

**Department of Transportation
National Highway Traffic Safety Administration**

SUPPORTING STATEMENT

**CARS ALLOWANCE REBATE SYSTEM (CARS) PROGRAM
DISPOSAL FACILITY, SALVAGE AUCTION AND COMPLIANCE
INSPECTION INFORMATION**

OMB CONTROL NUMBER: 2127-0658

JUSTIFICATION

1. Circumstances that make collection of information necessary. *Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.*

On June 24, 2009, the President signed into law the Consumer Assistance to Recycle and Save Act (CARS Act) of 2009 establishing within the National Highway Traffic Safety Administration (NHTSA) a program to be known as the Cars Allowance Rebate System Program (CARS Program). The CARS Act authorizes NHTSA to issue an electronic rebate, subject to statutorily specified criteria, to offset the purchase price or lease price of a qualifying new fuel efficient vehicle upon the surrender of an eligible trade-in vehicle to a registered vehicle dealer. The surrendered trade-in is precluded from further use as a vehicle in the United States or in any other country and must be scrapped at participating disposal facilities.

The CARS Act required the Secretary of Transportation (through NHTSA) to promulgate final regulations to implement the CARS Program not later than 30 days after its enactment date. A regulation to implement the CARS Program was published on July 29, 2009 (74 FR 37878). The rule established requirements for qualifying consumers to receive rebates and the conditions and specifications for dealers to submit information to NHTSA. The rule also set forth enforcement procedures and provisions for punishing fraud and other violations of the program requirements. The program was to cover qualifying transactions that occurred between July 1, 2009 and November 1, 2009, or for as long as the program's congressional funding of \$1 billion lasted.

On July 23, 2009, the Office of Management and Budget (OMB) approved NHTSA's emergency request for OMB Clearance No. 2127-0658, "Consumer Assistance to Recycle and Save Program Disposal Facility and Salvage Auction Information." The collection ensures that sufficient information is collected to transfer and track trade-in vehicles surrendered by dealerships to the appropriate locations to be properly disposed of. Dealers would be transferring trade-in vehicles to salvage auctions or directly to disposal facilities. Salvage auctions will transfer the trade-in vehicles to disposal

facilities. Disposal facilities must (with the exception of eligible spare parts taken from the trade-in vehicle) ensure that trade-in vehicles are “crushed or shredded.”

Nearly 30 days after the initiation of the CARS Program, almost 225,000 vehicles were purchased by consumers prematurely exhausting the allocated funds provided by Congress. On August 5, 2009, NHTSA published an amendment (74 FR 38974) to the CARS program regulation making substantive changes to the timing for disabling trade-in vehicle engines and to the requirements and procedures for identifying salvage auctions and disposal facilities. On August 7, 2009, Congress continued its support of the CARS program by signing PL 111-47 appropriating an additional \$2 billion to continue the program.

The request to collect information sent forth today is necessary to collect disposal facility and salvage auction information for vehicles purchased using the additional funding appropriated by Congress for the CARS program. The collection also provides for requesting information from dealerships, salvage auctions and disposal facilities through random inspections performed by CARS investigators to ensure proper compliance with CARS requirements in receiving eligible rebates. Compliance investigators conduct random inspections to verify information submitted by dealers and to ensure adherence to CARS requirements in following protocols for salvage auctions and disposal facilities to properly dispose of trade-in vehicles.

2. How, by whom, and for what purpose is the information used. *Indicate how, by whom, and for what purpose the information is to be used.*

The information collected will be used by NHTSA and the Department, its agents, and other government enforcement personnel to accomplish the statutory requirements of the CARS Act of 2009 and regulations implemented pursuant to the Act. In accordance with the Act, by requiring dealers, salvage auctions and disposal facilities to provide this information, NHTSA will ensure that the trade-in vehicles are disposed of as mandated in the CARS Act and that fraud is not committed in receiving rebates.

3. Extent of automated information collection. *Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.*

NHTSA will specify the information to be collected using electronic disposal and inspection forms for salvage auctions, disposal facilities and for CARS compliance inspectors to simplify and expedite information provided and to aide in retaining records.

4. Efforts to identify duplication. *Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purpose(s) described in 2 above.*

To the fullest extent possible, NHTSA is using existing collections of information. Information about disposal facilities eligible to participate is already available at

www.elvsolutions.org, a website created and maintained with the assistance of motor vehicle manufacturers. This website includes information for all fifty states, including the special requirements for the State of Maine. NHTSA has taken this information and copied it onto www.cars.gov, NHTSA's official website for information about the CARS Program. In this way, dealers and anyone else can access information about qualified disposal facilities for the CARS program.

The State of Maine has provided a list of licensed dismantlers in that state. We believe it took the State of Maine approximately five minutes to collect this information, as it was already available to them.

However, NHTSA does not have a list of salvage auctions that may be eligible to participate in the Program; this information is available only in the private sector. We believe dealers are already familiar with the salvage auctions available in their area, so there would be no need to specify each salvage auction in each area.

There is no duplication in effort in performing CARS compliance inspections. Inspections are conducted randomly but only once. If a possible violation of a CARS requirement is found during an inspection, any subsequent visits to a dealership, salvage auction or disposal facility to collect information will require a targeted investigation. We believe information collected during targeted investigations fall within the exception to OMB collection requirements as defined in OMB collections, Part 1320, "Controlling Paperwork Burdens on the Public" in section § 1320.4(a)(2).

5. Efforts to minimize the burden on small businesses. ***If the collection of information has a significant impact on a substantial number of small businesses or other small entities (item 5 of OMB Form 83-1), describe the methods used to minimize burden.***

NHTSA will consider all of the salvage auctions and disposal facilities participating in the Program to be small businesses. Consistent with our responsibility to ensure system security and prevent fraud, NHTSA is taking pains to ensure only the minimum amount of information necessary to establish the Program will be collected from small businesses.

6. Impact of less frequent collection of information. ***Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.***

The CARS Act requires NHTSA to ensure that each trade-in vehicle will not be used again as an automobile in the United States or in any other country, and (with the exception of eligible spare parts) to ensure the vehicle will be "crushed or shredded." We will collect one certification per vehicle from each disposal facility. And we estimate that in half of the transactions, dealers will choose to use a salvage auction. In those cases, the auctions will also complete a certification. Compliance inspections occur only once for each transaction but may be subsequently followed by a targeted investigation to substantiate a possible violation of a CARS requirement.

If this information is not collected, NHTSA will be unable to ensure that the trade-in vehicles are disposed of as specified in the CARS Act and that fraud is not involved in receiving rebates.

7. Special circumstances. ***Explain any special circumstances that require the collection to be conducted in a manner inconsistent with 5 CFR 1320.5(d)(2)(i)-(viii):***

NHTSA seeks to authorization to require a record retention period of five years in order to provide an adequate audit trail to support criminal and other investigations.

8. Compliance with 5 CFR 1320.8. ***Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and the recordkeeping disclosure, or reporting format (if any) and on the data elements to be recorded, disclosed, or reported.***

NHTSA and the Department have met with dealers, salvage auction and disposal facility industry stakeholders and with other government officials to obtain their views concerning the availability of data from industry sources and to identify data elements and formats.

The CARS Act provides for issuance of a final rule without a notice of proposed rulemaking. Therefore, public comments were not taken.

9. Payments or gifts to respondents. ***Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.***

The purpose of the Program is to provide consumers with financial assistance to recycle their used vehicles by issuing payments to dealers to offset the purchase or lease price of a new fuel efficient vehicle. The used vehicles must be disposed of properly to be sure that they are not resold in the United States or in any foreign country. Because they may sell eligible spare parts from the trade-in vehicles, it is believed that many salvage auctions and disposal facilities will wish to participate in the Program to obtain a financial benefit. In order to participate in the program, salvage auctions and disposal facilities must provide the requested information and certifications.

10. Assurance of confidentiality: ***Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.***

None of the information to be collected is of a confidential nature. Therefore, no assurances of confidentiality are provided.

11. Justification for collection of sensitive information. ***Provide additional justification for any questions of a sensitive nature such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the***

specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

In the collection of information at issue, no information of a sensitive nature will be collected.

12. Estimate of burden hours for information requested. Provide estimates of the hour burden for the collection of information. The statements should: Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. If this request for approval covers more than one form, provide separate hour burden estimates for each form. Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories

It is important to note that all the information described below will be collected once.

Total Number of Respondents:

Respondent	Population
Dealers	18500
Salvage Auctions*	4500
Disposal Facilities*	4500

* There are a total of 9,000 salvage and disposal facilities participating in the CARS program. It is assumed that each of these entities comprise half the total population.

The burden hours apply to the respondents in the following section and involves the necessary time allocation needed to: 1) complete salvage and disposal certification forms (NHTSA Forms 1074 and 1075) and; 2) to provide inspectors access to CARS records and other information to verify compliance to CARS requirements. It is planned, given the total number of respondents and the available number of compliance inspectors, that a maximum of 5 percent of the applicable respondents to this collection will be targeted for random compliance inspections.

Number of Respondents Targeted for Compliance Inspections:

Respondent (@ 5%)	Population
Dealers	925
Salvage Auctions*	225
Disposal Facilities*	225

Estimated Burden on Respondents:

Respondent	Activity	Hours
Dealers*	Inspections: CARS compliance inspectors will spend 30 minutes with a dealer representative (usually the individual responsible for the dealer's CARS records) to verify a current dealership franchise agreement and state license and to make the CARS transaction records available for reviewing for possible fraud issues.	462.5 hours (925 Dealers targeted for inspections x 0.5 hours per inspection)
Salvage* Auctions	Certification Form Completion: Salvage auctions must fill out NHTSA Form 1074 - "Salvage Auction Certification Form," after receiving a CARS trade-in vehicle. NHTSA estimates that it will take each salvage auction 5 minutes to fill out the form. As of November 2, 2009, NHTSA received 678,024 transactions or trade-in vehicles. It is assumed that ½ these vehicles were sent to salvage auctions requiring completion of the salvage auction certification form (339,012 forms = 678,024/2). Inspections: CARS compliance inspectors will spend 30 minutes with a salvage auction representative (usually the individual responsible for the auction's CARS records) to be shown the location of the CARS vehicles and to make the CARS transaction records available for reviewing for obvious fraud issues.	28,251 hours. (339,012 forms x 5 minutes per form = 1,695,060 minutes or hours) 112.5 hours (225 salvage auctions targeted for inspections x 0.5 hours per inspection) (28,251+112.5) = 28,363.5 hours
Disposal Facilities*	Certification Form Completion: Disposal facilities must fill out NHTSA Form 1075 - "Disposal Facility Certification Form," after receiving a CARS trade-in vehicle. NHTSA estimates that it will take each disposal facility 5 minutes to fill out this form. It is assumed that ½ these vehicles were sent to disposal facilities requiring completion of the salvage auction certification form (339,012 forms = 678,024/2). Inspections: CARS compliance inspectors will spend 30 minutes with a salvage auction representative (usually the individual responsible for the auction's CARS records) to be shown the location of the CARS vehicles and to make the CARS transaction records available for reviewing for obvious fraud issues.	28,251 hours. (339,012 forms x 5 minutes per form = 1,695,060 minutes or hours) 112.5 hours (225 salvage auctions targeted for inspections x 0.5 hours per inspection) (28,251+112.5) = 28,363.5 hours
Totals		57,189.5 hours

Estimated Total Burden:

Total Burden – 462.5 dealer hours, 28,363.5 salvage auction hours and plus 28,363.5 disposal facility hours result in a total of **57,189.5 hours** (for dealers, salvage auctions and disposal facilities).

13. Estimate of total annual costs to respondents. ***Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.***

In its estimates, NHTSA assumes that the salvage auctions and disposal facilities already own the computer hardware and software necessary to fulfill this collection of information. This information may also be filled out by hand, on paper. None of the information to be collected involves statistics or complex analytical techniques or other methods that would involve sophisticated software.

Respondent	Activity	Costs
Dealers	NHTSA estimates that labor costs for each dealer representative responsible for CARS record keeping would be comparable to median hourly earnings of first-line supervisors/managers of retail sales workers in automobile dealers of \$34.98 (May 2006 \$32.98 adjusted for inflation to \$34.98). This data is from the U.S. Bureau of Labor Statistics. Therefore, 462.5 burden hours times \$34.98 per hour equals \$16,178.25.	\$16,178.25
Salvage Auctions	NHTSA estimates that labor costs for each salvage auction would be comparable to median hourly earnings of first-line supervisors/managers of retail sales workers in automobile dealers of \$34.98 (May 2006 \$32.98 adjusted for inflation to \$34.98). This data is from the U.S. Bureau of Labor Statistics. Therefore, 28,363.5 burden hours times \$34.98 per hour equals \$992,155.20.	\$992,155.20
Disposal Facilities	NHTSA estimates that labor costs for each disposal facility auction would be comparable to median hourly earnings of first-line supervisors/managers of retail sales workers in automobile dealers of \$34.98 (May 2006 \$32.98 adjusted for inflation to \$34.98). This data is from the U.S. Bureau of Labor Statistics. Therefore, 28,363.5 burden hours times \$34.98 per hour equals \$992,155.20.	\$992,155.20
Totals		\$2,000,488.71

Total Costs - \$16,178.25 for dealers, \$992,155.20 salvage auctions and plus \$992,155.20 for disposal facilities results in a total cost of **\$2,000,488.71** (for dealers, salvage auctions and disposal facilities).

14. Estimate of cost to the Federal government. ***Provide estimates of annualized cost to the Federal Government.***

The estimate of the cost to the Federal government is based on retaining the information on the “Disposal Facility Certification Form” and “Salvage Auction Certification Form.” Information about 250,000 transactions by disposal facilities and 125,000 transactions by salvage auctions will be retained. This is a total of 678,024 transactions at two pages per transaction, or a total of 1,356,048 pages.

It will cost NHTSA **\$15,000** to store this data for a year. For enforcement purposes, NHTSA intends to store this data for 5 years, for a total of **\$75,000**.

15. Explanation of program changes or adjustments. ***Explain the reasons for any program changes or adjustments reported in Items 13 of 14 of the OMB Form 83-I.***

This collection of information is associated with Congress allocating an additional \$2 billion dollars for the CARS program a newly established program. The total burden hours increase from 31,248 to 57,189.5 hours for dealers, salvage auctions and disposal facilities to collect addition disposal certificates and to collect information during random inspections to prevent possible fraud. The disposal certificates were collected as a part of the initial \$1 billion funded by Congress. The additional hours are needed to: 1) continue collecting additional disposal certificates forms for trade-in vehicles sent to salvage auctions and disposal facilities for CARS transactions resulting from the additional \$2 billion, and 2) request additional information from new vehicle dealerships, salvage auctions and disposal facilities to prevent fraud and ensure compliance with the CARS requirements.

16. Publication of results of data collection. ***For collections of information whose results are planned to be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.***

This collection of information will result in a list of disposal facilities that will participate in the CARS program. This list, when completed, will be published at www.cars.gov. Since this information is collected for vehicle dealers that wish to know the disposal facilities to which the dealers may send trade-in vehicles, there are no plans for tabulation of the lists or any “complex analytical techniques” to be used. NHTSA would like to collect this list as soon as possible, and to make the list publicly available for the duration of the Program.

It is possible that for the duration of the Program, disposal facilities may be added or removed, depending on their business circumstances.

17. Approval for not displaying the expiration date of OMB approval. ***If seeking approval to not display the expiration date for OMB approval of the information collections, explain the reasons that display would be inappropriate.***

NHTSA does not seek approval to not display the expiration date for OMB approval for the collection of information.

18. Exceptions to certification statement. ***Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-I.***

There are no exceptions to the certification statement.

ATTACHMENTS

1. NHTSA Form 10XX – “Consumer Assistance to Recycle and Save (CARS) Compliance Inspection Form”
2. Consumer Assistance to Recycle and Save (CARS) Act (P.L. 111-32).