meeting its objective to reduce motor vehicle theft, either by expending resources itself or by encouraging others to do so. Performance was measured as the value of the changes in motor vehicle theft volumes relative to the NMVTRC's costs.

The evaluation is similar in design to prior review models. To keep the timescale of the analysis contemporary, the 7th review only measures costs and benefits accrued from mid-2015 to mid-2020. It also makes some forecasts for the period through to mid-2025.

The review examined the NMVTRC's performance by grouping those strategies pursued to reduce short-term theft and those aimed at reducing profit-motivated theft rather than at the sub-program element level (e.g. disrupting separated parts markets, diverting young offenders, etc).

In recognition of the range of potential external influences that can impact crime and potential variables when determining the unit and personal cost of vehicle crime, the evaluation takes a very conservative approach to estimating savings. Estimates do not include the substantial savings in police, court and corrections costs that flow from reduced levels of car crime. In the forecast of vehicle crime levels, the evaluation does not include the potential impact of the NMVTRC's existing forward work program.

The evaluation framework uses the period from 2015/16 to 2024/25, which gives a five-year period of actual theft reduction and a five-year forecast period. The forecast period is necessary because many implemented programs will deliver enduring benefits over this period. Future savings and costs are discounted at 5 per cent per annum to value results in 2020 prices. The assumptions included in the analysis are explained in detail in the Technical Working Paper.

This 7th review period coincided with:

- varying periods of non-participation by Queensland (for four of the five years) and Victoria (for two years); and
- rapidly developing changes in the nature and complexity of vehicle crime in respect of the:
 - > theft of keys in residential burglaries;

- > increasing use of recovered stolen vehicles in a complex range of high-harm, high-impact crimes that present significant road safety risks, other crimes against a person, subsequent property crimes and a wide variety of fraudulent activity in respect of personal identity, finance and staged collisions; and
- > a believed exponential increase in the export of partial vehicles and vehicle parts – that could account for up to four in 10 vehicles that are stolen and not recovered based on the age profile and value of the vehicles involved.

As a consequence, the evaluation concludes that for the first time in its 21-year life, the collaboration has failed to deliver a net benefit with costs exceeding benefits by \$114.7 million dollars, with an all-theft benefit-cost ratio of -1.0.

This negative result is primarily driven by the theft data for 2015/16 and 2016/17 – the two years that Victoria was not a member of the NMVTRC. This period also saw a peak in first-time juvenile offenders committing aggravated burglaries and vehicle theft offences in Victoria.²

To illustrate the impact, the review consultant conducted a sensitivity analysis by examining the result over a range of three, five, seven and 10 years. A summary of the sensitivity analysis appears on page 27 of the Benefits Report and indicates positive cost-benefit return at each of the three, seven and 10-year intervals of 11.0, 6.3 and 13.0 respectively.

The five-year result also needs to be read within the context that the ongoing annual cost of related crime to the community exceeds \$1 billion per annum.

Access to contemporary international vehicle crime data is limited, but also indicates single-digit rises for the United Kingdom, Ireland, Finland and the Netherlands in 2019, while New Zealand experienced a 14 per cent increase to the end of February 2020. Generally, only the most serious offence which best describes a distinct course of criminal conduct is recorded in official crime statistics, even though an offender may be charged with other offences resulting from the one incident.

With a clear, established link between the performance of the economy and property crime and the challenging financial position of the world and domestic economies, it is likely that elevated levels of vehicle crime will persist well into 2021 and beyond. How the NMVTRC proposes to respond is outlined in more detail later.

2. Annual number of first-time young offenders, aged 10–17 years old, by select Offence Group, Crime Statistics Victoria, April 2020.

Recommendations on the future of the NMVTRC

Basic position

Australia clearly faces a challenging time both socially and economically over the next three years. Based on the consistently strong support of its stakeholders, the NMVTRC maintains its continuity will be vital to understanding vehicle crime nationally and plotting a path to the development of new countermeasures that can assist the nation's economic and social recovery.

The Stakeholder Element

Nexus was asked to survey stakeholder views of the NMVTRC's performance in meeting its objectives and the level of support for dissolution or extension of the organisation beyond 2021. Nexus conducted more than 40 in-depth senior executive interviews from across the full range of government and industry stakeholder groups.

The responses demonstrate the continuing high regard in which stakeholders hold the NMVTRC, with a high percentage of respondents (88 per cent) in favour of extending the NMVTRC's term beyond 2021. The results represent some of the NMVTRC's best performance outcomes of the past decade in respect of consultation with stakeholders, views on the importance of NMVTRC reforms, dissemination of information and the quality of the NMVTRC's publications and statistical services.

Overall, stakeholders:

- identify the NMVTRC as having thorough knowledge of the issues surrounding vehicle crime and investigating ways to resolve them;
- highly value the collaborative nature of the NMVTRC consultation and development processes; and
- believe there is still more work to be done with related crime continually and rapidly changing.

While stakeholders see the organisation to be doing an effective job, they believe much remains to be done. If the NMVTRC were to be dissolved, stakeholders fear that many benefits of reform could be lost as they are unlikely to be maintained and developed without the NMVTRC to actively manage and coordinate related activity.

Some suggestions were also offered on potential new programs and how the organisation could further improve its performance. These issues will be considered in the development of the NMVTRC's forward program and processes.

Recommended term

The NMVTRC's long-term vision is for Australia to achieve the lowest rate of vehicle theft in the developed world. However, as with many large-scale, system-wide reform programs, the challenge to deliver continually better results gets harder rather than easier, with new vulnerabilities emerging that were not present five years ago.

The NMVTRC estimates that:

- around one in every 174 households experienced a vehicle theft in 2019/20; and
- the cost to the community was more than \$1 billion, not including the very large costs associated with police investigations, courts and corrections.³

The NMVTRC's strategic assessment of the prevailing vehicle theft and related fraud environment is informed by a variety of inputs including the:

- analysis of vehicle theft data from police, transport agencies, insurers and other commercial sources; and
- discussions with subject matter experts and senior executives from stakeholder organisations.

In the NMVTRC's assessment, the critical vehicle crime concerns currently facing the nation are:

- residential burglaries to access the keys of 'secure' vehicles (and the performative nature of many young offenders that pose serious road safety risks for other road users);
- the increasing number of stolen vehicles being used in second and third crimes in the form of high-harm, high-impact incidents such as crimes against a person, subsequent property crimes and a wide variety of fraudulent activity in respect of personal identity, finance and staged collisions; and

- the more than 10,000 vehicles that appear to simply vanish altogether from our roads each year – with as many as four in 10 likely finding their way offshore as illicit exports.

The NMVTRC's forward program continues to develop within the context of applying a *Secure System* approach to combating vehicle crime. This approach takes a holistic view of the dynamics of vehicle theft and the interaction between vehicle design and manufacture, motorist choices, perceptions and behaviour, and government and industry practices. In simple terms, a *Secure System* attempts to minimise the opportunity for theft to occur, increase the effort required to launder stolen vehicles and parts, and increase the likelihood and consequences of detection.

The NMVTRC therefore proposes adoption of a much sharper focus on:

- understanding the use (and impact) of stolen vehicles being used in second and third, high-impact, high-harm crimes;
- the collaborative development and delivery of clear, unambiguous community messaging in respect of the critical importance of safeguarding keys in the home (without subjecting householders to personal risks);
- modernising scrap metal and auto recycling regulatory regimes to optimise their efficiency and effectiveness and crack down on non-complying enterprises;
- progression towards a secure and environmentally sound national scheme for decommissioning end-of-life vehicles; and
- working with law enforcement agencies to significantly improve intelligence gathering in respect to the export of stolen vehicles and parts and the identification of potential catch points.

Importantly, the NMVTRC proposes to maintain an investment in:

- building stakeholder capacity and innovation via a range of technological, communications, public education, and knowledge-sharing projects; and
- continuing to improve the quality, utilisation and tactical value of the NMVTRC's considerable data holdings.

3. Based on an independent economic analysis conducted by Niskin Enterprises for the NMVTRC (September 2020), which estimated victims' costs per incident to be \$17,300 for recovered vehicles and in the range of \$7,980 to \$20,370 for non-recoveries (depending on factors such as vehicle age, personal, injury and insurance administration costs).

The NMVTRC's experience:

- has demonstrated that introducing major reforms within the complex mix of stakeholders' competing financial and policy priorities takes time. Even after achieving policy agreement, stakeholder organisations are often required to commit to significant financial expenditure, which must be scheduled within their respective budget cycles before implementation can commence; and
- suggests that despite the best intentions by stakeholders, there is a significant risk that even agreed reforms may not be followed through unless the NMVTRC is able to maintain stakeholder commitment right up to full implementation.

The NMVTRC is therefore of the view that these factors combined suggest an extension of three years would be appropriate. A three-year extension would:

- be consistent with the 'sunset' period usually applied to legislative reform (and that which applies to land transport reform – the national model most akin to the NMVTRC's own arrangements);
- allow the NMVTRC to continue to include several longer-term initiatives in its work program that might be precluded by a shorter term; and

- reflect the importance of vehicle theft reform (and the NMVTRC's collaborative private/public partnership model) to the nation's economic and social recovery.

A decision on the need for the NMVTRC beyond 2024 would be the subject of a further review in 2023.

Continuing the NMVTRC's focus on accountability and delivering value, it is recommended that the provision for any party to the agreement to withdraw at any time, without placing a financial impost on others to top up any funding shortfall, be retained.

Operational model

The NMVTRC is of the view that:

- the current operational model of a small, centralised Council drawn from key industry and government stakeholder organisations has been central to its success and recommends it be retained; and
- police ministers are generally the appropriate reporting line to state and territory governments.⁴ The Insurance Council of Australia remains the appropriate reporting line for the insurance industry.

4. To accommodate local portfolio considerations the NMVTRC MOU allows for alternative arrangements by making provision for a Minister that is 'otherwise responsible for NMVTRC business in the jurisdiction' as determined by the respective jurisdiction.

Scope of reform activities and adequacy of current funding and agreement

The NMVTRC proposes to retain its specific focus on vehicle theft as outlined earlier in this section and will develop a new MOU to reflect the extended term and circulate it separately for formal execution by signatories.

The NMVTRC's funding base and shares have remained at the \$2.25 million level set in 1999. While we have successfully maintained a focus on tightly controlling our costs of operation, there are some external costs that we cannot continue to absorb without significantly impacting our project investment. By far the most significant is the cost of maintaining our world-leading expert data service the Comprehensive Auto-theft Research System (CARS). The service provides stakeholders and the media with fast, easy access to the most up-to-date vehicle theft data available.

It is highly valued by both law enforcement and insurance users with more than 100,000 data-related unique visits to the CAR-SAFE website. Law enforcement use of its restricted services increased by 32 per cent in the past year.

CARS currently consumes 40 per cent of the NMVTRC's program costs and is provided on a fee for service basis by the South Australian Attorney-General's Department (SA AGD). SA ADGD has advised that it considers the current static cost contract as unsustainable and will pass on increased hosting costs from 1 July 2021 of \$565,000 – an increase of 19 per cent or \$90,000. The higher fee reflects the replacement of legacy computer hardware, prevailing staffing costs and office accommodation (the latter of which has not been passed on to date).

The NMVTRC is therefore reluctantly proposing that this increase be reflected in the base and apportioned as equal 50/50 shares between state and territory governments and the insurance industry. That will deliver a base of \$2.34 million as outlined below. State and territory shares are based on vehicle population.

| Funder | Share % | Share \$ |
|------------------------------|------------|------------------|
| States/Territories | 50 | 1,170,000 |
| New South Wales | 30.6 | 358,020 |
| Victoria | 26.3 | 307,710 |
| Queensland | 18.3 | 214,110 |
| Western Australia | 10.7 | 125,190 |
| South Australia | 8.7 | 101,790 |
| Tasmania | 2.9 | 33,930 |
| Australian Capital Territory | 1.7 | 19,890 |
| Northern Territory | 0.8 | 9,360 |
| Insurers | 50 | 1,170,000 |
| Total (per annum) | 100 | 2,340,000 |

National Motor Vehicle Theft Reduction Council Inc.

PO Box 416, North Melbourne
Victoria Australia 3051

1/50 - 52 Howard Street, North Melbourne
Victoria Australia 3051

+61 3 9348 9600
info@carsafe.com.au
carsafe.com.au

