

## 4. THE VEHICLE THEFT MARKET

### 4.1. FROM THE ECONOMY OF DEFICIT TO THE BLACK ECONOMY

The market of stolen vehicles in Bulgaria is more than simply a criminal phenomenon. Mapping its development could yield a picture of the history of local organized crime and provide a specific angle of looking at Bulgaria's transition to democracy. A number of formative factors at play long before that period preceded the emergence of motor vehicle theft as a full-fledged market in the 1990s. Private cars became the property in highest demand (closely following the possession of a family home) as they started to be regarded by the population as a marker of higher social status and purchasing power conducive to a different lifestyle altogether. The communist elites, on the other hand, imposed the view that cars, as luxury goods which communist society could not afford, spoil the population by fostering Western consumerism. In emulation of the Soviets, the Bulgarian state introduced complex restrictions to control demand, due to which the average wait time to purchase a car was 6–10 years, while to acquire one took 10–15 years of saving for an average Bulgarian household.

Due to the shortage of family cars many households turned to the stolen vehicle market. Criminal records from the pre-1990s indicate that car theft was a rather frequent offense. At the same time, the vehicle recovery rate was rather high (near to 100%) and the clear-up rate for car thefts was fairly high as well (thieves were found in 85 to 90% of the cases). According to investigation service officers, at that time cars were rarely stolen for financial gains. Vehicle thefts were usually committed by a handful of deviant youths involved in joy-rides.

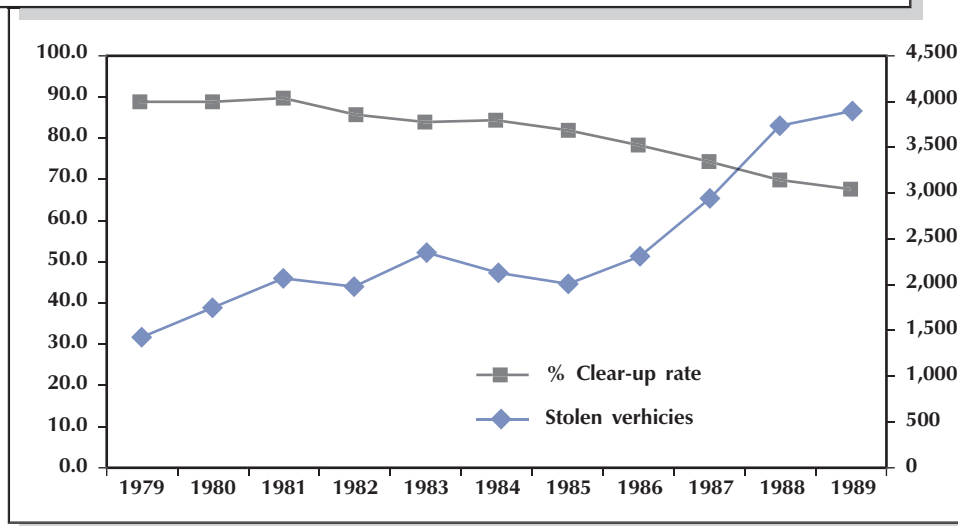
In the mid-1980s recorded motor theft rates started to rise. While the average number of stolen cars in the period 1980–1985 was around 2,000 annually, following 1985 it increased by 18% each year, whereas clear-up rates started to decline.

Totalitarian state controls over the registration of newly acquired cars were nearly insurmountable for anyone attempting to sell a stolen vehicle. The authorities scrutinized all purchase details from the origin of money of the willing family to the technical condition of the vehicle being bought. Thus, there was hardly any room for a full-fledged car theft market to emerge.

It is safe to claim that up to 1990 stolen vehicles were occasionally sold to individuals, but no proper auto theft market existed. Soon after the collapse of communism, though, the motor vehicle components market rapidly developed. In all probability, the 1986–1987 rise in theft rate was driven by a demand for car components. Around this time the communist state had relaxed its grip on private enterprise, and private car servicing and taxi driving started to proliferate. Spare

parts were no exception from the commodity deficit of the Bulgarian economy, so car theft fed the demands of the toddling private business.

**Figure 16. Stolen vehicles and clear-up rate of car thefts (1979–1989)**



Despite the lack of consistent records from the early days of Bulgarian transition, it looks probable that the auto-theft market burgeoned soon after 4,000 prisoners were amnestied in mid-1990 and the first signs of institutional collapse in the fall of the same year. Although hard to define what part of the amnestied offenders turned to auto theft, it did become the most frequent offense. The groups of car thieves initially formed round certain experienced hands who had learned the business in the mid-1980s.<sup>240</sup> On their way to Western Europe part of the ex-prisoners set up their criminal business in Central European countries, such as the Czech Republic or Hungary, as it was easier to bypass the rapidly loosening law enforcement of the former communist states. Most of those newly formed crime groups engaged in auto theft, as a car stolen in Western Europe could shortly and safely be driven to Central Europe. Later on, they became involved in other criminal activities such as pimping (which led to the quick emergence of Bulgarian-run prostitution rings) and drug smuggling. The technical skills and connections with the Balkans and the Middle East of Bulgarian auto thieves proved to be the key advantage that allowed them to compete with local and former Soviet Union crime groups. The part of former convicts that stayed in Bulgaria established the local vehicle theft market and soon got in close touch with their counterparts abroad. The first cars stolen by Bulgarians in Western Europe were transferred to Bulgaria in late 1990. In 1992, auto thefts in Hungary and the Czech Republic peaked, compelling local enforcement agencies to repatriate offenders or convict them and send them to Bulgaria to serve their

<sup>240</sup> One notorious Bulgarian car thief—Radoslav Tsukrovski, a.k.a. Uncle Tsuk—entered police records in the early 1980s when he was around ten years old. A former officer at the 1<sup>st</sup> Area Police Department in Sofia recounted the anecdotal case when two traffic cops on duty saw a Lada moving down the road with no driver to be seen inside. They signaled at the car to stop and when it didn't they started chasing it. When it finally pulled up, they found out that the driver was a boy whose feet were hardly touching the pedals. (see *Trud*, 14 September 2004).

sentences.<sup>241</sup> A large group of renown car thieves (including Ivo Karamanski, later to be known as the godfather of Bulgarian mafia, and a few others, such as Mitko the Turk and the One-Armed Man<sup>242</sup>), were among those repatriated to Bulgaria by Hungarian and Czech authorities.

Apart from the formation of criminal enterprises in Bulgaria and their connection to Bulgarian-run criminal businesses in Central Europe, it is worth viewing local **car theft mechanisms in a larger context.**

Rigorous hurdles to private foreign trade lasted up to February 1991, but individuals and small companies had started importing used cars in late 1989. As prior to that demand was largely unsatisfied, such new opportunities became even more attractive to the people willing to purchase a car. Dealers tried to meet different criteria segmenting the market according to price, make, year of manufacture, and country of origin of the vehicle, but the overall home demand could not be fully satisfied until 2002–2003. Undersupply and the severe lack of import regulations provided fertile ground for the first auto theft gangs to spring up.

Shortly after the fall of the Berlin wall, car theft took endemic proportions in Europe to form a "common market" of 5 million stolen cars per year in the early 1990s. As Eastern Europe liberalized its markets, used cars flooded into former communist states. A substantial portion of the booming used-car market was gray, as importers commonly evaded taxes and duties. It was quite easy to **traffic stolen vehicles along the used-car routes and channels.** In the early 1990s a huge number of cars stolen from Europe passed through Central Europe before being transported to the Balkans, the Middle East and the former Soviet republics (mainly Russia, Ukraine, and the Caucasus).

Bulgarian and other Eastern European law enforcement agencies were poorly equipped to fight organized stolen car trafficking. The route of a stolen car from source to end user was a complex chain of 5–6 links involving auto theft groups/individuals as well as corrupt police and border officers from the various states which trafficked cars crossed.

Another factor that increased post-1990 stolen car demand was the **conspicuous consumption** drive typical for the first years of transition. The nouveau riches liked to show their Western cars off as a sign of their advancement even more so than a car showed one's social standing during socialism. A car served the purpose of conspicuous consumption better than owning an office or home and was easier to spot than expensive clothes or watches. In the early 1990s, new or developing businesses considered it imperative to purchase a car right after striking a profitable deal. It was acceptable to spend half of a business loan on a car or buy a luxury vehicle even when the company was going bankrupt as a last resort to convincing possible partners that their business was sound. As Bulgarian businesses sought to buy expensive vehicles that they could hardly afford, luxury

<sup>241</sup> No precise data are available on those sentences, but some media reports in later periods suggest that many of them did not serve their sentences at all.

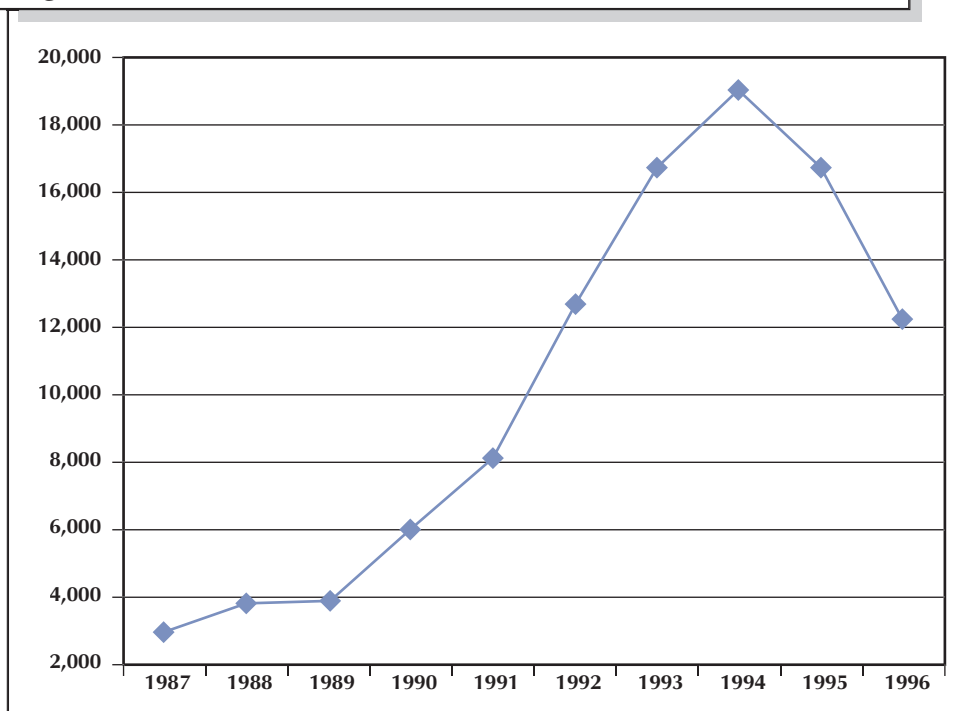
<sup>242</sup> There are several "one-armed" auto thieves in Bulgaria, but this particular man is operating chiefly on the Sofia market.

cars started to be supplied through the less costly auto theft market offering vehicles at 50% to 70% lower prices.

By 1991–1992, the two major black vehicle markets were fully formed. Car parts were sold in numerous outlets owned by individuals of Arab origin. The market burgeoned mainly due to the severe deficit after the trade system among communist states fell apart and car components trade agreements became void. First, it was nearly impossible to legally purchase parts for East European produced cars. Apart from that, car sellers could sell dismantled cars at a much higher profit than fully fitted cars. The great demand for parts entailed diverse infrastructure and actors, service stations, automotive parts warehouses, car mechanics to disassemble the stolen cars, and organized car theft rings.

The second black market segment was that of stolen cars. As institutional control declined, stolen cars registration became so easy as to make them a **widely accessible item**. At first, the local market was supplied with a small number of stolen Western European average class automobiles. Later, used cars started to be imported in greater numbers at an up to 200% profit. The import chain involved Bulgarian auto theft gangs in Central Europe, drivers to transport them to Bulgaria, corrupt customs and police officers and local used car dealers. Car thefts at home also peaked, as some of the thieves based in Central Europe returned, lured by the nearly 100,000 imported Western cars found in the country in 1992. Police figures show that between 1989 and 1992 domestic car thefts rose by 224%.

Figure 17. Recorded car thefts (1987–1996)



## 4.2. THE RISE OF RACKET

1992 police statistics show that a total of 12,711 car thefts were recorded, but interviewed investigators and police officers claimed that around that time citizens stopped reporting one in every three stolen cars. Underreporting was probably a direct result from the fact that thieves started offering to recover the car to its owner if paid 1/3 of its value. Interestingly, ransom for getting one's car back in Russia was exactly the same proportion.

The theft-for-ransom scheme created a third specific segment of the auto theft market. Between 1992 and 1994, the market for vehicles stolen at home and particularly for trafficked ones was gradually overtaken by the major mafia-type crime groups in Bulgaria known as *grupirovki*. In that period most car thieves as well as the market for stolen premium class cars came to be controlled by one of the main *grupirovki*. The criminal private security firms that imposed protection racket on businesses expanded their racketeering services to include protection of private vehicles. Thus, a refusal to accept the service led to theft, damage, or bombing of the vehicle. In that period, the racketeers hired the services of various car-theft crime groups. Due to their connections with police and politicians and capacity to use violence, the *grupirovki* also took control over the car-thieves' groups. In some medium-sized towns this was done rather quickly. In the major cities, such as Sofia, Plovdiv and Bourgas, extreme violence was used against the auto theft groups, especially when they had dared against a car owned by an organized crime boss or crony. Thief chases ordered by victim bosses sometimes went on for weeks, and when tracked, the group was compelled to sign under the larger enterprise, vouching to stay loyal for several years as a compensation for the theft.

Some members of the brigades who performed the actual protection racket also started specializing in car theft using unabashed violence to take away luxury vehicles at traffic lights, parking lots or even in front of the victim's home. Cars were further sold fairly easily, as the thieves did not even bother to forge the engine or frame serial numbers, knowing that a 5% bribe to a traffic cop would get them a new registration (e.g., if the car cost on average 2,000 in the then popular German marks, they would offer a 100 payoff to the official to register the vehicle and provide a new license plate).

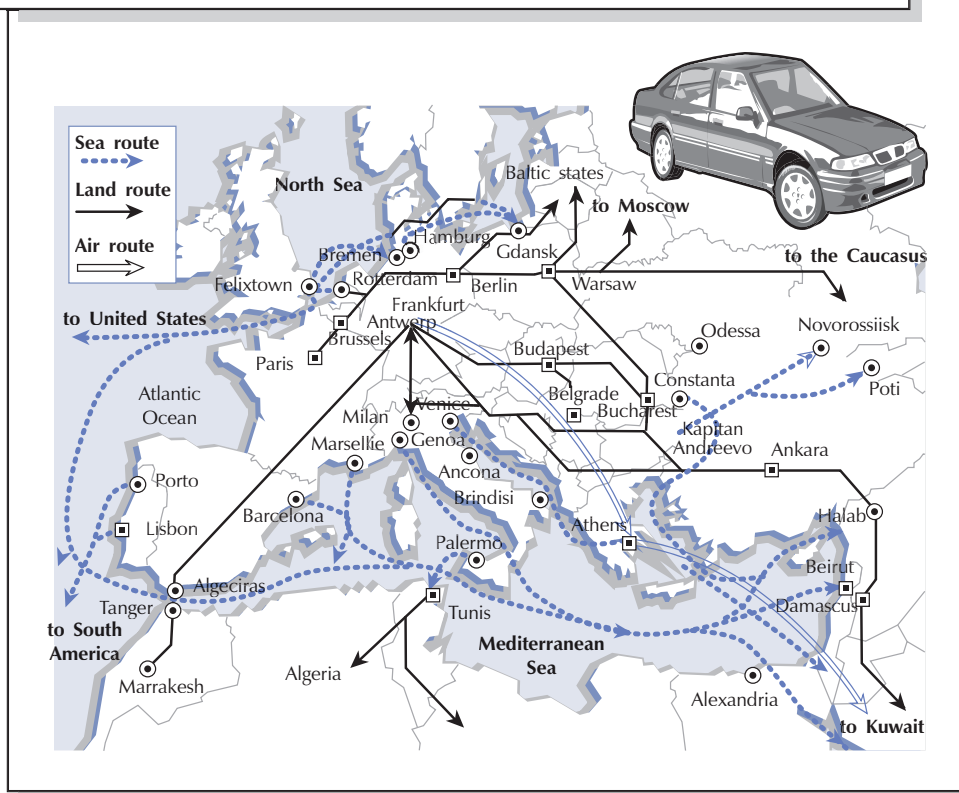
**1993 was a key year in the development of the Bulgarian car theft market.** Crime groups got increasingly involved, as together with cigarette and alcohol smuggling it became the most lucrative black market. The creation of the Schengen area established an EU-wide market for stolen vehicles, which were more easily trafficked into Eastern Europe through fewer border controls. A car stolen in Portugal could reach Poland smoothly without checks at the Spanish, French or German border.<sup>243</sup> Regulatory disparities in the different countries and the lack of experience of Bulgarian law enforcement and private insurance companies in dealing with such cases facilitated the car theft market across Europe.<sup>244</sup>

<sup>243</sup> Europol, *An Overview of Motor Vehicle Crime from a European Perspective*, January 2006. [http://www.europol.eu.int/publications/SeriousCrimeOverviews/2005/overview-Motor\\_vehicle\\_crime\\_2006\\_1.pdf](http://www.europol.eu.int/publications/SeriousCrimeOverviews/2005/overview-Motor_vehicle_crime_2006_1.pdf)

<sup>244</sup> Insurance fraud also peaked in this period. Individuals would sell their cars to crime groups to traffic them out of the country and after that, report the theft to the police to receive insurance.

In addition, crime groups from across the Balkans took advantage of already established trafficking channels for embargoed goods to Yugoslavia to smuggle stolen vehicles (see Figure 18). In Bulgaria, customs, border-controls and police were largely controlled by the *grupirovki* (many of whose members were former law-enforcement officers). Thus, crime groups had ways to track a legally imported car as it crossed the border and further into the country until they found a handy occasion to steal it. Bulgarian auto theft gangs used this as a main asset against other East European crime groups operating in Western Europe even before 1990.

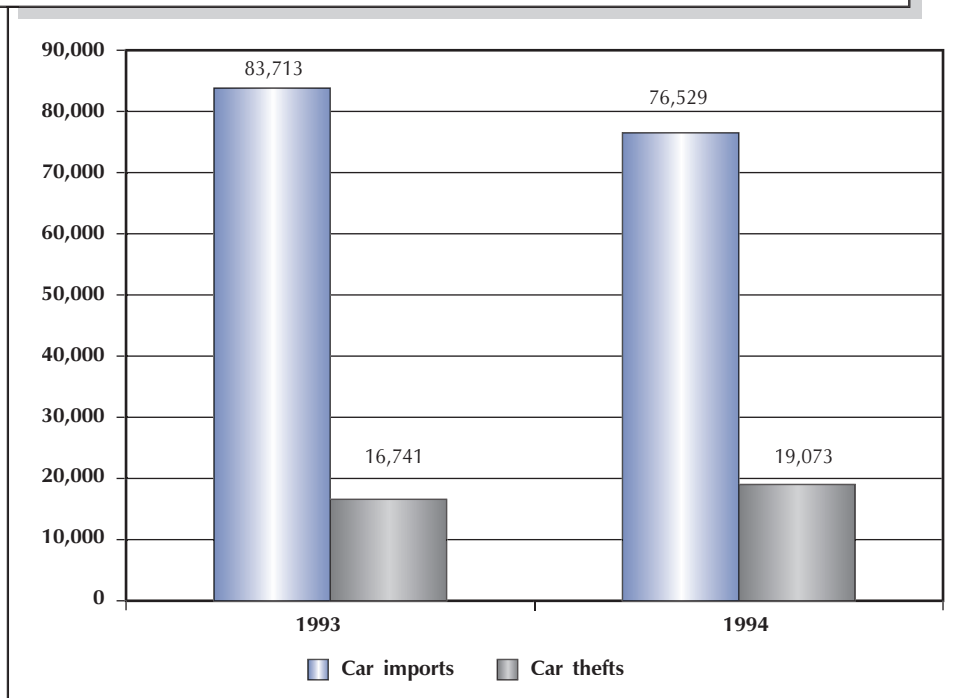
Figure 18. Main stolen car trafficking routes in Europe



**Two domestic trends** also helped boost the market. First, the *grupirovki* gradually spread their power around the country, therefore being able to guarantee security of insured vehicles nationwide. Besides protection, they now sold the service of restoring stolen property. The main protection groups were quite ambitious to render services beyond the bounds of a single town, but their coverage was disrupted by their competing interests. Whether a *grupirovka* of strongmen originated among athletes from different sports (karate, wrestling, boxing, etc.) or in a particular town (Pernik, Pazardzhik, Haskovo or somewhere else), conflicts would periodically exacerbate and despite temporary negotiations or coalitions, it was market competition that finally ruled. Secondly, the *grupirovki* were forced to restrain violent racketeering and to switch to a tactic where car-theft became an important instrument to racketeer businesses and individuals.

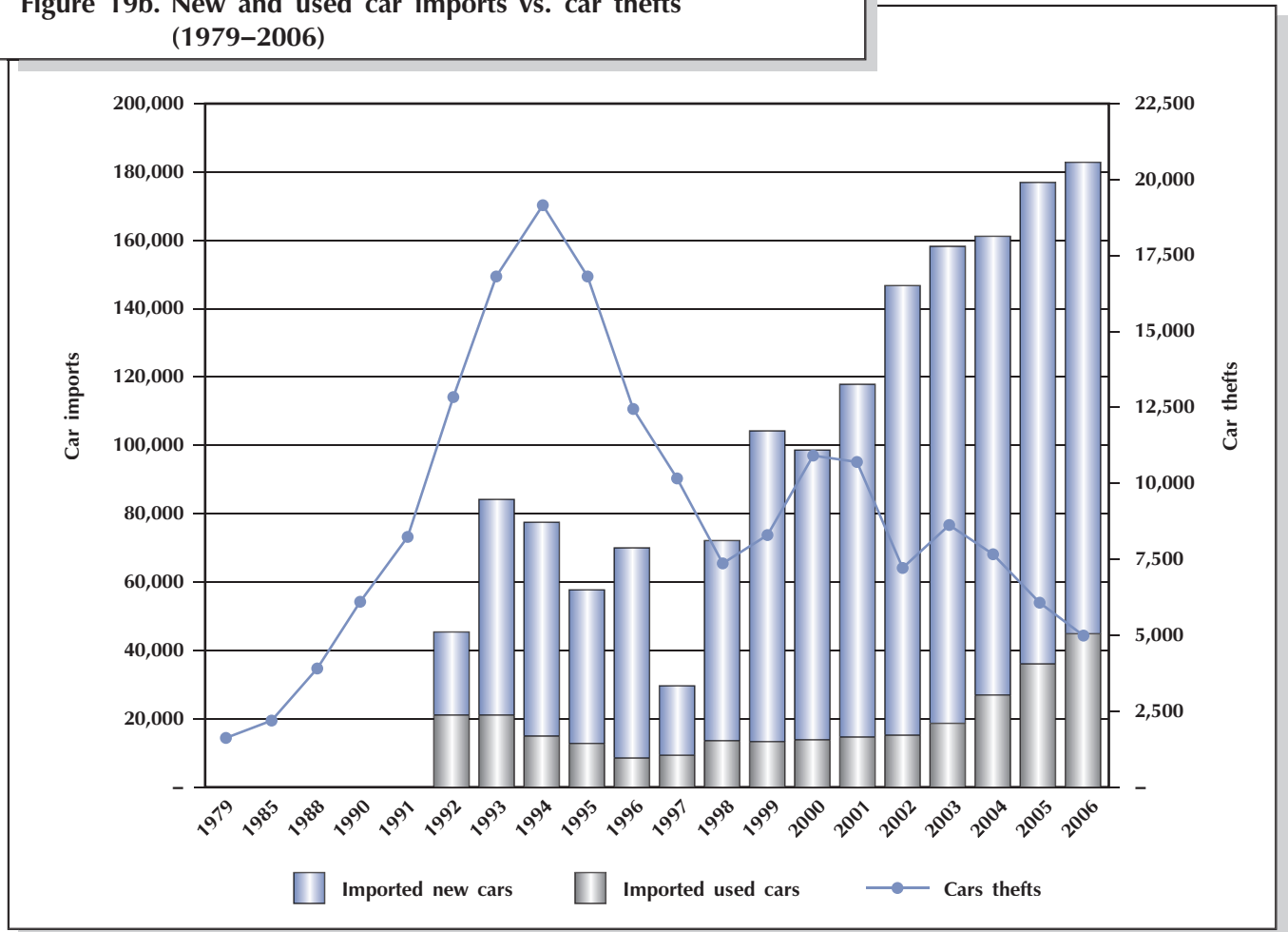
As a consequence, in 1993 and 1994, at least according to official statistics about new and used car imports and reported car thefts, the latter reached 20-25% of all imports.

Figure 19a. Car imports vs. car thefts (1993–1994)



According to police officers, during that period, the real number of stolen vehicles was at least twice as high. Estimates point to about 40,000 car thefts annually between 1993 and 1995—a number lost to statistics due to underreporting. As a result of bulging thefts for ransom, victims who would opt for getting their car back were forbidden to report the theft under threat of "complications". In many cases they would receive a phone call within 20 minutes after the car was stolen. Theft-for-ransom turned out to be less expensive for crime groups and quicker than theft for selling the car further on, as they did not have to look for a trustworthy car dealer, wait for a buyer or register and officially transfer the vehicle to a new owner. By 1994, the theft of East European vehicles for components constituted only 20% of all car thefts. It may safely be supposed that in the four years from 1990 to 1994 one in every three cars in the country was stolen.

**Figure 19b. New and used car imports vs. car thefts (1979–2006)**



### 4.3. MARKET CONSOLIDATION

Toward 1994 local car theft markets had transformed into a country-wide single market. At that time the VIS-1 *grupirovka* already had national coverage. It confronted or allied with smaller regional players, such as Group 777 in Southern Bulgaria (Plovdiv, Sliven, etc.) and First Private Militia in the port city of Bourgas. Already in 1995, essential changes occurred as the Law on Private Security Companies was amended and protection firms had to be licensed by the Ministry of Interior. This opened an opportunity to transform the private security firms into insurance firms. Insurance became a new form of a protection racket, especially targeting the growing number of Western cars likely to be stolen. The regular insurance companies, which at that point were mainly state-owned, were not willing to provide car insurance as the odds for a vehicle to be stolen by the end of the year was 30%. At about that time the protection racket group VIS-1 closed down and registered an insurance group under the name VIS -2, thus circumventing the new restrictions on private security services and entering the largely unsaturated car insurance market. They sold security in disguise, as in the cases when a car protected by them was stolen they offered to pay compensation to the victim. As VIS-2 has controlled many car-thieves, their insurance coverage usually came down to ordering the thieves to return the stolen car, and on rare



occasions paying for it. The newly emerging insurance sellers at service stations and parking lots promoted VIS-2 insurance as highly effective with a main argument that VIS-insured cars rarely got stolen (the statistics being about one in every ten stolen cars). Strangely, at times even the national media supported the same assumption, quoting data that it was extremely rare for a VIS-insured car not to be found and restored to its owner (one or two in every ten stolen cars).

As VIS gained new grounds, it became harder to hold together its structure locally. In early 1995, some of the VIS-2 members departed to form an alternative insurance racket *grupirovka*, called SIC. Within a year, the market became split between the two *grupirovki* both in terms of drawing in local racketeer groups and controlling car-theft networks, and exerting undue influence over government officials. The two companies' stickers became ubiquitous on offices, vehicles, and stores. Their adoption of the structure and management model of insurance companies turned the mostly loose racketeering groups into well structured and subordinated entities. They hired a large number of insurance professionals, accountants, lawyers, and administrative staff who worked side-by-side with teams of hit-men that specialized in punishing disobedient car-thieves and restoring stolen vehicles. Between 1995 and 1996 smaller regional splinter racket-insurers appeared (e.g. Apolo Balkan, Korona Ins., Levski Spartak, Zora Ins., etc.).

The Bulgarian racket insurance market displayed several distinctive features. **First**, in 1995-1996 the import of stolen cars from Western and Central Europe<sup>245</sup> continued to grow. Dozens of crime groups in Western Europe stole and trafficked to Bulgaria mainly higher class cars that were in demand in the country, using a range of approaches from theft to insurance frauds, counterfeiting car and personal ID papers, transporting the vehicles to Central Europe, forging engine and frame serial numbers, etc. Interestingly, after the stolen car was sold to a Bulgarian customer and insured by the *grupirovka*, it was often stolen again and resold/restored for ransom or exported to the Middle East or elsewhere in the Balkans. The **complex coordination of criminal activity** is exemplified in the popular understanding of those involved in the networks that "a stolen car must earn you a sum at least three–four times its price to be worth the effort". They also managed to pin thefts at such precise moments as between the expiry of the vehicle's insurance policy and just before it was newly insured.

**Racket insurance** was thus practically in control of the car-theft market. In contrast to protection racket in the early 1990s, which resorted to immediate violent response to those who had refused property protection, blunt brutality was no longer part of the method. Instead, the new insurers convinced the unwilling clients or those delaying to renew insurance by making them the target of repeated incidents. The car-theft supply chain starting in Western through Central Europe and reaching the Balkans and the former Soviet republics also flourished, making deliveries to each important city and area. Insurers would typically increase their market through a scheme in which the car once stolen from Western Europe would be sold in Sofia, sold again in a smaller Bulgarian town, stolen from its

<sup>245</sup> There are numerous sources on the car theft market in Bulgaria, among them reporter Kristi Petrova's book *War of the Grupirovki*, Sofia, 2006, and the much less accessible investigation files of the Customs Agency and the National Service for Combating Organized Crime on cases that have been terminated at various stages for various reasons.

latest owner and then exported to a neighboring country. Thus, insurers profited from both their legal business and from theft and repeat sales.

**Second**, racket insurance earned its prominent place in business largely due to its car theft links. Pervasive corruption within the border and national police forces and by the law enforcement background of key *grupirovki* members greatly facilitated insurance companies and their schemes. "We have close contacts at all border check-points. I have been a police officer myself. We also keep good relations with district police departments, which help us a lot, actually they track most of the lost cars [...] For each car they trace they will get their 1,500 German marks, no matter if it is a senior or front-line officer who found it." Thus, the older of the Margin brothers, notorious SIC leaders, explaining the factors that rocketed the company to success in 1995. At that time a police officer's monthly salary was about DM 200–250.<sup>246</sup> Moreover, during this early phase of political and economic transition, if a prominent politician or businessman's vehicle got stolen, the victim would remove any area or district police chief for failing to find it in less than the blink of an eye. Careers were saved when the stolen car was traced, but the obligation for services long afterwards remained.

A **third** feature, closely deriving from the second one, was the continued control over a variety of crime gangs. Insurance companies were genetically linked to the criminal world and continued to draw upon it widely in their business. Through their offices the dominant insurers gathered first-hand local knowledge of auto-theft groups and if their members were all local or coming from remote places/groups, on their helpers and the outlets (service stations, parking lots and car dealerships) involved in distributing the loot. Having thus mapped an area, force-using insurers would periodically consult local police officers on its accuracy. In case any trespassers or rule breakers appeared, the teams of hit-men were ready to get them back on track. Alternatively, it was the police that punished them, not least because this provided a booster to the local of cleared-up crimes.

Most importantly, large **racket insurers were able to exert rather big influence upon political and economic elites**. Elected officials, judiciary, entrepreneurs, bankers and even diplomats would go to any lengths to get back a stolen car, more often than not contacting the local or country-wide operating racket insurer. Thus, incumbents in office were in the position of regular customers of those who controlled the car-theft market,<sup>247</sup> and in high probability ensured the smooth transition of racket insurance into numerous other legal businesses through which they could launder their considerable wealth.

One of the methods used by VIS-2 and SIC to widen their coverage was to oust smaller independent auto theft groups that did not pay any tribute to them, if necessary by using violence. Police bulletins in that period invariably informed about detentions of gun or bat-armed BMW-riding gentlemen holding SIC or VIS-2 membership cards. SIC leader Krasimir Marinov presented the police with an exact list of their employees to avoid "abuse of membership cards" and keep the company's good reputation, while Dimitar Popov, a respected career insurance

<sup>246</sup> See *Trud* daily, May 5, 2006.

<sup>247</sup> Media reports from this period recount numerous stories of both ruling party members and opposition having relations with criminal insurers.

expert and SIC CEO, claimed none of the people using violence were affiliated to the company.

Nevertheless, the most violent conflict that raged on the car-theft market remained between the two largest insurance entities. Despite the efforts of both companies' headquarters to negotiate the partitioning of the market, VIS-2 affiliated thieves continued to steal SIC-insured cars and vice versa. At times it resembled a mob war with wounding, killing and property damage which subsided after negotiations and surged as conflict areas increased.

Notwithstanding turf struggle and the chaos of copycats and free players, racket insurers needed to work effectively to win substantial clientele. As shown by police records in the period 1995–1996, car thefts dropped by 12% in 1995 and 26% in 1996 because of racket insurance (see Figure 19b). It is particularly interesting to find out how big the black car market was during this golden age of racket insurance, as car theft stimulated its development and vice versa, thus bringing double profits to insurance companies. The insurance–theft pattern developed in stages—from a monopoly of VIS-2, it was later on joined and rivaled by SIC, and finally by a few other smaller companies (such as Apolo Balkan, Korona Ins., Levski Spartak, Zora Ins., etc.) gradually becoming a fairly normal market. Independent players unattached and unaccountable to any of the larger insurers, however, still continued to operate.

The year 1995 can be taken as a basis when trying to assess the size of the auto-theft market.<sup>248</sup> By official data a total of 16,700 vehicles were stolen in that year, but having in mind the probable 60% of non-reporting and the average price per stolen car of 2,500 leva, the total could be estimated at 66 million leva. Besides that, there was the market of luxury cars where vehicle prices varied between 20,000 – 40,000 German marks (the currency most widely used in the mid-1990s<sup>249</sup>). Counting police recorded car theft and the unreported stolen luxury vehicles would add another 500 cars per year or 15 million leva. After 1995, as racket protection companies turned to the insurance industry, the auto theft market was complemented by car insurance. Reportedly, in 1997 VIS and SIC held 15% of the gross premium income, which amounted to around 250 billion leva (250 million after the denomination later the same year), nearly the same amount as the year before. Thus, in the period 1995–1997 they received an annual income of 40 million leva from insurance, where car insurance was accountable for around 70% of it. Apart from the 66 million leva from car theft, they made a further 28 million from car insurance. It is a bit more complicated to calculate what profits were generated through car trafficking around Europe. Some of the modest estimates point that around 10% of all cars stolen across the EU member states—around 200,000 vehicles annually—were trafficked through Bulgaria. With the average fee for trafficking a car through or the price of selling it in Bulgaria between 500 and 1,000 German marks this market amounted to around 150 million leva. The figure may be inflated, but even if in reality it was no more than 30% of that, **the total black market in the 1990s easily amounted to 150–160 million leva**. From the perspective of Bulgaria's dire economic situation in that period this was a huge market accounting for nearly 1% of the GDP.

<sup>248</sup> In March 1996, the economic crisis in Bulgaria was already manifesting itself and influencing the market with a set of new factors. Data from that year to a great extent would distort the estimate.

<sup>249</sup> The estimates do not take into account the inflation since then.

#### 4.4. POLITICAL STABILITY AND MARKET REDISTRIBUTION

The beginning of the end of the racket insurance companies arrived with the political changes and the new government in February 1997. The United Democratic Forces which won the elections made a political decision to “win the country back from criminals”. Despite the fact that SIC, and especially VIS-2, had invested a lot in particular politicians and funded the building up of regional structures of the ruling party, in late 1997 it was more than clear that the new incumbents were determined to put an end to large crime syndicates such as the racket insurers. By 1998, all insurance companies had to be re-registered and specific provisions in the new Law on Insurance banning private security services by insurance companies led to the **gradual abandonment of racket insurance practices**. Insurance companies had to be licensed by a National Insurance Council, whereas operational level control over the insurance market was to be exercised by the Insurance Supervision Directorate at the Ministry of Finance.<sup>250</sup>

The first wave of licensing reduced the nearly 100 insurance firms to 27. Union Ins (as SIC had renamed itself), Planeta Ins (as VIS-2 was then named), Zora Ins., Korona Ins. the Multigroup splinters Sofia Ins. and Sofia Zhivot, Apolo Balkan, and Levski Spartak, set up by former members of Ministry of Interior’s Antiterrorist Unit, were among those denied license. Racketeer groups were purged from the insurance market through partially repressive methods. The police demonstrated their determination to fight the *grupirovki* by such means as forcing citizens to remove the protection stickers from their car/store window or warehouse door without any explicit regulations in the law banning it. Further on, however, amendments to the Law on Insurance banned private security companies from managing or owning insurance companies.

By 1998, while criminal insurers were trying to negotiate licenses with the new government and the Mol was attempting to purge from its ranks various level officers who were related either to previous ruling elites, or the criminal world, the car theft market shrunk to very small proportions in, nearly reaching its 1991 level.

During that period not a single *grupirovka* leader was prosecuted, as the politicians chose to reach an agreement with them. In the following two years (1999–2000) VIS left the insurance market and SIC managed to transform some of its business. As a result, car-thefts started to increase again, growing by 13% in 1999 and by another 1/3 in 2000.

The growth in car theft in the period 1999–2000 has been attributed to a number of factors. The most common interpretation was that in 1997–1998 people were financially discouraged from reporting theft, as with the closure of criminal insurance companies, insurance purchases dwindled. Thus again, only around half of all car thefts were recorded. The police had its own motives for under-recording sensitive offences, car theft among them—pressure from high government officials. Adding to this was a 1999 prison amnesty, when about 2,000 criminals,

<sup>250</sup> The Insurance Supervision Directorate was established with the Law on Insurance in 1996, but did not start operating until late 1997.

car thieves among them, were freed causing a general rise of the crime level. Monthly police records of that period show that within a couple of months the number of police-registered stolen cars soared. One highly probable factor for this was the fact that insurance companies received their new licenses. They reasoned that if car theft continued to decline at the same rate as in 1997–1998, people would stop buying car insurance. Besides, once they had a license, they could do as they pleased. It is hard to say whether this was an important factor at all, or whether auto-thieves could secure any immunity from law enforcement with the new police and prosecution chiefs that came with the new government. However, in 1999–2000 the insurance company that succeeded SIC managed to draw the greatest number of clients, including many former VIS-2 motor insurance buyers. According to data from that period the cars insured with them were stolen much less often. Auto thieves and the police claimed that the reason was their hit squads were still active. Violent insurance, however, was well past its prime (1995–1996) and a number of insurance companies appeared, also selling car insurance, that followed regular civilized practices. Some of them did employ former law enforcement officers, who were equally well related to the racket insurance and auto theft business, but their role was limited to intelligence gathering. The newly established insurance companies did not make payouts unless the car-theft was registered with the police, which soon became regular practice for all insurance companies.

Several new trends appeared in auto theft. Data gathered in 2000 by the Bulgarian Association of Insurance Companies showed that around 50% of all stolen cars were disassembled and sold for components. Police reports analyzing the auto theft market at that time conclude that spare parts were assembled anew and the ready cars sold at legal markets and service shops controlled by the *grupirovki*. The Association further found that on 25% of those cars ransom was paid, while 25% were exported.

The companies denied an insurance license continued to **traffic stolen cars along three main routes**. Colonel Velikov, former deputy head of the National Service for Combating Organized Crime, describes them as follows: to the former Soviet republics, assisted by Russians, Georgians and Ukrainians in Bulgaria who were related to their local crime syndicates; to the Middle East, shipped with the aid of residents of Arab origin; through Macedonia to Albania, by networks involving Macedonian and Albanian nationals.

With the demise of racket insurance and the decline of car theft in Western and Central Europe the **import to Bulgaria of cars stolen abroad also changed**. It was no longer profitable to import for the mass buyer. In addition, there was a shift in the pre-1997 corruption levels that had facilitated trafficking. Earlier, police and customs border control officers worked in symbiosis with traffic channel operators who preferred to pay a monthly "subscription" for uninterrupted import, rather than bribe officials for every single vehicle. The traffic police and notary publics were also more than willing to assist stolen car deals inside the country. Now, the Bulgarian Customs and border police were stepping up cooperation with international security institutions to increase control over insurance, the safety and speed of transnational electronic data exchange, etc. Criminals were forced to invest much greater effort and resources to circumvent controls,

e.g. changing identification numbers on most parts of the vehicle—from engine, through frame, windowpanes, seats, mirrors to safety belts. They also had to forge a long list of papers, including insurance and even driver's ID papers in both the source and the market country. All expenses related to disguising a stolen car ranged between 2,000 and 3,000 German marks<sup>251</sup>—the price of a second-hand car in Western Europe. Adding the transportation and other transfer costs, importing stolen vehicles for the mass market became financially unfeasible. In the late 1990s a steady trend to import high-class vehicles sold at about 20,000 to 30,000 emerged German marks. It was mainly such cars that were trafficked through the two border points preferred by car smugglers—Kalotina and Rousse. Furthermore, in 1998, for no apparent reason the National Service for Combating Organized Crime closed its specialized unit against car trafficking.

An inquiry of the newly established car trafficking team at the Rousse Regional Customs Directorate disclosed a trafficking scheme that gives a good idea of how such channels operate. The investigative team asked Interpol for information on stolen cars in Europe—a direct move that skipped the usual circuitous information gathering route and forestalled the moves of traffickers further along the channel. This was the first occasion in the 1990s when a well functioning luxury car smuggling channel was monitored. The Rousse customs compared the cars imported through their border point in the period 1996–2000 with a value between 50,000 and 200,000 German marks with data about vehicles of the same value range stolen in the same period in Western Europe. This helped narrow the scope of checked cases from about 1.5 million (cars stolen annually) to several tens of thousands. The vehicles imported through Rousse were mostly Ferraris, Porsches, SUVs, limousines and several rarer makes. The inquiry found out that among the persons involved in the smuggling channel were several high-ranking local customs officials and road traffic officers.<sup>252</sup> The channel had been controlled by SIC. Its local units had been in charge of securing the vehicles, customs clearance and further registration with the traffic police. On most occasions, the same Serbian, Kosovar and Bosnian truck drivers were involved. The smuggled stolen vehicles equipped with legal papers inside Bulgaria were further sold to vehicle dealerships in Sofia.<sup>253</sup> As the probe progressed, however, the National Service for Combating Organized Crime and the Rousse Regional Prosecution Office<sup>254</sup> took steps to terminate the inquiry. None of the officials involved in the scheme was dismissed. A similar channel for smuggling vehicles stolen from Europe ran

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<sup>251</sup> To stabilise the economy Bulgaria operated under a currency board starting in 1997 when the exchange rate was pegged to the German mark and later to the euro.

<sup>252</sup> As evident from the inquiry papers of the Customs Intelligence and Investigation Department at the Rousse Regional Customs Directorate.

<sup>253</sup> Investigative reporters claim that part of the cars sold by the Rousse channel can be traced to the auto market owned by the late Fatik—a crime boss shot in 2003.

<sup>254</sup> The then regional prosecutor Lyulin Matev's involvement was covered by Nikolay Ganchevski, head of the Military Department at the Supreme Prosecution Office of Cassation (and former Regional Prosecutor of Rousse), who was also a close friend of the then Prosecutor General Nikola Filchev. Later on in 2006, Matev was investigated for links with the Spanish based boss of the Rousse branch of SIC, dubbed Mazola. Soon after the probe was initiated he resigned from the Rousse Prosecution Office. His deputy from the time when the car trafficking inquiry was subverted (1999–2000), however, has not only remained in office, but is still Rousse's regional prosecutor (see *Capital* weekly, July 8, 2006; July 15, 2006; *24 chassa* daily of July 17, 2006; *Bankerof* June 9, 2007).

through the Kalotina crossing at Bulgaria's border with Serbia.<sup>255</sup> Partial information from probes into this route and another channel passing through the southernmost border checkpoints to Greece (Kulata) and Macedonia (Zlatarevo) was made public in 2006.<sup>256</sup>

#### 4.5. CONTEMPORARY PERIOD

As most other black markets in 2001–2002, auto theft underwent a shift carrying several implications to its aftermath, specifically, the period 2005–2006.

After 2001, car sales rose dramatically—whereas in 2000 around 100,000 new and used cars were imported, in 2005 they reached 180,000. Thus, supply outstripped demand for the first time since the 1960s when cars first became a mass commodity in Bulgaria. Besides the oversupply of cars within all price ranges, the most important shift concerned average prices which plummeted, so that it did not pay to buy a stolen car.

As confirmed by police officers working to prevent car trafficking, **border control improved considerably in 2002–2003**. The creation of the Bulgarian Integrated Customs Information System (BICIS) made it possible to exchange data with EU member states' customs authorities, including data about imported and exported vehicles. Border police control also tightened, and thus both the influx of Europe stolen cars to Bulgaria and their trafficking across the Balkans to other destination started to drain.

Falling car theft rates in Western Europe also caused car trafficking to shrink. From the record-breaking 2,074,000 thefts in 1993 they decreased to 918,000 in 2004 (see Table 13). Germany in particular, which was a source country favored by Bulgarian auto thieves, displayed a significant drop from its 1993 level—the 276,000 thefts went down to an all-time low of 35,000 in 2004—even lower than Poland which registered 51,000 stolen cars in the same year.

Insurance companies started making timely payments for car theft, so insured victims were already much less willing to pay ransom. Whether total damage or theft was involved, car owners tended to get paid within three months, unlike the period up until 2002–2003 when the average wait time was six to nine months. Insurers also required costly car owners to equip their vehicles with the latest security systems, such as alarms, GPS, immobilizers and unique markings on the components. The newly introduced car loans also discouraged people who would buy an expensive vehicle from buying a stolen car.

Due to the ineffectiveness of anti-car-trafficking units at police departments, the MoI established new specialized bodies at district centers. Thus, expertise could be accumulated and sustained, officers could be monitored more successfully, and the pressure of criminal networks over local officers—common practice at area police departments—could be restricted.

<sup>255</sup> See *Sega* daily, December 11, 2001.

<sup>256</sup> Cars stolen in Spain had been trafficked through Kulata and Zlatarevo in the course of two years. In April 2006 the Blagoevgrad Regional Directorate of Interior held 13 such cars in a smuggling attempt. There is an ongoing investigation into the case (see *Monitor*, October 26, 2006).

Table 13. Stolen cars in the EU (1990–2004)

|                        | 1990             | 1993             | 1995             | 1997             | 1999             | 2000             | 2002             | 2004           |
|------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| Austria                | 9,078            | 8,593            | 7,514            | 7,043            | 6,992            | 10,541           | 5,099            | 5,973          |
| Belgium                |                  |                  | 37,603           | 35,242           | 35,780           | 33,395           | 25,050           | 19,104         |
| Denmark                | 42,697           | 35,696           | 36,737           | 42,701           | 35,195           | 33,730           | 27,677           | 9,838          |
| Finland                | 18,233           | 21,059           | 19,772           | 22,015           | 29,611           | 26,391           | 12,264           | 12,353         |
| <b>France</b>          | <b>433,494</b>   | <b>506,888</b>   | <b>453,525</b>   | <b>417,360</b>   | <b>395,947</b>   | <b>401,057</b>   | <b>252,084</b>   | <b>186,430</b> |
| <b>Germany</b>         | <b>106,973</b>   | <b>276,745</b>   | <b>262,620</b>   | <b>190,585</b>   | <b>140,636</b>   | <b>127,750</b>   | <b>57,402</b>    | <b>35,034</b>  |
| Greece                 | 6,845            | 9,660            | 12,678           | 16,555           | 17,091           | 16,550           | 17,889           | 15,010         |
| Ireland                | 12,182           | 13,244           | 11,754           | 13,589           | 14,851           | 15,964           | 14,598           | 9,065          |
| <b>Italy</b>           | <b>313,400</b>   | <b>311,256</b>   | <b>305,438</b>   | <b>301,233</b>   | <b>294,726</b>   | <b>243,890</b>   | <b>203,694</b>   | <b>221,925</b> |
| Luxembourg             | 589              | 1,145            | 1,196            | 675              | 626              | 542              | 519              | 526            |
| Netherlands            | 49,814           | 44,044           | 40,902           | 37,309           | 37,831           | 38,320           | 30,785           | 22,989         |
| Portugal               |                  | 15,542           | 17,334           | 22,792           | 28,163           | 26,428           | 22,173           | 14,832         |
| <b>Spain</b>           | <b>135,559</b>   | <b>107,698</b>   | <b>98,847</b>    | <b>133,330</b>   | <b>138,961</b>   | <b>134,584</b>   | <b>106,524</b>   | <b>122,248</b> |
| Sweden                 | 88,687           | 73,782           | 70,299           | 78,826           | 78,216           | 86,820           | 45,160           | 38,058         |
| <b>United Kingdom</b>  | <b>537,354</b>   | <b>649,346</b>   | <b>553,848</b>   | <b>443,975</b>   | <b>414,700</b>   | <b>375,840</b>   | <b>328,186</b>   | <b>214,000</b> |
| <b>TOTAL FOR EU-15</b> | <b>1,754,905</b> | <b>2,074,698</b> | <b>1,930,067</b> | <b>1,763,230</b> | <b>1,669,326</b> | <b>1,571,802</b> | <b>1,149,104</b> | <b>918,843</b> |

**Bureaucratic obstacles** that had hindered the recovery of stolen cars found by the police **were removed**. Tracked cars or vehicles confiscated as material evidence used to stay parked for months in front of police departments and those that wanted to avoid waiting, used to pay bribes to police officers and prosecutors ranging between 200 to 15,000 levs. High-class expensive cars had usually had their identification numbers forged and were hardest to get back from the police, involving the biggest bribes.

The removal of Schengen visas for Bulgarians in 2001 was followed by an emigration wave to Western Europe. Among those that left the country were various criminals, including auto thieves, most of whom chose to move to Spain and less often Italy, as there were already large Bulgarian communities to which they could attach and the local police forces had no experience in tackling criminals of Bulgarian origin.

All those changes contributed to the overall shift in the auto theft market. In 2002, the car theft rate dropped by 30% and despite the slight rise in 2003, the downward trend remained steady in the following years, marking an average 12.8% decrease for the last five years.

Apart from shrinking in size, the **auto theft market structure also changed**. In the late 1990s its largest segment was taken by the sale of vehicles stolen in Bulgaria or abroad, whereas after 2001 it became difficult and costly to manage



such sales, so the segment diminished down to several types of vehicles. As this segment was now safer and more profitable, many car thieves turned to the business of restoring stolen vehicles to their owners instead of direct involvement in theft.

### ***Structure of the Bulgarian Auto Theft Market***

In an attempt to adapt to recent developments Bulgarian auto thieves managed to organize in a way rather singular in Europe. Based on interviews with police officers and people involved in car theft networks, **the structure of the Bulgarian auto theft market can be described as follows**. The hierarchy-based market from the period of racket insurance was altogether replaced by networks involving auto thieves on a par with a number of other supporting actors. Besides a group of thieves, a network's infrastructure is usually also available to brokers, technical experts, lawyers, car sellers, police officers willing to leak intelligence, etc. Networks are not fixed, but dynamically changing according to the project underway. The activities/actors of different networks may overlap, and they fall apart easily when they cease to be competitive. An auto thief, for instance, could move from group to group without actually leaving the broader network.

The country is unofficially carved into regional markets around the larger cities, such as Sofia, Plovdiv, Varna and Bourgas. Each of them has several squads working within one or more car theft networks. This **regionalism** raises the competitiveness of local groups and networks as they know the market much better, including the road infrastructure, the available hideouts and places to modify, dismember and sell the stolen vehicles, to negotiate prices with possible buyers. Finally, they are familiar with local enforcement and judiciary officials. Thus, an auto theft group based in Pazardzhik will not risk stealing a car in Sofia as they don't know the city well and the getaway roads are few. Close familiarity with the place is indispensable in the capital city as well, which is also divided into smaller areas where particular car theft gangs act. In middle-sized towns, however, it is also important to operate outside the town, to avoid being caught by the police. Thus, thieves from Varna would extend their ventures to nearby Shumen or Dobrich, or even to the remoter Pleven. The groups also need to be part of networks with countrywide coverage to increase their effectiveness, assisting and rivaling each other at the same time. Such networking makes it possible to return a car to its owner from Pazardzhik even when it was stolen in Bourgas, as regional networks are also linked to each other.<sup>257</sup>

When juxtaposing regional markets, Sofia stands out among all other regions as it is accountable for more than half of all auto thefts in Bulgaria. To compensate for size and profits, most regions have to rely on **networks among the other larger cities**. South and North Bulgaria, for instance, have thriving auto theft markets, as their main cities are well interlinked (Pazardzhik–Plovdiv–Stara Zagora and Varna–Shumen–Dobrich, respectively), whereas in regions with less important towns and poorer roads car theft has weakened since the late 1990s (e.g. Rousse, Vidin, Montana, Kardzhali, Smolyan, etc). The second largest car theft market gravitates around the Plovdiv–Bourgas axis with the Trakia highway

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<sup>257</sup> Interview with respondent D.

(and the byroads near the stretches that are still under construction) as its backbone. Thieves from Pazardzhik, Assenovgrad, Haskovo, Stara Zagora, Sliven and Yambol are drawn around Plovdiv, but Haskovo, Yambol and Sliven also belong to the network centered round Bourgas, which also attracts smaller towns along the Balkan mountain range traditionally strong in car theft. Varna is the pivot of a less important regional network including the towns of Dobrich, Shumen and Pleven. In addition to the described factors, since 2001 Bulgarians have emigrated to Western Europe in large proportions, and the two larger networks' markets have declined considerably.

Participants in car theft networks grouped around their roles at the different stages of the theft. The main role at the first stage is that of **car watchers**—residents of various towns around the country whose task is to spot and pass information about suitable targets. They have to note details, such as the car's color, make, year of manufacture, presence of an alarm system and the driving and parking routines of the owner. It is also imperative to learn whether the car may be exchanged for ransom—if it lacks coverage or if the victim can be persuaded to pay ransom. When a target is decided upon, they follow the vehicle's course and keep continually in touch with the action team preparing to steal the car. Car watchers are paid only after the operation is completed. Sometimes they perform extra services, such as securing a garage and bribing police officers to stay away. As a rule, they are hired by theft groups that do not operate locally.

Security guards, commonly called **cover-ups**, provide another important link in the car theft chain. If the car theft team is small, this role may be performed by a members of another thieving group or a different group altogether. Often, it is a local police vehicle patrol that provides security while the car theft is being committed in their area. They sometimes also act as car watchers for the thieves,<sup>258</sup> but their main function is to cover the theft, especially in the case of well protected cars.

The main part is played by the thieves (called bowler hats in the vernacular of the area around Sofia). According to police officials around 200–300 professional car thieves have operated in Bulgaria in the period 2003–2006.<sup>259</sup> They act in small groups (50–60 in total) and constitute the action core of the networks described above. They call themselves *brigades*, a label inherited from the *grupirovki* era. A brigade can comprise 3 to 6–7 men, but the small-sized ones are predominant.

Roughly, the groups are either closed—unwilling to admit new members as they have stuck together for years, or open<sup>260</sup>—one or two established auto thieves drawing less experienced men, sometimes from other cities, to complete a particular mission. After 2001 car theft groups became increasingly mobile. They often migrate to Europe, and sometimes to the US and Canada, especially the most

<sup>258</sup> The police are supposed and believed to guarantee the public's security, but paradoxically enough they are sometimes involved in car theft using their mobility and knowledge of the local area to help thieves.

<sup>259</sup> Interview with respondents A and B.

<sup>260</sup> Interview with respondent A.

experienced one, half of whom are reportedly abroad. Some of them migrate both ways several times a year.<sup>261</sup>

The class of vehicles targeted and the techniques and equipment used in theft also serve to differentiate between the groups. There are elite auto theft teams specializing in luxury car thefts, such as Mercedes, BMW and Audi, whereas the bulk of other gangs steal common makes such as Volkswagen, Opel and Renault that do not require special technical skills to steal and are easy to sell afterwards. Some groups specialize in vans, lorries, trailer trucks or Soviet made cars. The methods of the different types groups vary from rough to refined. The **forceful methods** involve busting a vehicle open with a metal bar, slim jim and the like, and if the alarm goes off the thieves either cut the cables or crash the device with a hammer. Electric shock batons are also used to disable the security system through a brief high voltage shock and break into the car. When the light emitting diode on the dashboard is targeted with the baton, most vehicle security electronics used in Bulgaria would crash under the electric shock, the alarm would die and the car could be started.

**Methods of medium complexity.** Apart from the rougher approaches, medium class cars are stolen through alarm code breaking. To make them cheaper, most cars commonly used in Bulgaria are equipped with similar hard code security systems which are easy to break and deactivate the alarm.

**Methods of high complexity.** What is common between the teams that use more advanced theft methods is that they plan their moves meticulously. It involves a long investigatory period in which either car watchers, or thieves from the team provoke minor incidents to be able to define the type of security system, which they would later decode, and finally, disable the alarm. The next step is to unblock the engine and ignite the car in the regular way—a task that requires high skills and expensive devices (worth about several thousand euro) possessed by only a few auto thieves in Bulgaria, who usually target high-class cars. There is also an external condition that has to be secured—the car must be accessible for a sufficiently long stretch of time—usually by police officers covering and barring access to the larger area where the car is parked.

Superior cars are supplied with convoluted defenses, specially protected alarm systems, immobilizers with several paths to block ignition, GPS and other electronic security devices. Nevertheless, in the last couple of years the thieves that focus on first-rate vehicles are easily overcoming even such strong security without applying any exceptional technical competences. Sometimes, complex technological solutions are used, but their main principle is that of economy—instead of straining to break trillion-combination codes, they will produce false keys, overrun GPS signals or break into the car, drive off and rip the GPS system out. GPS devices are often found hanging from roadside trees or stuck to bypassed vehicles. When the vehicle has very advanced blocking systems, the theft teams are compelled to employ costly unblocking devices in order to remove the full electronic system. For that purpose they follow the latest developments in vehicle

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<sup>261</sup> Unfortunately, there is no information available about the reasons behind the repetitive migrations of renowned auto thieves.

security and spend sizeable amounts for tools to break them. In several cases the police has caught whole minivans full of mechanical instruments and electronic devices, but it is more common for car thieves to carry all of their arsenal in a briefcase, usually containing a laptop with code-breaking and engine unlocking software, GPS blocking devices, immobilizers, factory made deterrents and wiring defenses.

A car theft group will usually divide in two and the first two thieves will drive off in the open car and disable the GPS,<sup>262</sup> while a third member in a different vehicle stands close by to watch for police or possible witnesses from the neighborhood and follow the stolen car for protection. Sometimes there is also a second escorting car, especially when the stolen one is costly. The first one drives in front to signal if any risks arise, while the second could be a powerful jeep with a sizeable bumper that follows behind and is ready push in case the engine, wheels or the electronic controls stalled. This method is quite simple, as the car could be pushed for miles on end; it is also better suited when the stolen car has to be left behind during the flight than if the car is tugged by a preceding vehicle.

**Theft of keys** is another modus operandi of car thieves, especially when they would like to deal in the easiest way with the immobilizers of newer cars. The method involves the theft of the car keys alongside the devices necessary to turn off the alarm and immobilizer and saves any other efforts or expenses associated with breaking car security.

A **third method** is car jacking through a variety of approaches. One of them, known as the Spanish method, was in popular use in 2004–2005. It involves tying a tin can to the targeted car that would make noise when the car is in motion and compel the driver to stop and check the problem, and at this precise moment the car is hijacked. Thieves would also cause intentional light road accidents or block the car's parking place to coax the driver out of the car. On some occasions, the thieves may go from theft from robbery or use violence against the car owner.

The thieves' next task is to drive the car to a hiding place. In cities the size of Sofia or Varna it is considered that the vehicle is relatively safe if taken 2–3 kilometers away from where it was stolen.<sup>263</sup> The vehicle would be stowed in paid car parks or narrow downtown alleys with another member of the ring staying in a car nearby to guard it. With expensive cars the usual step is to hire a garage by using false ID cards or by paying someone to hire it. The highest class vehicles are supplied with several hideouts and often moved from one to the next. The car may be left in one place until sold, moved to be taken apart for components or trafficked out of the country. If it must be moved to a safer place, the gang faces several risks. The car is already reported missing and the police stop most cars matching its profile. The transfer must be done as quickly as possible, although the driver must take care not to attract attention with reckless moves or speeding.

<sup>262</sup> GPS tracking can be diverted for only a short period of time.

<sup>263</sup> "I don't steal cars, I just love driving. What I do is drive the cars from one estate to another", says the legendary auto thief Uncle Tsuk.

Both former and active auto thieves claim that it is essential to keep a cool head in sticky situations or road incidents. Special value is attached to the ability to trick the police in a car chase. With the exception of several shootouts in such chases in the 1990s, the police have not used firearms against fleeing car thieves. They prefer "not to risk the lives of officers, once the guy is in the car and off", and as the thieves know the limits the police set, they do not consider a chase excessively risky.

At the same time, auto theft circles have built a myth around car chases. All kinds of chasing stories circulate among them. Stories are told of repeat escapes in a single night, speeding through narrow alleyways and into the opposite lane; of a gang running for a week and leaving several cars behind until they break away in a "super car". Auto thieves are prone to following movie stereotypes just as many local mafia leaders would emulate mobsters from famous films. Emulation is not limited to reckless driving in car chases, but to the way they organize a theft. Most auto thieves believe a car is more valuable than anything they might have in life—more than one's wife, family or friends. Thieves claim that they are in a way addicted and cannot resist cars of outstanding quality. Many of them have become well-to-do men and have withdrawn from the stealing business, but are often drawn back if an exceptional target appears.

The auto market prospers when there are enough **craftsmen**—technicians to tamper with the stolen car's identity as well as people to forge its documents. The simplest modifications, such as the change of license plates or painting the vehicle a different color is performed by common mechanics in the garages where the car is usually hidden at the start.

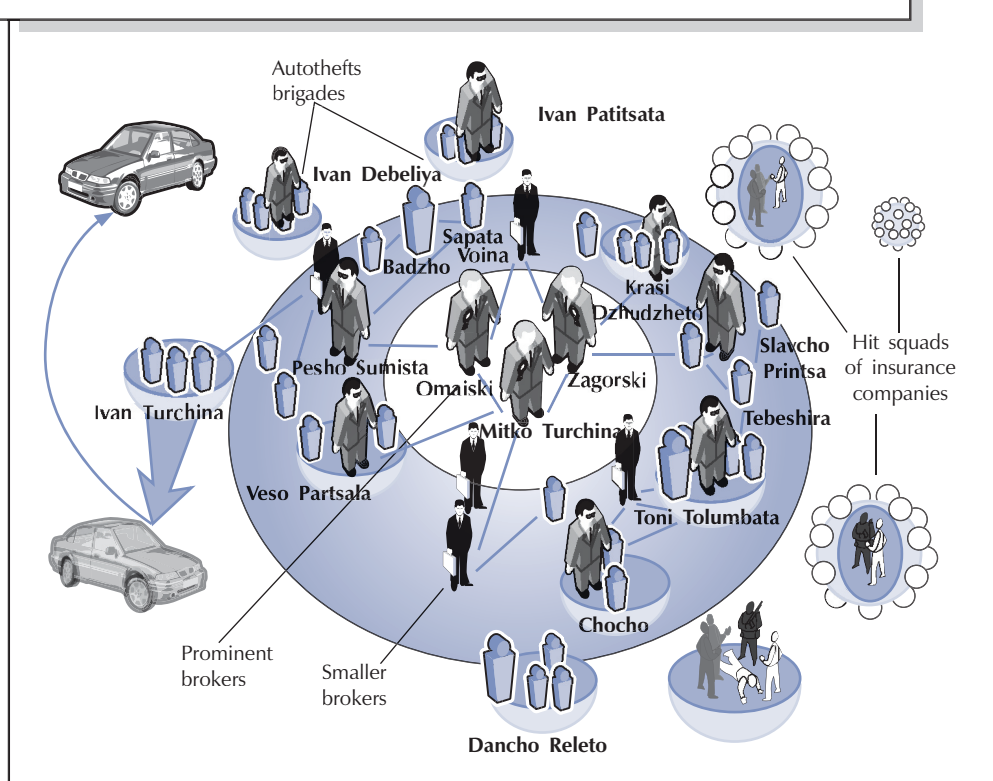
The most sought after mechanics are called **chisel men**—they hew out new license plate numbers to replace the original ones. Some of them may specialize in Soviet-era and old cars, while others may be skilled to falsify the identification numbers of cars with dozens of security codes placed by manufacturer or insurer (various numbers on the frame, engine, gear box, immobilizer, etc.). In the first case the cars are modified in small repair shops, as the more cars they handle, the greater their profit.<sup>264</sup> The engines and controls of the most expensive and modern cars, though, are equipped with advanced technological defenses which could only be handled by very skilled men in possession of enough hi-tech devices. They must restyle the stolen vehicle so as to make it fully unrecognizable. The best qualified chisel men take great pains to protect themselves from prosecution. There is hardly any case when the police have caught one of those craftsmen in the middle of a car disguising effort. As a rule, they work in other people's repair shops and even if a stolen car was found there by the police while the master mechanic was present, there wouldn't be direct evidence pointing to him as the perpetrator. After 2001, many of the best qualified among those mechanics emigrated to Western Europe. The skilled mechanics go to the car, not the other way round, they change auto repair shops and never get caught (in contrast to auto thieves). Another group of car mechanics deals specifically with dismantling cars for components and with reassembling such stolen car parts into new cars.

<sup>264</sup> There are mechanics whose work is anecdotally efficient. A man dubbed the Togliatti, who worked in the mid-1990s and specialized in the Soviet make Zhiguli, could reportedly refashion 10 to 15 cars in a single night.

The other craft associated with stolen cars is **changing its identity on paper**. As documents vary in the degree they are protected, an inept forgery could fail the car theft chain. Counterfeits should be both technically well elaborated, but also well researched, as all the right kind of documents must be supplied. Sometimes the genuine papers of a crashed car are taken or the documents are stolen from a car somewhere in Europe, so that later in Bulgaria or a country other than the one where the vehicle was stolen, they could forge another car's identifications signs to match the papers.

As at some point the auto theft market had shifted to theft-for-ransom, another group, the so called **retrievers** became an important link between the thieves and the victim. The reliance on small-world<sup>265</sup> model of connections is probably the peculiarity that distinguished all branches of organized criminality in Bulgaria from their counterparts in other countries. Auto-theft action groups would easily get back to almost any of their victims through the network of retrievers. This pattern was probably successful due to the fact that the number of people servicing the chain—thieves, retrievers, mechanics, police officers, car importers, sellers at car dealerships and other insiders—was no greater than the population of a large village (2,000–3,000 people).

Figure 20. Auto theft networks



<sup>265</sup> First described in: Milgram, S. *The Small World Problem*, *Psychology Today*, No. 2, 1967, pp. 60-67.

After the theft is accomplished the perpetrators call one of the three or four well-known retrievers—they are the people at **the hub of most networks of thieves and intermediaries**. There are a few other less famous brokers/coordinators, but the core of the networking system comprises several well-known names. The ones that have risen to prominence in the last four or five years on the Sofia market are Mitko the Turk, Zagorski and Omaiski. These men are impossible to prosecute, as they act mostly as telephone exchanges, and neither money, nor cars can be found on them. Their main strength is the trust they managed to build as retrievers in the mid-1990s when theft-for-ransom became frequent practice. The victims could rely on the retriever's good name that they were going to have their car restored. Any failure to do so detracted from the retriever's authority. Another trick for keeping a retriever's reputation intact in case of failure was to keep their involvement in the theft-for-ransom chain anonymous.<sup>266</sup>

Towards the late 1990s the car theft market was almost never violent. As theft-for-ransom came to the fore, those that would use violence were marginalized. The market regulated itself and any network member from the thieves to those with supporting roles would drop out if they failed to fulfill their part of the task.

**Retrieval networks** provide the link between the victim's social circle of friends and relatives and the actors on the auto theft market. Interviews with individuals experienced in ransom taking confirm that it is usual practice to contact a person close to the victim, very often someone whose own car has also been stolen once or more. Thus, trust is again involved, as the victim could only give a large amount of money to someone close whom they trust unconditionally. This person must know someone from the auto theft networks—a mechanic, police officer or local crime leader—to contact, so that he can access the retrievers. After the ransom is received and the car is restored to its owner, he/she may be paid a small sum by the thieves for providing the link.

In contrast to the 1990s when the thieves would reach the victim and state the required ransom directly, the process now involves a number of intermediaries and the victim is expected to be actively seeking contact with them. The victim has to approach the retriever and negotiate with him the ransom terms. In case they do not agree on a price, several options remain. If the car is expensive and transfer risks are low, it may be trafficked out of Bulgaria. Alternatively, it may be dismembered and sold for parts. Finally, the car could be put on fire in a way of demonstrating power. In fact, a victim resisting pressures for ransom could become the target of a long list of retributions. Reportedly, some people refusing to pay ransom would have their next newly acquired car(s) damaged as a punishment for their refusal to pay ransom. In addition, cheaper cars, especially if the police engage in a chase and the thieves decide it is not worth the risk, could be abandoned in a remote street and left there for months before the police find it.

When ransom negotiations are brought to an end, the money is to be delivered to the thieves, which usually involves several other links to make tracking the ransom harder. This modus operandi was adopted after auto theft units were set

<sup>266</sup> Interview with X, a prominent retriever.

up within the police, which became increasingly effective in ransom catching. Thieves switched to using three to four ransom carriers, which made it easier to cover their tracks. The persons who take the money from the car owners are put at greatest risk, but when caught they usually stick to the explanation that they were simply doing a personal favor to the victim. It is not impossible to detect where the ransom goes after being taken from the victim, but only up to the second person involved. Often, he or the third person in the chain goes to a designated office and exchanges the money into foreign currency, which is a good track covering strategy, even if someone in the chain cooperated with the police and used marked banknotes.<sup>267</sup>

For these reason, it is extremely difficult to detect and present evidence in theft-for-ransom cases. Intermediaries and thieves use coded language in their phone calls which, even when recorded by the police, will not hold in court, as car related vocabulary is carefully avoided. If the chosen target was a yellow Volkswagen Passat located anywhere in the country (as opposed to the capital city) or abroad, they would talk about yellowish rustic-style pâté, or if they mentioned that blue Olympics were needed, they would actually be referring to a blue Audi being in demand.

A **long chain of intermediaries**, however, **lowers the profit from a car theft**. If ransom intermediaries get 100–200 levs and the main link receives a percentage of the profit, the thieves themselves could be left with quite a small sum. Data from the 2004 and 2005 National Crime Surveys in Bulgaria and interviews with police officers and car thieves revealed that ransoms amounted to only one third of the car's price. With the average price of a stolen car about 6,100–6,200 levs,<sup>268</sup> those that risked the actual performance of the theft may end up with a mere 1,000 levs if they can get a ransom for it. In 2005–2006, however, a new trend was observed—as the number of stolen and retrieved cars dropped, the average ransom increased, thus demonstrating the auto theft market's adaptability to new conditions.

There are two other key actors on the auto theft scene—the **mule and the organizer**. The mule can be tasked with transferring cars from abroad—Spain, Italy, the Czech Republic, Hungary, but also with many other different tasks, such as carrying the ransom money to the thieves. The organizer is usually the man who orders a particular car or sort of cars to be sought. Often such people manage the whole chain—the car-watching (in Spain or elsewhere), the mechanics, the mules based in Central Europe, the Bulgarian car dealerships, and the traffic officials to issue its new legal documents. Interviews confirmed that organizers are at the top of the pyramid, despite the crucial role of retrievers. They are equally well protected, but in addition they have a much greater say in guiding the course of the operation.

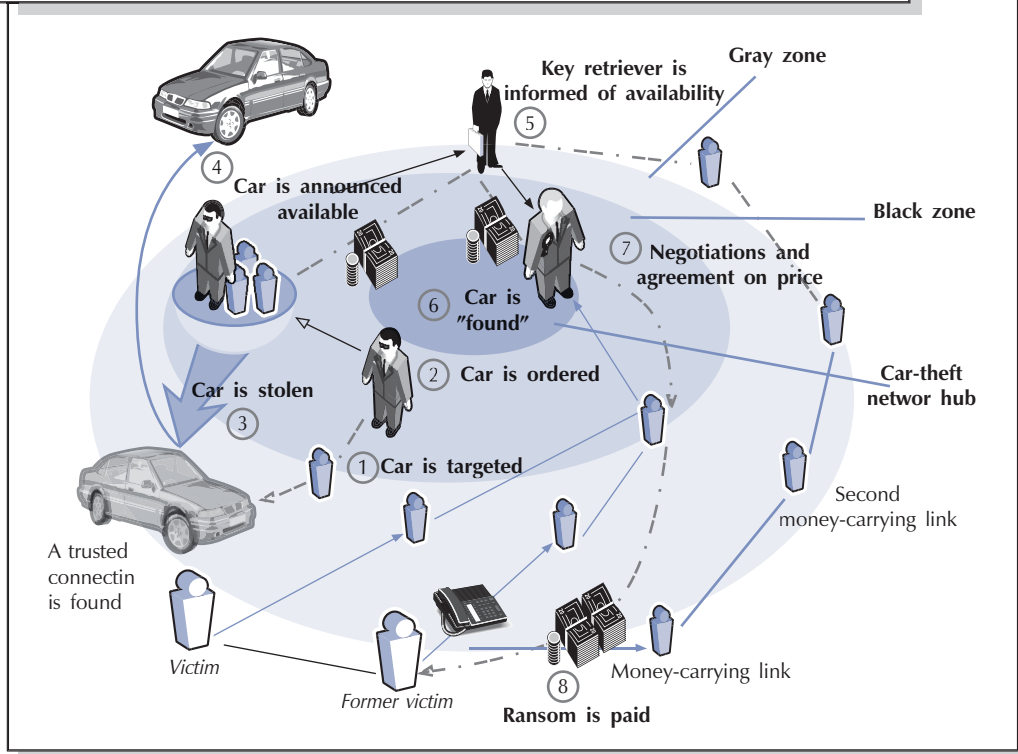
Another figure invariably present close by the criminal world in Bulgaria is the **mob or "black" lawyer**. No actor in the auto theft business (from car thieves to car dealers) would fail to budget for such a lawyer, as they could defend them or minimize

<sup>267</sup> Intermediaries have been caught equipped with ultraviolet lamps ready to check for marked notes.

<sup>268</sup> *Crime Trends in Bulgaria 2000 – 2005*, Center for the Study of Democracy, Sofia, 2006.



Figure 21. The theft-for-ransom process



damages whenever anything goes wrong or a theft is effectively detected and prosecuted. There are mob lawyers specializing in auto theft, ransom and counterfeiting who would see a client through from police inquiry to second-instance court (for more on mob, or black lawyers, see Chapter I).

Mob lawyers, however, are a ready target for both the police, who are dissatisfied that the lawyers use illegal methods to make null police evidence at court, and the auto theft players (thieves, mechanics, retrievers, etc), who are sometimes sentenced despite the fat amounts they pay the lawyers.

The car theft market structure cannot be fully comprehended without analyzing the role of **car insurance companies**. Interviewees have pointed out that currently three insurance firms are involved in violence and ransom seeking through car theft. Referred to as "the mobsters floor" by regular insurance employees, the violence using groups are not on the insurance firms' payroll. Often, they are former police officers or professional athletes hired under temporary contracts or registered as sole trader companies and subcontracted for services by the main firm. Insurance statistics shows that the three such companies hold over 50% of motor insurance in the country. However, other insurance companies also sign contracts with these satellite violence-using groups. It must be noted, though, that violent methods could be successfully applied elsewhere, but in the capital city Sofia.

A look at the relation of auto theft networks to other organized criminal submarkets will also help clarify the picture. Notably, stolen cars have been used in all

major mafia contract killings in the last fifteen years. The fact that the murdered mob lords were involved in the drug market, contraband, VAT frauds, prostitution rings and so on, indicates that the auto theft market is related and supportive to most other branches of syndicate crime. With a few exceptions, though, in the **last six–seven years auto theft itself has not been associated with violence**. The only auto theft leaders killed in that period were Dragomir "Drashko" Iliev, in August 2006 and Nikolai "Kolyata" Petrov, in December 2003. Some analysts claim that car theft networks are highly influential because of their indispensable role in strategic criminal world killings that they do not need to resort to violence in their own primary activities.

### *Market Dynamics and Recent Car Theft Methods*

The auto-theft market's geography has changed due to the described multi-participant model of intermediation during stolen car retrieval, as well as strong pressure from law enforcement and the insurance companies. There are few safe places left on the map for auto thieves—mainly the capital and the small satellite towns around it. Police records reveal that despite the falling trend, car theft in Sofia is growing relative to the total number of thefts in Bulgaria, reaching a share of 55% in 2006.

There are several factors behind this pattern:

- Apart from Sofia, most towns are too small-sized to allow the formation of large networks protected by anonymity. In the last four years the average Bulgarian towns with 30,000 to 100,000 inhabitants have had no more than two or three active car theft groups, which has made the tracking of any stolen car deal rather easy.
- Provincial courts are prone to issuing harsher sentences for car theft offenses, particularly when the local police and local branches of insurance companies put pressure on them. This is done even with weaker evidence than any court in Sofia would normally accept.
- The violence used by the three aforementioned insurance companies. Interviewed local car thieves from Varna suggested that two locals dealing in car theft have been killed.
- Since 2001 many car thieves have fled the Bulgarian countryside in search of larger Western European markets, particularly to Spain and Italy.

Increased emigration and the imprisonment of major local car thieves were followed by a significant drop of 30% to 50% of auto thefts, which is visible in most towns/districts.

**Table 14. Car thefts by district police directorate (DPD)**

|   | 1995                 |                                      |                    | 2001                 |                                      |                    | 2006                 |                                      |                    |
|---|----------------------|--------------------------------------|--------------------|----------------------|--------------------------------------|--------------------|----------------------|--------------------------------------|--------------------|
|   | Number of car thefts | Clear-up rate of recorded car thefts | % total car thefts | Number of car thefts | Clear-up rate of recorded car thefts | % total car thefts | Number of car thefts | Clear-up rate of recorded car thefts | % total car thefts |
| Sofia City Police Directorate                                 | 6,208                | 6.75                                 | 39.29              | 5,450                | 6.15                                 | 50.31              | 2,796                | 7.30                                 | 55.03              |
| Bourgas DPD   | 550                  | 20.36                                | 3.48               | 647                  | 8.96                                 | 5.97               | 473                  | 12.90                                | 9.31               |
| Varna DPD   | 1,899                | 9.58                                 | 12.02              | 1,137                | 7.30                                 | 10.50              | 350                  | 22.00                                | 6.89               |
| Plovdiv DPD   | 1,280                | 14.38                                | 8.10               | 630                  | 12.54                                | 5.82               | 220                  | 20.00                                | 4.33               |
| Stara Zagora DPD  | 451                  | 21.29                                | 2.85               | 318                  | 21.70                                | 2.94               | 152                  | 35.53                                | 2.99               |
| Sofia DPD   | 354                  | 32.49                                | 2.24               | 296                  | 16.22                                | 2.73               | 101                  | 26.73                                | 1.99               |
| Pazardzhik DPD  | 266                  | 31.58                                | 1.68               | 230                  | 13.04                                | 2.12               | 87                   | 25.29                                | 1.71               |
| Blagoevgrad DPD   | 352                  | 24.43                                | 2.23               | 52                   | 48.08                                | 0.48               | 84                   | 42.86                                | 1.65               |
| Dobrich DPD   | 361                  | 27.42                                | 2.28               | 189                  | 15.34                                | 1.74               | 73                   | 27.40                                | 1.44               |
| Veliko Tarnovo DPD  | 310                  | 28.39                                | 1.96               | 115                  | 17.39                                | 1.06               | 72                   | 36.11                                | 1.42               |
| Vratsa DPD  | 242                  | 21.07                                | 1.53               | 227                  | 15.42                                | 2.10               | 71                   | 21.13                                | 1.40               |
| Pleven DPD  | 572                  | 20.63                                | 3.62               | 154                  | 20.13                                | 1.42               | 71                   | 30.99                                | 1.40               |
| Shumen DPD  | 278                  | 27.34                                | 1.76               | 180                  | 24.44                                | 1.66               | 52                   | 23.08                                | 1.02               |
| Pernik DPD  | 573                  | 7.85                                 | 3.63               | 319                  | 16.93                                | 2.94               | 50                   | 30.00                                | 0.98               |
| Sliven DPD  | 125                  | 28.80                                | 0.79               | 77                   | 36.36                                | 0.71               | 47                   | 29.79                                | 0.93               |
| Yambol DPD  | 138                  | 34.78                                | 0.87               | 53                   | 35.85                                | 0.49               | 45                   | 51.11                                | 0.89               |
| Targovishte DPD   | 88                   | 38.64                                | 0.56               | 49                   | 40.82                                | 0.45               | 41                   | 63.41                                | 0.81               |
| Rousse DPD  | 376                  | 19.15                                | 2.38               | 74                   | 22.97                                | 0.68               | 39                   | 46.15                                | 0.77               |
| Lovech DPD  | 210                  | 28.57                                | 1.33               | 73                   | 31.51                                | 0.67               | 36                   | 41.67                                | 0.71               |
| Gabrovo DPD   | 162                  | 28.40                                | 1.03               | 56                   | 41.07                                | 0.52               | 33                   | 45.45                                | 0.65               |
| Montana DPD   | 149                  | 28.86                                | 0.94               | 72                   | 30.56                                | 0.66               | 33                   | 48.48                                | 0.65               |
| Razgrad DPD   | 131                  | 44.27                                | 0.83               | 81                   | 19.75                                | 0.75               | 33                   | 48.48                                | 0.65               |
| Haskovo DPD   | 215                  | 28.37                                | 1.36               | 149                  | 18.12                                | 1.38               | 33                   | 42.42                                | 0.65               |
| Kardzhali DPD   | 58                   | 46.55                                | 0.37               | 19                   | 36.84                                | 0.18               | 26                   | 92.31                                | 0.51               |
| Kyustendil DPD  | 144                  | 31.94                                | 0.91               | 60                   | 33.33                                | 0.55               | 24                   | 50.00                                | 0.47               |
| Silistra DPD  | 110                  | 48.18                                | 0.70               | 50                   | 12.00                                | 0.46               | 16                   | 37.50                                | 0.31               |
| Vidin DPD   | 140                  | 56.43                                | 0.89               | 67                   | 23.88                                | 0.62               | 14                   | 64.29                                | 0.28               |
| Smolyan DPD   | 38                   | 65.79                                | 0.24               | 6                    | 66.67                                | 0.06               | 6                    | 83.33                                | 0.12               |
| Transport Police Dpt.<br>at the General Police<br>Directorate | 19                   | 42.11                                | 0.12               | 2                    | 50.00                                | 0.02               | 3                    | 33.33                                | 0.06               |
| <b>TOTAL</b>  | <b>15,799</b>        | <b>15.51</b>                         | <b>100.00</b>      | <b>10,832</b>        | <b>10.98</b>                         | <b>100.00</b>      | <b>5,081</b>         | <b>16.71</b>                         | <b>100.00</b>      |

Source: Ministry of Interior

Assessments of motor vehicle theft based on police records often disregard a large segment of the market in the 1990s—vehicles stolen in Western Europe and smuggled into Bulgaria. The interviews with car thieves and dealers led to the suggestion that such cars with cleaned-up factory numbers and legalized papers are available in fairly large quantities, steadily growing since 2001. Interviews with police officers suggested that over 30% of the SUVs of several makes, such as BMW X5, Audi Q7, Mercedes GL and M, including the rare Porsche Cayenne, were restyled.<sup>269</sup> Black car market actors, though, claimed that their share was even larger, reaching 50% for some stolen vehicle models. None of these figures, however, could be verified.<sup>270</sup> Compared to 1992–1998—the period when car trafficking channels were working smoothly and registration of smuggled vehicles with the home traffic police was practically unhindered, both border and domestic controls have improved since successive rounds of measures were introduced in 1998, 2002 and 2003. Car trafficking networks that imported cars for sale in Bulgaria, however, also adapted their methods to changing policing and insurance realities at home and across Europe. The techniques they started to use were aimed at keeping the theft undetected for as long as possible, and even after detection—at disguising the car, so that it would be difficult to prove the offense at court.

As stated by police interviewees, the sophisticated methods deterring detection and making use of the numerous legal lacunae around the investigation of vehicle theft offenses greatly discourage car theft police units, as such cases take up ample resources (e.g. 5–6 months of an officer's working time) with no sound prospects for a successful probe. Often, the car under investigation gets blocked and unusable by either its current owner (who may be an innocent purchaser of the stolen vehicle), or the person from whom it was initially stolen. In many cases, the latter has already been paid insurance and wouldn't go further to get the car back, much as the insurance company wouldn't be willing to make any extra expenses. For this reason, the police prefer focusing their efforts on less convoluted mass-produced car theft cases, in which no advanced falsifications techniques are used. The leading car trafficking players know the regulatory framework as well as police attitudes in detail, which helps them keep ahead of the situation.

The major approach used in trafficking vehicles stolen abroad is that of **car doubles**—a process having several distinct stages. At the **first stage**, the car dealerships and importers must be identified. They must have clients convinced that they can buy a new, luxury car at this specific outlet at a special discount, say 10–20% cheaper than elsewhere in the country.<sup>271</sup> Other clients will deliberately choose to buy a stolen car in order to save half or more of its regular market price. A third group of clients will order a specific model of car with particular

<sup>269</sup> Here again, the resemblances with the Russian auto theft market are striking. Gerber, G., and Killias, M. *The Transnationalization of Historically Local Crime: Auto Theft in Western Europe and Russia Markets*, European Journal of Crime, Criminal Law and Criminal Justice, Vol. 11, No. 2 / May, 2003.

<sup>270</sup> In contrast to the common type of car theft, nearly 100% of which are registered, stolen and uncovered cars that have been tampered with are either not registered or their records are mixed with other types of records from customs, tax administration and traffic police.

<sup>271</sup> A variation of this behavior occurs when the owner of a crashed car would order the same model, being well aware that he will be supplied with a vehicle stolen in Western Europe.

equipment. The traffickers will then make a rough estimate of the number of cars the selected dealerships could sell to their clients and order the batch of vehicles. Such luxury cars, however, should not be imported in conspicuously high numbers, as that may provoke suspicions.

At the **second stage**, the target vehicle is identified and stolen. Europol<sup>272</sup> and national police data from Spain, Italy and France reveal that the modus operandi in vehicle theft is changing to several technically unencumbered methods, such as car jacking with use of violence and theft of original keys, so that the offenders do not need to disable the sophisticated security features of modern cars.

The **third stage** is transportation to the Bulgarian market. The stolen vehicle may be transported in a regular container supplied with false freight documents for goods that are not normally monitored. The risk, however, is high, as container shipped cargo is generally closely monitored. The second major task at this stage is to find a car double and collect any possible identification number or sign on it - on the frame, engine, gear box, immobilizer, windowpanes, mirrors, seats, belts, etc. The double may be a wrecked car bought from its owner at a small price or one found in car dealership and inspected carefully under the false pretenses of intended purchase, during which its identifications are meticulously copied. The few such schemes that have been resolved by investigative bodies reveal extensive use of advanced technologies. For instance, details about the cars in demand in the destination country (Bulgaria) are sent via the internet, mobile phone built-in cameras are used to photograph the targeted double's identity numbers, which are then sent back in messages, etc. All codes and numbers of the stolen car are then replaced by skilled mechanics using fine instruments, so that the falsification could only be spotted with very precise detectors. The newly produced double has extremely low odds of being caught, as the original's absence is not investigated in the first place. Indeed, such schemes are rarely captured and police recorded at all, and the actual share of cars thus altered cannot be calculated with any certainty. Police figures across the EU also show that only a small percentage of such cars are found. This raises the question why Bulgaria, rather than EU countries, is picked as a destination market. Possibly, among the Bulgarian population there are still multiple purchasers believing they can get a high-class car at a preferential price or willing to risk driving a stolen vehicle that they could never afford under normal circumstances.

There are two more schemes for importing motor vehicles stolen in Western Europe. The first was originally used in the 1990s, but is already becoming obsolete. It is an **insurance fraud** employed by vehicle owners who sell their car on the black market at a price three times as low as its theft coverage. When all transfer procedures are completed and the car is transferred to the market country,<sup>273</sup> usually two months after the deal (that is the maximum period admissible when applying for insurance), the owner reports the car stolen to the police and the insurance company. If his insurance was, for instance, 30,000 German marks and

<sup>272</sup> Europol, *An Overview of Motor Vehicle Crime from a European Perspective*, January 2006.

<sup>273</sup> Interviews with respondents A, S, N; similar practices occur in other East European countries and Russia as well, see Gerber, G., and Killias, M. *The Transnationalization of Historically Local Crime: Auto Theft in Western Europe and Russia Markets*, *European Journal of Crime, Criminal Law and Criminal Justice*, Vol. 11, No. 2 / May, 2003.

the amount he got on the black market one third of that—i.e. 10,000 German marks, he would pocket 40,000 from the non-existent theft. When at some point, EU insurance companies shortened the period for reporting the theft to a few hours, the scheme became nearly unusable, as for such a short time the car could at best be transferred through the border to a neighboring country and could be trafficked further only if its identity was changed. Therefore, this *modus operandi* was replaced by the bankrupt company scheme, which came in wide use in 2006. It involves the setting up or buying of an extant company abroad, which then leases several cars. The cars are transferred to the destination country and sold at the black market. The company at the source state is then made bankrupt, leasing payments are terminated, and the cars are not restored.

Finally, there is a **reverse scheme of expensive car doubles**—the original cars are found in Bulgaria, with the owner providing all necessary ID, including number plates, vehicle documents, and insurance papers, which are exported to Western Europe. A stolen car of the same model is then imported, which has to be examined by the traffic police before its Bulgarian registration documents are issued. The original car is taken to these examinations and thus the trafficked double is provided with legal documents. There are cases in which a car has had four to five such clones.

### ***Volume of the Auto Theft Market***

In contrast to the mid-1990s, in recent years the number of car thefts not reported to the police has dwindled to 1–2%. Current estimates of recent police statistics suggest that over 60% of car theft victims are offered to have their car restored against a certain sum. Ransoms are usually demanded when the car is not covered against theft. With insured cars, which, according to expert estimates, are around 30%, the thieves approach the insurance company to offer a deal. All in all, it can be calculated that ransom was demanded from 3,500 people in 2005 when the number of stolen vehicles was 5,900, and from 3,000 individuals in 2006 when 5,000 were stolen.<sup>274</sup> Some experts claim that 90% of victims pay the ransom demanded of them.<sup>275</sup> In around 10% of the cases insurance fraud is involved when a person, who has found out about the theft but is not the owner, approaches the insurance company to claim the insurance amount.

The above figures could be used as a basis to make a rough estimate of the car theft market's size in 2005–2006. Findings from the National Crime Survey reveal that on average the value of a stolen car is 6,100–6,200 leva, whereas the average ransom is around 2,200.<sup>276</sup> The latest police data, however, show that **in 2006 stolen cars' value markedly rose to 10,000–12,000 leva**. It may be surmised that the ransom has also risen to an average of 3,000–4,000. Thus, the total market

<sup>274</sup> Non-existent thefts were reported by 10 to 15% of car owners who wished to get rid of an old vehicle or a vehicle that would not pass the registration procedure. In those cases the owners usually sold the car for scrap which made them exempt from fines or fees that could be imposed on them.

<sup>275</sup> A victimization survey carried out by Vitosha Research in November 2006 found out that 31% of car theft victims were asked for ransom, and 56% of them paid it. The relatively low ratio of demanded and paid ransoms could be explained with the respondents' unwillingness to self-report behavior that is as an offense under the law.

<sup>276</sup> *Crime Trends in Bulgaria 2000 – 2005*, Center for the Study of Democracy, Sofia, 2006.

value of stolen vehicles seems to have gone up from 30 million levs in 2005 to **55 million in 2006**. The total revenues of car ransom seekers have increased from 7.7 million in 2005 to 10.5 million levs in 2006.

To measure the average profits of a car theft ring, it could be assumed that 60% of car thefts are committed in Sofia. Thus, ransom revenues in 2005–2006 would amount to 4.6–6.3 million levs. The Sofia Directorate of Interior has estimated that at the local market where 10 to 20 auto theft groups are active, one group could make between 230,000 and 630,000 levs per year. A member of a group of 80 to 100 individuals could then make from 45,000 to 80,000 levs annually.

#### 4.6. CAR THEFT MARKET DEVELOPMENT SCENARIOS

A comparison of the stolen motor vehicle market in Bulgaria in 1995 with the latest data from 2006 suggests that its profits have shrunk five to six times, whereas stolen car numbers have fallen to the pre-1990 level. This raises the question whether car safety has increased to reach socialist-time levels or whether organized criminal car-theft networks are not any longer the severe problem they used to be. Despite the decrease, if the share of thefts not cleared-up is over 50% this is a sign of the presence of criminal enterprises on the market. As regards car theft Bulgaria remains one of the countries with lowest clear-up rate.

Considering the convergence of the factors described above (rapid overall decrease of auto thefts, invariably low clear-up rate, networks immune to investigation, emigration of many well-known auto thieves to the EU, and the well covered market of doubles) one could outline several probable scenarios for the future of the auto theft market in Bulgaria:

First, an **optimistic scenario** could be proposed. With this scenario car thefts will persistently decrease, as manufacturers will continuously improve built-in defenses. Factory made electronic devices will only be available at franchise dealer service points and gray car workshops will disappear. The growing number of insured cars (due to attractively priced comprehensive insurance and third party liability packages) will discourage their owners from paying ransom in case of theft. Due to advanced equipment for total video surveillance and comprehensive electronic data storage, the police will improve evidence gathering and effectively detect motor theft offenses. These trends will compel more experienced thieves to exit the auto theft market.

A more **realistic scenario** will be for the decline of auto thefts to stop when it reaches an average of 4,000 stolen vehicles annually. At present, the number of stolen cars per capita in Bulgaria is one of the lowest compared to the rest of the EU. At the same time, theft and trafficking remain a lucrative business, as Bulgaria is surrounded with the much less controlled car theft markets of other Balkan and Black Sea states, and regions like the Caucasus and the Middle East. It could reasonably be expected that new cross-border possibilities will open up to Bulgarian auto theft networks after the borders of EU states were lifted in 2007.

Table 15. Stolen vehicles in the EU (2004)

|                | Vehicles stolen | Vehicles not recovered | Clear-up rate |
|----------------|-----------------|------------------------|---------------|
| Austria        | 5,973           | 3,536                  | 59.2          |
| Belgium        | 19,104          | 8,173                  | 42.8          |
| Bulgaria       | 7,569           | 1,109                  | 14.7          |
| Denmark        | 9,838           | 1,391                  | 14.1          |
| Finland        | 12,353          | 2,469                  | 20.0          |
| France         | 186,430         | 116,472                | 62.5          |
| Germany        |                 | 35,034 <sup>277</sup>  |               |
| Greece         | 15,010          | 6,468                  | 43.1          |
| Ireland        | 9,065           | 5,399                  | 59.6          |
| Italy          | 221,925         | 115,641                | 52.1          |
| Luxemburg      | 526             | 238                    | 45.2          |
| Netherlands    | 22,989          | 9,598                  | 41.8          |
| Portugal       | 14,832          | 9,222                  | 62.2          |
| Spain          | 122,248         | 85,001                 | 69.5          |
| Sweden         | 38,058          | 3,304                  | 8.7           |
| UK             | 214,000         | 85,000                 | 39.7          |
| Cyprus         | 427             | 225                    | 52.7          |
| Czech Republic | 24,230          | 3,786                  | 15.6          |
| Estonia        | 1,209           | 625                    | 51.7          |
| Hungary        | 9,065           |                        |               |
| Latvia         | 3,306           | 1,865                  | 56.4          |
| Malta          | 825             | 238                    | 28.8          |
| Poland         | 51,319          |                        |               |
| Slovakia       | 4,801           | 1,107                  | 23.1          |
| Slovenia       | 1,026           | 380                    | 37.0          |

Source: Europol

The **pessimistic scenario** takes into account cyclical trends captured by both home and EU statistics. Such records demonstrate that after long-term lows, car thefts tend to rise again. As more expensive and newer cars will increase in number, Bulgarian auto thieves could focus on this segment by developing new theft methods and enhancing their ties with actors on the international car theft market.

<sup>277</sup> EU crime experts point out that data about car thefts in Germany may lack in realism, as local statistics only records stolen cars for which charges are pressed.