



DataDot Technology Limited

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Stock Exchange Announcement

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New Zealand Government Confirms Mandatory Whole-of-Vehicle-Marking Policy Using Microdots

The New Zealand Government announced yesterday that whole-of-vehicle-marking (WOVM) using microdots will be mandatory for all newly imported vehicles that are under 15 years old and are light-passenger vehicles with nine seats or less. This is approximately 200,000 vehicles a year.

This announcement confirms the earlier policy decision of January 2005 in the light of cost-benefit calculations recently completed by the Ministry of Justice, Land Transport New Zealand, New Zealand Police and Ministry of Transport.

The announcement further confirms that the mandatory WOVM policy will now proceed immediately to the implementation phase.

The Government expects that mandatory WOVM will commence in the first half of 2008, the exact date to be determined by the Director of Land Transport. Before commencement, but after publication in the Gazette of the final WOVM rules and procedures, a period of six months will be allowed for the market to become familiar with the prescribed requirements.

Mr Ian Allen, CEO of DataDot Technology Ltd, said, "We are very pleased but not at all surprised that the New Zealand Government's cost-benefit analysis of mandatory WOVM has confirmed its earlier policy decision. DataDot Technology has already ear-marked capital to develop manufacturing facilities to meet the demand created by mandatory WOVM in New Zealand. We can now proceed with our plans to invest this capital, confident that mandatory WOVM will proceed at a not-too-distant commencement date."

The full text of the New Zealand Government announcement follows:

New scheme aims to counter vehicle thefts

The Government is introducing a mandatory new identification system for all new and used vehicles imported into the country in an attempt to reduce vehicle thefts and to catch criminals who steal cars, Police Minister Annette King and Justice Minister Mark Burton announced today.

Called whole of vehicle marking (WOVM), the system assigns a unique 17 digit vehicle identification number to each vehicle upon importation into New Zealand. These numbers, in the form of microdots, are placed on overt and covert parts of the vehicle to make it more difficult to alter the vehicle's identity, and to make it easier to recognise and identify stolen vehicles and parts.

Mark Burton says the new initiative is part of the Ministry of Justice created vehicle crime reduction programme. It will apply to all light-passenger vehicles with nine seats or less and under 15 years old.

It is anticipated that the new system will come into effect in about a year, and from then on it is expected that about 200,000 vehicles a year will be required to have WOVM applied before they can be registered and sold. The existing vehicle fleet will not be required to have WOVM applied.

Annette King says the new scheme will speed up police investigations into vehicle theft. "It will also disrupt organised crime networks as the sale of stolen vehicles and their parts are a major way of funding such networks. It will also make it easier to solve other crimes, such as identifying vehicles involved in hit and run incidents when a part is left behind at the scene".

Ms King says stolen vehicles are often involved in dangerous police pursuits and any reduction in the number of stolen vehicles on the road should also make roads safer. "Sometimes we also have a situation where vehicles are partly rebuilt using stolen parts and this can impact on the safety of the vehicle."

Mr Burton says WOVM will result in court cases against those charged with vehicle thefts being resolved more quickly because of the standard of evidence that the new scheme offers. "It can be a time consuming and costly exercise now to bring evidence before the court and WOVM will speed up the process."

Before the new scheme comes into effect a number of changes to the new and used vehicle entry certification processes need to be made in order to incorporate the certification and application of WOVM.

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Questions and Answers

Mandatory WOVM is one of six initiatives contained in the Government's Vehicle Crime Reduction

Programme. In accordance with the initial cabinet paper for the Vehicle Crime Reduction Programme the cost/benefit calculations associated with a mandatory WOVM regime have been further investigated and updated. This work was carried out by the New Zealand Police, Ministry of Justice, Ministry of Transport and Land Transport New Zealand. The conclusions of these investigations have been presented to the Government, and the final phases of the implementation process can now commence.

What is WOVM? WOVM involves multiple copies of a 17-digit Vehicle Identification Number (VIN) being applied in covert and overt locations on the vehicle in the form of numerous (7,000-10,000) microdots. This WOVM technology makes it more difficult to alter the identity of a vehicle. With so many identifying microdots applied to the vehicle, it would be nearly impossible to remove all of them, making it easier to recognise and identify stolen vehicles, whether they are intact or have been disassembled for parts. No parts of the vehicle of visual significance, such as the paintwork, need to have microdots for the successful operation of this system.

WOVM makes professional vehicle theft (i.e. vehicle theft motivated by the profit to be made from on-selling the vehicle or its parts) more difficult, and increases the risk of being caught and prosecuted. In addition, the inability of offenders to alter the identity of a vehicle and sell it as legitimate significantly reduces the scale of their market and potential returns, as would-be purchasers of stolen goods are deterred by WOVM.

How will New Zealand's mandatory WOVM system operate? WOVM will be a mandatory requirement, from a certain date onwards, for all MA, MB and MC class vehicles (light-passenger vehicles with nine seats or less) under 15 years old entering the New Zealand vehicle fleet. This requirement will not apply to motorcycles. The existing vehicle fleet will not be required to have WOVM applied. Approximately 200,000 imported light-vehicles will be required to have WOVM applied per annum, based on the volume of vehicles imported in 2006. Certification of compliance with this requirement will be incorporated into Land Transport New Zealand's existing entry certification processes. Imported light-vehicles will be required to have WOVM applied before they can be registered and sold.

What are the benefits of mandatory WOVM? Ministry of Justice and New Zealand Police criminal experts advise that this mandatory WOVM system will create a strong deterrent for professional vehicle thieves and significantly decrease the rate of professional vehicle theft in New Zealand. In addition, as WOVM coverage extends across the New Zealand vehicle fleet, this will improve the effectiveness and speed of Police investigations for those professional vehicle thefts not prevented by WOVM.

The Ministry of Justice and New Zealand Police also advise that mandatory WOVM will result in:

- increased road safety (stolen vehicles are often involved in Police pursuits)
- speedier resolution of court cases against offenders
- disruption of national and international organised crime networks, as the sale of stolen vehicles and their parts often constitutes a notable portion of the funding for such networks
- easier identification and resolution of parts/vehicles involved in "hit and run" accidents, when a significant component (such as the front or rear bumper) is left behind.

What does the implementation of a mandatory WOVM requirement involve? The implementation of

a mandatory WOVM requirement consists of three stages.

- First, providing enabling legislation for this mandatory requirement. This required an amendment to the Land Transport Rule 35001/1: Vehicle Standards Compliance 2002 (the Vehicle Standards Compliance Rule), which is now in place, and involved public consultation.
- Second, determining compliance processes and updating the cost benefit calculations. This work has been completed by the Ministry of Justice, Land Transport New Zealand, New Zealand Police, and the Ministry of Transport and the outcomes have been reported to government.
- Third, commencing the implementation process. Land Transport New Zealand will be responsible for the implementation of this initiative. The 2005 amendment to the Vehicle Standards Compliance Rule allows the Director to require (by Gazette notice) that, from a certain date onwards, multiple copies of the VIN be affixed to specified vehicles before they can be certified for entry into the New Zealand vehicle fleet. In the gazette notice the Director will also specify the technical standard(s) which WOVM products must meet. Land Transport New Zealand is about to commence developing/determining a suitable product standard(s).

Once the Director of Land Transport issues the gazette notice, there will need to be a 6 month period before mandatory WOVM comes into effect to allow the vehicle industry to adapt and prepare for this requirement. It is necessary to re-design both new-vehicle and used-vehicle certification processes to incorporate the application and certification of WOVM. Logistically this is a significant task, and some time will be required to complete this work and fully implement this mandatory requirement. This work must be done with due care and precision as it will have implications for the time it takes to bring a vehicle into the country, how soon it can be sold, and how much that vehicle costs when it goes on the market.

When will this mandatory WOVM requirement be up and running? It is anticipated that this mandatory requirement will be fully implemented in the first half of 2008. The final decision about the implementation date rests with the Director of Land Transport. While it is very important that this initiative is implemented in a timely fashion, speed of implementation cannot be at the expense of the required precision.

How much will WOVM cost? Based on information provided by the suppliers of microdots and Land Transport New Zealand it is estimated that WOVM will cost \$88 dollars per vehicle. This figure of \$88 dollars includes the cost of the microdots, application costs, and administration and compliance costs. The total cost of WOVM will be met by the importer and passed on to the consumer.

How is the mandatory vehicle engine immobiliser initiative proceeding? The Ministry of Transport is actively working on the mandatory vehicle immobiliser initiative. This initiative is part of the Vehicle Crime Reduction Programme. It is anticipated that a Blue Draft (an industry consultation paper) of the required amendment Rule will be ready for consultation soon. The legislative processes associated with implementing this requirement are more extensive than those associated with implementing a mandatory WOVM requirement.



About DataDot Technology Limited (DDT)

DDT is a leading asset identification company, with expanding global operations. DDT has invented, patented and commercialised an asset identification technology that provides greater asset security, proves authenticity of product, assists in proving ownership, and acts as a deterrent to thieves.

The DataDotDNA technology has gained acceptance around the world and is currently sold in Australia, UK/Europe, USA, Canada, South Africa, Indonesia, Taiwan, Thailand, Hong Kong, China, New Zealand, Russia, Romania and Poland. DataDotDNA customers include a number of major vehicle suppliers in various regions including Audi, Nissan, BMW, Subaru, Ford Performance Vehicles, Porsche, Holden Special Vehicles, Mitsubishi, Nissan, Toyota, VW and Yamaha.

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