BILL C-26: AN ACT TO AMEND THE CRIMINAL CODE (AUTO THEFT AND TRAFFICKING IN PROPERTY OBTAINED BY CRIME)

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# LEGISLATIVE HISTORY OF BILL C-26

## HOUSE OF COMMONS

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## SENATE

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Royal Assent:

Statutes of Canada

N.B. Any substantive changes in this Legislative Summary that have been made since the preceding issue are indicated in **bold print**.

Legislative history by Michel Bédard
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BACKGROUND

A. Purpose of the Bill and Principal Amendments

Bill C-26, An Act to amend the Criminal Code (auto theft and trafficking in property obtained by crime), was introduced by the Minister of Justice and Attorney General of Canada, the Honourable Robert Nicholson, and received first reading in the House of Commons on 21 April 2009.

Although the bill targets motor vehicle theft, it also addresses trafficking in any property obtained by crime and the exporting and importing of such property. It provides for four new offences and makes consequential amendments to the Criminal Code (the Code), which it amends in three ways:

- It creates a separate offence for motor vehicle theft, punishable by imprisonment for a maximum of 10 years and, in the case of a third or subsequent offence, for a minimum of six months (clause 2 of the bill).

- It creates the offence of tampering with a vehicle identification number (VIN), which is punishable by imprisonment for a maximum of five years (clause 3 of the bill).

- It creates the offences of trafficking in property obtained by crime and possession of property obtained by crime for the purpose of trafficking, punishable by imprisonment for a maximum of 14 years (clause 5 of the bill).

- It allows the Canada Border Services Agency (CBSA) to prevent the crossborder movement of property obtained by crime, including stolen vehicles (clause 5 of the bill).

* Notice: For clarity of exposition, the legislative proposals set out in the bill described in this Legislative Summary are stated as if they had already been adopted or were in force. It is important to note, however, that bills may be amended during their consideration by the House of Commons and Senate, and have no force or effect unless and until they are passed by both houses of Parliament, receive Royal Assent, and come into force.
Bill C-26 reiterates the provisions of former Bill C-53\(^{(1)}\) and adds the offence of motor vehicle theft and provision for the use of electronic surveillance in investigations into the new offences created by Bill C-26. A separate offence for motor vehicle theft was created in former Bill C-343,\(^{(2)}\) but the bill died on the Order Paper before passing the Senate. As for VINs, an offence similar to that provided in Bill C-26 appeared in former Bill C-64,\(^{(3)}\) which died on the Order Paper at the end of the 38\(^{th}\) Parliament.

On 10 June 2009, the House of Commons Standing Committee on Justice and Human Rights amended clause 2 of Bill C-26, which relates to the offence of motor vehicle theft. Before the amendment by the committee, the bill provided that the three offences had to have been prosecuted by indictment in order for the minimum prison sentence of six months for a third offence to apply. With the amendment in place, only the third offence must be prosecuted by indictment. The first and second offences may have been prosecuted either by indictment or by summary conviction. This change broadens the application of the minimum sentence.

B. Overview of Motor Vehicle Theft

1. Motor Vehicle Theft in General\(^{(4)}\)

Motor vehicle theft has major repercussions for vehicle owners, consumers, police, insurance companies and governments. The Insurance Bureau of Canada estimates that the financial burden resulting from this crime is over $1 billion per year.\(^{(5)}\) That estimate includes thefts of uninsured vehicles; health care costs; the costs associated with the courts, police services and legal services; and personal expenses incurred by owners.\(^{(6)}\)

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\(^{(2)}\) An Act to amend the Criminal Code (motor vehicle theft), 1\(^{st}\) Session and 2\(^{nd}\) Session, 39\(^{th}\) Parliament.

\(^{(3)}\) An Act to amend the Criminal Code (vehicle identification number), 1\(^{st}\) Session, 38\(^{th}\) Parliament.


\(^{(6)}\) Although there is no system that captures and links incidents involving stolen motor vehicles and related injuries and deaths, a review of newspaper articles published between 1999 and 2001 showed that 81 people were killed as a result of motor vehicle theft, and 127 people suffered serious injury (Ibid.).
According to data reported by police services, the number of stolen vehicles in Canada per 100,000 population declined by 9% in 2007, continuing a general downward trend that began in 1997.\(^{(7)}\) That decline might be explained in part by the development and implementation of prevention policies and programs by police services, insurance companies and governments. For example, to combat this problem, the federal government has made regulations that since September 2007 have required Canadian auto manufacturers to install electronic immobilization devices in their new vehicles.\(^{(8)}\) Insurance companies are also trying to reduce the incidence of theft by offering discounts to owners of vehicles equipped with anti-theft devices. Various other programs, including those using bait cars, have also been employed by various police services in Canada. Bait car programs involve parking vehicles owned by police in high-risk areas. If the vehicles are stolen, they are rapidly located using GPS systems.

In spite of the decline in 2007, motor vehicle theft is still one of the most common offences committed in Canada, particularly among 15- to 18-year-olds. In 2007, that age group accounted for three in 10 solved vehicle thefts.\(^{(9)}\) In total, 146,000 motor vehicle thefts were reported by police in 2007, an average of 400 a day. Car thefts account for slightly over half of the cases reported to police (54%), followed by thefts of trucks, vans and sport utility vehicles (35% of cases) and motorcycles (4%).\(^{(10)}\)

While motor vehicle theft is a Canada-wide phenomenon, some provinces and territories are more affected than others. Generally speaking, rates are higher in western and northern Canada than in the east. In 2007, Newfoundland and Labrador reported the lowest rate (120)\(^{(11)}\) and Manitoba the highest (1,236), nearly three times the Canadian average (443).\(^{(12)}\)

\(^{(7)}\) It is important to note that not all motor vehicle thefts are reported to police. Data on victimization from the General Social Survey conducted in 2004 indicate that about seven out of 10 motor vehicle thefts are reported to police. Thefts of vehicles with a value of $1,000 or higher are more likely to be reported. In 2004, for example, 89% of thefts involving losses of that amount were reported. We can therefore assume that the higher the loss, the higher the reporting rate. That said, it is very probable that rates calculated using police statistics underestimate the real number of thefts that take place in Canada every year (Dauvergne [2008], p. 11).


\(^{(9)}\) Dauvergne (2008).

\(^{(10)}\) The remaining 8% relate to other types of motor vehicles (Ibid.).

\(^{(11)}\) In all cases, the rates are per 100,000 population.

\(^{(12)}\) Manitoba reported the highest rate of motor vehicle theft for the 11\(^{th}\) straight year (Dauvergne [2008], p. 13).
For the 15th straight year, Winnipeg reported the highest motor vehicle theft rate in Canada (1,714), followed by Abbotsford, British Columbia (1,000), Edmonton (832) and Regina (735). Kingston, Ontario, and Saint John, New Brunswick reported lower rates: 176 and 168 auto thefts per 100,000 population, respectively.

2. Motor Vehicle Theft by Criminal Organizations

Bill C-26 aims specifically to assist law enforcement agencies in more effectively combatting organized vehicle theft, since criminal organizations often falsify vehicle identification numbers and export vehicles from Canada.

The theft and resale of vehicles, facilitated by the alteration of VIN numbers, is a relatively low-risk, high-profit activity that is commonly used to finance criminal organizations’ other activities. According to a study conducted by the Royal Canadian Mounted Police in 1998, criminal organizations are involved in all aspects of vehicle theft: the ordering of specific vehicles, recruitment of young offenders who steal the vehicles, dismantling of vehicles for parts (“chopping”), altering of VINS and documents, and transportation of stolen vehicles outside the province or country. According to the Insurance Bureau of Canada, of the 170,000 vehicles stolen each year, 20,000 are exported out of Canada.

(13) Research tends to show that the high rates reported in Winnipeg are attributable to a well-rooted culture among young people in the city, who appear to regard car theft as a recreational activity. In fact, in 2007, young people aged 15 to 18 were responsible for half of solved car thefts in Winnipeg, compared to less than a third in the rest of Canada (Ibid., p. 9).


(15) Of the total number of vehicle theft cases in Canada in 2007, 11% were solved by police (Dauvergne [2008]).

(16) Europol believes that international trafficking in vehicles by organized crime is more profitable than prostitution or other black market activities (Europol, An Overview of Motor Vehicle Crime from a European Perspective, January 2006).


(18) The collective value of the parts of a dismantled vehicle is very often two or three times that of the vehicle itself (Marnie Wallace, Exploring the Involvement of Organized Crime in Motor Vehicle Theft, Statistics Canada, Cat. No. 85-563-XIE, May 2004, p. 17).

These multi-level criminal networks\(^{(20)}\) have all the necessary expertise to obtain, makeover and resell stolen vehicles on a large scale. It is estimated that one in five vehicle thefts is attributable to organized crime networks.\(^{(21)}\)

While vehicle theft by organized groups is a national problem, Criminal Intelligence Service Canada believes that organized groups involved in this type of crime are active mainly in Montreal and Toronto.\(^{(22)}\)

C. Vehicle Identification Number

Under the *Motor Vehicle Safety Regulations*,\(^{(23)}\) the VIN, which is affixed to every vehicle in Canada, consists of 17 alphanumeric characters that provide a unique identifier for every motor vehicle.\(^{(24)}\) Based on the established codes, the characters designate the manufacturer, the make and class of the vehicle, the model year, the plant where the vehicle was manufactured, and the production serial number assigned by the manufacturer to the vehicle. The VIN appears on various parts of the vehicle, such as its fenders, hood and doors.\(^{(25)}\)

The methods used to affix the VIN, under current requirements, allow the number to be easily transferred from one vehicle to another. To correct the problems associated with the alteration and replacement of VINs, the federal Department of Transport introduced measures in 2004 (which took effect in 2008) to ensure that the VIN cannot be removed without damaging or destroying the VIN plate or label, or the vehicle.\(^{(26)}\)

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\(^{(20)}\) For example, the organizations include thieves, brokers, intermediaries and chopping specialists.

\(^{(21)}\) Statistics Canada uses the percentage of unrecovered stolen vehicles in estimating the extent of vehicle theft by criminal organizations. The accuracy of this substantive indicator is thus limited (Wallace [2004], pp. 6 and 11).


\(^{(23)}\) C.R.C., c. 1038, s. 115, Schedule IV.

\(^{(24)}\) In fact, manufacturers are prohibited from using the same identification number for two vehicles produced within an interval of less than 30 years.


With respect to falsification methods using the VIN, Criminal Intelligence Service Canada recently noted:

The Insurance Crime Prevention Bureau has identified an increase in four main fraud techniques that are used by organized crime to steal vehicles. These include: the illegal transfer of Vehicle Identification Numbers (VINs) from wrecked vehicles to similar ones that have been stolen; a legitimate VIN is used to change the legal identity of a stolen vehicle of the same make, model, and colour, a process called “twinning” … (27)

DESCRIPTION AND ANALYSIS

A. Separate Offence for Motor Vehicle Theft (clause 2)

At present, there is no offence that specifically relates to motor vehicle theft. A prosecutor must therefore lay charges under the general theft provisions of the Code,(28) which apply to most types of property.(29) The section of the Code regarding theft in general provides for different punishments, depending on whether the value of the stolen property is greater than $5,000 or $5,000 or less.

Clause 2 of the bill creates a separate offence for motor vehicle theft(30) (new subsection 333.1(1) of the Code). It is a hybrid offence, that is, the prosecutor has the choice of proceeding by indictment or by summary conviction. Unlike the existing general offence of theft, the new offence of motor vehicle theft does not provide for different punishments depending on the value of the property. In the case of a third or subsequent conviction for motor vehicle theft, where the offence is prosecuted by indictment, the bill provides for a minimum prison sentence of six months.  

For this minimum sentence to apply, the third offence (and

(27) Criminal Intelligence Service Canada, 2005 Annual Report: Organized Crime in Canada, 2005, p. 40. CISC also observes that “criminals are getting replacement keys from car dealerships using the VIN numbers taken from parked cars.”

(28) Ss. 322 and 334.

(29) For examples of specific provisions for certain theft offences, see ss. 326 (theft of telecommunication service) and 342 (theft, forgery, etc., of credit card).

(30) Section 2 of the Code defines “motor vehicle” as meaning “a vehicle that is drawn, propelled or driven by any means other than muscular power, but does not include railway equipment.”
any subsequent offence) must be prosecuted by indictment. However, the first and second offences may have been prosecuted either by indictment or by summary conviction.

Table 1 compares the punishments provided for the new offence of motor vehicle theft and the punishments provided for the existing general offence of theft.

<table>
<thead>
<tr>
<th>Method of Prosecution</th>
<th>Existing Offences and Sentences in the Criminal Code</th>
<th>Offences and Sentences in Bill C-26</th>
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<tbody>
<tr>
<td></td>
<td>Theft</td>
<td>Motor Vehicle Theft</td>
</tr>
<tr>
<td>Indictable offence</td>
<td>Value of property – over $5,000: maximum 10 years</td>
<td>Regardless of value: maximum 10 years</td>
</tr>
<tr>
<td></td>
<td>Value of property – $5,000 or less: maximum 2 years</td>
<td>Regardless of value: minimum 6 months (if third or subsequent offence)</td>
</tr>
<tr>
<td>Summary conviction offence</td>
<td>Value of property – $5,000 or less: maximum 6 months and/or $5,000 fine</td>
<td>Regardless of value: maximum 18 months</td>
</tr>
</tbody>
</table>

Former Bill C-343 provided for maximum sentences of imprisonment for 10 years (indictment) and two years (summary conviction) for the offence of motor vehicle theft. However, it did not provide for minimum sentences.

B. Offence of Tampering with a Vehicle Identification Number (clause 3)

Currently, a person who alters a VIN in order to conceal the identity of a stolen vehicle is often charged with possession of property obtained by crime or an offence under other theft-related provisions. The Criminal Code deals specifically with VINs in subsection 354(2), which provides, in the context of a charge of possession of property obtained by criminal means, for the assumption that if the VIN has been altered, the vehicle has been stolen. (31) However, altering the VIN is not in itself an offence.

Bill C-26 makes it an offence to alter, remove or obliterate a VIN (32) (new subsection 353.1(1) of the Code.). The VIN is defined in terms that are similar to those used for the offence of possession of property obtained by crime (new subsection 353.1(2) of the

(31) The presumption of knowledge that the vehicle was stolen was held to be unconstitutional in R. v. Boyle, (1983), 5 C.C.C. (3d) 193 (C.A. Ont.).

(32) The term “obliterate” includes the destruction of the integrity of the VIN by altering some of the characters comprising it to produce a new VIN (R. v. Hodgkins (1985), 19 C.C.C. (3d) 109 (Ont. C.A.)).
An additional tool is thus made available to law enforcement agencies to enable them to lay charges in cases of theft, makeover and resale of motor vehicles.

In the terms used in the bill, the new offence applies to an accused who “wholly or partially alters, removes or obliterates a vehicle identification number on a motor vehicle.” Since criminal organizations often dismantle stolen vehicles, it might be asked whether it would not be prudent to add the phrase “or on a part thereof” or a similar expression.(34)

Former Bill C-64 provided that the prosecution had to prove that the VIN had been altered “under circumstances that give rise to a reasonable inference that the person did so to conceal the identity of the motor vehicle.” The same offence in Bill C-26 does not include this stipulation. However, Bill C-26 expressly provides that lawful conduct, such as regular maintenance of the vehicle, body work and auto recycling or wrecking, is a valid defence (new subsection 353.1(3) of the Code).

Under new subsection 353.1(4), altering, removing or obliterating a VIN is a hybrid offence. Subsection 353.1(4) provides for a maximum sentence of imprisonment for five years in the case of an indictable offence. If instead the prosecution decides to proceed with a summary conviction, the offence is punishable by a $5,000 fine or imprisonment for six months, or both.(35) These are the same sentences provided in the former Bill C-64.

Because the offence of altering a VIN is punishable by imprisonment for a maximum of five years, it falls into the “serious offence” category. If such an offence is committed repeatedly by a group of three or more persons, it may be considered an offence committed by a “criminal organization,”(36) with all the consequences that may carry for police investigations, prosecutions and sentencing.(37)

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(33) For the purposes of the offence of possession of property obtained by crime, “‘vehicle identification number’ means any number or other mark placed on a motor vehicle for the purpose of distinguishing the motor vehicle from other similar motor vehicles” (subsection 354(3) of the Code).

(34) Subsection 354(2) of the Criminal Code, concerning possession of property obtained by crime, uses similar terms: “… a person has in his possession a motor vehicle the vehicle identification number of which has been wholly or partially removed or obliterates or a part of a motor vehicle being a part bearing a vehicle identification number that has been wholly or partially removed or obliterated … .” (emphasis added).

(35) Subsection 787(1) of the Code.

(36) See the definitions of “serious offence” and “criminal organization” in subsection 467.1(1) of the Code.

(37) See, among others, ss. 467.11 and following of the Code.
C. Offences Relating to Trafficking in Property Obtained by Crime

1. Offences (clause 5)

At present, the Criminal Code deals only with the possession of property obtained by crime. The bill adds two offences to the Code: trafficking (new section 355.2) and possession of property obtained by crime for the purpose of trafficking (new section 355.4).

As in the case of possession of property obtained by crime, the property must have been derived from the commission of an indictable offence inside or outside Canada. In addition to criminal origin itself, the prosecution must also prove, beyond a reasonable doubt, that the accused had knowledge of the criminal origin. Also, as in the case of possession of property obtained by crime and laundering proceeds of crime, the Attorney General of Canada can conduct proceedings in respect of the two new offences created by the bill (clause 6 of the bill).

The definition of “traffic” (new section 355.1 of the Code) covers a wide range of activities, including selling, offering and delivering, as well as exporting and importing. The new offences may therefore apply to all intermediaries who are involved in the movement of property obtained by crime.

New section 355.5 of the Code provides that the two new offences are indictable offences if the value of the property is more than $5,000 or hybrid offences if the value of the property is $5,000 or less. Table 2 compares the maximum penalties for the new offences with those for the existing offence of possession of property obtained by crime.

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(38) Section 354.
(40) Section 462.31 of the Code.
Table 2 – Maximum Sentences for Possession, Trafficking and Possession for the Purposes of Trafficking in Property Obtained by Crime

<table>
<thead>
<tr>
<th>Value of the Property</th>
<th>Method of Prosecution</th>
<th>Existing Offences and Sentences in the <em>Criminal Code</em></th>
<th>Offences and Sentences in Bill C-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $5,000</td>
<td>Indictment</td>
<td>Possession of Property Obtained by Crime 10 years</td>
<td>Trafficking in Property Obtained by Crime 14 years</td>
</tr>
<tr>
<td>≤ $5,000</td>
<td>Indictment</td>
<td>Possession of Property Obtained by Crime 2 years</td>
<td>Trafficking in Property Obtained by Crime 5 years</td>
</tr>
<tr>
<td></td>
<td>Summary conviction</td>
<td>Possession of Property Obtained by Crime 6 months and/or $5,000 fine</td>
<td>Possession of Property Obtained by Crime for the Purpose of Trafficking 6 months and/or $5,000 fine</td>
</tr>
</tbody>
</table>

2. Return of Seized Property (clause 7)

The Code provides for measures to preserve property: seizure and restraint before trial, so that proceeds of crime can then be forfeited.\(^{(41)}\) A person with an interest in property that was seized or in respect of which a restraint order was made may, however, apply to a judge for an order of restoration of property or revocation of the restraint order.\(^{(42)}\) If the judge orders that the property be returned, no charge for possession of property obtained by crime may be laid against the person with an interest in the property as a result of its being restored. Clause 7 of the bill adds that in that case, no charge may be laid under the provisions for the new offences of trafficking in and possession for the purposes of trafficking in property obtained by crime.

3. Application for Income Tax Information (clause 8)

A prosecutor may make an application to a judge for disclosure of income tax information relating to a person who is believed, on reasonable grounds, to have committed an offence consisting of possession of property obtained by crime or laundering proceeds of crime.

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\(^{(41)}\) See the definition of “proceeds of crime” in subsection 462.3(1) of the Code.
\(^{(42)}\) Section 462.34 of the Code.
in connection with a drug-related offence.\footnote{Section 462.48 of the Code.} Under clause 8 of the bill, the prosecutor may make such an application in the case of an investigation relating to the new offences of trafficking in or possession for the purposes of trafficking in property obtained by crime in connection with a drug offence.

4. Photographic Evidence (clause 9)

Property that must be restored may be photographed by a peace officer when charges are laid for certain offences, including theft, breaking and entering, possession of property obtained by crime, and fraud.\footnote{Section 491.2 of the Code.} Clause 9 of the bill adds the new offences of trafficking in and possession for the purposes of trafficking in property obtained by crime. Photographs taken during investigations relating to those offences may therefore be introduced in evidence in court.

5. Joint Trials of Accused Persons (clause 10)

The Code provides that any number of persons may be charged in the same indictment with an offence of possession of property obtained by crime or possession of a thing obtained by theft from the mail, even if the property was in their possession at different times.\footnote{Subsection 593(1) of the Code.} Under clause 10 of the bill, the same possibility will exist for persons charged with the new offence of possession of property obtained by crime for the purposes of trafficking.

D. Cross-border Movement of Property Obtained by Crime (clause 5)

The \textit{Customs Act}\footnote{S.C. 1985, c. 1 (2nd Supp.), Part VI – Enforcement.} authorizes the CBSA to seize goods whose importation or exportation is prohibited under an Act of Parliament. At present, however, no federal legislation prohibits the importation or exportation of property obtained by crime.\footnote{See Office of the Prime Minister, \textit{Backgrounder – Auto theft and trafficking in property}, 14 April 2008, \url{http://www.pm.gc.ca/eng/media.asp?category=1&id=2065}.}
Bill C-26 prohibits the importation and exportation of property obtained by crime (new section 355.3 of the Code). This means that CBSA officers will be able to examine, seize and forfeit property obtained by crime that is imported or destined for exportation.

In addition, the Reporting of Exported Goods Regulations\(^{(48)}\) were amended in 2005 to require that VINs be reported for conveyances permanently exported from Canada. The purpose of that amendment was to allow CBSA officers to examine containers destined for export in order to identify stolen vehicles.\(^{(49)}\)

E. Interception of Private Communications (clause 1)

Judicial authorization for electronic interception of a private communication may be obtained only in respect of certain offences listed in section 183 of the Code. Clause 1 of the bill adds to that section the four new offences created by the bill: theft of a motor vehicle, tampering with a VIN, and trafficking in property obtained by crime and possession for the purposes of trafficking in such property. Law enforcement agencies will therefore be able to use electronic surveillance to investigate these offences.

\(^{(48)}\) SOR/2005-23, s. 19.