AFP
AUSTRALIAN FEDERAL POLICE

Parliamentary Joint Committee on Law Enforcement inquiry into the impact of illicit drugs being traded online.

December 2021

Submission by the Australian Federal Police

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Introduction

1. The Australian Federal Police (AFP) welcomes the opportunity to make a submission to the Parliamentary Joint Committee on Law Enforcement inquiry into the impact of illicit drugs being traded online. The AFP was consulted on the Department of Home Affairs Submission and recommends this submission be read alongside the Department Submission which provides policy rationale and context, while this submission focuses on the operational context.

2. Protecting Australians and Australia's interests against Transnational, Serious and Organised Crime (TSOC) is critical. Australians are among the highest per capita users of illicit drugs in the world, particularly cocaine and methamphetamine. The AFP works with partners domestically and internationally to disrupt drug traffickers' operations, logistics, finances and communications both onshore and offshore before the drugs reach Australia, thereby minimising harm to the Australian Community.

3. Combatting crime facilitated by encrypted, anonymising technology remains an enduring challenge. Criminals are scrambling to find alternative means to communicate by using 'over-the-top' encrypted applications such as the dark web to traffic and sell drugs. Cryptocurrencies or digital currencies are often used for financial transactions, causing difficultuies for investigators, as the they can operate outside of centralised, regulated financial systems, and transactions do not need to be linked to a true identity. As the environment changes and criminals adapt, so too must our operational response.

Criminal activity on the Dark Web

4. In recent years, the criminal landscape has increasingly moved illicit activities including the trafficking of illicit drugs onto dark web marketplaces to continue offending with relative anonymity. The increase in offending via dark web marketplaces has resulted in international law enforcement partner agencies dedicating resources and focusing efforts to disrupt and dismantle the operation of these marketplaces. Examples have included Silk Road, Hansa and AlphaBay, all of which were taken down following extensive international law enforcement effort. However, despite these successes, new dark web marketplaces continue to emerge.

5. For example the dark web marketplace, Dark Market, was founded in May 2019 and was accessed by users all over the world to anonymously buy and sell drugs, compromised financial documents, false or stolen identity documents, malicious software and stolen property.

6. In January 2021 collaborative international efforts with German law enforcement led to the takedown of Dark Market, suspected to be one of the largest dark web marketplaces to-date. The dark market had approximately 500,000 users and 2,400 sellers and more than 320,000 transactions with approximately $220 million (AUD) in cryptocurrency traded on the site.

7. While the exact figure of Australian based Dark Market users is currently unknown, it is estimated that of the 500,000 users on the Dark Market, up to 19,647 could have been Australian nationals. Analysis of the data revealed that the 104 Australian based vendors had combined sales of 18,394 between July 2019 – January 2021. These transactions were made exclusively with cryptocurrency, namely Bitcoin and Monero. Australian vendors received a total of $28,197,218 (AUD) from Bitcoin transactions and $435,497 (AUD) from Monero transactions.

8. AFP intelligence analysis of seized Dark Market data and open source intelligence to identify vendors that were responsible for the sale and distribution of illicit items. The current trend towards certain crypto currencies will present challenges to future law enforcement investigations into dark web marketplaces and the policing of online drug trafficking due to a high degree of privacy and anonymity inherent its technology.

> **Case Study #1 Dark Market data**
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> The AFP continues to investigate the Dark Market data. There are indications that an Australian vendor on the Dark Market sold and distributed cocaine, MDMA, LSD, ketamine, heroin, pharmaceuticals, falsely subscribed SIM cards, falsely subscribed Australia Post Office boxes, various Australian government identity documents, and guides and tutorials to commit fraud. In 12 months on the Dark Market they had made 2,548 illicit sales for a total of approximately $5,334,000 AUD. Whilst the vast majority of sales were illicit drugs, the sale of falsely subscribed Australia Post boxes has also facilitated a growth in the distribution of drugs around Australia. Users and vendors use these falsely subscribed Australia Post boxes to import and redistribute illicit goods with relative anonymity.

Parcel Post Stream

9. The importation of high frequency, low quantity border controlled drugs through the parcel post stream will almost certainly continue, partially attributed to use of the dark web as a method to source illicit commodities. This method will continue post COVID-19, in part due to the heightened anonymity. While a feature of these types of imports is usually the lower quantities, cumulatively they can amount to significant weights. With improvements in technology and increased public awareness, the dark web will become more accessible to new users.

10. The Department of Home Affairs records all parcel post detections that contain illicit drugs. For the period 1 January 2021 and 22 November 2021, 23,774 items were detected that contained border controlled drugs. The AFP formally investigates a small proportion of these detections and gathers critical intelligence.

11. The new AFP National Forensic Rapid Laboratory – Transportable Facility, located at the Australia Post – Clyde International Mail Centre, will allow for rapid on-site identification of drug items sent from overseas, allowing the AFP to share and action intelligence in real time. The operation of the Laboratory will compliment Australian Border Force detection capabilities in the mail stream.

12. Between 2017 and 2021, AFP Forensics Data Intelligence indicates there has been 567 postal items containing over 2 tonnes of illicit drugs, seized and investigated by the AFP. Transportation via mail and postal items is observed across all drug types, including the four main drug types seized at the border, methamphetamine, cocaine, heroin and MDMA.

13. During this period mail and postal items, containing methamphetamine contributed to 40.8% of the total weight seized, followed by 15.2% containing cocaine, 6.6% containing MDMA and 3.1% containing heroin.

Table 1. Seizure information of mail item seizures from 2017 to 2021

Year	No. Mail Seizures	Seizure Weight (kg)				
		Total	Methamphetamine	Cocaine	Heroin	MDMA
2017	202	370.46	153.90	92.76	19.88	34.90
2018	104	410.17	96.39	18.54	17.55	43.69
2019	61	479.01	192.25	115.39	10.88	42.23
2020	123	576.93	369.63	10.69	3.43	11.21
2021	77	221.84	27.68	75.00	13.58	5.21
Grand Total	567	2058.41	839.87	312.38	65.33	137.24

Caveat: Seizure information recorded by Forensic Drug Intelligence (FDI) is unable to distinguish between items purchased online through the dark web and those utilising mail items as a concealment method. The data provided is not an exhaustive list of all mail items seized by the AFP, only those that have been analysed by Forensics. However, the data highlights the effectiveness and continued high volume use of mail items as a transportation and concealment method.

Police powers to target online crime

14. The Department of Home Affairs submission provides a broader overview of new legislation available to law enforcement which assists with the issue of encryption and anonymising technology. The new powers in the *Surveillance Legislation Amendment (Identify and Disrupt) Act 2021* (SLAID Act) are vital to enabling AFP to tackle the increasing use of the dark web and anonymising technology to facilitate serious criminal activity.

15. The SLAID Act strengthens the *Surveillance Devices Act 2004* and the *Crimes Act 1914* to address the threat and harm posed by serious crimes occurring online. The SLAID Act provides the AFP and the Australian Criminal Intelligence Commission with three warranted powers (data disruption, network activity and account takeovers) to target, investigate and collect intelligence and evidence against criminals who use the dark web and anonymising technology to facilitate and disguise their criminal activities.

16. For example, these new powers could be used to target the dark web forums or dedicated encrypted communications platforms used by transnational, serious and organised crime to facilitate their criminal activities, including the trade in illicit drugs, to uncover the identities of anonymous users and gather intelligence about planned activities. Further information on the AFP's proposed use of SLAID powers can be found in the AFP's two public submissions to the Parliamentary Joint Committee on Intelligence and Security on the original SLAID Bill.

Taking the profit out of crime

17. Part of the AFP strategy for combatting drug related crime is targeting the assets of those involved in trafficking drugs and the proceeds of their illicit drug activity. The *Proceeds of Crime Act 2002 (the Act)* provides the legislative framework to trace, restrain and confiscate the instruments and proceeds of crime. The Act allows confiscated funds to be returned to the Australian Community, by removing the profit of crime and preventing its reinvestment into further criminal ventures such as drug importations.

18. As at 30 November 2021, the AFP-led Criminal Assets Confiscation Taskforce (CACT) has restrained in excess of $470 million (gross) in criminal assets since 1 July 2019, against a target KPI of $600m across 5 years.

Operation Ironside

19. In June 2021, Operation Ironside went to resolution, the largest organised crime operation in the AFP's history. Operation Ironside was a long-term, covert investigation of transnational serious organised crime groups that are allegedly responsible for large drug importations, drug manufacturing and attempts to kill. Operation Ironside not only significantly disrupted organised crime networks threatening Australian communities; it also demonstrated the value of our strong international partnerships.

20. Operation Ironside was undertaken in parallel with the FBI's Operation Trojan Shield and EUROPOL's Operational Task Force (OTF).

21. As at 31 August, OTF's international statistics recorded over 990 arrests, 1040 search warrants, 220 firearms seized $58million USD seized and over 42 tonnes drugs seized.

22. As at 28 November, Australian based activity under Operation Ironside has seen 713 search warrants executed and 311 offenders charged. Australian agencies have seized 139 weapons/firearms, $52.7 million AUD and over 6,000kg of drugs.

23. Operation Ironside gave the AFP unprecedented access to the private communications of drug syndicates over a dedicated encrypted communications platform known as AN0M. AN0M involved the use of customised mobile telecommunications handsets to permit end-to-end encrypted communications exclusively between users of the platform. A key difference between these devices is they do not permit the ability to communicate outside of the encrypted service. The devices are not accessible through normal phone retailers, but are limited to online sales or through being referred to a reseller.

24. Data was captured under warrants issued in accordance with the *Surveillance Devices Act 2004* and powers introduced under the *Telecommunications and Other Legislation Amendment (Assistance an Access Act 2018) (TOLA).*

25. Only a small percentage of the criminal community utilised the AN0M platform. Criminals will migrate to other platforms and other dedicated encrypted communications platforms will emerge to fill the gap left by AN0M. Therefore making powers, which allow access to devices such as SLAID and TOLA, are essential to allowing police to continue combatting TSOC groups.

26. This enhanced intelligence picture on organised crime will support the continued effort in identifying operating high-value criminal targets on a global scale.

Case Study #2 Operation IRONSIDE SOUTH-ANDIAMO

Operation IRONSIDE SOUTH-ANDIAMO led to the dismantling of an Australian-based arm of a transnational organised crime syndicate including a high-priority target and alleged Australian ringleader of the criminal group in Melbourne. This AFP-led investigation revealed an alleged Victorian criminal syndicate conspiring to import 1.6 tonnes of methamphetamine and cocaine from the USA and India between July and October 2021. Investigators believe without Operation Ironside insight, the syndicate ringleaders would otherwise appear invisible to law enforcement.

Harm to the Community

27. Illicit drugs in the community have wide-ranging impacts. At a minimum, their use has the potential to diminish lives through reduced educational attainment and adverse health outcomes. At higher levels, illicit drugs contribute to property crime and violence in our communities that can destroy lives of those involved and place significant demands on front line responders, prison and health care systems. Illicit drug use has also been linked to domestic and family violence.

28. The online marketplace for illicit drugs is not hindered by proximity to dealers nor are customers faced with disincentive of engaging face to face with criminality. This anonymity expands criminal access to the community and readily allows the purchase of illicit drugs by children and youth. The latter not being equipped to assess the risks of their purchase from an unknown supplier, containing unknown supplier, containing unknown substances and having the potential to lead serious injury or death. The scale of potential harm arising from illicit drugs is increasing.

29. Between 21 October 2016 and 31 October 2021, the AFP seized 123,845kg (123.845 tonnes) of illicit drugs and precursors with a drug harm index of $39.136 billion (AUD). This is estimated to have prevented significant harm to Australians in the form of deaths, hospitalisations, and law and justice costs in the order of $39.136 billion (AUD) as measured by the AFP's drug harm index. This does not include the harm mitigated through international seizures via support provided to international police, which was estimated at $7 billion (AUD) during 2020-21.

30. The work by the AFP in this space is cost effective. The transnational (domestic) return on investment (ROI) is based on investigations finalised within the financial year, regardless of when the drug seizure or financial crime occurred. The benefits of preventing crime before it happens is measured by considering the potential social harm that could have been caused if the crime had not been prevented. In 2020-21, the AFP had a ROI of 21.9, significantly higher than previous years: 10.3 in 2019-20 and 3.6 in 2018-19.

31. To effective dismantle organised crime; we need Australians to dramatically reduce their drug intake. These issues of supply and demand that as a collective we should work towards, in line with the National Drug Strategy, 2017-2026.

32. The AFP's illicit drug campaign focuses on drugs such as heroin, cocaine and methamphetamine. The campaign is not to stigmatise drug users but aims to bring to the fore what illicit drug use contributes to. The AFP believes having a frank and honest conversation with the public about illicit drug use will assist law enforcement in protecting keeping Australians safe.

International Network and Partnerships

33. AFP success in targeting illicit drug networks is due to our strong international partnerships established through the AFP international Network INTERPOL and Europol. As the criminal environment changes, the AFP alongside international partners continues to adapt to new technology and disrupt the flow of illicit drugs.

34. During 2020-21, the AFP working with international partners contributed to the seizure of 19.4 tonnes of illicit drugs by overseas police before it could be shipped to illicit markets including Australia.

35. Operation Gain was established in June 2020 and is known as the TSOC Offshore Disruption Taskforce. Operation Gain leverages inter-agency cooperation and partner specialist capabilities, conducting disruption operations to escalate pressure against these criminals, degrade their capabilities and create a hostile operating environment.

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36. Operation Gain is an AFP-led regional coalition of law enforcement agencies, consisting of more than 19 agencies. It acts to degrade the criminal capabilities of significant targets by seeking restraint on their financial assets.

37. It has driven enhanced relationships on TSOC with countries within the AFP's international footprint and facilitated new engagement in locations where minimal TSOC relationships previously existed.

38. Coordination with global law enforcement partners will ensure syndicate members cannot establish their criminal enterprise in a new location.

Conclusion

39. Over the last decade, the dark web has hosted an increasing number of large-scale, complex and anonymous platforms, services and marketplaces, where people can commit computer-related or enabled crimes with relative ease anonymity, including the sale of illicit drugs.

40. The AFP utilises a variety of strategies, partnerships to delay, divert or otherwise complicate the commission of drug related offences, and the operations of criminal entities, to prevent and reduce drug related harm in Australia. Outcomes relating to enforcement, disruption and prevention support the AFP's objectives in protecting the community and causing maximum damage to the criminal environment.

41. The AFP will continue to work closely with our partners both domestically and internationally to disrupt the importation and supply of border controlled drugs and precursors into Australia via the dark web.

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