

THE UNITED KINGDOM
THREAT ASSESSMENT
OF SERIOUS ORGANISED CRIME

2006/7



SOCA
SERIOUS ORGANISED CRIME AGENCY

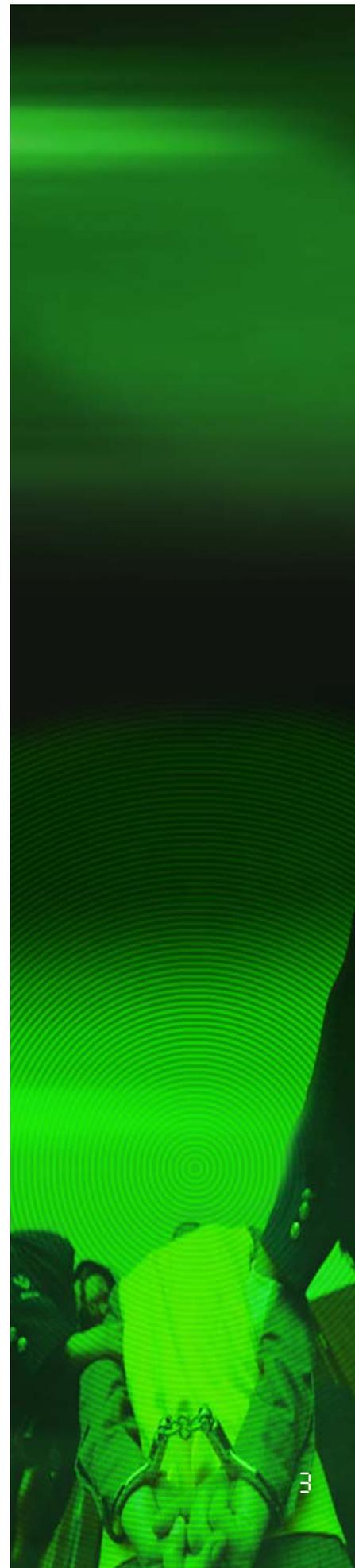




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CHAPTER 1

INTRODUCTION

Scope and purpose

1.1 The United Kingdom Threat Assessment (UKTA) describes and assesses the threats posed to the UK by serious organised criminals¹ and considers how those threats may develop in future. The UKTA was previously produced by the National Criminal Intelligence Service (NCIS). The 2006/07 edition has been produced by the new Serious Organised Crime Agency (SOCA), which replaced NCIS, the National Crime Squad (NCS), and parts of Her Majesty's Revenue and Customs (HMRC) and the UK Immigration Service (UKIS) on 1 April 2006.

1.2 A protectively marked version of the UKTA is produced to inform both UK law enforcement priorities for tackling serious organised crime and other relevant initiatives, such as changes in legislation, regulation or policy. This NOT PROTECTIVELY MARKED version is aimed at increasing public awareness, thereby helping individuals to protect themselves from becoming the victims of serious organised crime.

Sources of information

1.3 The UKTA is a collaborative effort. It draws on information from a wide range of sources, both in the UK and abroad. In preparation for the creation of SOCA, this year it has involved a reappraisal of all the areas of serious organised crime judged to pose a significant threat to the UK, together with an extensive consultation process to ensure that the assessment represents the best understanding of those agencies most closely concerned with tackling the various threats.

The structure of the UKTA

1.4 As before, this year's UKTA recognises that many serious organised criminals are engaged across a range of criminal activities and markets. It looks at how criminal networks are structured and what motivates their

development. It describes a number of cross-cutting criminal activities that are undertaken essentially to enable other crimes, and deals in detail with the more significant areas of drugs trafficking, organised immigration crime, and fraud. It also deals briefly with other serious organised criminal activities assessed to pose a more limited threat to the UK.

1.5 On 24 April 2006 the Child Exploitation and Online Protection (CEOP) Centre was established. CEOP is affiliated to, but operationally independent from, SOCA. In due course, CEOP will revise its assessment of this particular threat.

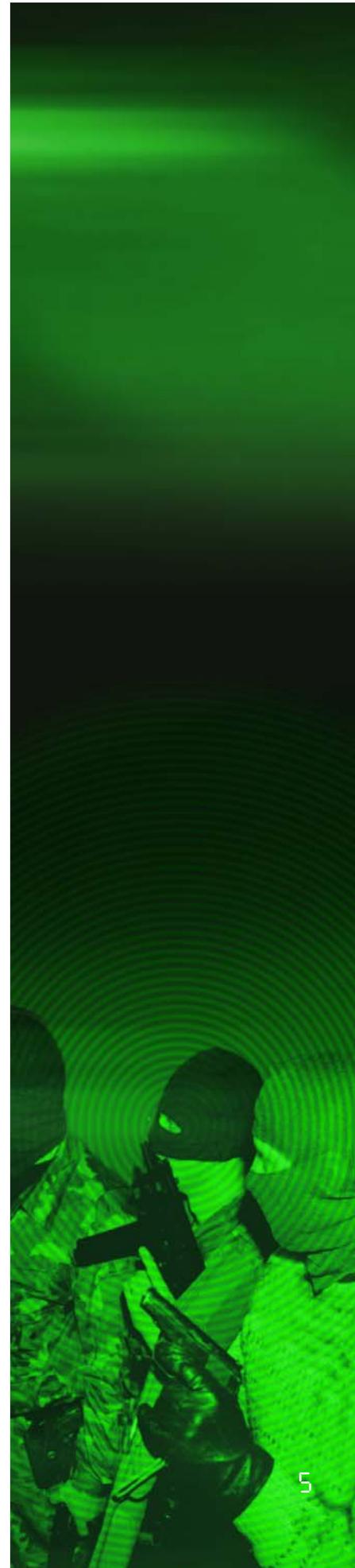
The wider context

1.6 The UKTA does not exist in isolation. The National Intelligence Requirement (NIR), also produced by SOCA, acts as a guide to agencies that hold or collect information and intelligence of relevance to serious organised crime, identifying the gaps in knowledge and priorities for filling them. SOCA is also responsible for producing an annual UK Control Strategy for serious organised crime, which builds on the UKTA/NIR, and on the work of multi-agency groups such as the Concerted Inter-Agency Drugs Action Group (CIDA), and Reflex which deals with organised immigration crime. The Control Strategy sets out how UK agencies, working with overseas partners, plan to tackle serious organised crime.

The nature of the threat

1.7 It is clear from this year's UKTA that there is still much about serious organised crime which is not known or fully understood, and improving knowledge and understanding will be at the heart of SOCA's business. Because the picture of the scale, nature and impact of serious organised crime remains incomplete, some of the judgements in the UKTA are tentative. Nonetheless, a number of key themes are clear.

¹ Those involved on a continuing basis, normally working with others, in committing crimes for substantial profit or gain, for which a person aged 21 or over on first conviction could expect to be imprisoned for three or more years.



INTRODUCTION



1.8 The profits to be made from serious organised crime ensure that the various activities continue to be attractive, and the overall threat to the UK remains high, and is increasing in scope and complexity. Criminal networks are becoming more fluid, extended and flexible, in part due to the use of specialist 'service providers' to assist with money laundering, logistics, documents, and other enablers. Meanwhile, the increased availability of information technology has both facilitated various crimes and spawned new forms of criminal activity. The ready use of corruption, and of violence and intimidation, is an obvious concern, not least because it can undermine confidence in the rule of law.

1.9 Trafficking in Class A drugs continues to be the most visible form of serious organised crime, and operates on a large scale. In comparison, there is less reporting of serious organised criminal involvement in immigration crime and fraud, and therefore the understanding of these threats is less well developed, but it is clear that both are significant in terms of the levels of activity and adverse impact.

Reducing harm

1.10 SOCA's remit is to reduce the harm caused by serious organised crime, which it aims to do working in close collaboration with other UK and overseas agencies. Harm remains difficult to define clearly and to size accurately, but it is evident that serious organised crime is highly damaging to the UK and UK interests. This takes various forms, from direct and indirect financial losses and costs, to damage to communities and individuals through, for example, drug addiction and increased fear of crime.

1.11 Aside from the main threats of drugs trafficking, organised immigration crime, and fraud, other serious organised criminal activities cause

a range of harms, from the mental and physical harm suffered by victims of robberies and thefts, to damage to the reputation of legitimate manufacturers through counterfeiting, involving expensive re-branding and loss of profits.

Feedback

1.12 Feedback on the content, structure and value of the UKTA is essential if the knowledge and understanding of serious organised crime is to improve. Comments should be sent to the Serious Organised Crime Agency, PO Box 8000, London, SE11 5EN.

William Hughes
Director General

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KEY JUDGEMENTS

General

- 2.1** The overall threat to the UK from serious organised crime is high. Broad estimates put the economic and social costs of serious organised crime, including the costs of combating it, at upwards of £20 billion a year.
- 2.2** Most of those known to be involved in serious organised criminal activity in and directly affecting the UK are British nationals, including from minority ethnic communities. However, a significant number of foreign nationals are also involved, both in the UK and abroad, reflecting the fact that the trades in illicit goods mostly originate outside Europe and transit the EU and neighbouring countries.

How serious organised criminals operate

- 2.3** With few exceptions, serious organised criminal activity is directly or indirectly concerned with making money. Its division into sectors reflects the law and organisational responsibilities for its enforcement. Most serious organised criminals, especially the more established and successful ones, are involved in more than one sector.
- 2.4** Serious organised criminals have an excellent and dynamic understanding of criminal markets and are quick to respond to threats from law enforcement measures or rivals and to seize and create money-making opportunities.
- 2.5** Profitability alone cannot explain the choices serious organised criminals make. They also look to manage risk by threatening and using violence; by transferring 'hands-on' risks to lower-level criminals or dupes; by corrupting law enforcement officers and others involved in the criminal justice process; and by using professionals to handle their affairs, especially to launder their criminal proceeds.

- 2.6** Most serious organised criminal activities require some measure of criminal collaboration and infrastructure, and this lies behind the formation of organised crime groups and networks. A wide range of structures exists. Some serious organised criminals belong to established groups with clear hierarchies and defined roles, but many are part of looser criminal networks and collaborate as necessary to carry out particular criminal ventures. Such contacts are reinforced by links of kinship, ethnicity, or long association.
- 2.7** Serious organised criminals make use of 'specialists' who provide a service, often to a range of criminal groups. Services include transportation, money laundering, or the provision of false documentation (identity fraud underpins a wide variety of serious organised criminal activities).
- 2.8** Time spent together in prison is the basis for many later criminal collaborations.

Enabling criminal activities

- 2.9** The various ways in which criminal proceeds are laundered are reasonably well understood, but the overall scale or relative importance of each is not. The methods used by particular serious organised criminals are often not known, but it appears that many use more than one method at a time.
- 2.10** Cash remains a mainstay of serious organised criminal transactions. It has the obvious advantage that it leaves no audit trail, and is the most reliable form of payment as well as the most flexible.
- 2.11** The initial stage of money laundering often involves moving cash out of the UK through couriers or via various money transmission services. However, many serious organised criminals make use of financial and legal professionals to handle their



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financial affairs. This often involves using property purchases and legitimate or quasi-legitimate businesses, typically those with a high cash turnover, to launder criminal proceeds as well as to provide cover for the purchase, delivery and sale of illicit goods.

- 2.12** Violence or the threat of violence is often implicit in the activities of serious organised criminals, and some are willing to commit or sponsor kidnapping, serious attacks, and murder, to protect their interests, including to recover debts. Violence also stems from personal disagreements and gang-based rivalries.
- 2.13** UK criminals at all levels are unlikely to have difficulty in acquiring a firearm should they wish to do so. Working firearms, component parts and easily convertible blank-firing weapons can all be ordered via the Internet and received through postal services.
- 2.14** When firearms are used it is frequently in order to intimidate rather than to kill or injure. As with other aspects of serious organised crime, established criminals are normally able to find others to take the greater 'hands on' risks, for example, acting as enforcers and recovering debts.
- 2.15** Serious organised criminals use corruption to secure help from people with access to information or influence. Law enforcement personnel and others involved in the criminal justice system, including jurors and witnesses, have been targeted for essentially defensive purposes, while various money-making activities have been facilitated through corrupt relationships with public and private sector employees, accountants and others in the financial field, plus a range of other professionals. Similarly, corrupt insiders have been used to supply information about security measures
- at sites, vulnerabilities in systems, and the whereabouts and movements of high-value goods.
- 2.16** Identity fraud underpins much serious organised crime, enabling serious organised criminals to conceal themselves, their activities, and their assets and minimise the risk of detection. Some organised crime groups are known to produce, supply or use false personal identities.
- 2.17** The ability to communicate securely is essential, and serious organised criminals make extensive use of face to face meetings and 'pay as you go' mobile telephones to conduct their criminal business.
- Drugs trafficking, primarily Class A drugs**
- 2.18** In terms of the scale of serious organised criminal involvement, drug trafficking, especially Class A drugs, poses the single greatest threat to the UK. The profits made from drugs are a critical factor in the success and spread of serious organised crime, enabling more drugs to be bought, funding other forms of crime, and supporting criminal lifestyles.
- 2.19** Current levels of poppy and coca cultivation (in Afghanistan and Colombia respectively) are high and likely to remain so for the foreseeable future. The overall picture is one of ready availability throughout the UK at prices that, to the consumer, have fallen steadily in real terms.
- 2.20** Despite many tonnes of Class A drugs being prevented from reaching the UK, arrests and seizures have achieved short-term disruptions rather than a sustained reduction in the size of the UK drugs market.
- 2.21** 'Little but often' importations into the UK of heroin and cocaine by air are cumulatively significant. The bulk of both drugs, however, is imported from the near Continent via cross

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Channel ports, mainly concealed in freight vehicles, with some carried in passenger vehicles and baggage.

- 2.22** Turkey is widely understood to be the most significant staging post for heroin supplied to Europe and the UK, and is also a key processor of morphine into heroin. Similarly, most cocaine is understood to cross the Atlantic by sea and be first landed in Spain. However, the position of The Netherlands in both these trades is pivotal. The Netherlands is Europe's main secondary distribution centre for heroin and cocaine (and a point of entry into the EU for South American cocaine arriving by sea and air), and, with Belgium, the world's primary producer of ecstasy. The Netherlands also plays reluctant host to key drugs brokers and facilitators, some of them British, who are responsible for organising deals involving bulk (multi-kilo) supplies destined for the UK.
- 2.23** Bulk importation and distribution of heroin to the UK is dominated by ethnic Turkish organised crime groups, although South Asian (predominantly Pakistanis), and white British criminals are also involved. South American (Colombian), Spanish, Dutch, British and other criminals, sometimes working together, move cocaine in bulk through Europe and to the UK. It is not uncommon for importations to be multi-commodity, pointing to a convergence of the various drugs trades for a number of logistical and market reasons.
- 2.24** A number of cities in the UK are significant centres for drugs distribution. All types of Class A drugs are distributed from London, Liverpool and Birmingham to other areas of the UK. However, other smaller cities and towns are becoming more prominent, and the overall picture is increasingly complex and diverse, with markets providing both crack cocaine and heroin, for example, now well-established outside urban centres.

- 2.25** Synthetic drugs, such as ecstasy, are widely available, as is cannabis. Serious organised criminals are involved in importing and supplying these drugs, and there are indications of some involvement in intensive hydroponic cultivation of cannabis in the UK. There is a risk that supply and use of methylamphetamine will increase (including its purer form 'crystal meth', which is comparable to crack cocaine for its addictive nature and harmful effects), following the example of the USA.

Organised immigration crime

- 2.26** The UK is an attractive destination for illegal migrants from all over the world.
- 2.27** Serious organised criminals appear to see immigration crime as lucrative and relatively low risk. Many of the criminals involved are engaged in other criminal activities, particularly smuggling.
- 2.28** Some illegal immigrants arrive in the EU by air, often from a transit country rather than their country of origin, but most arrive overland or by a short sea crossing from countries bordering the EU.
- 2.29** There are almost limitless options for routes, methods, and timings. Moscow, Kiev, Istanbul, Belgrade, Sarajevo, Sofia, Bucharest, and Tripoli (Libya) are busy nexus points, where routes converge, migrants congregate, and facilitators arrange entry into the EU.
- 2.30** Organised facilitators make extensive use of clandestine entry to bring illegal migrants into the UK. False or fraudulently obtained documents are increasingly common. The Channel ports remain key entry points for smuggled migrants, as for other illegal commodities.
- 2.31** Abuse of legitimate means of entry is also widely practised. It generally requires a greater degree of



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sophistication than clandestine entry. Counterfeit or fraudulent identity documents therefore form a key part of organised facilitation, as do bogus references, for example for student visas. The latter, together with other deceptive means, including bogus marriages and work permits, are also used to secure leave to remain in the UK.

- 2.32** The scale of people smuggling far exceeds that of human trafficking, but the continuing exploitation of trafficking victims and frequent use of violence and intimidation makes the latter the more acute threat.
- 2.33** Serious organised criminals exploit illegal immigrants to the UK as cheap, casual labour, using violence, intimidation and debt bondage. Organised illegal working has spread throughout the UK and is seen particularly in the horticulture, agriculture, care, construction, hospitality, and food processing sectors.
- 2.34** The UK's off-street vice trade employs many foreign prostitutes, especially from Eastern Europe and the Far East. Some women are knowingly recruited as prostitutes, others duped by promises of legitimate employment, and some have been kidnapped. Trafficked prostitutes have been identified throughout the UK, including growing numbers from Lithuania, and from Africa, most notably Nigeria.
- 2.35** Fraud against the Exchequer or large companies affects everyone, since the revenue lost and the costs of measures to combat it are reflected in higher taxes, poorer public services, and higher prices. Moreover, the success of the UK financial sector depends on its international reputation, which could potentially be undermined if it were perceived to be vulnerable to major frauds.
- 2.36** Fraud against the Exchequer or large companies affects everyone, since the revenue lost and the costs of measures to combat it are reflected in higher taxes, poorer public services, and higher prices. Moreover, the success of the UK financial sector depends on its international reputation, which could potentially be undermined if it were perceived to be vulnerable to major frauds.
- 2.37** Serious organised criminals are actively involved in many forms of fraud, especially those calling for an effective criminal infrastructure, such as the smuggling of cigarettes and alcohol and payment card crime. Frauds that offer high profits at lower risk than other forms of criminality are obviously attractive. Some of the profits made from these frauds are used to fund other serious criminal activity.
- 2.38** Serious organised criminals have shown themselves to be dynamic in identifying new opportunities to commit fraud and ways to overcome counter-measures. Payment card crime is a good example, where the introduction of 'Chip and PIN' has led to an increase in 'card not present' (CNP) fraud, especially CNP fraud carried out via telephone transactions. There has also been an increase in cheque frauds, including counterfeit cheques, and in mortgage frauds.
- 2.39** Serious organised criminals have increasingly exploited advances in technology, particularly the growth of the Internet, to develop new crimes and transform traditional ones. They have demonstrated the intent, imagination and ability to exploit IT security weaknesses, and to identify new criminal opportunities.
- 2.40** The majority of new malicious software ('malware') is designed to steal financial data (such as credit card details, bank account details, passwords, PIN numbers), or to

Fraud

- 2.35** The wide range of possible frauds, together with under-reporting, and the increasingly global nature of many frauds, makes it difficult to form a comprehensive picture of the scale and nature of the problem. Nonetheless, it is clear that the financial and other losses suffered by the Exchequer, by companies, and by individuals, as a result of frauds are substantial, and fraud constitutes a major threat.

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enable criminals to create large networks of infected computers ('botnets'), which they can control remotely.

Other serious organised criminal activities

2.41 Knowledge of the various forms of serious organised criminal activity to a large degree reflects the UK's law enforcement priorities. The true significance of areas that have not been national priorities is currently difficult to assess.

2.42 Because of the opportunistic and entrepreneurial nature of many serious organised criminals, and their involvement in more than one activity, the significance of each area does not remain static. There may also be regional or local differences.

Sex offences against children

2.43 The number of active child sex offenders in the UK is not known.

2.44 Most child sex offenders act alone. However, extensive criminal networking acts to justify and 'normalise' offending. The Internet has changed the nature and extent of interaction, increasing the scale and reducing the risk.

2.45 Child sex offenders rarely abduct children. Most abuse their own children, stepchildren, or others with whom they have a family relationship. Ease of access plays a part, as does trust. Offenders often frequent places where children congregate, such as schools, arcades, coastal resorts, churches and stations.

2.46 Offenders often prime and control their victims through 'grooming', aiming to reduce the risk of discovery or disclosure by creating an atmosphere of normality and acceptance. Some use the Internet to groom children.

2.47 The Internet has enabled rapid growth in the publication and global distribution of computer-based images of child abuse, which have now largely replaced printed material. The profits to be made from this have attracted serious organised criminals.

2.48 Some British child sex offenders travel abroad to abuse children. ■



CHAPTER 3

HOW SERIOUS ORGANISED CRIMINALS OPERATE

CRIMINAL DECISION-MAKING

Motivation

3.1 In deciding what crimes to commit, and how, where, when and with whom to go about them, serious organised criminals are guided by profit, risk, opportunity and capability. The vast majority of serious organised criminal activity is directly or indirectly concerned with making money. The criminals look to do so without getting caught, and therefore they manage risk. But they also rely on identifying criminal opportunities and having the capabilities to exploit them.

Profit

3.2 While there is often good intelligence, much of it derived directly from law enforcement operations, on the price of drugs (at various stages of the supply chain), cigarettes and other commodities, the profits criminals make both from individual deals and overall are more difficult to determine. There are operating costs associated with running any criminal business. Facilities, goods and services, such as storage sites, vehicles, false passports and corrupt officials, need to be paid for. Where commodities pass from hand to hand, or where parts of the operation, such as transportation, are sub-contracted, profit margins will vary as prices and 'cuts' are negotiated. The high proportion of organised criminals reported to be involved in Class A drugs trafficking might be taken to imply that this is where the greatest profits are to be made, and this view is supported by reporting indicating that some other money-making criminal activities, including armed robberies, are sometimes conducted specifically to fund Class A drugs trafficking. However, other criminal activities, for example various frauds, are also hugely profitable.

Risk

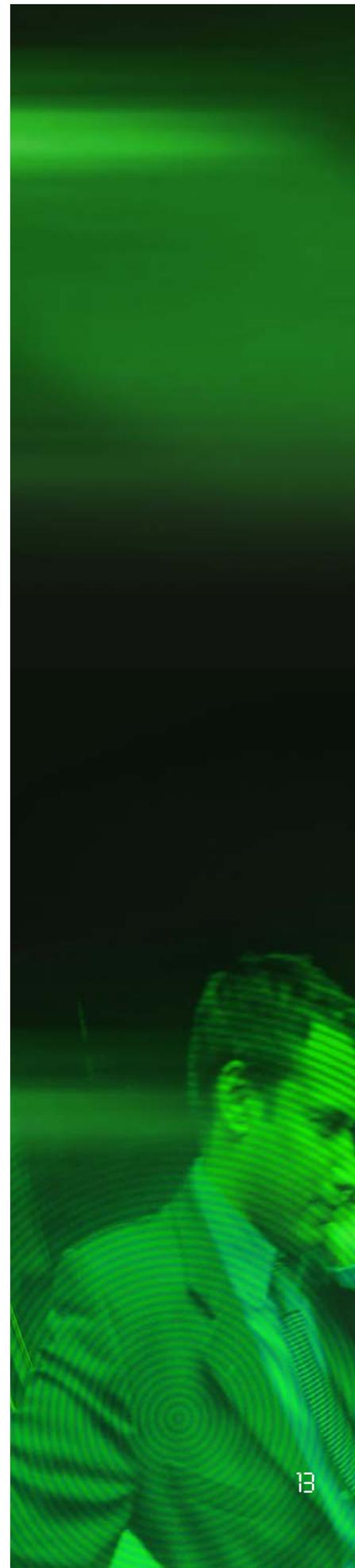
3.3 Criminal activities are inherently risky. As well as having to overcome controls, such as port entry checks, and to frustrate law enforcement efforts to prevent and detect their activities, serious organised criminals have to be concerned about the reliability and loyalty of other criminals with whom they have to deal, and about competition from rivals, some of it involving extreme violence. Not surprisingly, they go to great lengths to protect themselves and their investments and assets. In some cases they are able to avoid or offload risk, for example, the more established, senior criminals routinely use subordinates, dispensable low-level criminals or dupes to take the greater 'hands-on' risks. Some base themselves outside the UK, to avoid UK law enforcement attention and exploit easier environments. Others seek to minimise risk by dealing only with trusted contacts.

Opportunity

3.4 Most successful serious organised criminals have an excellent and dynamic understanding of criminal markets, as is demonstrated by the speed with which they are able to switch commodities, routes, or methods, in order to respond defensively to improvements in controls and the latest law enforcement measures, or proactively to exploit perceived vulnerabilities or changes in demand. They regularly identify new opportunities for making money.

Capability

3.5 Other than at the lowest levels, serious crimes such as drugs trafficking, the facilitation of illegal immigration, and the smuggling of cigarettes, are not possible without criminal collaboration and infrastructure. This need for collaboration lies behind the formation of organised crime groups.



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CRIMINAL STRUCTURES

Organised crime groups and networks

3.6 Criminal structures vary. Organised crime groups generally consist of a durable core of key individuals, linked by family, childhood friendship, a shared history of lower-level criminal or gang activities, or imprisonment together. Around the core group there is a cluster of subordinates, specialists, and other more transient members, plus a network of dispensable associates, such as couriers, car thieves, or low-level criminals used to purchase goods with stolen or fake bank cards. Some 'groups' in the UK are, in practice, loose networks of career criminals, who come together for specific criminal ventures and dissolve once these are over.

3.7 Different criminal activities call for different structures. To carry out armed robberies against hardened targets requires a tightly-knit group with clearly assigned roles, because it demands co-ordination, speed, and quick decision-making. Networks involved in smuggling illicit commodities may have a cellular structure, with particular cells fulfilling specific functions. Meanwhile, drugs trafficking groups in source and 'upstream' transit countries are often part of big organisations, sometimes operating as armed militias controlling large areas. In contrast, some 'networks' involved in internet-enabled frauds may not be personally known to one another and communicate only through the Internet.

Criminal contacts

3.8 At the same time as being essential, criminal contacts pose a risk to serious organised criminals. A contact may turn out to be unreliable or indiscreet, or become a rival, an informant, or may even be an undercover officer. Most serious organised criminals try to manage these risks by working in the main

with people they know well and trust. Shared experience, gained for example through family connections, school, prison, or previous criminal collaboration, is clearly important to establishing trust. Common nationality or ethnicity is also important, particularly where there is a relatively small community in the UK where everyone is known to someone or can easily be checked out. However, increasing social and geographic mobility in the UK and elsewhere in the EU has been eroding the relevance of nationality and ethnicity in terms of who is involved in which markets, and around the interaction between groups of different nationalities and ethnicities.

Some 'groups' in the UK are, in practice, loose networks of career criminals, who come together for specific criminal ventures and dissolve once these are over

3.9 Until they have earned sufficient trust, new contacts are likely to be kept at arms length. The process of building trust might involve performing a number of minor roles or high-risk tasks successfully. The nature of serious organised crime is such that there are always opportunities for individuals to enter the business if they are prepared to take on the riskier 'hands-on' tasks. Alternatively, some individuals may be recruited because they are themselves vulnerable, perhaps in debt to the criminals, drug dependent, or in the UK illegally, and considered unlikely to go to the police.

Criminal 'specialists'

3.10 Serious organised criminals often have a need for someone with specialist skills or know-how. The

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range of criminal 'specialists' is very wide. It includes chemists, accountants, IT specialists, those with access to particular goods and services, such as firearms or false passports, or those willing to carry out specific tasks, such as murder or debt enforcement. Some specialists are low-level, expendable individuals used on a one-off basis or sporadically, but many others are professional criminals who provide their services on a continuing basis. In some instances, this is to a particular serious organised crime group, where the specialist is effectively part of the group or on a paid retainer. For example, some drugs traffickers have their own transport facilities and drivers. In other cases, specialists service a number of groups, who are unable or reluctant to do the job themselves.

'CROSS-SECTOR' CRIMINAL ACTIVITY

The concept of crime sectors

3.11 While helpful in understanding the scale and nature of the various activities and considering the best response, the division of serious organised crime into different sectors (such as drugs trafficking, organised immigration crime, and fraud) is as much a reflection of the law and organisational responsibilities for its enforcement as it is of criminal behaviours. As part of their risk assessment, criminals may take account of the fact that different crimes are tackled in different ways and by different organisations, are afforded greater or lesser priority, and attract more or less severe penalties. They are unlikely, however, to think in terms of discrete crime sectors. Instead, they will see opportunities for making money which they are likely to take if they have the criminal capability.

The scale of cross-sector criminal activity

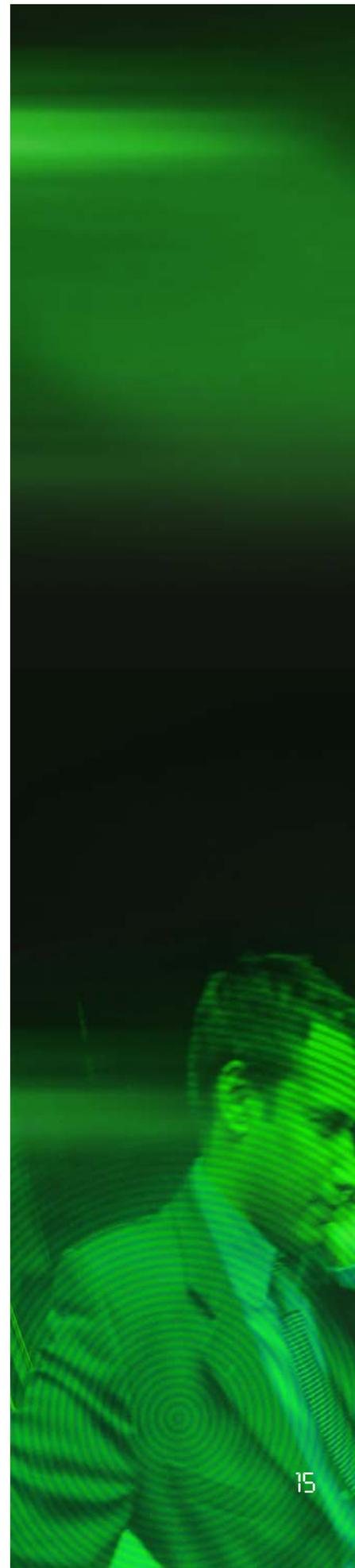
3.12 Significant numbers of serious organised crime groups, especially those that are larger and have been

active for longer, are reported to be involved in two or more profit-making criminal activities. This excludes money laundering, which is common to nearly all groups of any consequence or durability, and trafficking in more than one type of drug.

3.13 Some criminal capabilities are specific to a particular type of crime, but many, either separately or in combination, provide criminals with the means to carry out a range of crimes, thereby encouraging cross-sector criminal activity. Specialists who provide a service to a range of groups can also act as facilitators and instigators of cross-sector activity. Criminal risk management may also lead to cross-sector criminal activity. Criminals may be prompted to move from one crime sector to another because they perceive the risks have increased, perhaps as a result of specific law enforcement actions such as arrests or seizures.

Criminal logistics

3.14 Most serious organised criminal trades are complex and pose logistical problems that require forward-planning and real-time management. These may involve the manufacture or procurement of goods, their transportation, storage, distribution and sale, the deployment of personnel and other assets, and the laundering of the criminal proceeds. Working capital must be found, perhaps through other criminal activities, to fund criminal deals, including bribes to individuals for their help or to look the other way. Facilities, such as safe houses, may be needed for storage, along with materials and equipment, for example vehicles with built-in concealments to move people and drugs. Throughout, the criminals must protect themselves and their illicit consignments from law enforcement, double-crossing colleagues and rival criminals. Few serious organised criminals have



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either the capability or the desire to organise the logistics from end to end of a criminal trade. Most limit their involvement to particular stages of the process.

Smuggling

3.15 The majority of identified serious organised crime groups are reported to be involved in the illegal importation or export of goods that are stolen, prohibited, controlled or liable for duty, including drugs, alcohol, cigarettes, precursor chemicals, firearms, vehicles, counterfeit goods, wildlife, gems and cultural artefacts, as well as people. Smugglers face a particular set of logistical problems. The consignment must be collected, couriers recruited (and provided with tickets and documentation), means of transport acquired, concealment methods devised, a route planned, a point of entry chosen, and a secure delivery point established.

3.16 A number of factors influence the logistical choices smugglers make, including the source and nature of the commodity, the capabilities of the smugglers themselves, and their perception of risk and understanding of law enforcement methods. The type of goods dictates which transport options are feasible. Small items can be sent through the postal system. However, commodities such as alcohol, cigarettes and cannabis, which are sufficiently profitable to interest serious organised criminals only when smuggled in large quantities, need to be transported in bulk carriers, HGVs or container shipping. Some smugglers own such means of transport. Meanwhile, a large proportion of Class A drugs smugglers rely on 'hiding' couriers amongst the everyday passenger traffic arriving in the UK on scheduled flights or Channel crossings, the latter involving both foot passengers and those driving private or light goods vehicles.

3.17 Smugglers go to considerable lengths to minimise the risk that their loads will be detected. They use legitimate goods as cover, both physically, with loads hidden amongst legitimate goods, or packaged as something innocent, and in terms of the paper trail. The loads may be hidden in the structure of the vehicle in elaborate purpose-built concealments, or, in the case of small quantities of drugs and diamonds, may be swallowed or inserted into body cavities by couriers, with little regard for the risks to those involved. The smugglers also use circuitous routes, multiple transit points, and false declarations and documentation. Some look to defeat entry controls by corrupting dock-workers, port officials, airline staff, immigration staff and freight handlers. A few look to bypass ports completely, instead using beaches or private airstrips to land goods.

The majority of identified serious organised crime groups are reported to be involved in the illegal importation or export of goods that are stolen, prohibited, controlled or liable for duty

SUPPORTING ACTIVITIES

Intelligence gathering

3.18 Serious organised criminals gather intelligence on the activities of their rivals and vulnerabilities of potential victims, in order to protect their criminal enterprises and identify opportunities. They value, in particular, information on law enforcement operations, intentions, techniques and capability. Corruption is an important means of acquiring this intelligence, but criminals also gain insights into how law enforcement operates by attending court

CHAPTER 3

HOW SERIOUS ORGANISED CRIMINALS OPERATE

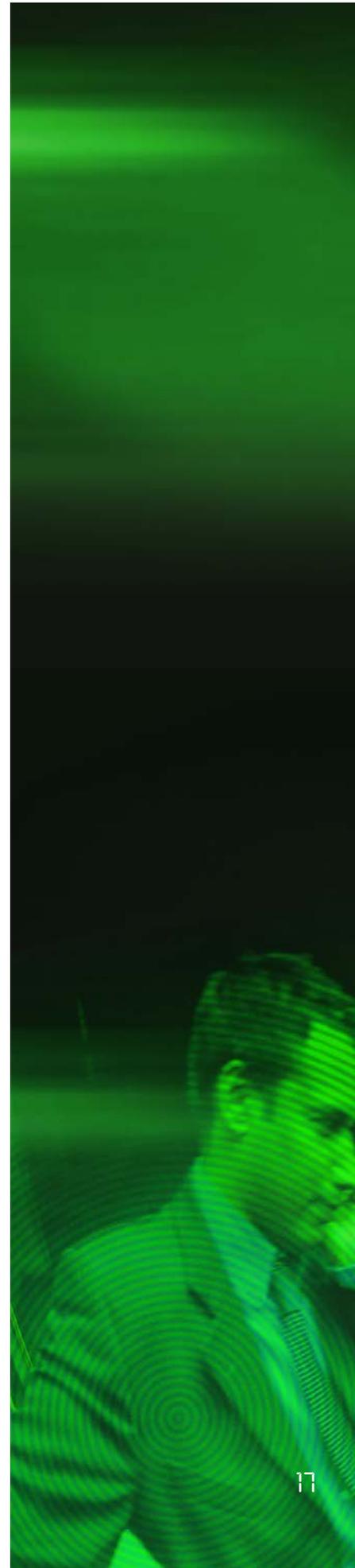
hearings, following media reports of investigations, and debriefing associates who have been arrested.

Communications

3.19 Any modern enterprise relies on effective communication to succeed. In the case of serious organised criminals, communication needs to be either wholly secret or sufficiently difficult to penetrate to avoid giving law enforcement foreknowledge of what is planned or the ability to piece together evidence of a crime. As might be expected, face-to-face contact is preferred. However, criminal businesses often involve complex logistics, with people and goods moving around internationally and within the UK, with deals and transfers to be done with other criminals, and with timings and locations to be managed against a background of unreliable partners and active opposition in the form of law enforcement. In practice, this means extensive use of telecommunications.

Overseas travel and residence by UK Criminals

3.20 The preference for doing business face-to-face, and the desire for reasons of cost and reliability to deal directly with significant 'upstream' suppliers, partly explains why some UK-based drugs traffickers, or their subordinates, travel overseas, notably to The Netherlands, Spain, and Dubai. In some instances, UK criminals have chosen to base themselves in these or other countries, judging that they are safer. ■



CHAPTER 4

ENABLING CRIMINAL ACTIVITIES

THE REASONS FOR ENABLING CRIMINAL ACTIVITIES

4.1 All serious organised criminals engage in criminal activities aimed at facilitating their main money-making activities or at protecting themselves, their assets and their criminal business. Enabling criminal activities can take many forms, but given these two broad aims it is unsurprising that they often revolve around money laundering or the use of coercion, corruption or deception.

Money laundering

4.2 For most serious organised criminals the ability to legitimise their criminal proceeds quickly is of paramount importance. Tackling money laundering effectively is therefore fundamental to combating serious organised crime, so that criminals do not benefit materially from their crimes, and do not have the means to invest in further criminal activity.

The importance of cash

4.3 Cash remains the mainstay of much serious organised criminal activity. It has the obvious advantage that it leaves no audit trail, and is the most reliable form of payment as well as the most flexible. However, those in receipt of large sums of cash have the problem of how to dispose of it. For criminals involved in supplying drugs and other commodities, some cash will be passed on to those at the next level in the supply chain to pay for the next consignment. The extent to which these trades operate on cash in advance, on delivery or on credit is unclear, but failure to settle drugs debts is one of the major causes of drug-related violence.

Money laundering methods

4.4 Serious organised criminals have a number of options when looking to realise the proceeds of their criminal activities. These include smuggling cash or assets out of

the UK; laundering the money themselves; employing 'gatekeepers', such as solicitors and accountants, with access to financial facilities; corrupting or coercing bank employees; or using professional launderers.

4.5 Serious organised criminals have made extensive use of money transmission agents (MTAs) to launder money. Alternative remittance systems (ARS), sometimes referred to as 'underground banking', are a form of MTA. ARS rely on an international network of trusted contacts, who act like private bankers, accepting deposits and making payments.

4.6 Serious organised criminals frequently launder cash through legitimate and quasi-legitimate businesses, typically those with a high cash turnover. The businesses are often owned or part-owned by the criminals or by close associates, although legitimate businessmen may also be duped into providing the means for laundering criminal proceeds.

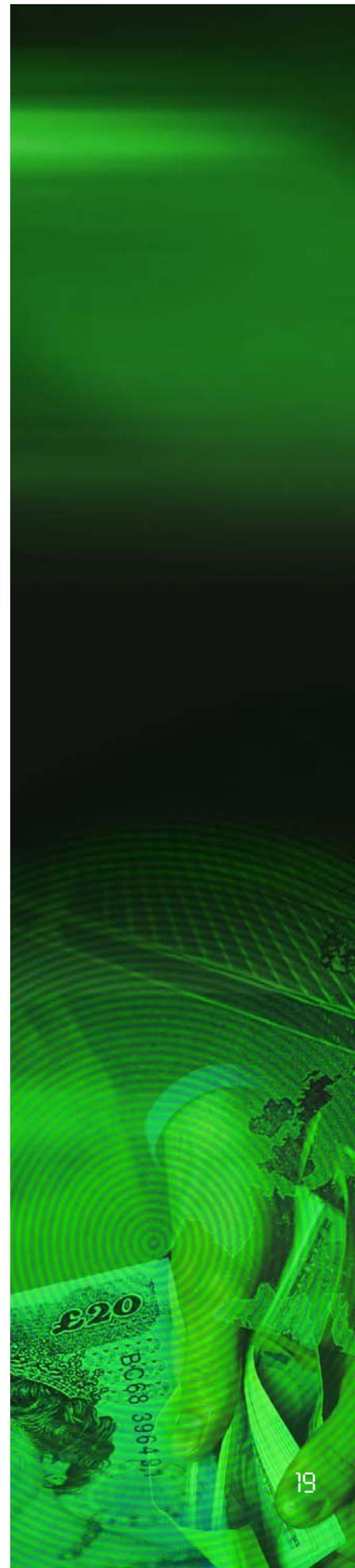
Criminal assets

4.7 A high proportion of serious organised criminals invest their criminal proceeds in private and commercial property, often held in the names of relatives, associates, or 'gatekeepers'. Some also invest in shares, trusts, and pensions. Overseas property ownership is also common.

The use of professionals to launder money

4.8 Criminals target professionals, such as solicitors or accountants, with access to the financial sector and the expertise to integrate 'dirty' money into the legitimate financial system. They may be witting or unwitting, or in some cases coerced.

4.9 Property purchases, cash rich businesses and front companies are the most frequently identified



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methods for laundering money in the UK. Consequently, legal professionals (conveyancing) and accountants (auditing, book-keeping) have a pivotal role in combating money laundering.

The risks to banks and financial institutions

- 4.10** Serious organised criminals seek to exploit banks and other deposit takers, particularly at the placement stage of money laundering. 'Know Your Customer' (KYC) measures, including account profiling, provide some protection, and the vast majority of Suspicious Activity Reports (SARs) are submitted by banks.

COERCION

Violence and intimidation

- 4.11** Coercion takes many forms, from unspoken intimidation, where criminals trade on a reputation for violence and ruthlessness, to the use of extreme violence or murder. Some criminal activities are intrinsically coercive, such as robbery, extortion or human trafficking. These aside, violence and intimidation are most marked among crime groups involved in drugs supply, particularly multi-drugs suppliers (especially those that sell both heroin and crack). There is substantial under-reporting of coercion, because many of the victims are themselves criminals and unlikely to report incidents either because they fear reprisals, or are reluctant to draw attention to their own criminal activities, or simply prefer to deal with the matter themselves.
- 4.12** Violence and intimidation are used primarily to maintain the discipline and compliance of group members and criminal associates, and to enforce criminal business deals and recover debts. Punishments may be meted out for double-crossing the group, making mistakes, not following orders, or being suspected

of informing to the police. Violence sometimes erupts because of a dispute between criminal groups, although only a small proportion become involved in 'turf wars'. Threats and actual violence are also used to force individuals to act against their will, for example women trafficked to the UK to work as prostitutes.

Coercion takes many forms, from unspoken intimidation, where criminals trade on a reputation for violence and ruthlessness, to the use of extreme violence or murder

Kidnap

- 4.13** Kidnap is used as a means of coercion and punishment. It is also used by serious organised criminals as a way of obtaining money. Law enforcement is particularly concerned with 'crime in action' kidnaps, where the hostage is being held and his or her life is judged to be at risk. The most commonly reported of these are 'criminal vendetta' kidnaps, where the hostage or the victim (the person subject to the kidnappers' threats and demands) is a criminal. Criminal vendetta kidnaps generally revolve around disputes over debts (some for surprisingly small sums) and reflect a willingness on the part of criminals at all levels to resort to violence to reinforce their rule. Violence, whether threatened or actual, is a common feature, and some hostages receive life threatening injuries.
- 4.14** 'Tiger' kidnaps involve the holding of a hostage, usually a close relative of the victim, to force the victim to aid or carry out a robbery. This tactic has been successful in effecting major

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robberies. The UK has also begun to see a trend in 'express' kidnaps, in which a person is taken hostage for a short time and forced to hand over debit and credit cards that are then used to obtain goods and cash. Kidnaps associated with people smuggling often occur where facilitators turn captors in order to extract further monies from family or friends. This type of kidnap, reports of which have increased, has been practised by Chinese Snakehead gangs.

Extortion

4.15 Extortion from small business owners by serious organised criminals is a problem in some communities. Since extortion works on the basis that the victims fear the criminals, who are often powerful figures in their community, more than they trust the authorities, it is reasonable to assume that it is substantially under-reported.

Possession and use of firearms

4.16 Some serious organised criminals routinely carry a firearm, and those who want to can easily acquire one. They carry them to protect themselves, their assets and, in some instances, as a status symbol, and are used to intimidate, recover debts, and enforce discipline within the group, as well as in robberies and kidnaps. They are most likely to threaten to use firearms against other criminals, close associates or members of their own community, in a show of strength or in response to some perceived failing, challenge or slight. Established criminals are normally able to find others to take the 'hands on' risks, for example, to act as enforcers and to recover debts, effectively distancing themselves from firearms activity.

Firearms, the Class A drugs trade and street gangs

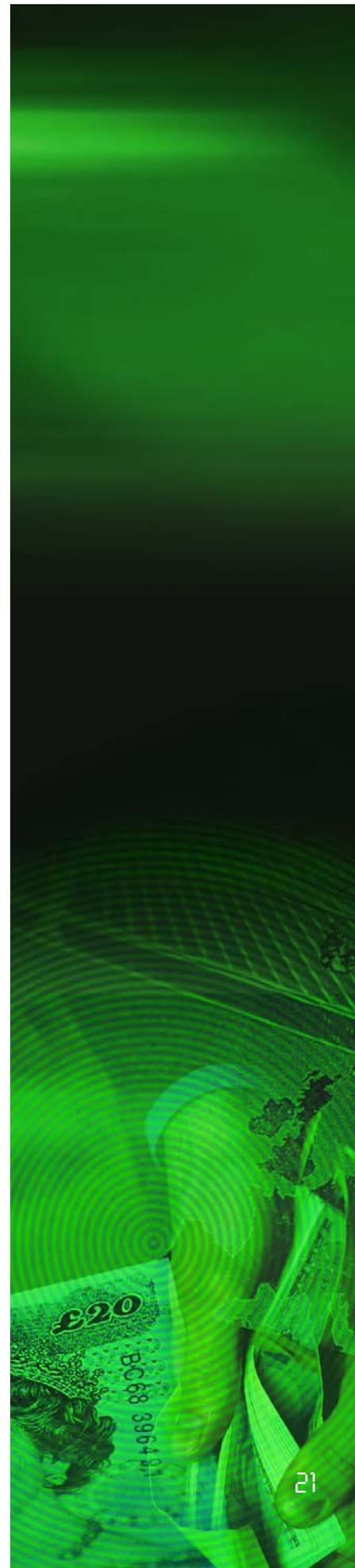
4.17 The apparent rise in the criminal possession and use of firearms in the UK seems to be driven predominantly

by the trade in Class A drugs (especially crack cocaine) and the associated gang culture at street level. A gun culture has been adopted by certain street gangs, in which possession of firearms is related to image and machismo, and gang members appear quick to resort to firearms to settle disputes over drugs 'turf', perceived instances of 'disrespect', music promotion, or women. Increased possession of firearms by lower level criminals, and their apparent readiness to use them, has led to an increase in random or uncontrolled shootings, and to 'tit-for-tat' revenge shootings.

Types of illegally-held firearms

4.18 UK criminals at all levels favour handguns. The use of shotguns by armed criminals continues to decline. Sub-machine guns and larger calibre handguns are relatively rare. However, demand for more powerful or automatic firearms appears to be increasing. The apparent increase in the possession and use of reactivated, converted and imitation firearms, and the fact that some firearms used criminally are recycled or offered for hire, might suggest that there are too few genuine firearms in the UK to satisfy criminal demand. However, criminals may be encouraged to look for alternatives to genuine firearms for reasons of cost, lack of suitable contacts, or a judgement of the risks should they be caught in possession.

4.19 The reactivation of firearms is within the capabilities of many criminals, including some who sell reactivation as a service to associates, and the necessary component parts can be acquired through illegal diversions from the legal trade or Internet purchases from abroad. The possession of blank-firing or air weapons is not controlled by certification and these firearms can be purchased from trade fairs, specialist retailers, and over the Internet, without proof of identity.



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Many can be converted into working firearms using simple engineering techniques.

- 4.20** Converted blank-firing weapons and air weapons designed for use with a self-contained gas cartridge system, constitute just under half of all lethal-barrelled weapons recovered by police nationally, although in London they form the majority.

CORRUPTION

Targeting the criminal justice system

- 4.21** Serious organised criminals use corruption to secure help from people with access to information or with influence. There have been a number of instances where UK law enforcement officers have acted corruptly and colluded with criminals. The advantages to the criminal of maintaining a corrupt relationship of this sort are obvious. He can use it to discover information about the status and direction of operations against him, including the identity of surveillance vehicles, informants or witnesses, or general information concerning law enforcement capabilities, procedures, operational priorities and resource deployments. He may, in addition, see such a relationship as providing an insurance policy should he be arrested and prosecuted, perhaps creating the opportunity for evidence to be tampered with or destroyed. For this reason, serious organised criminals have maintained corrupt relationships not just with those involved in 'front-line' law enforcement, but with others throughout the criminal justice system.

Other targets for corruption

- 4.22** The use of corruption by serious organised criminals is not restricted to those employed within the criminal justice system, or only for essentially defensive purposes. There are examples of corrupt relationships with central and local government

employees, accountants and others in the financial field, plus a range of other professionals, all aimed at facilitating money-making criminal activity. Similarly, serious organised criminals involved in high-value robberies or lorry load thefts may look to corrupt someone with inside information about security measures at sites where valuable items are stored, or about shipment details of such items.

Identity fraud underpins much serious organised crime, by enabling serious organised criminals to conceal themselves, their activities, and their assets and minimise the risk of detection

DECEPTION

Identity fraud and false documents

- 4.23** Some criminal activities require criminals to misrepresent their identity. They use three broad methods: modification of some aspect of their own identity; creation of a wholly fictitious identity; or theft of someone else's identity. Other crimes may require false documents of one form or another, for example false travel documents to support people smuggling. The latter, which include passports, visas, and identity cards, may be genuine (lost or stolen and made available to someone other than the rightful owner); counterfeit (manufactured illegally); forged (genuine documents that have been altered); or fraudulently obtained (genuine documents obtained through deception or corruption).
- 4.24** Identity fraud underpins much serious organised crime, by enabling serious organised criminals to conceal themselves, their activities, and their

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assets and minimise the risk of detection. Some organised crime groups produce, supply, or use false personal identities. To provide 'proof' of identity, criminals need passports, driving licences and assorted other documentation. They appropriate names, addresses, phone numbers, dates of birth, national insurance numbers, and payment card and banking information. Supporting documents, such as utility bills and bank statements, are easy to produce on desk-top computers. Other identity documents are less easily counterfeited, and need to be stolen, forged, or fraudulently obtained.

Serious organised criminals resort to theft (robbery, burglary, and obtaining by deception) to acquire what they need to carry out their main money-making criminal activities

4.25 Serious organised criminals also use other forms of misrepresentation, for example documents that give false information on company identity, vehicle identity, consignments and business accounts and transactions. Some false document production takes place on a large scale, and 'forgery factories' have been detected.

4.26 False travel documents are produced and supplied worldwide. They are advertised in the classified sections of local or foreign language newspapers in many countries, including the UK. Increasing numbers of websites have sprung up offering to sell identity documents, facilitation services, and stolen payment card details.

Theft

4.27 Serious organised criminals resort to theft (robbery, burglary, and obtaining by deception) to acquire

what they need to carry out their main money-making criminal activities. They do so where they are unwilling or unable to pay for the goods, perhaps because a legal purchase could be traceable. In some cases, goods may simply be easy to steal. Theft is commonly used to obtain motor vehicles, official documents, and monetary instruments.

OTHER ENABLING CRIMINAL ACTIVITIES

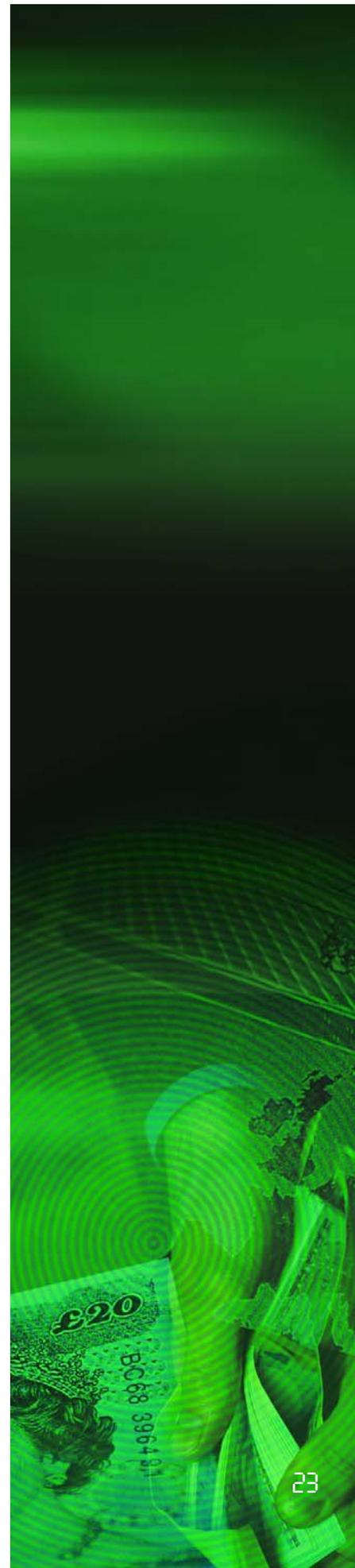
Criminal use of businesses

4.28 Serious organised criminals cannot operate exclusively within a criminal underworld, and most make use of businesses to further their criminal activities. Some criminals run businesses themselves, some of which are set up specifically for criminal purposes and have no legitimate trade. In other cases, criminals collude with, coerce or deceive the owners or employees of businesses in order to hide their criminal activity behind the true business dealings.

4.29 Businesses help criminals manage risk by providing cover for criminal activity. They are used most often to launder the proceeds of crimes, but they are also used to facilitate illicit trades and to perpetrate various frauds.

Criminal purchases and sales via the Internet

4.30 Serious organised criminals are exploiting the Internet as a commercial medium as well as for their communications. The ease with which suppliers can be identified and goods and services ordered from sites abroad (where different legislative and regulatory requirements may apply), the relative anonymity of the Internet, and lax scrutiny by sellers and parcel carriers, present opportunities to purchase goods which could not be obtained legally or without tight regulatory control in the UK. ■



CHAPTER 5

DRUGS TRAFFICKING, PRIMARILY CLASS A DRUGS

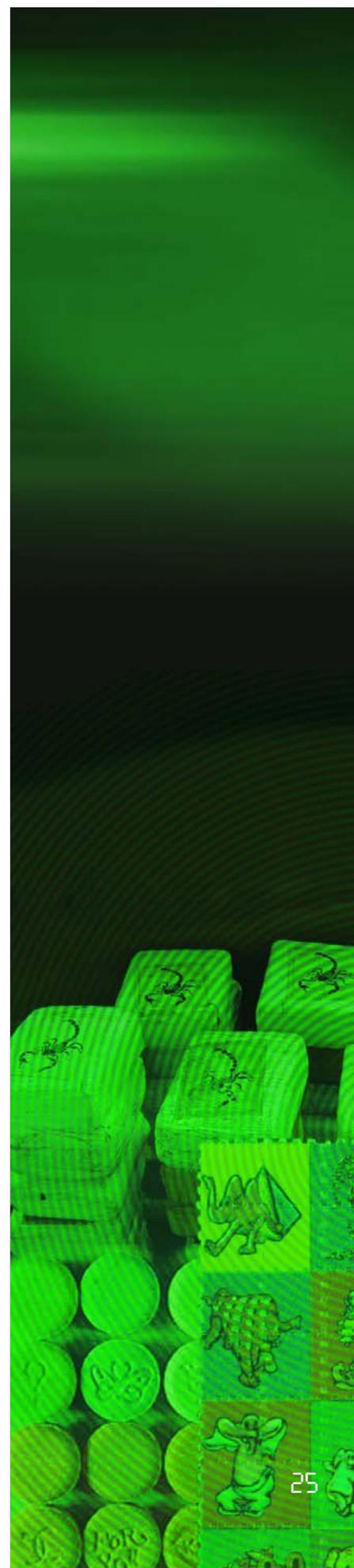
SCALE AND NATURE

- 5.1** The UK is one of the most lucrative markets in the world for traffickers in Class A drugs (heroin, cocaine powder, crack cocaine, ecstasy), and is targeted by a wide range of criminals. In terms of the scale of serious organised criminal involvement, drug trafficking, especially Class A drugs, poses the single greatest threat to the UK. The profits made from drugs are a critical factor in the success and spread of serious organised crime, enabling more drugs to be bought, funding other forms of crime, and supporting criminal lifestyles.
- 5.2** The illicit nature of the drugs market makes sizing it accurately very difficult, and estimates of the numbers of users and the size of markets vary. Class A and other drugs are widely available throughout the UK (although the Class A market in Northern Ireland is relatively small).
- 5.3** An estimated 25-35 tonnes of heroin enters the UK annually. Average purity has increased since mid 2003, while average street prices have fallen consistently, from £70 per gram in December 2000 to £54 in December 2005.
- 5.4** The estimate for cocaine powder entering the UK each year is 35-45 tonnes. This supplies both the cocaine powder and crack cocaine markets. The average street price of cocaine powder has fallen consistently in the past five years, from £65 per gram in 2000 to £49 in December 2005. While the average purity of cocaine seized by the police has also fallen in this time, the purity of cocaine seized by HM Revenue and Customs (HMRC), including seizures at ports, has remained more constant, suggesting increased adulteration of the drug within the UK.
- 5.5** Crack cocaine is rarely imported, but is produced in the UK from cocaine powder. The number of UK crack

users is not known, but there are indications that numbers are increasing. Average street prices decreased from £23 per 0.2g 'rock' in December 2000 to £18-19 in 2003, since when they have remained stable.

The estimate for cocaine powder entering the UK each year is 35-45 tonnes.

- 5.6** The UK is the third highest consumer of ecstasy in the world. Consumption has been estimated at between 500,000 and two million tablets per week. Average street prices of ecstasy have decreased from £9 in December 2000 to £4 in December 2005, although they have remained relatively stable since mid-2004. The amount of active ingredient in ecstasy has fallen from 100mg per tablet in 2000 to 65mg in 2004, and some manufacturers have sold 'ecstasy' tablets with added ingredients, such as ketamine.
- 5.7** The UK's 'problematic' drug market is linked primarily to heroin and crack cocaine, the use of which is highly addictive and chaotic. Dual supply of heroin and crack cocaine is now well-established in most parts of the UK, not solely at street level. Some dealers offer discounts when introducing crack cocaine to heroin users in order to encourage dual usage. This market causes high levels of harm, in terms of health risks to users and breakdown in family and other relationships; acquisitive and other low level crime (for example, theft, robbery, and prostitution) committed by users to fund their habit; and violence amongst criminals supplying the drugs.
- 5.8** The 'recreational' market primarily involves ecstasy, other synthetic drugs, and cocaine powder (as well as Class B and C drugs). Cannabis (a Class C drug) remains the most widely used drug in the UK. The



DRUGS TRAFFICKING, PRIMARILY CLASS A DRUGS



recreational market, particularly ecstasy, is often linked to the UK's nightclub scene.

- 5.9** Both markets are highly profitable, and are critical to the success and spread of serious organised crime, enabling more drugs to be bought, funding other forms of crime, and supporting criminal lifestyles.

Trafficking to the UK

- 5.10** Most identified supply chains to the UK follow well-established trafficking routes. Many serious organised criminals in the UK and overseas involved in Class A drugs trafficking use their contacts and established infrastructure to supply other illicit commodities, such as smuggled cigarettes.

- 5.11** Around 90% of the UK's identified heroin supply originates in Afghanistan. Most of the supply to Europe is processed in Turkey. The primary trafficking route to the UK is overland from Afghanistan to Europe (the 'Southern/Western' route), transiting Iran. From Iran, the opiates are moved to Turkey. A large proportion is then moved through the Balkans overland to the EU. A significant amount of Afghan heroin seized in the UK arrives directly from Pakistan. Air routes, including couriers and fast parcels, are commonly used. Other routes include via the Gulf/Middle East, and via countries in Eastern and Southern Africa with cultural ties and transport links to Southern Asia.

- 5.12** Most heroin (and cocaine) is believed to enter the UK via ports in the South East of England. In 2005, almost half of the heroin seized either in or en route to the UK transited The Netherlands. UK-destined heroin also transits Belgium and France. Turkish and white British traffickers commonly use cross-Channel routes, frequently concealed either in legitimate loads or in special compartments within HGVs.

- 5.13** Colombia continues to dominate the global supply of cocaine. However, coca is also cultivated in Peru and Bolivia. Precursor chemicals used in cocaine production are diverted from industrial use to illicit markets. Potassium permanganate (PP) is preferred, as it produces high quality cocaine.

Around 90% of the UK's identified heroin supply originates in Afghanistan

- 5.14** The Iberian Peninsula, predominantly Spain, and The Netherlands are the main entry points into Europe for cocaine. The main method of moving cocaine from South America to Europe is in bulk maritime shipments on merchant vessels and yachts from Colombian and Venezuelan ports to the Iberian Peninsula (loads often being transferred to smaller vessels at sea before landing on the coast). Maritime containers are also used to traffic cocaine to Europe (including directly to the UK), as are couriers or airfreight shipments on direct flights (particularly to Madrid and Amsterdam), and fast parcels.

- 5.15** Large quantities of cocaine destined for Europe are also trafficked from Colombia and Venezuela to the Caribbean, predominantly in fast launch vessels. Cocaine is then moved to Europe either via air courier, or in maritime shipments. Cocaine is moved from Colombia, Brazil and Venezuela via maritime routes to West Africa. It is then moved into Europe, mainly by sea, often via the Iberian Peninsula. West African traffickers also use air couriers to the UK, on direct or indirect routes, via European cities.

- 5.16** Almost all of the ecstasy consumed in the UK is manufactured in The Netherlands or Belgium, and commonly enters through Harwich, Felixstowe and Dover. In the UK, more tableting sites have been

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found than laboratories, mostly in the North of England. Synthetic drug production in The Netherlands and Belgium relies heavily upon precursor chemicals made in China, obtained through criminal networks from Chinese companies.

5.17 The synthetic drug methylamphetamine (including its purer form 'crystal' methylamphetamine) has been compared with crack cocaine for its addictive nature and harmful effects. It is well-established in the US drugs market, and there is a risk that the US experience may be replicated in the UK, as occurred with crack cocaine.

5.18 Cannabis cultivated overseas is imported into the UK from Europe both in bulk by serious organised criminals, sometimes in mixed loads alongside Class A drugs, and in smaller amounts for sale and for personal use. In addition, there are indications that intensive hydroponic cultivation of cannabis is occurring in the UK.

Distribution in the UK

5.19 London, Birmingham, and Liverpool are known to be significant centres for the distribution of all types of drugs to all areas of the UK. They supply other cities, which in turn operate as regional centres supplying smaller cities and towns. The latter attract lower-level dealers from the surrounding areas.

5.20 Many criminals involved in the drugs trade in the UK obtain their drugs from a number of different UK-based suppliers, while some look to source their drugs directly from overseas suppliers. The overall picture of UK drugs distribution appears increasingly complex and diverse.

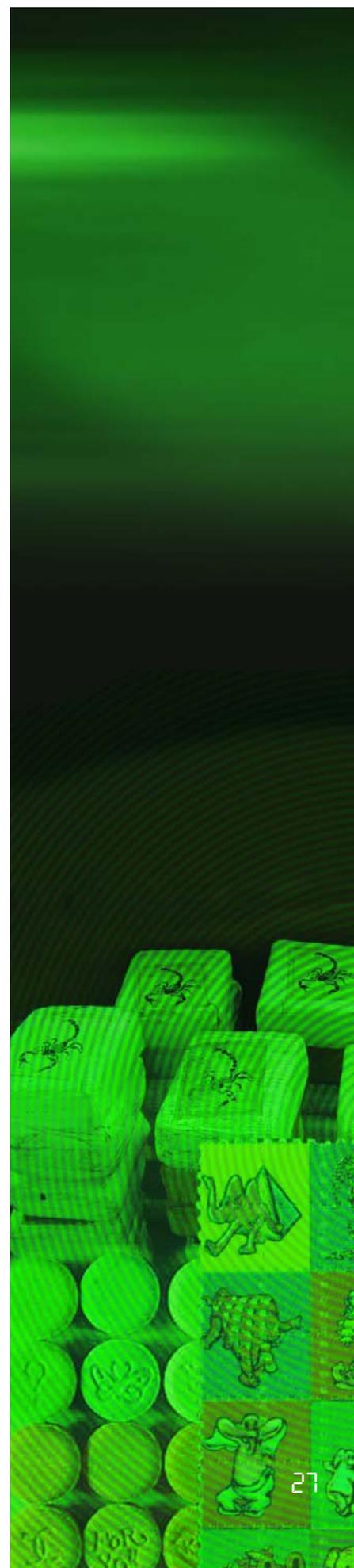
The major traffickers and suppliers

5.21 Some large-scale trafficking networks supplying the UK have a clear structure, with lines of command and

established supply routes. Colombians and Turks, in particular, operate in this way, looking in effect to control the trade from Colombia or Turkey, and placing their representatives strategically along the supply chain. However, there are also many smaller, less structured, trafficking groups who do not have the same end-to-end involvement or control.

5.22 Some significant stages of the main supply routes are effectively controlled by criminals of a particular ethnicity. More generally, the drugs trades rely to some degree on collaboration between criminals of the same ethnicity, not least because ethnic communities in transit and destination countries provide traffickers with a network of trusted contacts who can assist with activities such as the movement and temporary storage of drugs. Shared ethnicity seems much less relevant, however, once the drugs have been imported into Europe, and criminals involved in wholesale (multi-kilo) distribution and street level dealing will typically do business with other criminals and users of any ethnicity.

5.23 It appears that ethnic Turkish traffickers continue to dominate the supply of heroin to the UK, both within the UK itself and further upstream. At various stages in the supply chain, including after importation into the UK, they sell heroin in bulk to other criminals. Traditionally, Pakistani traffickers have been involved primarily in trafficking heroin from Pakistan to the UK using direct transport and trade links, and some are known to buy from UK-based ethnic Turkish suppliers. A significant number of white British criminals are also involved, supplying heroin to all parts of the UK. The latter appear increasingly willing to bypass the London-based ethnic Turkish traffickers who have been their traditional suppliers, and to import directly from Europe, mostly The Netherlands, but also Belgium and France.



DRUGS TRAFFICKING, PRIMARILY CLASS A DRUGS



5.24 All the indications are that Colombian traffickers continue to dominate cocaine supply to Europe. Colombian trafficking groups have representatives in most countries where cocaine is transited. White British cocaine traffickers have sourced their supplies of cocaine powder typically from Spain or The Netherlands, often alongside other drugs, such as cannabis, and other illicit goods, such as cigarettes. West Indian groups based in the Caribbean are known to traffic 'little but often' amounts of cocaine powder by air courier from various Caribbean islands either direct to the UK or via mainland Europe. In the UK, West Indian traffickers, many British-born, are involved in supplying cocaine powder intended for the crack cocaine market. The targeting of heroin users as customers for crack cocaine by encouraging dual use has meant that West Indian criminals have become active in selling heroin alongside crack cocaine. Meanwhile, the UK crack cocaine market is now supplied by a range of criminals of different ethnicities, many of whom collaborate freely.

5.25 The UK synthetic drugs market is dominated by Dutch and Belgian criminals based in The Netherlands and Belgium, and by white British traffickers based in both these countries and the UK. Local criminals in The Netherlands and Belgium produce synthetic drugs, collaborating with white British criminals, who typically arrange transportation to the UK and control UK distribution.

5.26 Many UK-based traffickers, particularly white British criminals, import and distribute more than one type of drug, including a mixture of Class A, B and C drugs. Mixed shipments are most commonly sourced from The Netherlands and, to a lesser extent, Spain and Belgium.

5.27 Spanish criminal groups are involved in the receipt, distribution and onward transmission of cocaine to Europe and the UK. These groups

are mainly resident in Spain, but also operate in West Africa. Groups from various parts of Eastern Europe are also involved in trafficking drugs, particularly heroin, to Western Europe.

In the UK, West Indian traffickers, many British-born, are involved in supplying cocaine powder intended for the crack cocaine market

5.28 Well-established trafficking groups take steps to protect themselves and their consignments, including the careful concealment of illicit loads, the use of coded or clandestine communications, and the varying of routes and methods. They also monitor law enforcement actions and techniques, including through the corruption of insiders, and respond quickly. They commonly look to transfer the greater, 'hands on' risks to lower level criminals. Low level couriers and drivers are often used to transport drugs into the UK, where the trafficking group or the buyer recovers them. 'Little but often' importations by couriers also spread the risk of losses through detections. ■

CHAPTER 6

ORGANISED IMMIGRATION CRIME

THE UK AS A FAVOURED DESTINATION

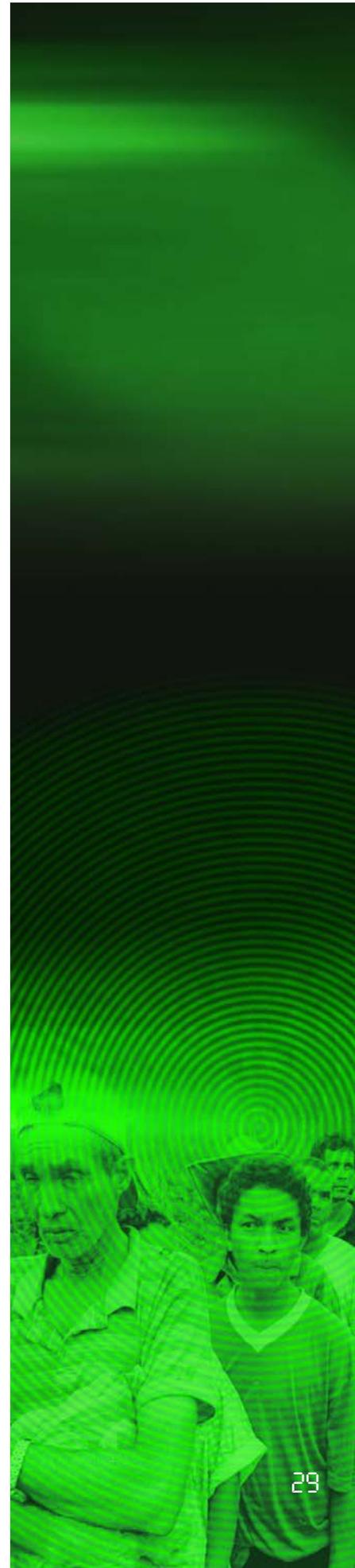
- 6.1** Organised immigration crime falls into two categories. 'People smuggling' involves the facilitation of illegal migration for profit, normally of individuals who have sought help to migrate. 'Human trafficking' involves the facilitation of illegal migrants, including of those who have been coerced or duped, with the purpose of exploiting them as prostitutes or cheap labour, often forced or tied. Both involve the provision of false documentation, the abuse of legitimate methods of entry, and illegal working.
- 6.2** New legislation, new regulations and improved immigration controls have made it more difficult to enter the UK illegally. Fewer people are now claiming asylum, and juxtaposed controls have led to the detection of greater numbers of would-be illegal migrants before they reach the UK. Nonetheless, the UK continues to be a highly attractive destination for illegal migrants, and organised criminal networks involved in facilitating entry to the UK appear to be resilient and able to change their methods in response to law enforcement measures.
- 6.3** Interviews with illegal migrants indicate the UK is a favoured destination because it is seen as having comprehensive health, welfare and education systems, and a strong demand for workers, particularly in low-skilled sectors. Established family and community ties, and language, are also important pull factors, while some illegal migrants believe if they are successful in reaching the UK it is difficult for the UK to return them to their country of origin.

People smuggling

- 6.4** All the indications are that the scale of people smuggling far exceeds that of human trafficking. For reasons of cost and security, most migrants are likely to enter the UK concealed in

vehicles with little or no documentation. Most detected attempts at illegal entry are made at French ports, particularly Calais, Coquelles and Dunkirk. Many are repeated attempts by the same individuals.

- 6.5** Organised criminal facilitators able to arrange transport and the means to circumvent border controls are found at well-established nexus points along the main migration routes and within diaspora communities. Some illegal immigrants to the UK purchase end-to-end facilitation 'packages'. In these cases, would-be migrants approach a local agent or recruiter, who works on behalf of a higher-level people smuggler. The route, facilitation method, and payment terms are then arranged. Some packages include false documentation and work in the UK, in some cases as a means of paying off part of the costs of the facilitation.
- 6.6** For many, the UK is the end of a multi-stage journey made with the help of different facilitators for different stages. Migrants often look to find work at the nexus points to raise sufficient money to pay for the next leg of their journey. The complete journey can take many months.
- 6.7** Most organised criminals who facilitate people smuggling are unconcerned about the nationality or ethnicity of the migrants with whom they deal, and migrants may approach a number of facilitators at a nexus point to compare the nature and costs of the services on offer. Prices can vary greatly, depending on demand, risk, and the service provided.
- 6.8** Different criminals, groups, or agents control different parts of the many routes used to reach the UK. This means that, at a detailed level, the routes and methods used are extremely fluid. Nonetheless, certain nexus points and broad routes into the EU stand out: from Russia



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(Moscow is a nexus point) through the Baltic States to Poland and the Czech Republic; from Ukraine (Kiev is a nexus point) to Poland, the Czech Republic, Slovakia, Slovenia, Hungary; from Turkey (Istanbul is a nexus point) to the Balkans (Belgrade and Sarajevo are nexus points) and on either to Italy (Rome is a nexus point) or Greece; or alternatively from Turkey to northern Cyprus, then to the EU via Bulgaria and Romania; from Libya (Tripoli is a nexus point) to Italy or Greece; from Somalia via the Suez Canal to Italy or Greece; and from West Africa to Spain.

Human trafficking

6.9 Adults trafficked to the UK are facilitated either for the purposes of sexual exploitation (almost exclusively through off-street prostitution), or for cheap labour, often forced or tied, for example in the agriculture, catering, construction, fishing, and service sectors. The main source countries are Albania, Belarus, Bulgaria, China, Malaysia, Moldova, Romania, Russia, Slovakia, Thailand, Ukraine, and Vietnam. Since EU enlargement, the number of victims detected in the UK from new EU member states, particularly Lithuania, has increased, and recently there has also been an increase in the numbers detected from African countries, notably Nigeria.

6.10 Trafficking victims are found all over the UK, not just in metropolitan areas. Those used for sexual exploitation are moved around frequently and may find themselves in any town or city with an established off-street sex trade. Prices vary, but women have been sold in the UK for between £2,000 and £3,000. It is still uncommon for the traffickers, and the criminals who buy and control trafficked women, to own or run brothels in the UK, although some are beginning to purchase flats to use as 'walk-up' brothels.

6.11 Traffickers use a variety of techniques to find victims. These include abduction or kidnapping, but it is more common for traffickers to use deception or misrepresentation, such as promises of high earnings and legitimate employment. Some traffickers place advertisements in newspapers, particularly in source countries, offering employment in the UK as escorts, lap-dancers, models, waitresses, nannies, or au pairs, while some former victims have been used to recruit new victims. Some trafficking victims, particularly those used in the sex trade, are bought, exploited, and resold by a succession of criminal groups before and after arrival in the UK.

Adults trafficked to the UK are facilitated either for the purposes of sexual exploitation or for cheap labour

6.12 Trafficking victims are typically moved to the UK either individually or in a small group, with an escort. The same means are used as for people smuggling, including commercial flights, passenger ferries, private cars, trains, coaches and freight vehicles, but concealed entry appears less common. The nexus points and routes are also those used by people smugglers, and flights (particularly budget flights) from the nexus points directly to the UK are popular.

6.13 Knowledge of the trafficking of minors is limited, and the extent of such trafficking, and of serious organised criminal involvement, is unclear. Most information is anecdotal. Child victims have been from Bangladesh, China, Malaysia, Mali, Nigeria, Pakistan, Senegal, and Vietnam, and used to support benefit frauds and for cheap labour, including domestic servitude.

CHAPTER 6

ORGANISED IMMIGRATION CRIME

The use of false travel documents to enter the UK illegally

6.14 Many migrants enter the UK illegally using false travel documents (passports, visas, and identity cards). These include documents that have been counterfeited (illegally manufactured), forged (genuine lost or stolen documents that are altered), and fraudulently obtained (using deception or corruption). In 2005, the most common travel documents used were British, Lithuanian, and Nigerian pass-ports. Once in the UK, false identity documents can also be used to gain various entitlements by deception, for example welfare benefits, health care, tax or housing benefits, as well as to facilitate other frauds.

The abuse of legitimate entry to the UK

6.15 Legitimate entry to the UK is widely abused. Serious organised criminals are involved in the provision of false, fraudulent, and stolen documents, and supporting credentials, used both to enter the UK and to remain, for example work permits, student visas, and bogus marriages. Some serious organised criminals establish bogus companies to support false work permit applications. Entry to the UK is often supported by bogus college enrolment letters, false educational certificates, or bogus attendance details. Also, there are instances of UK residents operating businesses which pay British nationals to enter into bogus marriages with foreign nationals.

The costs to migrants vary substantially. Some pay less than £150 to enter the UK from France clandestinely. Meanwhile, Chinese migrants may be charged up to £20,000

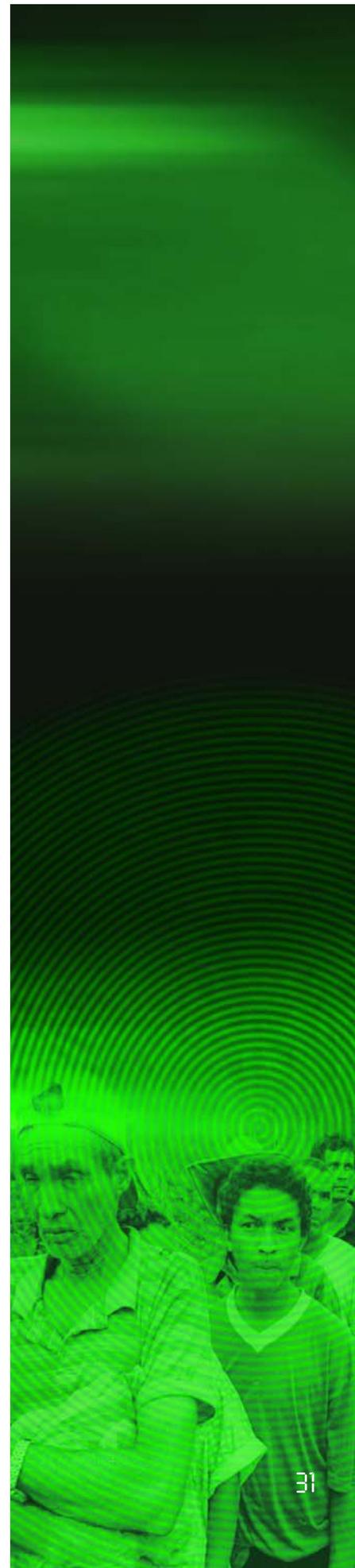
The types of criminals involved

6.16 Organised immigration crime attracts all types and levels of criminal: from established serious organised crime groups with close-knit, cellular and hierarchical structures, and global reach; through loose criminal networks or associations, including middlemen and fixers who arrange contacts between facilitators and with would-be migrants; criminal groups and individuals not solely concerned with organised immigration crime; to lower-level, small-scale criminals.

6.17 Facilitators operating in source countries tend to be from those countries and therefore of the same ethnicity as the individuals they facilitate. From a practical viewpoint, common language and culture are likely to make it easier for facilitators to secure the initial trust of the would-be migrant or trafficking victim. Shared ethnicity is less relevant, however, in transit countries. For facilitators based along the transit routes organised immigration crime is a business, and most are prepared to facilitate whoever can pay them.

Charges

6.18 The costs to migrants vary substantially. Some pay less than £150 to enter the UK from France clandestinely. Meanwhile, Chinese migrants may be charged up to £20,000 to be facilitated from China to the UK, some borrowing the money from local lenders, paying one-third of the fee in advance and the remainder (plus interest) upon safe arrival in the UK. Where they are unable to pay in full the debt is recovered through bonded labour lasting months or years. Some Sri Lankan migrants pay £5,000 to £10,000, half to the initial facilitation agent and the rest on arrival in the UK. In some cases, facilitators will keep migrants at safe-houses in the UK or on the near Continent until



ORGANISED IMMIGRATION CRIME

paid what they are owed, and some have taken the opportunity to extort more than the amount originally agreed.

Illegal working in the UK

6.19 The majority of illegal workers in the UK work in low-skilled, low-paid jobs, typically in horticulture, agriculture, care, construction, hospitality, and food processing. Some find work for themselves, while for others a job is part of their facilitation 'package'.

6.20 Criminal gangmasters are involved in finding work for illegal immigrants in the UK. Some are able to supply large numbers of illegal workers at short notice. They exploit these workers by paying low wages, and making inflated deductions for housing and transport. Some also use violence and intimidation. In March 2006, the Gangmasters Licensing Authority began licensing the agricultural, horticultural, shellfish gathering, and associated processing and packaging industries. The regime will cover approximately one third of the estimated 10,000 gangmasters in the UK. ■

CHAPTER 7

FRAUD

'Fiscal' and 'non-fiscal' fraud

- 7.1** 'Fiscal frauds' are frauds against government funds, and include the theft or evasion of revenue due to HM Government, involving mainly those duties and taxes collected by HM Revenue and Customs (HMRC), and welfare benefits administered by HMRC, the Department for Work and Pensions (DWP), and local authorities.
- 7.2** 'Non-fiscal frauds' are frauds against businesses and members of the public, and occur when criminals take money but fail to supply the goods, services or rewards promised; receive goods or services but fail to pay for them, or obtain loans but fail to repay them; manipulate bank systems in order to steal money; obtain money to which they are not entitled; or subvert other systems or markets to obtain financial benefit (for example boosting share values with false information).

FISCAL FRAUD

Missing trader intra-community fraud

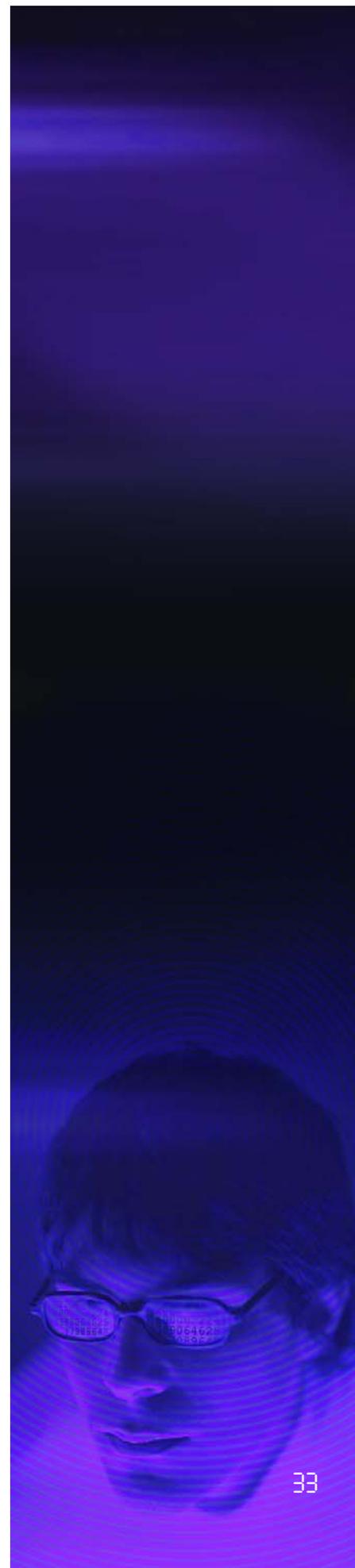
- 7.3** Missing trader intra-community (MTIC) fraud is a sophisticated fraud that exploits the free movement of goods between EU states, and involves the fraudulent claiming of VAT rebates by criminals purporting to sell goods into the UK market. It is estimated to have cost the Exchequer just under £2 billion in 2004/05, virtually all of which resulted from a particular form of MTIC fraud, known as 'carousel fraud'. This involves a UK trader purchasing VAT free goods from another EU member state and selling them to a network of 'buffer companies' before a final 'broker' company buys the goods and sells them back to another EU member state. The broker then reclaims the VAT from HMRC. The goods, typically small and expensive items which can be easily packed and transported in bulk such as mobile phones and computer chips, can go round the 'carousel' many times before the fraud is discovered.

- 7.4** In most MTIC frauds, the criminal organisers control the traders and other elements of the carousel. Tracing the proceeds from MTIC fraud is made more difficult when the commodities are sourced from and supplied to traditional money laundering destinations, for example Dubai, which is pivotal in the transportation, funding, and laundering of MTIC frauds.

- 7.5** The large profits to be made from MTIC fraud have attracted 'career criminals', who are involved in other criminal activities, including drug and excise smuggling, money laundering, the use of firearms, violence and intimidation. Low level criminals have also become aware of MTIC fraud, gained introductions to established carousel chains, and learnt how to set up companies and join chains as buffer companies or freight forwarders.

Excise fraud

- 7.6** Excise fraudsters smuggle cigarettes and hand-rolling tobacco into the UK. Most smuggled genuine cigarettes come from Cyprus, Greece, Poland and Russia. Belgium and Luxembourg remain the main source countries for smuggled hand rolling tobacco. Both are misdeclared, or concealed within loads or adapted 'spaces' in lorries and containers. The criminals involved monitor law enforcement activity at ports of entry. Cheap travel, and short crossing times both at sea and airports, means that they can change travel plans easily and at short notice to avoid law enforcement attention.
- 7.7** Over 50% of all seized smuggled cigarettes are counterfeit. China is the main producer of counterfeit cigarettes, but counterfeit cigarette factories have emerged throughout the EU. Chinese counterfeit cigarettes are commonly smuggled from China in containers, and the paperwork altered or indirect routes used to



FRAUD

disguise the true origin. Dubai is a stopping-off point, with entry into the EU via Constanza in Romania, as well as traditional EU ports of entry.

7.8 'Diversion fraud' can occur with any product liable for excise duty, which is moved into or out of the UK under a duty suspension regime. However, it mostly involves alcohol, mainly spirits, but also wines and beer, and takes place when goods are re-directed onto the illicit UK market after they arrive in the UK from another EU member state, or after they leave the UK bonded warehouse for a foreign country.

7.9 Excise frauds targeted at the UK oils market involve removing the dye and chemical marker from rebated fuels, using acids or filtration agents, in order to sell it as diesel and profit from the difference between the full and the rebated rate of duty. Because of the noise of compressors and the smell, laundering plants are often located in farms and storage barns. For some years, oils have been smuggled from the Republic of Ireland (RoI), where they are significantly cheaper, into Northern Ireland and on to other parts of the UK. Misuse of oils is a growing concern, for example running a road vehicle on rebated oil, or extending a duty paid product with kerosene or other hydrocarbon based products.

Benefit fraud

7.10 The DWP estimates that around £900 million is lost to benefit fraud each year, of which systematic, organised attacks account for £50-100 million. Anti-fraud measures, including intelligence-led detection and more rigorous checks, have halved overall losses since 2001, while the replacement of order books by direct payment into bank accounts has reduced opportunities to present forged or counterfeit instruments of payment.

Tax credit fraud

7.11 Prior to 2004, the main fraud threat to the tax credit system was from individuals making false or inflated claims. In 2004 and 2005 there was an increase in organised attacks. Identity theft, often in bulk from stolen payroll data, enabled criminal organisations to make multiple fraudulent online claims, often using Internet banking to receive the funds. The losses from fraud and from errors were estimated by the National Audit Office to be in the region of £460 million. In November 2005, the online tax credit claims system was shut down, which appears to have been successful in restricting abuse by organised fraudsters.

The DWP estimates that around £900 million is lost to benefit fraud each year

Direct tax evasion

7.12 Fraud takes place in the form of corporation tax evasion, construction industry fraud, and false claims in self-assessment returns. Systematic involvement by serious organised criminals is limited, except in the case of construction industry fraud in Northern Ireland, where there is clear evidence of the involvement of criminals linked to paramilitary groups.

7.13 Mass-marketed, professional 'avoidance' schemes appear to be declining as legislative loopholes are closed, but bespoke schemes are taking their place. Offshore structures and accounts often play a part in these schemes. Identity theft is the major precursor for self-assessment return fraud. Claims for inflated or false expenses are submitted using false or stolen identities. The direct tax system is also used by organised criminals to launder criminal proceeds, for example by over-paying through a self-assessment return and then reclaiming the overpayment.

CHAPTER 7

FRAUD

Non-fiscal fraud

7.14 The scale of non-fiscal fraud is difficult to estimate accurately. Not all frauds are discovered and not all discovered frauds are reported. The latter occurs because companies who have been defrauded are often reluctant to report, fearing damage to their reputations, share values, and customer confidence, or doubting that the police will investigate. Non-fiscal frauds are often 'high-volume, low-value', and numbers of victims and overall losses are often obscured.

7.15 There are examples of serious organised criminals taking money but failing to supply the promised goods, services or rewards (including investment scams and advance fee frauds, often exploiting mass-marketing techniques); receiving goods or services but failing to pay for them, or obtaining loans but failing to repay them (as in 'long firm', mortgage and finance fraud); and manipulating bank systems in order to steal money.

Frauds against bank systems

7.16 The Association of Payment and Clearing Services (APACS) collates UK losses from payment card fraud. APACS data shows that annual losses have grown five-fold since the mid-1990s, and now total around £440 million. Organised attacks may account for around three-quarters of all losses. The involvement of serious organised criminals in payment card crime is well-known, but there are increasing reports of them taking over bank accounts and withdrawing funds, or opening new accounts under false names, drawing on credit and then disappearing.

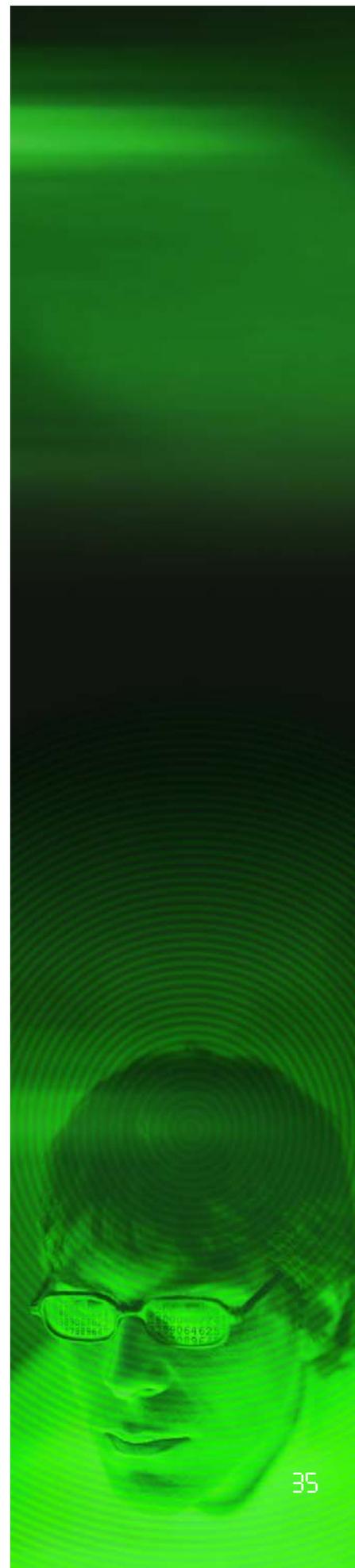
7.17 The introduction of 'Chip and PIN' helped to cut payment card fraud losses, in particular reducing opportunities to commit fraud with counterfeit or stolen cards. However, losses to card-not-present (CNP) fraud have increased significantly,

with telephone transactions accounting for most of the increase. There have also been more attempted cheque and mortgage frauds. Meanwhile, losses to ATM fraud have declined as a result of improvements in cash machine design, which have made it harder to attach devices that capture card data and PINs, and increased public awareness of the risk from such attachments.

Other non-fiscal frauds

7.18 The scale of other non-fiscal frauds is less clear. Losses from finance and 'long firm' frauds are hard to quantify, and, as with mortgage frauds, some may be written off as bad debts. A large number of people in the UK have received letters, emails, or phone calls as part of mass-marketed scams, such as lottery scams and investment frauds, but how many have replied and lost money, and their total losses, are not known. The Association of British Insurers estimates that the amount of fraud suffered by insurers on commercial, motor, household and other personal insurance exceeds £1.5 billion a year. Most of this involves low-level criminality, but serious organised criminals are also engaged in these frauds.

7.19 Serious organised criminals involved in non-fiscal fraud make use of corrupt or negligent professionals and collusive insiders, including solicitors, accountants, and financial advisors. A picture is emerging of a sophisticated fraud 'infrastructure', made up of numerous specialists and niche service providers. In counterfeit payment card fraud, for example, different groups of criminals are involved in sourcing details, manufacturing, and using the cards. Niche services exist that, for example, procure, produce, and supply false documentation; make ATM attachments; and open fraudulent bank accounts.



FRAUD



7.20 Serious organised criminals use a variety of hi-tech methods to commit non-fiscal frauds. These include hacking customer databases, and infecting personal computers with malicious software ('malware'), in order to steal the personal information needed to commit credit card and online banking fraud. They also use hi-tech tools, such as anonymised email accounts, data encryption, and proxy computers, to evade detection and prosecution. Malware is becoming increasingly sophisticated and harder to detect, while 'phishing' messages (attempting to trick victims into revealing their account details) are becoming harder to distinguish from genuine messages from banks or card issuers, particularly where they use personal data obtained through hacking.

7.21 The development of malware and hacking techniques requires particular skills, but the products are being sold to people with little or no technical skills, and this appears to be encouraging existing fraudsters to diversify into e-fraud. ■

CHAPTER 8

OTHER SERIOUS ORGANISED CRIMINAL ACTIVITIES

8.1 Knowledge of serious organised criminal activities affecting the UK largely reflects long-term law enforcement priorities, and is therefore best in respect of drugs trafficking. It is difficult to assess the true significance of other areas, not least because serious organised criminals are opportunistic and entrepreneurial, and are often involved in more than one criminal activity.

Organised armed robbery

8.2 There were 7,926 robberies of commercial premises in England and Wales in 2004/05, although serious organised crime groups are believed to be responsible for only a small proportion of these. Armed robbers mostly target cash, and in 2005 there were 837 cash-in-transit (CIT) robberies, resulting in losses of £15.4 million. Most CIT robberies are planned and executed as attacks at a point of transfer. London, the North West of England, and the West Midlands, have been worst affected.

8.3 An organised attack on a cash storage facility in Kent in February 2006 yielded the biggest ever haul, reportedly £53 million. Like an earlier cash robbery, at a bank in Northern Ireland in 2004, the Kent robbery involved a 'tiger kidnap', in which the family of an employee was taken hostage and threatened in order to force the employee to help the robbers gain access to the storage facility.

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8.4 Armed robbers fall into two broad categories. Expert 'teams' tend to be less prolific, but carry out higher risk robberies for greater rewards, and are likely to be involved in other forms of serious organised crime, including Class A drug distribution and firearms supply. However, most armed robberies are carried out by less sophisticated criminals, often acting alone.

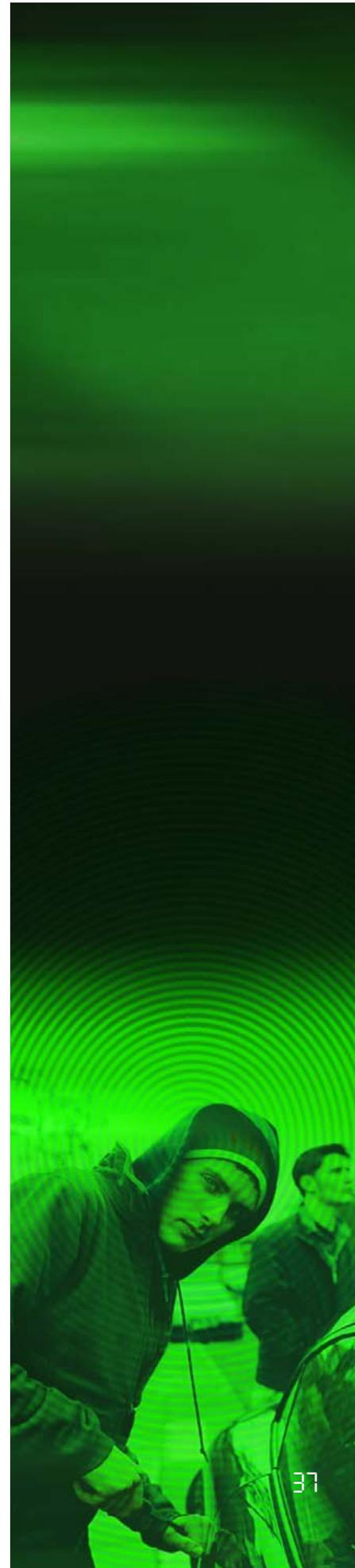
Road freight crime

8.5 The theft of road freight is on the increase. There were 3,627 reported incidents in 2004/05, an increase of 20% on the previous year. The value of stolen loads was in excess of £110 million.

8.6 Serious organised criminals mainly target easily disposable, high value loads, such as alcohol, cigarettes, designer clothing, and electrical and computer equipment, including computer chips. There are seasonal peaks, for example thefts of alcohol increase considerably prior to Christmas. The majority of goods stolen are never recovered. Most are sold on the black market, but others re-enter the legitimate market and are sold to unsuspecting purchasers.

8.7 Some criminal groups are highly organised and able to steal entire loads by deception, collusion, or robbery. Others travel the motorway networks to steal from commercial vehicles parked overnight in motorway service areas, lay-bys and industrial areas. 'Jump up' thefts, for example, involve slashing curtains-sided vehicles to identify the load and off-loading it to waiting vans.

8.8 Hijacks make up less than 3% of all road freight thefts. However, levels of violence have increased, with the use of weapons becoming more common. Together with thefts of loads from warehouses, hijacks tend to be the highest value thefts, and appear increasingly to involve insider information and employee collusion.



OTHER SERIOUS ORGANISED CRIMINAL ACTIVITIES

Organised vehicle crime

8.9 Serious organised criminals are involved in vehicle crime principally to profit from reselling stolen vehicles (cars, motorcycles, commercial vehicles and plant) and parts. Some of the profits fund other crime. Stolen vehicles are also used in the commission of armed robberies and ATM raids.

8.10 The British Crime Survey reported 214,000 thefts of non-commercial vehicles for 2004/05, a reduction of over 30% since 2001/02, much of it due to improved anti-theft technology. However, the number of stolen vehicles not recovered has remained relatively constant, and has therefore grown as a percentage of the total (to around 50% in 2005). Non-recovery is considered to be a strong indicator of organised criminal involvement. Thefts of high value, prestige vehicles have increased in the last 5 years, and this also points to organised vehicle crime.

While no reliable figures are available, the Home Office estimates that the UK market for counterfeit goods is worth at least £1 billion per annum

8.11 One consequence of improved anti-theft technology in new cars has been a rise in thefts of keys, primarily by house burglary (including the ready use of violence if confronted) and break-ins at commercial premises, but also through fraud (hiring cars with the intention of stealing them), and 'carjacking'.

8.12 The majority of vehicles stolen in the UK are re-introduced into the UK market using false or forged vehicle identities. However, large numbers

are also shipped overseas, for example to Dubai, and East and West Africa. The UK also acts as a transit point for vehicles stolen in other EU countries.

8.13 Vehicles stolen by organised criminals often have their identities changed through 'ringing' and 'cloning'. The identities of vehicles broken up for parts are used to 'ring' (provide an apparently legitimate identity for) stolen vehicles. However, available data indicates that 'cloning' (copying the identity of a legitimate vehicle) is a more significant threat, with up to 35,000 cloned vehicles on the road in the UK.

Intellectual property crime

8.14 Intellectual property crime (IPC) involves the counterfeiting, piracy and trade mark infringement of goods, including digital media, designer clothing, other luxury goods, and sophisticated manufactured goods, such as pharmaceuticals, automotive or aviation parts and electrical goods.

8.15 Globally, IPC occurs on a vast scale. Advances in technology have facilitated its growth, by enabling speedy reproduction of high quality counterfeit goods, the best of which are difficult to differentiate from the genuine article. The anonymity and reach of the Internet has assisted their distribution and sale.

8.16 While no reliable figures are available, the Home Office estimates that the UK market for counterfeit goods is worth at least £1 billion per annum. More than 80% of this is accounted for by digital media, particularly software and film, which is the biggest growth area. However, IPC is believed to be increasing across the board.

8.17 Counterfeit CDs, DVDs and other digital media are imported into the UK in bulk, mostly produced in the Far East by organised, large-scale counterfeiting operations. However,

CHAPTER 8

OTHER SERIOUS ORGANISED CRIMINAL ACTIVITIES

a growing percentage of counterfeit CDs and DVDs is produced in small-scale operations run by UK-based criminals using readily available technology, such as personal computers with CD/DVD burners.

8.18 Criminals at all levels are involved in IPC. Serious organised criminals are particularly involved in the manufacture and distribution of counterfeit products. Mainland Chinese organised crime groups are heavily involved in the distribution of counterfeit DVDs and exploit illegal immigrants or asylum seekers to sell them on the streets in the UK. Other groups have been identified who are also engaged in the Class A drugs trade and money laundering.

8.19 IPC is widely perceived to be a victimless crime. In practice, the economic consequences for businesses and the Exchequer are substantial. Consumers can also be at risk from poor quality or unsafe goods.

Currency counterfeiting

8.20 Between 2000 and 2004 the face value of counterfeit Sterling recovered in the UK rose from £5 million to £11 million. However, the total value of counterfeit currency in circulation remains extremely small compared to the value of genuine notes.

8.21 In the past, criminals used the same offset lithographic printing method used in the legitimate manufacture of banknotes. This requires trained printers and expensive machinery, effectively limiting the numbers involved. However, in the last 5 years there has been a shift towards high quality desktop and colour copy counterfeiting, which does not require substantial financial investment or specialist expertise. These methods, which now account for more than half of counterfeit notes seized, are also used to forge a wide variety of other documents, such as driving licences and passports to facilitate other crimes.

8.22 Euro counterfeiting has increased significantly in the UK and elsewhere. The quality of some notes is extremely high, with most of the advanced security features successfully imitated. Most of these high quality notes have been produced by Bulgarian and Lithuanian organised crime groups, who are also involved in counterfeiting US Dollars and Sterling. Meanwhile, some British serious organised criminals are producing counterfeit currency for distribution in Europe.

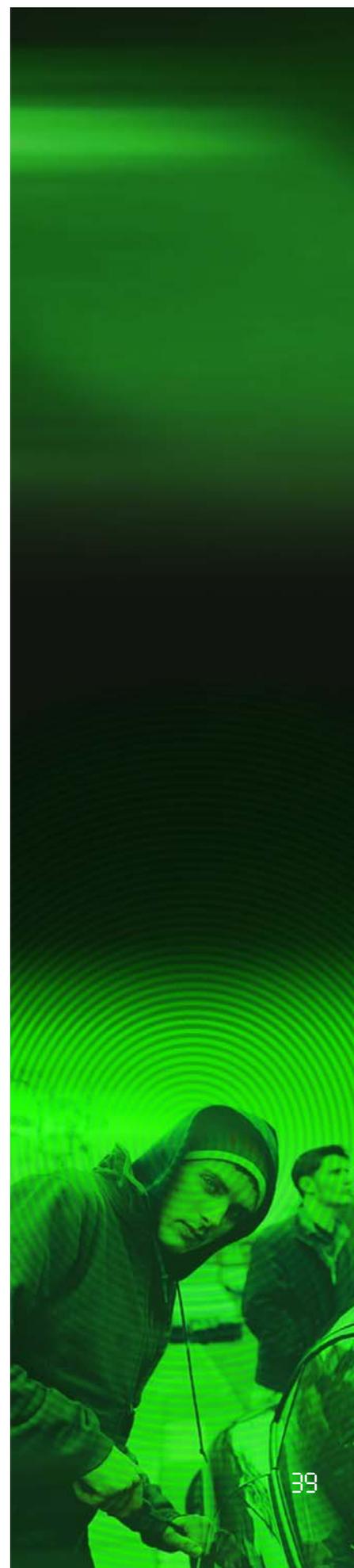
8.23 The counterfeiting of currency is not restricted to notes. Counterfeit coins can produce a good return at low risk, especially as they are less likely to be reported.

Cultural property crime

8.24 Cultural property crime involves the theft and subsequent handling of fine art, furniture and other antiques, and objects of archaeological and historical interest or significance.

8.25 As well as being lucrative in its own right, serious organised criminals may use the theft of art and antiques to fund other forms of criminal activity, attracted by the size of the global cultural property market, the involvement of private dealers, and the ease with which stolen items can be moved nationally and internationally. In addition, the increasing scope and effectiveness of money laundering legislation may have led some serious organised criminals to consider works of art and antiques as alternative forms of payment (including for illicit commodities) and investment. Jewellery, including polished or rough diamonds, is another option.

8.26 It is unlikely that cultural property crime will become a mainstream activity for serious organised criminals, since it requires specialist knowledge and contacts, and rare items are difficult to sell to the legal art and antiques market without being identified as stolen.



OTHER SERIOUS ORGANISED CRIMINAL ACTIVITIES

Nonetheless, there are organised crime groups who specialise in stealing high value arts and antiques from private estates, sometimes to order, passing the items quickly through to auction houses or to individual dealers, or in some cases offering them for sale back to the owner or insurer.

there are also markets for animal and plant derivatives, including caviar, ivory, and traditional Asian (particularly Chinese) medicines containing extracts from endangered species. A rhino horn can fetch £2,000, and a pair of Lear's Macaws £50,000, so there is potential for substantial profits.

Environmental crime

8.27 The level of serious organised criminal involvement in environmental crime is low. Most environmental criminals have been opportunists working in the relevant industries and looking to reduce their operating costs. The exception is the smuggling of municipal waste from the Republic of Ireland (RoI) to Northern Ireland to take advantage of a wide differential between landfill costs in the RoI and the UK, which has attracted criminal networks with paramilitary links.

8.30 Many illegal traders are also involved in the legal trade, using their legitimate businesses to conceal their criminal activities. They tend to have a high level of specialist knowledge, both of the wildlife itself and of the regulations controlling its importation, export, and sale. Some are professional criminals, but few links have been identified to other areas of serious organised crime. ■

Many illegal traders are also involved in the legal trade, using their legitimate businesses to conceal their criminal activities

Wildlife crime

8.28 Wildlife crime in the UK involves the illegal trade in endangered species, and damage to protected UK species and habitats. It threatens critically endangered plants and animals, and can pose a health risk to domestic livestock and to the public through the introduction of disease.

8.29 The UK is primarily a destination for illegally traded wildlife, though it is also a source and transit country. Various wildlife and derivative products are traded illegally in the UK. Live specimens such as parrots, birds of prey, and reptiles are sought by collectors and the pet trade, and

CHAPTER 9

SERIOUS SEX OFFENCES AGAINST CHILDREN

THE NATURE AND EXTENT OF ORGANISED CHILD SEX OFFENDING

Networking

- 9.1** Most identified child sex offenders act alone. Organised groups are relatively rare. However, there is extensive criminal networking. Offenders network in order to exchange images and fantasies, to gain access to victims, and to justify and 'normalise' their offending, for example providing positive reinforcement that child abuse images are acceptable. Traditionally, networks were formed where offenders established relationships with like-minded individuals, for example in prison. However, the Internet has changed the nature and extent of networking by making it possible to network on a much wider scale and, if security measures are taken, with less risk. On-line guides to all aspects of child sex offending are available. Some have hyper-links to bulletin boards, information about chat rooms where IT expertise and access or grooming techniques are shared, and passwords or pass-phrases given to access images of child abuse.
- 9.2** Most online child sex abuse networks are hierarchical and secretive, with access by invitation only. Individuals may be approached in chat rooms and invited to join a network. Often there is a vetting process, with status and trust being gained by evidence of illegal activity. Protecting themselves against law enforcement is a key concern, and some online child sex offenders openly discuss methods for keeping their activities from the police. There is also evidence that online networks research techniques used by the police and Internet watch groups and debrief people who have been arrested. Some members are aware of surveillance techniques and take steps to avoid being followed. If an offender puts other members of the network at risk, perhaps by passing on images

without permission, his computer may be a target for viruses or denial of service attacks.

Grooming through the Internet

- 9.3** Some child sex offenders use Internet chatrooms to groom children, but there is also evidence that offenders try to move potential victims away from chatrooms to less moderated areas such as ICQ or Instant Messaging, as well as SMS, MMS and mobile phones. A number of offenders have shown themselves adept at manipulating the children they contact, winning their trust by pretending to understand and share their interests and feelings. The anonymity of the Internet allows adult offenders to misrepresent themselves as young children or more often teenagers, making it easier for them to establish a bond. In some cases, children have been duped into meeting up with offenders, who have then attempted to abuse them sexually.

Protecting themselves against law enforcement is a key concern, and some online child sex offenders openly discuss methods for keeping their activities from the police

Images of child abuse

- 9.4** Production of images usually involves abuse of a child, although some images of adults are altered through a process known as 'morphing'. The demand for new images encourages producers to find new victims or to repeat the abuse of existing victims. The Internet has enabled a rapid growth in the publication of computer-based images of child abuse and their global distribution. Advances in



SERIOUS SEX OFFENCES AGAINST CHILDREN

Internet technology mean that it is now also used to show real-time video coverage of abuse simultaneously to a number of viewers.

- 9.5** The Internet Watch Foundation (IWF) alerts law enforcement to websites containing images of child abuse and liaises with UK Internet Service Providers, so that illegal material can be removed from their servers. In 2005, 23,658 reports were made to the IWF, 88.8% of which related to child abuse. UK-based sites hosting illegal content account for less than 1% of those reported to the IWF, while 40% were hosted in the USA (as in 2004). Some countries are showing an increase in host sites, notably Japan which accounted for 9% of host sites in 2005, an increase from 1% the previous year. However, sites may be hosted in one country and managed from elsewhere.

Combating child sex offending

- 9.6** Improved public awareness of the threat is important in combating child sex offending. Since March 2001, the Home Secretary's Task Force on Child Protection on the Internet has run a public awareness campaign targeting teenagers and parents, as well as developing 'good practice' models for providers of chat, Instant Messaging, and web services.
- 9.7** The Child Exploitation and Online Protection (CEOP) Centre came into operation on 24 April 2006. CEOP will identify and prosecute offenders, and will work with children's charities, government, business partners, and the wider child protection community to protect vulnerable children. ■



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