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Submission to the Parliamentary Joint Committee on Law Enforcement: Inquiry into Australia's illicit drug problem: Challenges and opportunities for law enforcement

The Australian Criminal Intelligence Commission (ACIC) welcomes the opportunity to provide a submission to the Parliamentary Joint Committee on Law Enforcement (PJCLE) Inquiry into Australia's illicit drug problem: Challenges and opportunities for law enforcement, intelligence and national security.

As Australia's national criminal intelligence agency, the ACIC is responsible for collecting and analysing intelligence on serious and organised crime (SOC) threats to Australia. Through the application of specialised intelligence collection methodologies and working closely with domestic and international partners, the ACIC is able to monitor and assess SOC involvement in Australia's illicit drug markets. Two flagship intelligence products—the National Wastewater Drug Monitoring Program (NWDMP) Report and the Illicit Drug Data Report (IDDR) —provide unique insights into challenges and opportunities to address the rising harm from illicit drugs.

The Australian Institute of Criminology reports that TSOC cost Australia up to \$60.1 billion in 2020-21, of which up to \$16.5 billion was specific to illicit drug activity.ⁱ Illicit drug use in Australia is a complex problem, with no single (or short term) solution.

- From 1 July 2010 to 30 June 2020, there was around a 14% increase in the Australian population but a 74% increase in the number of illicit drug seizures, a 314% increase in the weight of illicit drug seizures and a 96% increase in the number of national illicit drug arrests.
- Since the NWDMP began in 2016, national consumption of methylamphetamine, cocaine, MDMA and heroin increased year on year from 2016–17 to 2019–20. Consumption declined in 2020–21 but monitoring shows it is returning to pre-COVID levels.
- Even though there had been a drop-in consumption of approximately 4.7 tonnes (23%) from the previous year's levels, in 2020–21 Australians spent almost \$10.3 billion dollars (second highest amount recorded) on illicit drugs and 16 tonnes of methylamphetamine, cocaine, MDMA and heroin was consumed nationally.
- \$7.95 billion (77 per cent of the total estimated expenditure on illicit drugs) was spent on methylamphetamine during 2020–21.
- Australia had the highest methylamphetamine consumption per capita compared with 24 other countries from sampling taken in 2021.

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- In 2020 there were 1,842 (equating to approximately 5 per day) drug-induced deaths in Australia.

Illicit drugs are harmful to the safety and security of Australia and Australians. The harmful effects include direct impacts on individuals and families, community-level harm (such as increased family violence and road trauma) through to violent organised crime that risks broader community safety.

The illicit drugs environment in Australia is virulent, highly resilient and adaptable, and SOC groups are sophisticated and determined to evade law enforcement and avoid criminal prosecution. SOC groups supply illicit drugs with no regard for the law or societal and community values and safety. Solutions must continue to evolve with agile and integrated efforts, spanning policy, legislation and ongoing collaboration across law enforcement, intelligence and national security, health and education agencies and the private sector and academic institutions.

Trends and changes relating to illicit drug markets in Australia, including supply, trafficking, production, distribution and use of illicit drugs

Illicit drugs are 'big business' in Australia, with SOC groups importing illicit drugs on an industrial scale. The 4 most consumed illicit drugs (after cannabis which is the most consumed but poses a lower level of harm) are methylamphetamine, cocaine, MDMA and heroin. Key trends and changes to note include:

Market expansion

The trend for Australian illicit drug use remains on an upward trajectory, highlighting the resilience of the markets and the persistence of SOC groups. The drugs market in Australia is resilient, lucrative and unfortunately fuelled by a seemingly unsatiated consumer demand, despite consumers paying some of the highest prices in the world for illicit drugs. Data suggests that the illicit drug market in Australia has been consistently growing. From 1 July 2010 to 30 June 2020, the Australian population increased around 14%, but the number of national illicit drug seizures increased 74%, the weight of illicit drugs seized nationally increased 314% and the number of national illicit drug arrests increased 96%.

While COVID-19 travel/movement/event and venue closure restrictions (2020-21) were likely the cause of consumption of the 4 major illicit drugs to decrease by nearly a quarter in the year to August 2021, almost 16 tonnes of these drugs were still consumed nationally. This demonstrated the resilience of Australia's illicit drug markets, the agility and determination of SOC groups to overcome significant challenges to continue supplying the market, and a high level of demand.

Profitability

Australians pay some of the highest prices globally for most illicit drugs and the market is sufficiently profitable and large enough for multiple SOC groups to do business here. During 2020-21 Australia saw the second lowest annual consumption of the four major drugs since the ACIC's NWDMP began, yet the second highest spending on these drugs by Australians over the same period. The high prices Australians pay increases the profitability of illicit drugs in Australia and drives SOC groups to continue to supply the market.

There is a significant mark-up in the price of the 4 major illicit drugs once they reach the Australian border. For example, Mexican cartels currently pay Colombian farmers US\$1,000 per kilogram for

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dried coca leaf. This price almost doubles once processed into cocaine and by the time it reaches Australia, cocaine can be sold for more than A\$300,000 per kilogram.

Offshore origins

With the exception of cannabis, which is cultivated in Australia, and almost a third of methylamphetamine which is locally made; the vast majority of illicit drugs consumed in Australia originate offshore and are imported, typically by sophisticated transnational SOC groups. The major drug markets are supplied from the Mekong (primarily Myanmar), Colombia, Mexico and the Netherlands. With 70% of Australia's SOC entities being based offshore or having strong offshore links, Australian authorities are continuously focusing their capabilities and relationships offshore to disrupt the supply of illicit drugs to Australia.

Highest threat markets

Methylamphetamine poses the greatest harm in existing markets

As mentioned, at the height of COVID, almost 16 tonnes of the 4 major illicit drugs was consumed nationally, with an estimated street value of \$10.3 billion. Methylamphetamine accounted for the majority of that, amounting to \$7.95 billion (77 per cent of the total estimated expenditure).

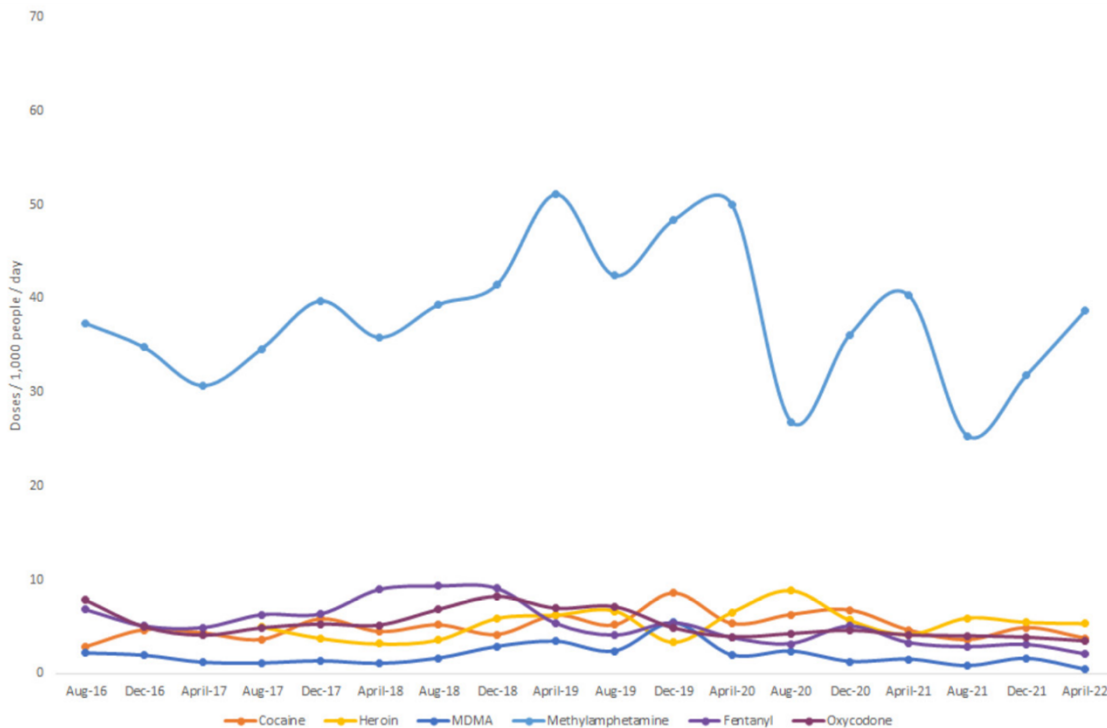


Figure 1: National average drug consumption of methylamphetamine, cocaine, MDMA, heroin, oxycodone and fentanyl, August 2016 to April 2022. Source: NWDMP, Report 17ⁱⁱ

Although the ACIC assesses cannabis to be the most consumed illicit drug—and the largest illicit drug market—it is not included in Figure 1 above as a reliable dose figure is not currently available.¹

In terms of usage, prior to the implementation of COVID-19 restrictions in Australia in March 2020 (see Figure 1), there had been a steady increase in methylamphetamine consumption.

¹ The dose of cannabis depends on several factors, such as the part of the plant and the strain that was consumed, or whether an extract was used. This variability presents unique challenges in developing a reliable dose figure for cannabis.

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Methylamphetamine consumption far exceeds the consumption of the other 3 major illicit drugs (cocaine, heroin and MDMA) and other drugs monitored by the NWDMP, apart from cannabis, accounting for approximately 56% of the combined estimated consumption of the 4 major illicit drugs, some 8.8 tonnes in the year to August 2021; see Figure 1.

Methylamphetamine poses the highest harm to the community by some margin and this will not change for the foreseeable future. Australia has been a 'stimulant nation' since the early 2000s and methylamphetamine (particularly in its crystal form— 'ice') is at the vanguard of this trend. According to 2021 wastewater data from the Sewage Core Group Europe (SCORE²), which covered Europe, Asia and Oceania, Australia's per capita illicit stimulant and methylamphetamine consumption was the highest of the participating countries, with Australia ranked first of 28 countries for stimulant consumption and first compared with 24 other countries for methylamphetamine consumption.

Crystal methylamphetamine (ice) is commonly smoked, but various forms of methylamphetamine are also injected. The Australian Needle and Syringe Program Survey (ANSPS) found in 2019, 49% of respondents reported methylamphetamine as the drug last injected, which increased from 26% in 2010. In 2018, this proportion exceeded heroin as the most commonly reported drug last injected. This trend has serious implications for harms around drug injecting risk behaviour and blood borne viral infections.

Demand for methylamphetamine remains very high and resilient. According to the DUMA Program, 'Overall, past-month methamphetamine users reported a median of 15 days of use (IQR=4–28) in the past 30 days and administered a median of 0.8 grams per day of use (IQR=0.3–1.3 grams). Among past-month methamphetamine users, 30 percent (n=273) were classified as recreational users (1–5 days of use per month), 32 percent (n=295) were regular users (6–20 days of use per month), and 38 percent (n=349) were heavy users (over 20 days of use per month). These indices of frequency and quantity of use did not vary notably over 2021.'ⁱⁱⁱ

The impact of methylamphetamine on regional cities and towns is significant. Importation of methylamphetamine by SOC groups, augmented by increasingly sophisticated and diverse domestic production, permits the supply side of this market to recover relatively quickly from shocks such as COVID restrictions and law enforcement responses.

Precursor chemicals

Domestic manufacture of methylamphetamine and a number of other illicit drugs relies on the importation or diversion of precursor chemicals that originate offshore, primarily from China and India. Most illicit drugs arrive in Australia in finished form, but some come in a reconstituted form in an attempt to defeat border controls.

Every gram of illicit drug manufactured or reconstituted in Australia relies either on the diversion of a precursor, pre-precursor, reagent or solvent from legitimate distribution channels in this country, or the illegal importation of these products. A substantial quantity of these chemicals is required to produce drugs such as methylamphetamine. For example, a typical methylamphetamine manufacturing method usually requires 10–20 kilograms of chemicals for each kilogram of methylamphetamine produced. Use of chemicals on this scale offers law enforcement agencies and

² Sewage Core Group Europe (SCORE) is a network of laboratories which permits comparison between wastewater results obtained in a series of cities and countries.

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regulators opportunities to collaborate closely with industry to monitor for and prevent attempts at chemical diversion from legitimate industry, with mutual benefit to both public and private interests.

Also of concern, is the domestic manufacture of other illicit drugs including MDMA, 3,4-methylenedioxyamphetamine (MDA), gamma-hydroxybutyrate/gamma-butyrolactone (GHB/GBL), dimethyltryptamine (DMT) and cannabis oil; and the reconstitution of imported methylamphetamine, cocaine and steroids into the form in which they are consumed. In addition, a number of clandestine laboratories have been detected producing precursors such as pseudoephedrine and phenyl-2-propanone (P2P) from both pharmaceutical preparations and other chemicals referred to as pre-precursors for the subsequent manufacture of illicit drugs.

New and emerging illicit drug threats

The ACIC engages with partners to identify significant overseas drug threats to prevent them from being replicated in Australia.

Non-medical use of pharmaceutical opioids

One example is the ACIC's proactive response to the non-medical use of pharmaceutical opioids such as oxycodone and fentanyl which have caused significant harm in North America. The harms to Australians from opioids such as oxycodone and fentanyl are demonstrated by the following data from the Penington Institute.

- Of the 1,842 drug-induced deaths in Australia in 2020 (equivalent to 5 drug-induced deaths per day or 7.2 deaths per 100,000 people), 707 were linked to non-medical use of pharmaceutical opioids or pharmaceutical opioids and heroin, and 818 to benzodiazepines.
- Unintentional deaths involving fentanyl, pethidine and tramadol increased to 165 in 2020, while there were 596 unintentional deaths involving benzodiazepines. Of these, 499 deaths in 2020 involved both opioids and benzodiazepine.

This concerning data reflects a period when consumption (both licit and illicit) of oxycodone and fentanyl was decreasing nationally (in fact in 2022 it reached record low levels). The decrease in consumption was a result of impacts on the market from COVID restrictions, relatively tight regulatory controls on pharmaceutical companies in Australia, and proactive work by the ACIC and other agencies to limit SOC influence over the market and hence constrain the evolution of an illicit market for pharmaceutical opioids in this country.

North America is experiencing significant harm from the non-medical use of fentanyl and oxycodone. The North American fentanyl epidemic evolved from a situation in which there was significant legitimate supply of pharmaceutical oxycodone and then fentanyl which created a market for non-medical use of pharmaceutical opioids. SOC groups took advantage of this opportunity to undercut the price of the pharmaceutical formulations when regulation was tightened in the United States (US), leading to a situation in US and Canada whereby fentanyl manufactured in Mexico and Canada is causing significant public health problems and many other illicit drugs are laced with fentanyl. The differences in Australia are that pharmaceutical companies are more tightly controlled than in North America in the 1990s and, to date, imported powder fentanyl and domestically manufactured fentanyl are yet to be a significant feature of the organised crime landscape (this may change with evolving or changing environmental factors). Moreover, the illicit market for pharmaceutical opioids has not yet developed to the extent that it has in North America. It will be important to continue to

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respond to non-medical use of these substances and any increase in SOC involvement in the market to avoid the North American experience.

Counterfeit pharmaceuticals

According to the United Nations Office on Drugs and Crime (UNODC), counterfeit pharmaceuticals pose a significant and growing threat to people's health globally. In 2018, the World Health Organization (WHO) estimated the share of counterfeit pharmaceuticals (including those which are of bad quality) on the global market ranges from over 10% of total sales in low and middle-income countries to 1% in developed countries. The production and sale of some counterfeit pharmaceuticals has been found to be potentially more profitable than illicit drugs such as cocaine, heroin and opium, in part explaining the gravitation towards this market.

Benzodiazepines refer to a drug class commonly legitimately prescribed to treat people with anxiety or insomnia. Non-medical use of benzodiazepines is harmful, but the risk is exacerbated when counterfeit versions of the drug are introduced into the illicit market or when they are consumed with other substances. Benzodiazepines were the second most common drug type involved in drug-induced deaths in Australia in 2019, identified in 811 of the estimated 1,865 drug-induced deaths nationally.

The consumption and supply of counterfeit pharmaceuticals has to date not been an issue of substantial concern in Australia due to robust regulation (in world terms) of pharmaceuticals in this country and the ready availability of quality pharmaceuticals. However, recent seizures of, and fatal and non-fatal overdoses, involving counterfeit benzodiazepines have raised concerns about the level of threat and risk posed to the community by this activity.

There is a level of sophistication in this market, with domestic manufacturers obtaining chemicals from China, India and through domestic diversion, as well as authentic looking labels, bottles and packaging. There is potential for counterfeit pharmaceuticals manufactured in this way to be exported from Australia, as well as being consumed domestically.

Adulterated drugs

In the US and Canadian markets, there is the issue of consumption of fentanyl-laced products being produced by SOC groups, including cocaine, methylamphetamine and heroin. Fentanyl is also being pressed into tablets and capsules to mimic oxycodone formulations and other pharmaceuticals. The dangers posed by adulteration were underlined in Peru, where a recent mass overdose incident resulted in the deaths of 24 people after they consumed cocaine tainted with carfentanil. The veterinary substance xylazine is causing increasing fatal overdoses in the US when mixed with fentanyl, heroin, cocaine and methylamphetamine.

Australian illicit drug market snapshot

The following market snapshots provide background to commentary elsewhere in the submission.

Methylamphetamine

The majority of Australia's methylamphetamine, heroin and ketamine is sourced from South East Asia; with the majority of methylamphetamine imported from the Mekong region and Mexico. Domestic manufacture of methylamphetamine also remains robust, with consumption returning to long-term average levels. Methylamphetamine is the most

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significant drug in the Australian market, with more than 8.8 tonnes consumed in Australia in the 12 months to August 2021 (see Figure 2). Australians consumed more than 4.7 tonnes of cocaine (produced primarily in Colombia but sent from countries across the globe), 1.2 tonnes of MDMA (produced primarily in the Netherlands, Belgium and Germany) and 0.9 tonnes of heroin (produced primarily in South East Asia).

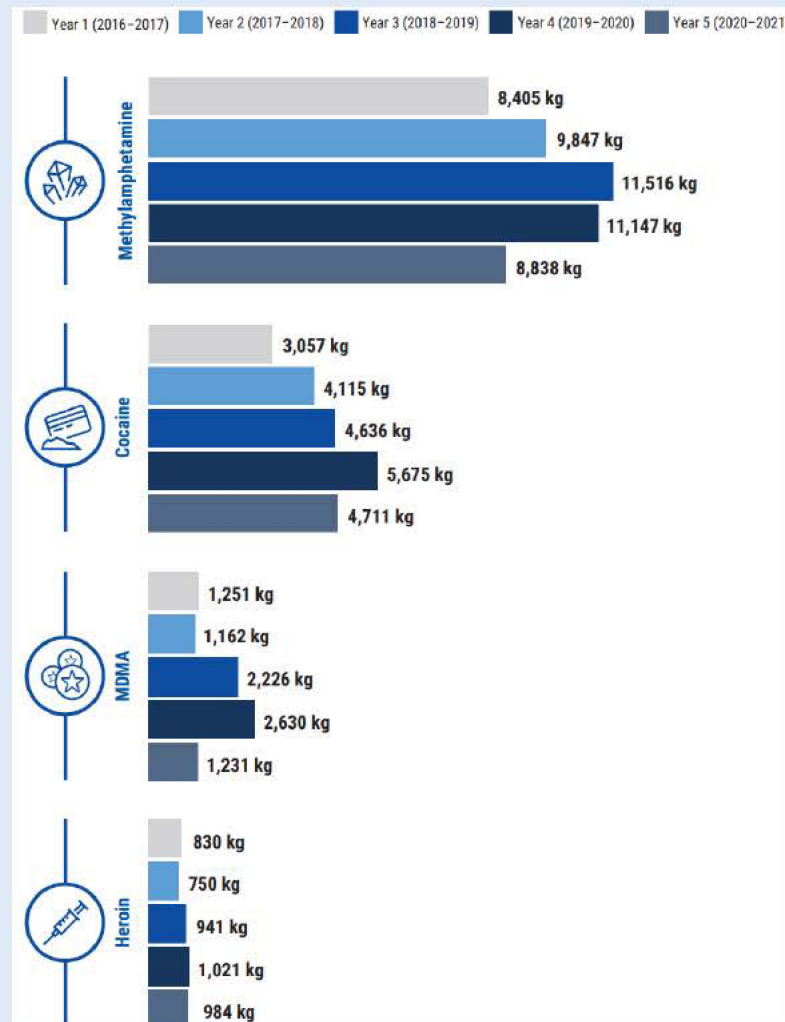


Figure 2: Estimated annual average consumption of methylamphetamine, cocaine, MDMA, heroin, Year 1 to 5 of the NWDMP. Source: NWDMP, Report 15^{iv}.

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Cannabis A range of data sources indicate that more cannabis is consumed in Australia than any other illicit drug (as it is across the world) and it accounts for the largest number of domestic seizures and the most drug-related arrests. Despite this, the market does not generate the harms of drugs such as methylamphetamine. In the 2021 SCORE comparison, Australia ranked 6th of 16 countries for cannabis consumption. The majority of cannabis in Australia is domestically cultivated. The SOC threat in relation to the cannabis market relates to organised hydroponic grow-houses and outdoor crops; and the overlap between organised cannabis cultivation and methylamphetamine and heroin trafficking. Large grow-houses on rural properties in multiple jurisdictions are also a tangible threat. Most of the cannabis market (perhaps as much as 70%) is not supplied by sophisticated SOC groups.

MDMA

MDMA consumption is now at record low levels nationally and has been decreasing since December 2019 (i.e. prior to the start of COVID restrictions). In Europe, there are reports that manufacturing is switching from MDMA to methylamphetamine, which likely explains the domestic trend. In the 2021 SCORE comparison, Australia ranked 5th of 27 countries for MDMA consumption.

The vast majority of the MDMA consumed in Australia is imported (domestic manufacture continues but supplies a small component of the market). This makes the domestic market vulnerable and less resilient than the methylamphetamine market.

Cocaine

The ACIC assesses a succession of large cocaine seizures and detections over the past year possibly led to decreasing cocaine consumption. In the 2021 SCORE comparison, Australia ranked 15th of 26 countries for cocaine consumption.

Although cocaine is exclusively imported, the diversity of transnational groups represented in the market appears to give it greater resilience than the MDMA market.

Throughout 2022, there have been a series of large attempted importations of cocaine into Australia, which underlines the determination of SOC groups and the ongoing threat posed by this drug.

Heroin

The heroin market has occasional fluctuations but little has changed since the early 2000s. All heroin is imported, but the market appears to have a level of resilience despite relatively low consumption. The vast majority of Australia's heroin comes from the Mekong region of South East Asia.

GHB/GBL/1,4-butanediol (1,4-BD)

The GHB, GBL and 1,4-BD market appears to be growing. GHB, GBL and 1,4-BD have been implicated in a series of fatal and non-fatal overdoses. They are often consumed in very small doses, and even a small increase can cause an overdose. The substances have been used to facilitate sexual assault. Poly-drug consumption and supply is also a feature of GHB-related substances, particularly concurrent use of methylamphetamine.

GHB and GBL are controlled and border controlled drugs, but 1,4-BD is not currently a controlled substance at the border. SOC groups appear to be increasingly involved in this market, trafficking and importing all 3 substances and sometimes manufacturing them

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domestically. There are also many less sophisticated criminal enterprises and individuals importing or diverting the substances. SOC groups have sought to obtain the substances for illicit purposes under the guise of legitimate commercial transactions, including in very large quantities.

Law enforcement's ability to detect and respond to the trafficking of precursor chemicals and illicit drugs, including the adequacy of screening techniques and the impact of seizures on illicit drug availability and use

Law enforcement's ability to detect and respond to the trafficking of precursor chemicals and illicit drugs is challenged by the scale of the markets, the number and sophistication of SOC groups targeting Australia and the length and nature of Australia's border, which cannot be continuously monitored.

The fact that the 4 major illicit drugs are sourced from overseas and offshore networks control distribution to Australia, necessitates a focus on upstream supply chains.

In some cases, SOC groups collaborate on ventures and share capabilities, amplifying their chances of success. SOC groups are also enabled by technology, which increases anonymity and obfuscation in addition to connecting individuals, professional facilitators and trusted insiders.

SOC groups involved in the importation and domestic trafficking of illicit drugs employ a range of methodologies to increase the success rates of their activity and limit law enforcement disruption. The exploitation of professional facilitators and trusted insiders has included facilitation of concealment of illicit goods, seeking to identify law enforcement activity, use of encrypted communications to avoid lawful interception by law enforcement, money laundering and concealment of criminal assets. Obfuscation methods used by SOC groups include deliberately mislabelling goods and concealing illicit drugs, or partially processed drugs, in other media including liquids, plastics and powders.

The variety of criminal methodologies demonstrates the resilience and adaptability of SOC and the need for a holistic and multi-dimensional response, supported by the ACIC's criminal intelligence to identify emerging methodologies for partner agencies. Further, building relationships with the supply chain industry is important to understand where there may be weaknesses open to criminal exploitation by SOC.

Detecting and preventing diversion of chemicals and equipment

The illicit production of plant-based substances (primarily cocaine and heroin) relies on a number of known precursor chemicals, solvents and reagents used in common and well understood methods of production. In contrast, the illicit manufacture of synthetic drugs—in particular methylamphetamine—and the precursor chemicals required are changing and 'cooks' are employing new techniques or reviving older ones. There is an increasing trend in the use of non-scheduled chemicals, designer precursors and pre-precursors as alternatives to precursor chemicals in the manufacture of illicit drugs.

Tracking chemical flows is complicated by a lack of controls on many chemicals that are dual use, made more difficult by the sheer volume and variety of chemicals imported into Australia.

Preventing the diversion of precursors, reagents and solvents for use in illicit drug manufacture is likely to be an effective and efficient way of limiting the domestic supply of illicit drugs. It is

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important to consider, as many of these substances have legitimate application within industry, that controls must balance legitimate access with efforts to reduce diversion to the illicit market.

Another area of focus is on monitoring equipment that is used in or facilitates manufacture, such as pill presses and encapsulating machines and their components, as well as glassware and heating mantles.

Different types of law enforcement intervention and their importance

ACIC intelligence insights, augmented by domestic and international law enforcement partners, in key areas, is helping to enable law enforcement disruptions and seizures:

- In November 2021, the head of a domestic Australian Priority Organisation Target network was arrested by the Australian Federal Police (AFP) following a multi-hundred-kilogram drug seizure in South East Asia. This outcome was the result of a 2-year joint AFP–ACIC investigation into the network, which provided criminal logistics, counterintelligence, encrypted communications devices and access to trusted insiders and drug manufacturing capabilities.

The ACIC is also increasingly leveraging its NWDMP by combining sampling with operational and intensive research activity by partners. This work is particularly effective in assisting law enforcement and other partners to focus on SOC groups targeting regional areas of Australia with relatively high per capita use of methylamphetamine and other drugs. Supply side interventions of this type, together with treatment and education programs that are focused on specific drugs are likely to provide an appropriately holistic response to drug threats in particular locations.

Wastewater analysis provides a measure of licit and illicit drug consumption within a given population. By reliably measuring drug consumption, wastewater analysis provides quantitative comparisons between levels of consumption and the extent of drug detections and seizures by law enforcement agencies. Comparisons of seizure and consumption data has shown that law enforcement is seizing a higher proportion of illicit drugs than previously thought.

| Drug | Estimated consumption ^a (kilograms per annum) | 2019–20 national seizures (gross kilograms) | Percentage of total estimated consumption seized (%) |
|-------------------|---|--|---|
| Methylamphetamine | 11,147 | 9,408 ^b | 84 |
| MDMA | 2,630 | 3,214 | 122 |
| Heroin | 1,021 | 210 | 21 |
| Cocaine | 5,675 | 1,573 | 28 |

a. Consumption estimates are based on data derived from Year 4 of the National Wastewater Drug Monitoring Program.

b. At this time it is not possible at a national level to provide a further breakdown of drugs within the amphetamines category, as such national seizure figures reflect the weight of amphetamines seized. Amphetamines include amphetamine, methylamphetamine, dexamphetamine and amphetamine not elsewhere classified. Based on available data, methylamphetamine accounts for the majority of amphetamines seized.

Table 1: Comparison of the weight of methylamphetamine, MDMA, heroin and cocaine seized nationally in 2019–20 and estimated consumption. Source: IDDR, 2019–20^v.

Law enforcement interventions disrupt supply, creating windows of opportunity in which efforts to reduce user demand may be more likely to succeed. In the absence of law enforcement intervention, the relationship between illicit drug use and other criminal offending such as corruption, property crime, acts of violence and drug driving means that community and institutional harms will rise. There are a series of international examples of major drug-producing

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and manufacturing countries suffering from a lack of effective law enforcement in all or key parts of the country. It is no coincidence that in a number of countries where law enforcement is less than effective, there are also resilient and sophisticated SOC groups that export drugs globally. Conversely, with appropriate forewarning from reliable intelligence, proactive measures can be implemented to reduce the demand and supply components of illicit drug markets and prevent markets from evolving.

Other criminality and harms linked to illicit drug suppliers

Due to the significant profits available through illicit drug trafficking, laundering criminal proceeds is a key enabler of illicit drug markets. Money laundering can take a variety of forms, often the profits are transferred offshore, or concealed through company structures, comingled with legitimate funds, used for the purchase of high value assets, often with assistance from professional facilitators. The concealment of the profits also means that SOC groups do not pay tax on proceeds of criminality.

The use of violence as a method to maintain control over drug trafficking markets, methods, profits and networks is common among SOC groups. AIC research has shown a statistical relationship between the violence used by OMCGs and involvement in ongoing criminal enterprises (eg the drug trade).^{vi} Even groups which are sophisticated and collaborative will likely resort to violence under perceived threat or to advance their interests. APOT level groups have been linked to violence and the threats of violence in order to control particular drug markets.

The AIC estimated that SOC cost Australia up to \$60.1 billion in 2020–21. Of that, the direct costs of illicit drug use and associated medical and lost output costs are estimated at \$16.5 billion^{vii}. As noted in the National Drug Strategy 2017–26, there are also serious, but non-quantifiable impacts of drug markets including the collateral damage to family relationships and social cohesion and volume crime by persons seeking to fund drug purchases or affected by drugs.

The involvement of law enforcement in harm reduction strategies and in efforts to reduce supply and demand including the effectiveness of its involvement

The level of community harm from illicit drugs is a function of the quantity of drugs consumed. As the supply of illicit drugs is reduced, and treatment and education programs reduce the demand for drugs, the level of community harm should fall. This is the fundamental premise which underpins Australia's National Drug Strategy (NDS) 2017–26.

It follows that supply reduction is an integral part of harm reduction. In addition to its involvement in decreasing supply, the ACIC also contributes to harm reduction efforts by other agencies by identifying areas of high consumption and working with other bodies to understand the nature and extent of the drug problem and the locations where consumption is highest. Partner agencies can then make informed decisions concerning resource allocation and investigative priorities. The ACIC routinely collaborates with health agencies across the Commonwealth and jurisdictions in the context of the NDS. There is also collaboration with industry to decrease capacity for harms posed by illicit drug manufacture and the diversion of chemicals and pharmaceuticals to the illicit market.

The ACIC has analysed the relationship between drug consumption data derived from the NWDMP for the 4 major illicit drugs and national drug seizure and detection data. This analysis revealed that

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law enforcement activities can result in measurable, short-term decreases in illicit drug consumption for between 2 and 6 months, during which demand reduction initiatives could usefully be applied.

The NWDMP has found that with the exception of heroin and cocaine, consumption of drugs monitored by the Program is higher in regional areas than capital cities. The ACIC is increasingly utilising its NWDMP regional data in collaboration with state and territory law enforcement agencies and academic institutions to obtain a more granular appreciation of regional markets and to provide the evidence base for local multi-agency responses. Two police agencies made strategic decisions about the deployment of resources and coordination of targeting effort with other agencies in 2022 based on trends in regional drug consumption identified from wastewater analysis.

More than ever, it is necessary to maintain an appreciation of trends in drug markets to guide, focus and measure the effectiveness of demand and supply reduction strategies.

The strengths and weaknesses of decriminalisation, including its impact on illicit drug markets and the experiences of other jurisdictions

The issue of decriminalisation is a complex consideration and ultimately a legislative and policy matter for Government.

Effective drug policy reform requires all jurisdictions to work together to ensure the policy is holistic, co-ordinated and aligned to a national approach that addresses supply, harm and demand reduction. This will prevent SOC exploiting gaps and inconsistencies between jurisdictions to undercut regulated markets.

The ACIC monitors the impacts that changes in global drug policy and legislative reform has on the illicit drug market in order to understand the threat environment. In doing so, the ACIC notes the following:

- Use of illicit drugs increased after decriminalisation was introduced.
 - There are now 20 states of the US, as well as the District of Columbia, which have legalised cannabis consumption and, in these jurisdictions, cannabis is being used 24% more frequently than before the legalisation, and the use continues to rise.
 - Since 2014, a number of Colorado and (US) national drug surveys have identified increased marijuana use in Colorado post-legalisation.
- There was a considerable increase in the number of drug related driving offences and similar increases in related harms.
 - A Colorado Department of Public Safety Report from July 2021, found that in the period since cannabis/marijuana was legalised, there has been a considerable increase in the number of drug related driving offences and similar increases in related harms in the state.
 - Driving under the influence (DUI) summonses issued by the Colorado State Patrol in which marijuana-alone or marijuana-in-combination was recorded increased by 120% between 2014 (n=684) and 2020 (n=1,508).
 - The number of fatalities with cannabinoid-only or cannabinoid-in-combination positive drivers increased 140%, from 55 in 2013 to 132 in 2019.^{viii}

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- High taxes and regulatory costs on legitimate suppliers enabled SOC to undercut the legal market with cheaper illicit drugs. In the US case the illicit market was also well entrenched and more efficient.
 - Cannabis remains the second-most-valuable crop in the US after corn and it is the most common reason for arrest in America. California’s illicit market is enormous and efficient and remains a cheaper source of supply than the highly taxed and regulated industry. In 2021, the state seized more than 1.2 million illegal cannabis plants and more than 180,000 pounds of processed marijuana.^{ix}

In Australia, the Australian Capital Territory (ACT) introduced its cannabis decriminalisation legislation in January 2020 and in October 2022, separate ACT legislation decriminalised possession of specified amounts of drugs including methylamphetamine, cocaine, amphetamine and MDMA (1.5 grams) and heroin (1 gram) from late October 2023.

The ‘personal use’ quantities in the ACT legislation constitute multiple street deals. A comparison between street deals of the respective drugs and the quantities that are permitted for ‘personal use’ in the ACT is provided below:

| Drug | Personal use quantity (g) | Street deals |
|-------------------|----------------------------|--------------|
| Methylamphetamine | 1.5 | 15 |
| Amphetamine | 1.5 | 15 |
| Cocaine | 1.5 | 7 |
| MDMA | 1.5 | 5 |
| Heroin | 1.0 | 5 |
| Cannabis | 50 (dried) and 150 (fresh) | 50 (dried) |

The ACIC assesses that overseas outcomes from decriminalisation of drugs will be reflected in the ACT. Already, the ACT experience of cannabis consumption post decriminalisation is mirroring that of overseas jurisdictions. Wastewater analysis indicates estimated cannabis consumption in the ACT was 22% higher in June 2022 than when the drug was decriminalised in January 2020 (see Figure 4).

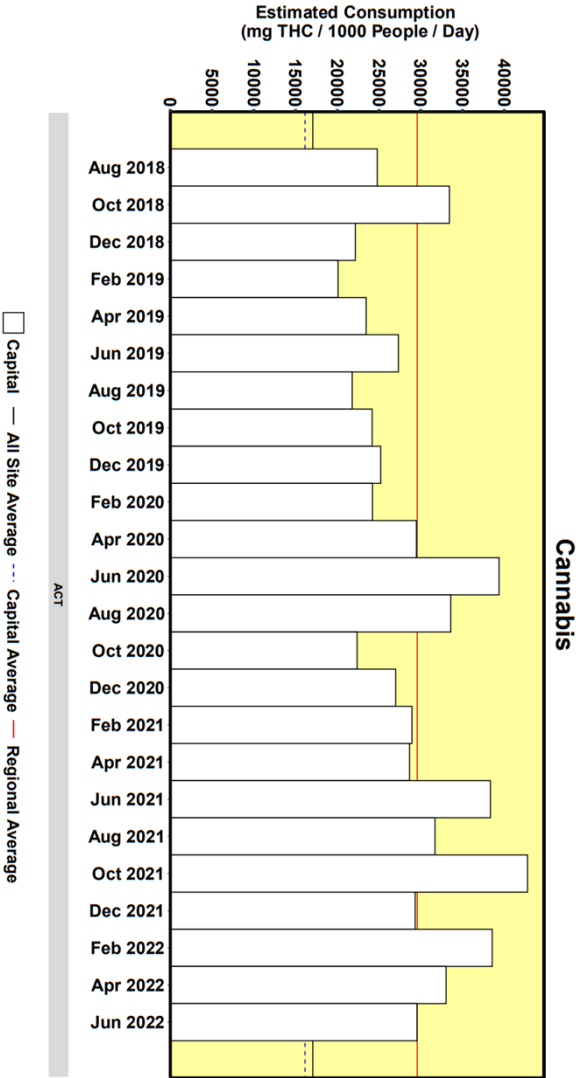


Figure 4: Cannabis consumption in the ACT, August 2018 to June 2022. Source NWDMP, Report 17 ^x.

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Need for research into the primary reason for drug consumer (possession) arrests

One of the issues commonly raised in discussions of enforcement of drug offences is that law enforcement agencies are actively targeting drug users. The discrepancy between the number of consumer and provider arrests is often used as support for this hypothesis. The alternate view, borne out by law enforcement experience, is that law enforcement officers often detain people for offences other than drug offences and then locate drugs in their possession leading to drug-related charges. The ACIC submits that research could seek to clarify this issue by examining the proportion of people arrested for possession of illicit drugs who are concurrently charged with another criminal offence, and who would not have come to law enforcement attention but for the concurrent (non-drug related) offence. Research of this type would increase understanding of the nature and extent of drug related offending and consider the discretion exercised and action taken by law enforcement officers in relation to drug offences.

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- ^v Australian Criminal Intelligence Commission, Illicit Drug Data Report, 2019-20, page 13
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