

CRIMINAL INTELLIGENCE SERVICE CANADA
2000 ANNUAL REPORT



Criminal Intelligence Service Canada
Annual Report on Organized Crime in Canada
2000

Research for this report concluded on 2000-06 and is based
on information available until that date.

References to organized criminal activity associated to particular ethnic organizations in this report are not meant to suggest that all members of that specific ethnic group are involved in organized crime or that the government of the country of origin or its lawful agencies permits or participates in any illegal activities. These references allude to the illegal activities of particular criminal organizations, the majority of whose members share ethnic similarities.

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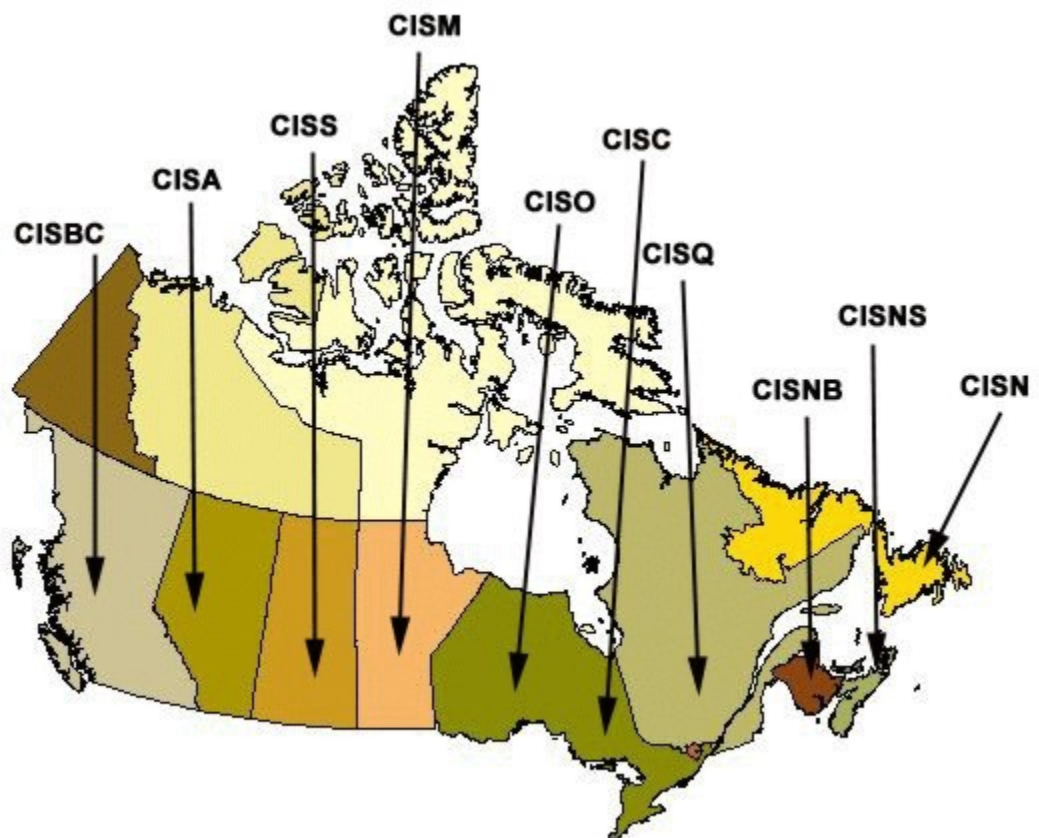
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CRIMINAL INTELLIGENCE SERVICE CANADA

Criminal Intelligence Service Canada (CISC) is an organization that provides the facilities to unite the criminal intelligence units of Canadian law enforcement agencies in the fight against the spread of organized crime in Canada. CISC is comprised of a Central Bureau, located in Ottawa, and a system of nine Provincial Bureaux, which are located in each province, with the exception of Prince Edward Island whose interests are served by the Nova Scotia Bureau. The Central Bureau functions on a national scale and the Provincial Bureaux operate within provincial boundaries.



Locations of the Central and Provincial Bureaux

Regular members of CISC consist of federal, provincial and municipal police forces in Canada that have full time intelligence units. They currently include the Royal Canadian Mounted Police, the Quebec Police Force, the Ontario Provincial Police, the Royal Newfoundland Constabulary and more than 120 municipal and regional police departments. The intelligence and specialized units of these law enforcement agencies supply their provincial bureaux with intelligence and raw data for further analysis and dissemination. The criminal intelligence shared is related to organized crime and other major criminal phenomena in Canada.

In addition to regular members, CISC also has associate members consisting of law enforcement agencies with a part-time intelligence unit and affiliate members, which have investigative and enforcement personnel from the private sector and government. These total over 255 agencies.

The Central Bureau of CISC takes its direction from an Executive Committee, comprised of 20 Chiefs of Police and RCMP Commanding Officers from across Canada and chaired by the Commissioner of the RCMP. This Committee meets annually to review the operation of CISC and to decide on goals and priorities. The CISC Central Bureau monitors the progress of those priorities through the nine Provincial Bureaux. The Managers of those Provincial Bureaux meet annually with the Director of CISC to discuss organized crime issues and forward recommendations to the Executive Committee.

The staff of the Central Bureau consists of regular members, public servants, and secondments from other police departments and government agencies.

ACIIS

The Central Bureau is host to an on-line computer data bank known as the Automated Criminal Intelligence Information System, or ACIIS. This data bank is the national intelligence repository for the use of all CISC members in Canada. All member agencies co-operate with each other in the collection, collation, evaluation, analysis and dissemination of criminal intelligence by contributing to ACIIS.

ABOUT THIS REPORT

The CISC 2000 Annual Report on Organized Crime in Canada is designed to present a comprehensive review of organized crime groups and their activities, based on intelligence and investigation reports from Canadian and international enforcement agencies. In particular, CISC relies on intelligence from CISC member agencies across Canada.

This report also aims to inform and, ultimately, to solicit help from the public. Law enforcement needs the public to take a stand against all organized criminality, beginning with what goes on in individual neighbourhoods.

One of the keys to success in the fight against organized crime is partnerships - between enforcement agencies as well as with policy makers and the public. This report is offered as a guide to help our partners with their strategic planning and to encourage them to cooperate to the fullest extent to fight this threat .

CISC monitors and reports on national organized crime priorities including Asian-based, East European-based and Traditional (Italian-based) organized crime groups, as well as outlaw motorcycle gangs. CISC also has intelligence projects in place to monitor the sexual exploitation of children and a contraband desk to cover other priorities and issues such as Aboriginal-based organized crime, the

illegal movement of firearms and organized crime in marine ports. Emerging issues and issues of interest to our partners, for example, illegal gaming and technological crime, are also included in this report. The table of contents reflects the concerns and interests of CISC and its partners.

EXECUTIVE SUMMARY

This report is designed to present a comprehensive review of organized crime groups and their activities, based on intelligence and investigation reports from Canadian and international enforcement agencies. In particular, CISC relies on intelligence from CISC member agencies across Canada.

CISC monitors and reports on national organized crime priorities, including Asian and East European-based organized crime groups, Traditional (Italian-based) organized crime groups and outlaw motorcycle gangs. CISC also has intelligence projects in place to monitor the sexual exploitation of children and a contraband desk to cover other priorities and issues such as Aboriginal-based organized crime, the illegal movement of firearms and organized crime in marine ports. Emerging issues of interest to our partners, such as illegal gaming and technological crime, are also included in this report.

Asian-based organized crime groups continue to be extensively involved in the importation and trafficking of drugs and are also expanding their criminal activities to capitalize on new technology which will facilitate their interests in counterfeiting, fraud and money laundering. They continue to be involved in the smuggling of illegal migrants through Canada's points of entry - air, sea and land. As the profit potential for migrant smuggling is large, it is expected that Asian-based organized crime groups will continue this activity.

East European-based organized crime (EEOC) groups continue to expand their association with other organized crime groups, both within and outside of

Canada. EEOC's criminal activities have expanded beyond street-level crimes and now include a variety of sophisticated fraud, theft, smuggling and counterfeit activities.

Traditional organized crime groups continue to be involved in the importation and distribution of drugs, extortion, loan-sharking and operating illegal gambling machines and sport betting. Project OMERTA, which involved key members of the CARUANA-CUNTRERA organizations, concluded with the sentencing of Alfonso and Pasquale CARUANA.

Outlaw motorcycle gangs, particularly the HELLS ANGELS, continue to expand both in terms of criminal activities and membership. The armed conflict between the HELLS ANGELS and the ROCK MACHINE in Quebec continues and more violence is expected with the expansion of the HELLS ANGELS and the ROCK MACHINE's recent move into Ontario. The HELLS ANGELS continue to be involved in the importation and distribution of drugs, the illegal trafficking of firearms and explosives, extortion, fraud, prostitution and money laundering.

The distribution of child pornography is expanding proportionately with Internet use in Canada. Chat rooms and web sites dedicated to the sexual exploitation of children facilitate communication between pornographers and pedophiles and the dissemination of child pornography. Across the country, the number of cases involving the sexual exploitation of children have increased. Police and law enforcement continue to coordinate with other government agencies in order to address issues regarding the sexual exploitation of children.

The inter provincial movement of tobacco products from lower tax to higher tax provinces and the smuggling and trafficking of alcohol continue to be a problem in Canada. As a result of commodity-related weaknesses identified by health and law enforcement agencies, measures including tax increases, amended legislation and regulations, and improved marking and packaging are being implemented.

Organized crime groups that continue to be active at Canada's largest marine ports include Asian-based, East European-based and Traditional organized crime groups and outlaw motorcycle gangs.

The expansion of online gambling in Canada poses new challenges to law enforcement. Video gaming and lottery machines continue to be the largest illicit source of gambling revenue. Various organized crime groups, including the HELLS ANGELS, Asian and East European-based organized crime groups and Traditional organized crime groups, continue to be involved in illegal gaming. Law enforcement has made a number of seizures of video gaming machines and proceeds this year.

Technology, particularly computer technology, is enabling organized crime groups to operate in an increasingly secure and anonymous way while exploiting Internet-based schemes like fraud or on-line gambling. Sophisticated tools and information enable would-be hackers to access secure computer systems and affect millions of users across the world in a short period of time. Credit card fraud continues to increase, particularly with the easy availability of desktop publishing equipment and programs. Computer crime investigations are made complex by issues of jurisdiction, resource-intensive investigations and organized crime's knowledge of law enforcement interception techniques.

MESSAGE FROM THE CHAIR

CRIMINAL INTELLIGENCE SERVICE CANADA

COMMISSIONER J.P.R. MURRAY



While it is relatively simple to define organized crime within certain limited parameters, it is much more difficult to measure its more intangible attributes or to gauge its effect upon society. As the document that you are about to read emphasizes, however, there can be no doubt that it is driven primarily by greed and that it is highly adaptable, constantly seeking out and exploiting new and more profitable opportunities. Organized crime has vast resources at its disposal and its ability to penetrate legitimate social and economic structures gives it the potential to inflict enormous damage upon the fabric of Canadian life.

Some organized crime groups are united by common origins, while others are defined by their specialization in specific forms of criminal activity. And while this report documents those differences, it also emphasizes that the similarities between organized crime groups may be even more critical. They all collaborate with other groups. They all seek ways of expanding themselves and achieving monopolies. They all explore the possibilities of new forms of crime and emerging technology. They all seek some form of legitimacy. They all endeavour to exert control over specific geographical areas. These are the fundamental

features of all organized crime, the characteristics that define not only what it does today, but also what it will do in the future.

Organized crime is more than the sum of its parts. It is a highly sophisticated economic, political and social phenomenon and it is essential that, as a nation, we find innovative means of addressing it. The challenge of organized crime is not a challenge to any one institution or police force, but is directed at every single one of us. For this reason, cooperation, whether between agencies, between governments, or between individual Canadians and their communities, is the single most effective weapon that we have against organized crime.

MESSAGE FROM THE DIRECTOR GENERAL

CRIMINAL INTELLIGENCE SERVICE CANADA

R. PHILIPPE



This is Criminal Intelligence Service Canada's thirtieth year of operation. In 1970, when a formal constitution was adopted and CISC was established, the government of the day envisioned a network through which the criminal intelligence units of enforcement agencies could come together for the common purpose of fighting the spread of organized crime in Canada. Now in 2000, with over 370 enforcement partners, CISC continues to champion the sharing of criminal intelligence, through national and international contacts, through training, through national strategies to combat organized crime and, with a particular focus on gaining the cooperation of the Canadian public, through the production of this report.

Only an informed public and partners that work in full cooperation can hope to slow the progress and eventually overcome organized crime.

This report represents the collective views of the Canadian enforcement community regarding organized crime. On behalf of CISC I would like to extend my appreciation to our Provincial Bureaux and all of our partner agencies for their contributions to this report.

CISC National Priorities

ASIAN-BASED ORGANIZED CRIME

Highlights

- Asian-based organized crime (AOC) groups continue to be extensively involved in narcotics trafficking, particularly heroin, cocaine and marihuana.
- AOC groups continue to exploit Canada's points of entry - air, water and land - to import illegal contraband, such as heroin and illegal migrants into Canada and the United States.
- Asian-based criminal enterprises in Canada continue to expand their association with other AOC and organized crime groups both domestically and internationally.

Throughout the country, AOC groups are involved in the importation and trafficking of narcotics, counterfeit currency, software, credit and debit cards, prostitution, illegal gambling, extortion and a variety of violent crimes.

AOC groups continue to associate with other organized crime groups, both within and outside of Canada, and to expand their association with youth and street gangs. They often use street gangs as a labour pool for their criminal activities and as a source of recruits. In Canada, AOC is primarily based in the larger centres such as Toronto, Vancouver, Calgary, Montreal and Edmonton, but increasingly, smaller cities are used as bases where they produce counterfeit credit cards and commit robberies.

AOC activities continue to have an impact on Canadian society with effects perhaps not readily identified as results of organized crime. As an example, in Western Canada, over 40 children were apprehended in six weeks from marihuana grow houses operated by AOC. The children had been exposed to toxic fumes and fire hazards and were forced to deliver drugs or perform watch

duties.

AOC groups continue to be dominant in the importation of heroin and cocaine. Currently, an estimated 7,000 grow operations in the lower mainland of British Columbia are operated by AOC and outlaw motorcycle gangs.

During 1999, two major investigations in British Columbia were concluded. The first, a joint forces operation, resulted in 12 charges against individuals involved in an international drug trafficking ring. The ring was involved the exportation of British Columbia-grown marihuana to the United States and the importation of cocaine from the United States. The second investigation resulted in 28 charges.

In Alberta, a long-term joint forces operation involving various police forces, concluded with the arrests of over 40 individuals. Almost all were charged with participating in a criminal organization. Most of the accused are in custody awaiting preliminary inquiry and trial.

There has been a notable escalation of violence associated with Asian-based organized crime in Western Canada. In Edmonton in 1999, two rival gangs involved in heroin and cocaine trafficking became involved in a shooting war that left two people dead and three others injured. In Yellowknife, where four identifiable Asian-based criminal groups are involved in both the cocaine trade and prostitution, there has been a marked increase in seizures of both prohibited and restricted weapons from Asian drug traffickers.

In June, 2000, a major AOC heroin and cocaine ring operating between Vancouver and Edmonton was dismantled following an undercover initiative. Some of the 15 suspects arrested were allegedly members involved in the 1999 shooting war in Edmonton.

Asian-based organized crime continues to be active in both Manitoba and Saskatchewan. In Saskatchewan, Asian crime associates engage in heroin trafficking, prostitution, contraband smuggling, fraud and counterfeiting. During 1999, a drug investigation that targeted AOC was successful in shutting down a group involved in the trafficking of cocaine and crack in the Winnipeg area. Forty-eight people were arrested and charged with drug and other Criminal Code offences.

In the greater Toronto area, the dominant Asian-based criminal group is the DAI HUEN JAI (aka Big Circle Boys). Known primarily for the manufacture and distribution of counterfeit credit cards and other documents, this group has also been involved in drug trafficking, extortion, prostitution and gaming offences. Losses in the credit card industry exceeded \$226 million in 1999. This translates to a 70 percent increase over 1998 figures. Counterfeit credit card transactions account for approximately 50 percent of all fraudulent activity.

The Akwesasne Mohawk Territory near Cornwall has been used by Asian-based organized crime as a smuggling route, as has Walpole Island and the Niagara region. In 1999, over 7,000 counterfeit and altered travel documents with a street value of \$122 million were seized from AOC and other organized crime groups and individuals.

In 1999, Canadian authorities intercepted four ships which were being used to smuggle more than 500 illegal Chinese migrants from Fujian province into British Columbia. The secretive nature of the migrant smuggling trade precludes an exact estimate of the numbers of people arriving in Canada, although it is known that smugglers move people via air, land and sea. Like the illegal migrants from the People's Republic of China who arrive by air, most of the migrants aboard the ships were bound for the United States, where many would end up working off their debts in sweatshops and bawdy houses.

The profit potential of migrant smuggling is tremendous. For example, criminal organizations will charge a potential migrant as much as US \$70,000 to facilitate illegal travel to North America. The International Centre for Migration Policy Development estimates that globally, smugglers are profiting by as much as \$9.5 billion a year, twice the annual earnings of the notorious Medellin cocaine cartel at the peak of its power.

Outlook

- AOC groups will continue to be extensively involved in the importation and trafficking of heroin and cocaine and in the cultivation and distribution of marihuana.
- The ability of AOC to capitalize on new technologies will facilitate their involvement in counterfeiting, fraud, drug importation and trafficking and money laundering.
- AOC groups will increase their association with other organized crime groups, domestically and internationally, to facilitate core activities such as counterfeiting, drug trafficking and migrant smuggling.
- Alliances with street and youth gangs will become increasingly important as AOC groups seek a labour pool to expand their criminal activities and to insulate their senior members.

EAST EUROPEAN-BASED ORGANIZED CRIME

Highlights

- East European-based organized crime (EEOC) groups have exploited technology to conduct sophisticated credit and debit card fraud schemes.
- EEOC groups are becoming increasingly involved in the illicit drug trade, including cocaine, steroids and ecstasy.
- EEOC groups in Canada remain integral parts of international EEOC organizations but have also formed working relationships with Traditional, Asian and Aboriginal-based organized crime groups and outlaw motorcycle gangs.

- EEOC groups are increasingly using legitimate businesses to conceal and launder criminal proceeds.

East European-based organized crime groups in Canada are primarily based in the Greater Toronto Area, Southern Ontario and Montreal, but are also active in British Columbia, Alberta and the Atlantic provinces.

EEOC criminal enterprises have expanded beyond extortion, prostitution and other street crimes and now include a variety of sophisticated white collar crimes. EEOC groups are involved in organized immigration fraud, organized theft and smuggling of automobiles, as well as large-scale smuggling of drugs and consumer commodities. They are also active in sophisticated fraud schemes involving counterfeit credit cards and debit cards.

EEOC groups in Canada continue to function as integral parts of East European-based organized crime worldwide and maintain an international network of contacts. Some of these groups have formed working relations amongst themselves as well as with other criminal organizations in Canada.

Police have noted increased EEOC involvement in drug smuggling. As EEOC groups expand operations, they are increasingly using legitimate businesses to conceal and launder criminal proceeds and to erect a facade of legitimacy. EEOC groups are expected to expand their criminal activities in Western Canada. Their activities include extortion, murder, prostitution, drug smuggling, weapons smuggling, fraud and various types of financial crime.

In December 1999, the Ontario Provincial Police, York Regional Police, Toronto Police Services, the RCMP, Peel Regional Police and Citizenship and Immigration Canada, uncovered a major EEOC operation. Their investigation resulted in 47 arrests and over 90 charges. Among the charges laid were

conspiracy to commit fraud and obtain credit by fraud, possession of counterfeit currency, and forging and uttering false documents (credit and debit cards).

There were also immigration charges and charges of participating in a criminal organization. Four Quebec residents were among the 47 individuals arrested. Over 250 police officers from the Greater Toronto Area, Windsor, Ottawa and Montreal took part in the arrests of the targets and the searches of their businesses and residences.

A Russian immigrant recently pleaded guilty to conspiracy to commit fraud and was sentenced to 15 months in prison for his role in a sophisticated credit and debit card scheme in which banks lost more than \$500,000. The individual, one of 49 arrested, was involved in a group that developed technology to steal encoded information on debit and credit cards, including personal identification (PIN) numbers. Seven other individuals have been convicted in the operation. Canadians own 34 million credit and debit cards and made more than 1.6 billion transactions in 1998.

Outlook

- EEOC will continue to seek ways to conceal and launder criminal proceeds, some of which come from abroad.
- EEOC will continue to seek out joint criminal ventures with other organized criminal groups in Canada, notably Traditional and Asian-based organized crime groups.
- EEOC groups will continue to make enormous profits through technology-based fraud schemes, as well as the smuggling of drugs, stolen cars and other consumer products.

TRADITIONAL ORGANIZED CRIME

Highlights

- Despite the success of enforcement efforts against the Sicilian mafia, Traditional (Italian-based) organized crime (TOC) remains a threat to Canada.

In Canada, TOC is composed primarily of three main groups: the Sicilian mafia, the 'Ndrangheta and the American arm of the Cosa Nostra. The Sicilian mafia, the most influential of the three, has ties to other Sicilian clans in Canada, the United States, South America and Italy.

These organizations maintain close ties with Asian and East European-based organized crime, outlaw motorcycle gangs, Colombian and South American groups and various Canadian criminal organizations.

The Project OMERTA court case, which involved key members of the CARUANA-CUNTRERA organization, concluded this year when Alfonso and Pasquale CARUANA were sentenced to prison terms. Both men pleaded guilty to charges of conspiracy to import thousands of kilograms of cocaine into both Canada and Italy.

Project OMERTA was an example of national and international police cooperation against organized crime. Conducted by the Toronto Combined Forces Special Enforcement Unit, it included a Montreal-based joint intelligence unit as well as Italian, Mexican and US police and law enforcement agencies. In Western Canada, illegal gaming continues to be the highest profile activity of TOC members, who are involved in illegal video lottery gaming terminals, back room gambling, and sports betting. TOC groups are also active in the importation and trafficking of heroin and cocaine.

In Central Canada, TOC groups are involved in the importation and distribution of drugs, illegal gambling machines, extortion and loan sharking.

A joint Hamilton/Niagara Falls police investigation was launched after the 1997 murders of two TOC individuals. Two TOC members were arrested and at the beginning of 2000, they pleaded guilty to one of the murders. Each received a ten year prison sentence.

Outlook

- Drug trafficking and money laundering will continue to be key TOC activities.

OUTLAW MOTORCYCLE GANGS

Highlights

- The HELLS ANGELS remain one of the most powerful and well structured criminal organizations in Canada. In 1999, they formed two new chapters, bringing the total to 18 chapters nationally.
- The armed conflict, which started in 1994 between the HELLS ANGELS and the ROCK MACHINE in Quebec, continues.

Outlaw motorcycle gangs (OMGs), specifically the HELLS ANGELS, remain a national priority for police and law enforcement in Canada. The HELLS ANGELS will likely increase membership, add new chapters and puppet clubs throughout the country and increase alliances with other organized crime groups.

Members of the HELLS ANGELS continue to be involved in the importation and distribution of cocaine, the production and distribution of methamphetamine, as

well as the cultivation and exportation of high-grade marihuana. The HELLS ANGELS use a vast network of associates to recruit marihuana grow operation sitters, to set up grow houses, to harvest the drug and to move it at street level. OMGs are also involved in the illegal trafficking of firearms and explosives, the use of intimidation and threats, the collection of protection money from both legitimate and illegitimate business operations, fraud, money laundering and prostitution.

New chapters and alliances in the structure of outlaw motorcycle gang activity in Western Canada have expanded the scope and criminal activities of the HELLS ANGELS and enhanced the gang's strengths.

Two significant trials in British Columbia involving members of the HELLS ANGELS are ongoing. A full member of the Haney chapter will go to trial in October charged with three counts of cocaine trafficking. Two members of the East End chapter will go to jury trial in September charged with conspiracy to traffic cocaine, trafficking cocaine and laundering proceeds of crime.

All accused, except two, from Project KISS which concluded in October 1998 with the arrests of members and associates of the Edmonton REBELS, have pleaded guilty and are being sentenced to prison terms of approximately two and a half years. The two remaining accused will be going to trial in October 2000. Project KISS was a ten month undercover operation into the illicit drug trade that involved the Edmonton chapter of the REBELS.

The charges laid against one member and two prospects (a prospect is one step below a full member) of the HELLS ANGELS Edmonton chapter for the May 1998 beating and extortion of a male associate are proceeding through the courts.

During the summer of 1999, a joint forces operation involving the Calgary Police Service and the RCMP investigated an alleged plot to cause serious harm or property damage to a Calgary alderman, a city hall staff member and an area resident involved in a community association. The investigation stemmed from the ordered destruction of the HELLS ANGELS' Calgary clubhouse because of non-compliance with local building codes. As a result of this investigation, numerous charges have been laid against one member and one associate of the Calgary HELLS ANGELS.

A case in Calgary involving the HELLS ANGELS' challenge of police roadblocks has concluded with a verdict expected in August 2000. The HELLS ANGELS contended that the police violated their rights when the bikers were stopped in 1997 during a patchover in which the HELLS ANGELS absorbed the GRIM REAPERS.

The majority of the outlaw motorcycle gangs in Ontario appear to maintain business links with the HELLS ANGELS. Ontario is host to 11 one-percenter OMGs, including the PARA-DICE RIDERS, OUTLAWS, SATAN'S CHOICE, VAGABONDS and the ROCK MACHINE.

The PARA-DICE RIDERS appealed a court decision that allowed police the right to establish checkpoints during their rides. The gang's lawyers argued that the checkpoints were in contravention of Section 9 of the Canadian Charter of Rights and Freedoms. In December 1998, the Ontario Court of Appeal upheld the decision in favor of the Durham Regional Police Force in *BROWN v. DURHAM REGIONAL POLICE FORCE* (1998) 43 O.R. (3d) 223 [Ont. C.A].

The HELLS ANGELS have been active in Ontario for some time, but do not yet have a chapter there. While they face two formidable enemies, the OUTLAWS and the ROCK MACHINE, there is no doubt that they are eager to have an

official presence in Ontario in order to extend their national reach. The PARADISE RIDERS of Toronto have been courted by the HELLS ANGELS to form the first HELLS ANGELS chapter in Ontario.

In June 2000, the ROCK MACHINE established two chapters in Ontario, one in Kingston and the other in Toronto. A third chapter has just been established in Niagara Falls. This will no doubt exacerbate the already tense situation between the ROCK MACHINE and the HELLS ANGELS and will affect the current balance of power in Ontario.

New entities referred to as "cliques" or subgroups have emerged within the HELLS ANGELS in Quebec. They are usually made up of about a dozen small time criminals who are given menial tasks like low level debt collection, drug selling on the street and break and enters. The purpose of the cliques is to create an additional layer of insulation between high level members and the police, as well as to distance these members from criminal activity and violence. The conflict between the HELLS ANGELS and the ROCK MACHINE continues in Quebec.

In June 2000, 10 of 11 members of the BLATNOIS MAURICIE, a HELLS ANGELS puppet club, were arrested, temporarily closing the chapter. Two members of the HELLS ANGELS Trois-Rivières chapter were also arrested. This case will be the first use of the provisions of Bill C-95's anti-gang legislation against the HELLS ANGELS organization.

In another operation, the Lévis Police Department and the Sûreté du Québec dismantled a HELLS ANGELS drug ring. During 31 searches executed, police arrested 34 individuals, seized 11 vehicles and found \$120,000 worth of cocaine, hashish and marihuana. The head of the cell was a member of the HELLS

ANGELS Quebec City chapter who was sentenced to six years in prison for conspiracy to traffic cocaine and trafficking cocaine in November 1999.

The HELLS ANGELS control all OMG illegal activities in the Atlantic provinces. There are several organized crime entities that are directly associated with the HELLS ANGELS.

Outlook

- An escalation in violence between the HELLS ANGELS and the ROCK MACHINE is likely with the continued expansion of the HELLS ANGELS and the ROCK MACHINE's move into Ontario.
- The HELLS ANGELS will continue to expand their criminal activities and territory throughout the country and expand their association with other OMGs and other organized crime groups.

SEXUAL EXPLOITATION OF CHILDREN

Highlights

- A decision from the Supreme Court of Canada regarding the child pornography law and the Charter of Rights and Freedoms is pending.
- National guidelines were developed and disseminated in 1999 to assist law enforcement to combat the sexual exploitation of children.

A national coordinated law enforcement strategy against the sexual exploitation of children has been in place since 1998. Police and law enforcement have been concentrating efforts on child pornography and the Internet, child prostitution and sex tourism (Canadians exploiting children in another country).

In May 1997, Bill C-27, known as the Canadian child sex tourism legislation, amended section 7 of the Criminal Code to extend the jurisdiction of Canadian courts to acts of sexual exploitation committed by Canadians against children

outside Canada. The legislation seeks to deter Canadians from engaging in the sexual exploitation of children in foreign countries, to encourage other countries to enforce their own laws to combat child sexual offenses and to provide a means of prosecuting Canadians who have committed child sex offenses in other countries but have avoided prosecution in that country. Canada is one of 24 countries which now have extraterritorial legislation in place to combat sex tourism and other forms of sexual exploitation of children.

The distribution of child pornography is growing proportionately with the continuing expansion of Internet use. Chat rooms available throughout the Internet global community further facilitate and compound this problem. The use of the Internet has helped pornographers to present and promote their point of view.

International investigations of child pornography are coordinated through Interpol Ottawa. In 1999, a total of 164 requests for assistance were received, including 101 from international law enforcement agencies. With the proliferation of Internet users and sites and chat rooms devoted to child pornography, the number of investigations will likely continue to increase. From January to June 2000, 89 cases were received and forwarded to Canadian jurisdictions, including 78 from international law enforcement agencies.

In 1999, Criminal Intelligence Service Canada, the lead agency for the coordinated effort against the sexual exploitation of children in Canada, collected information through an inter-agency assessment survey regarding child prostitution in Canada. Based on recommendations made by partner agencies, the main concerns in this area are education, communication and the sharing of information among enforcement and support agencies.

In Western Canada, criminals and organized gangs involved in the sexual exploitation of children are often also involved in the drug trade and in trafficking firearms. The prostitution of young females is often a secondary part of their overall business. There is a high demand for child pornography and consequently no decline in this criminal activity.

In at least one of the Western provinces, the issue of the sexual exploitation of children has moved to a second phase in dealing with child prostitution. In February 1999, Bill 1 - the Protection of Children in Prostitution Act - became law in Alberta. The bill allows social workers and police to apprehend child prostitutes under the age of 18 and to place them in a protective safe house for up to 72 hours. Maximum fines and jail terms were also increased for johns and pimps who use juvenile prostitutes. (Note: at the end of July 2000, an Alberta family court judge ruled that the Protection of Children in Prostitution Act is unconstitutional and in violation of the Canadian Charter of Rights and Freedoms).

In March 1999, a Western police service completed a nine month "sex for drugs" investigation. The accused individuals allegedly coerced the victims to use crack cocaine. They would only continue the supply of drugs to their hooked victims in return for sexual favors. The operation resulted in the arrest of 13 adult males. The victims were females ranging in age from 13 to 17 years. The accused in this investigation have been charged with a number of offenses, including trafficking in a controlled substance, juvenile prostitution, sexual assault and keeping a common bawdy house.

In Central and Eastern Canada, various police services have been successful in their investigations of sexual exploitation of children. A number of provincial and municipal police forces, federal departments and US and international agencies worked in partnership to assist in investigations.

In the first six months of 2000, a Central Canadian police pornography unit investigated 100 incidents and laid 92 charges, compared to 52 investigations and 55 charges for the same time period in 1999. Another police force handled 116 files relating to child pornography on the Internet in 1999. Investigations have resulted in 13 searches and arrests so far. Thirty-two web sites and 75 individuals were subject to investigation resulting in charges against 20 individuals to date, from over 118 child sexual exploitation files investigated by one police force in Central Canada in 1999.

Police and law enforcement in the Eastern provinces continue to witness a rise in incidents of child sexual exploitation. In early 1999, a 33-year-old male received an 18 month sentence for dealing in child pornography over the Internet. The interdiction of child pornography being transmitted via conventional methods has decreased dramatically. At least four significant Internet investigations involving the possession and distribution of child pornography were submitted for prosecution.

Generally, the sexual exploitation of children and child pornography and prostitution remains an area of criminal activity that is largely undetected or not reported.

Outlook

- As technology provides more opportunities for anonymity and the easy transfer of images and information on the Internet, the distribution of child pornography by pedophiles may increase.
- Partnerships among police forces, governments and other agencies will be increasingly required to facilitate provincial, national and international investigations.

OTHER MONITORED AND EMERGING ISSUES

CONTRABAND SMUGGLING

Highlights

- The inter provincial movement of tobacco products from lower tax to higher tax provinces continues to be problematic. Contraband alcohol also remains an issue in various parts of the country.
- Illegally imported weapons continue to surface throughout Canada.
- Increased international cooperation is having an impact on smuggling organizations and their members.

Overview

Tobacco and alcohol remain the commodities which are most frequently smuggled and trafficked in Canada. The inter provincial movement of tobacco from lower tax provinces to higher tax provinces continues, with the greatest quantities being shipped from Ontario to British Columbia, although reduced quantities of tobacco are being moved across the Canada/US border.

Federal and provincial governments continually address commodity related weaknesses identified by enforcement and health agencies. For the most part, these measures take the form of tax increases, amended legislation and regulations and improved marking and packaging.

The Integrated Border Enforcement Team in British Columbia, involving daily communication and interaction between members of US and Canadian police and law enforcement agencies, has been successful and is being considered for other parts of the country. Responsible for most of the British Columbia/Washington border, the team has uncovered illicit drugs, weapons,

alcohol, tobacco and illegal migrants.

Tobacco

In November 1999, tobacco taxes were increased by \$1.20 per carton of cigarettes in Central and parts of Eastern Canada. Saskatchewan also made a small increase in March 1999. Alberta amended its provincial tobacco legislation and introduced specially marked tobacco products for Aboriginal reserves. Nationally, improved stamping and marking of tobacco products has begun, as outlined in the last federal budget.

In mid December 1999, the Government of Canada filed a one billion dollar lawsuit in the United States Federal Court against RJR-Macdonald Inc., RJ Reynolds Tobacco Holdings Inc., several related companies and the Canadian Tobacco Manufacturers Council. The Government of Canada claimed that RJR-Macdonald and related companies defrauded Canada of billions of dollars in taxes by conspiring with known distributors and smugglers to ship tobacco products to the United States and then smuggle them back into Canada to sell on the black market. In July 2000 however, a US District Court Judge threw out the government's action against RJR, accepting the defendant's argument that the case is, in essence, an attempt by the Canadian government to collect evaded duties and taxes. This is barred by a US law known as "the revenue rule", that forbids US courts to interpret or enforce foreign tax laws. The federal government will appeal the court's decision.

Since January 2000, there have been a number of major cigarette thefts. In January, Valleyfield and Sherbrooke authorities seized large quantities of US tobacco, originating from the same theft and en route to distribution points in Canada. In May, authorities in Moncton reported the theft of \$2 million worth of Canadian tobacco from a tractor trailer that had been parked in a railway freight yard.

Alcohol

In December 1999, a large, sophisticated still operation was dismantled in the Lower Mainland of British Columbia. A total of 2,175 liters of liquor and 4,914 liters of mash were seized and destroyed. Also, in December 1999, a highly organized bootlegging business was dismantled in Vancouver, British Columbia. The business ran an after hours delivery service throughout the Lower Mainland area, contravening the Provincial Liquor Act.

A recent Ontario alcohol smuggling case involved approximately 40,000 cases of American liquor with an estimated street value of US\$8.4 million. Both Canadian and US residents were implicated in this operation. They utilized several border crossings, including the Queenston and Rainbow Bridges in Niagara Falls and the Peace Bridge in Fort Erie, and distributed the alcohol in the Niagara and Hamilton areas. The alcohol seizure associated with this investigation is one of the largest ever in Southern Ontario.

Contraband alcohol is a problem in Quebec. It is believed that the underground alcohol market is worth approximately \$173 million. As well, the illegal manufacture of alcohol using home-made stills continues to become more and more popular in Quebec. This alcohol is often passed off as smuggled American product or sold as stock in bars and restaurants.

Firearms

Another commodity of concern is weapons. Weapons used by criminals are sometimes stolen, but the majority are smuggled illegally into Canada, primarily from the United States.

In May 2000, Ontario's Provincial Weapons Enforcement Unit and the Toronto Area Firearms Office, in a joint operation with other law enforcement agencies in Canada and United States, ended a year long investigation into a major international gun smuggling operation. Law enforcement officials in Toronto, Montreal and Reno, Nevada seized large quantities of rifles, receivers, prohibited high capacity magazines, rifle barrels, as well as three machine guns. During the investigation, it was discovered that businesses in Toronto were shipping the firearm receivers illegally into the United States and marking them as "truck parts".

Diamond Mines

As three additional diamond mines are developed in the Canadian North, both industry and the police are cooperating in an effort to ensure a high level of crime prevention. The need for such cooperation is apparent from the high level of criminal interest in the diamond industry and by the experiences of other diamond producing countries.

Organized Crime in Marine Ports

Organized crime groups that have been known to be active at Canada's largest marine ports include Asian-based, East European-based and Traditional organized crime groups and outlaw motorcycle gangs.

Waterfront criminal activity includes smuggling illicit drugs, theft and product diversion (goods stolen from docks and vessels), the export of stolen vehicles, migrant smuggling, firearms smuggling, and alcohol and tobacco smuggling.

A number of Joint Force Operations, comprised of law enforcement officials from a variety of agencies, continue to focus on organized crime elements at the marine ports.

Outlook

- Recent media reports note that tobacco taxes will likely increase, perhaps significantly, in the near future. Tobacco smugglers will continue to feed the black market, regardless of the size and timing of any tax increases.
- Price discrepancies between Canada and the United States will continue to foster the trade in contraband alcohol.
- The profit potential of the diamond industry will encourage criminal involvement in all of its various phases.
- Organized crime groups will continue to use Canadian ports as an important venue for the smuggling of all types of contraband.

ILLEGAL GAMING

Highlights

- The tremendous profits and few significant deterrents associated with illegal gaming make it one of organized crime's more popular sources of income to finance other criminal activities.
- Online gambling is a rapidly growing phenomenon that is a challenge for police and law enforcement.

Gaming revenues in Canada continue to increase. Many of organized crime's criminal activities such as drug trafficking, money laundering and enterprise crime offenses are financed by illegal gaming profits.

Illegal Internet gaming poses a new challenge to law enforcement. Its promise of quick profits has attracted the attention of most of the organized crime groups active in Canada.

In Western Canada, video gaming and lottery machines are the newest, and possibly the largest, illicit source of gambling income available to organized crime groups. The machines can earn up to \$2000 per machine, per week, making this an extremely lucrative business. The cost of the machines ranges between \$2500 and \$5000 and is quickly paid off. Organized crime groups including the HELLS ANGELS, Asian-based organized crime, Traditional organized crime, and East European-based groups are all involved in the illegal operation of these machines.

Electronic gaming devices and virtual gaming over the Internet are attracting the interest of organized crime groups. Within the Internet vice industries there appear to be relationships between suppliers of pornographic material and Internet gaming systems. The revenue generated by Internet gambling operations is significant and many are willing to risk prosecution.

Winnipeg currently has two casinos and plans are underway to begin the construction of five more casinos throughout Manitoba in the near future. The casino operators and management are aware of the potential for organized crime involvement and money laundering and have introduced policies and procedures to minimize the risks.

In 1999 in Ontario, the Ontario Illegal Gaming Enforcement Unit that was established to combat illegal gaming investigated 241 occurrences. A total of 941 charges were laid against 623 persons. During the year, 498 video gambling machines and an additional \$1,026,269 worth of illegal gaming equipment were seized. Over \$400,000 was seized from accused individuals and over \$669,000 in fines and forfeitures were realized.

There have also been investigations into online gambling involving East European-based and Traditional organized crime groups. Sentences for

convicted operators in Central Canada do not seem to deter illegal gaming offenses.

Internet gambling is largely unregulated. The Ontario government has begun to study how to regulate these operations that, in many cases, are international. An Internet gaming working group that represents four Ontario government ministries will be issuing a report with recommendations for action in the late summer or early fall of 2000.

The Atlantic provinces seem to be viewed by certain organized crime groups involved in illegal gaming as a relatively safe haven and possibly an area of future operation.

Outlook

- The criminal enterprises, such as loansharking and money laundering, that support illegal gambling will continue to provide significant profits for organized crime to finance other criminal activities.

TECHNOLOGY and CRIME

Highlights

- Hackers are increasingly well organized and highly skilled.
- Organized crime groups are reaching out to individuals with specific technological skills and exploring the possibilities of new technology.
- Many organized crime groups are now involved in forged payment card activity because it is a profitable enterprise, forging techniques are simpler and forged credit cards provide anonymity to users.

Organized Crime and Technology

Technology is a fact of life in both the legitimate and the criminal worlds and there is no question that organized crime groups use computers, wireless phones and the Internet to communicate and to do business. Of concern is the scope and sophistication of their use of technology and their knowledge of law enforcement interception, surveillance and other capabilities.

Hackers

High profile cases such as the Mafia boy investigation demonstrate the ability of hackers to manipulate web sites and to gain unauthorized access to secure computer systems and information. Hackers are increasingly well organized and highly skilled.

Hackers discuss techniques and trade software in closed chat rooms. Chat room communication gives amateur “script kiddies” or “cookbook hackers” access to powerful hacking software designed by knowledgeable hacker/programmers. In turn, this software gives them the ability to effect as much damage as sophisticated hackers.

There are indications that organized crime groups are reaching out to individuals with specific technological skills and exploring the myriad possibilities of new technology, including Internet-based schemes for profit like online gambling and securities fraud.

Malicious Software Programs

Hundreds of malicious software programs are available on the Internet. They allow individuals to control another person’s computer remotely via the Internet if

the victim can be duped into executing the program. These tools are used by hackers to access information such as Internet account passwords. They can then use the accounts to tunnel through the Internet and hide their electronic trail, making it difficult for investigators or computer security personnel to trace them. Malicious programs are extremely dynamic and are continually being rewritten to make them ever more powerful and insidious.

Jurisdiction

Investigators of technology-based crimes and the online sexual exploitation of children have a number of fundamental requirements in order to maintain an evidentiary trail that often crosses international boundaries. In Canada, the ISP industry is largely unregulated and no standards exist to ensure that the fundamental police requirements can be met.

Both the G-8 and the Council of Europe are addressing this issue internationally. The Council of Europe has prepared a Draft Convention on Cyber-Crime which is open for public consultation until December 2000. Canada participates in both fora. Furthermore, the Canadian police and law enforcement community and the Canadian Association of Internet providers have renewed their relationship in order to address this and other issues of concern related to the ISP industry.

Payment Card Fraud

Credit card fraud continues to increase at an alarming rate. In 1999, \$226 million in credit card fraud was reported by Visa, Master Card and American Express in Canada. Over \$123 million was due to forged credit card activity, compared with \$72 million in forgery losses in 1998.

In the early 1990s, credit card forgery was largely the preserve of Asian-based criminal groups. Since then, a number of other criminal organizations, including East European-based groups, have become involved. While this is largely a function of profit, forging techniques have become simpler due to advances in technology and the forged credit cards themselves provide anonymity to users purchasing goods and services.

Desktop publishing equipment and programs continue to be used to forge credit cards and currency. Skimming is the preferred technique used to glean information from credit card magnetic strips. It involves the use of skimmers manufactured expressly for criminal purposes, which first surfaced in Canada in 1998.

Until 1999, shoulder surfing and pinhole cameras were the primary methods used to capture the personal identification numbers (PINs) necessary to exploit the debit payment card system. Last year, an East European-based organized crime group may have manipulated PIN pad devices, bypassing the encryption function and capturing cardholders' PINs. Debit card numbers were captured, encoded onto the magnetic strips of plastic cards and matched with the correct PIN.

Since the beginning of 2000, several cases have demonstrated the vulnerability of credit card information stored on non-secure electronic commerce sites. In the US-led CD Universe case, a person hacked into the company's web site, downloaded private customer information including credit card numbers, and threatened to release the information on the Internet unless the company paid the hacker \$100,000. The hacker was reportedly traced to Eastern Europe. The media has reported Canadian links in this investigation. This case demonstrates the vulnerabilities of personal information in the largely non-regulated electronic

commerce industry and the need for strong security to promote and enhance trust in electronic commerce and electronic service delivery.

Outlook

- Governments and the private sector must work together to establish industry standards, security processes and legislation aimed specifically at technological crime.
- Electronic devices, such as desktop computers, wireless phones and hand-held computers will rapidly take the place of paper address books and accounting records. Forensic analysis of technology will become a component of most major criminal investigations.
- Canadian information and communication systems will be subject to increasingly sophisticated hacker attacks.
- As encryption techniques become more prevalent and easier to use, police and law enforcement will have to develop technologies and partnerships that facilitate decryption and lawful access.

CISC Annual Report on Organized Crime - Evaluation Form

Criminal Intelligence Service Canada seeks to receive feedback on its *Annual Report on Organized Crime* in order to improve continually the quality of its intelligence and partnerships with CISC's policing partners. Please complete and return this evaluation form within 60 days. Your comments and suggestions will ensure a better *Annual Report*.

How useful is the *Annual Report on Organized Crime* for each of the below criteria?

Strategic Intelligence	No use	1	2	3	4	5	Most useful
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To what extent did (will) *Annual Report on Organized Crime* assist you or your unit?

Not at all 1 2 3 4 5 6 7 Completely

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Poor quality 1 2 3 4 5 6 7 Excellent quality

How can CISC improve this *Annual Report on Organized Crime*?

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