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November 2016

ACCC New Car Retailing Industry Market Study

Response to ACCC issues paper by the National Motor Vehicle Theft Reduction Council (NMVTRC)

Introduction

This document is a formal submission by the National Motor Vehicle Theft Reduction Council (NMVTRC) to the ACCC's 2016 market study of the new car retailing industry.

The NMVTRC is a joint initiative of Australian governments and the insurance industry. Its purpose is to develop and facilitate the implementation of strategic national responses to combat vehicle crime.

The NMVTRC maintains world-leading expert data systems on vehicle crime which integrate theft incident and vehicle data sourced from more than 40 organisations nationally including every police service, registration agency and the nation's major insurers. From those combined sources we can compile more than 140 bits of information about every reported theft, including circumstances of the theft and the standard of an individual vehicle's security features.

The ACCC market study is wide ranging. This submission concentrates on the potential impacts of wider, non-secure access to *vehicle security information* in respect to its potential to facilitate profit-motivated vehicle crime by allowing the overriding or rewriting of a vehicle's critical electronic security features.

For the purposes of this submission the NMVTRC defines *vehicle security information* as data, protocols or processes associated with the—

- effective operation of vehicle immobiliser systems; and
- coding or replacement keys (and immobiliser transponders).

Vehicle Crime in Australia

The significant reductions of the past decade have seen Australia improve its relative level of 'theft resistance' amongst other western countries from fifth to third.[1]

The year to June 2016 has seen new challenges emerge. The year-on-year decline experienced since 2001 reversed, with total thefts increasing by 7 per cent to 54,100 vehicles.

Almost 10,000 passenger and light commercial (PLC) vehicles vanished altogether—the surrogate indicator of the level of organised criminal activity seeking to convert stolen vehicles into cash.

The NMVTRC estimates the cost of PLC vehicle theft to be $763 million, excluding the very large community costs associated with police investigations, courts and corrections.[2]

[1] Expressed as the rate of theft per 100,000 population indexed to 2011. The group of comparable nations comprises Canada, Ireland, England and Wales, the Netherlands, South Africa and the United States of America.

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With ongoing uncertainty in both the global and domestic economic outlook, there is a significant risk that vehicle crime levels will continue to be under upward pressure, including not only actual theft, but also insurance fraud disguised as theft and/or staged collisions.

Security of the Australian Fleet

The increasing penetration of electronic immobilisers across the Australian fleet has made a major contribution to improving the nation's theft performance.[3] Nationally more than 8 in 10 vehicles are protected by an engine immobiliser.

By law all new vehicles sold in Australia since 2001 are fitted with a factory fitted immobiliser that complies with mandatory Australian and European security standards. The 'relative' security of immobiliser technology has seen a distinct shift in offenders' tactics, with residential burglaries to access the keys of 'secure vehicles' now recognised as the most common means to steal cars.

As a consequence, the proportion of immobilised vehicles stolen continues to rise. In a 2014 joint NMVTRC/ WA Police study of more than 2,000 reported thefts vehicle keys were the only property stolen in up to one in four reported burglaries in which a vehicle was taken.

In 2015/16, 73 per cent of all stolen PLCs were fitted with secure immobiliser technology.

The NMVTRC conducts an annual threat assessment of current and emerging risks based its own data analysis and intelligence from its Vehicle Crime Managers' Network. The network comprises senior officers of all state and territory police services, the Australian Criminal Intelligence Commission and the Australian Border Force.

We have also collaborated with leading UK-based vehicle security consultancy SBD on a review of perceived emerging methodologies to bypass electronic security systems.

Across Europe, SBD estimates that the impact of electronic hacking may range from 1 in 20 thefts in the United Kingdom up to 1 in 5 in Russia via combination of specialised 'defeat' or programming tools and insider technical knowledge.

Based on the NMVTRC's threat assessment there remains no evidence of electronic manipulation being used to defeat the security systems of vehicles stolen for short-term purposes in Australia[4].

In respect of profit-motived crime, the nation's exposure is currently estimated be in the very low range, along with Sweden and Finland, at less than 1 in 100.

Media reporting of electronic hacking

Media reporting on various methods of electronic vehicle hacking have excited both mainstream and social media to the point where the casual reader could be forgiven for thinking that every new vehicle is now vulnerable to electronic attack.

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[2] Based on an independent economic analysis conducted by MM Stars Pty Ltd for the NMVTRC (November 2014) which estimated victims' costs per incident to be $14,740 for recovered vehicles and $19,910 for vehicles not recovered depending on a range of vehicle, personal, injury and insurance administration costs.

[3] By law all new vehicles sold in Australia since 2001 are fitted with a factory fitted immobiliser that complies with mandatory Australian and European security standards. This means that the vehicle cannot easily be moved under its own power without access to the original keys or transponder.

[4] Short-term theft refers to those incidents where the vehicle's intrinsic value is not material to the theft, such as transport or the commission of other crime.

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Much of the reporting has centred on high-tech methods that involve either passive keyless entry and start systems; known as a relay attack, or remotely hacking into the engine management system via Wi-Fi connected entertainment systems. However, when you look beyond the headline, you find that highlighted examples often involve complicated trial and error programming by computer experts with unrestricted access to their target vehicle.

Summary

The NMVTRC appreciates that third-party access to general vehicle repair and service information has, in the past, been the source of some tension between vehicle manufacturers and independent motor trades businesses.

However, the NMVTRC would argue that *security information* is by its very nature different to the general information because of its critical importance to safeguarding the vehicle from criminal attack.

The current controls over the sharing of this information in Australia has helped deliver the nation low rates of electronic criminal manipulation by world standards and the NMVTRC's view is that this approach should be maintained.

Finally, we recognise there is some consumer disquiet in respect of the cost of genuine replacement keys. However, we would argue this could be dealt with as a separate issue by the ACCC promoting the principle of transparent pricing that reflects the true replacement cost and any dealer mark-up.

For any issues of clarification in respect of these matters, please contact the NMVTRC's Director of Strategy and Programming, Geoff Hughes.