



Canada

2002
ANNUAL REPORT
Organized Crime in Canada



Criminal Intelligence Service Canada
Annual Report on Organized Crime in Canada
2002

**Research for this report concluded on 2002-06 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.



**Criminal Intelligence Service Canada
2002 Annual Report on Organized Crime in Canada**



Cover Design
Melanie Matheson
PrintWest



Inquiries on this publication should be directed to:

Director General, Criminal Intelligence Service Canada
1200 Vanier Parkway
Ottawa, Ontario
K1A 0R2



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MESSAGE FROM THE CHAIR
CRIMINAL INTELLIGENCE SERVICE CANADA
COMMISSIONER G. ZACCARDELLI

Increasingly, Canadians are aware of the impact of global criminal activity in their lives. Never has this been more evident than following the events of September 11, 2001, and the continuing public discussions on the dramatic way in which Canadians are affected by terrorism. However, notwithstanding the heightened awareness of terrorist activity, organized crime remains a significant problem in Canada.

The sophistication of criminal organizations has made our efforts to combat the impact of their activity more difficult. While the effects of organized crime can be dramatic and draw intense public scrutiny, we are also equally threatened by their more subtle impacts. Daily examples of fraud, counterfeiting, drug trafficking, and exploitation of women and children all remind us of the critical need for a coordinated response, as well as law enforcement efforts that treat not only the branches but also the roots of criminal activity. The most effective response by law enforcement is one which maintains both flexibility and integrates resources as much as possible to combat the continually evolving threat of organized criminal activity. As the activity of criminals increasingly extends beyond the limits of one jurisdiction, we equally need to approach the problem in a multi-jurisdiction, multi-organization fashion.

Criminal Intelligence Service Canada (CISC) has been a long-standing model of multi-jurisdictional integration and successful sharing of information among Canadian law enforcement agencies. CISC's work on macro-level analysis and coordination of intelligence and information, using advanced information technology, is a key factor in our success. Their work provides Canadian law enforcement a clearer picture of the complex networks and relationships which threaten the fabric of Canadian society.

The CISC annual report articulates important trends and activities, and suggests future challenges for the Canadian law enforcement community. Reviewing the report reinforces the fact that integrated intelligence efforts can curb the effect of criminal networks and victimization of others. It is part of our commitment to the lives of all Canadians in delivering safe communities across our country.

G. Zaccardelli



**Message from the Acting Director General,
Criminal Intelligence Service Canada
S. Conlin**

The recent international focus on terrorism has demonstrated the importance of sharing with all law enforcement partners, regardless of jurisdictional or international boundaries or of barriers between agencies. In the intelligence community -- nationally and internationally -- there is an increased emphasis on coordination, cooperation and communication. Law enforcement no longer defines itself by jurisdiction, nationality or area of expertise.

Multi-agency and multi-jurisdictional responses are essential to sharing intelligence in a timely manner with all relevant partners at the municipal, provincial, national and international levels. Intelligence is our first and most important weapon in any effort to combat organized crime. Shared intelligence brings effective planning, coordination and foresight.

This national report, compiled with information from law enforcement from across the country, is an example of partnerships at all levels. Criminal Intelligence Service Canada has been in the business of sharing intelligence about organized crime for over 30 years. Our strength is in our coordination and our commitment to joint forces investigations and the sharing of intelligence.

Organized crime is active in communities large and small across the country. This report is designed to present facts on organized crime, to inform the public and to strengthen the public-law enforcement partnership. Working partnerships already exist between law enforcement and various communities across the country. CISC seeks to extend and strengthen those partnerships to combat organized crime at the community level.

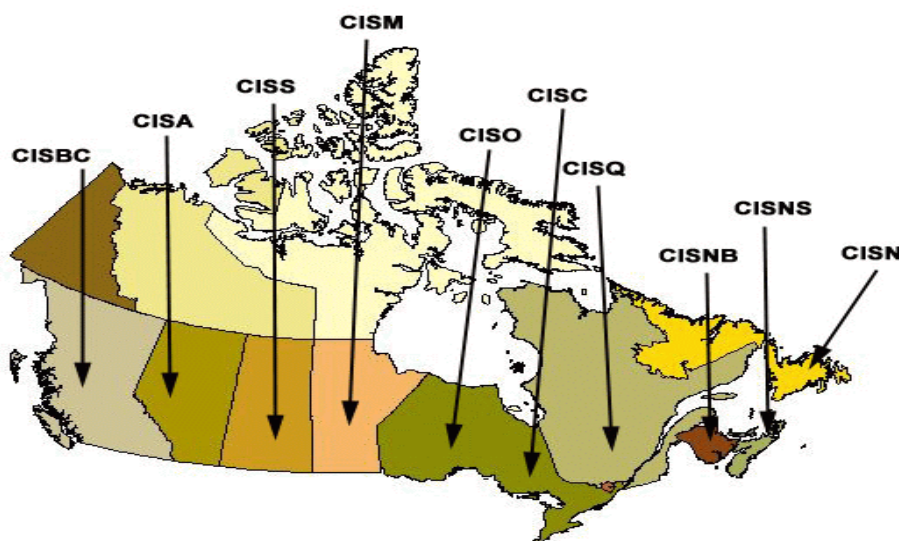
On behalf of CISC, I would like to extend my appreciation to our Provincial Bureaux and to all of our law enforcement partners for their valued contributions to this report.

Sandra Conlin



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 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 Yukon Territory is served by CISBC, while the Northwest Territories and Nunavut are represented by CISA and CISM respectively. The Central Bureau functions on a national scale and the Provincial Bureaux operate within provincial boundaries.



Locations of the Central and Provincial Bureaux

Locat

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 Québec Police Force, the Ontario Provincial Police, the Royal Newfoundland Constabulary and more than 120 municipal and regional police departments. Canada Customs and Revenue Agency and the Department of National Defence, Canadian Forces National Investigation Service are also regular members. 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 270 agencies.

The Central Bureau of CISC takes its operational direction from an Executive Committee, comprised of over 20 senior executives from various regular member agencies 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 General of CISC to discuss organized crime issues and forward recommendations to the Executive Committee.

The staff of the Central Bureau consists of RCMP employees and secondments from other police departments and government agencies. CISC's Central Bureau receives administrative and financial support from the RCMP and its National Police Services.

CISC PRIORITIES

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 diamonds, the illegal movement of firearms and organized crime in marine ports. Emerging issues and issues of interest to our partners, for example, technological crime, are also included in this report.

CISC recognizes that other criminal organizations operate in Canada at regional or national levels and are of concern to law enforcement and the public. However, CISC is mandated to monitor and exchange intelligence only on its national priorities.

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. Access in the provinces is coordinated by the Provincial Bureaux. All member agencies cooperate with each other in the collection, collation, evaluation, analysis and dissemination of criminal intelligence by contributing to ACIIS.

ABOUT THIS REPORT

The *CISC Annual Report on Organized Crime in Canada* is published to inform and educate the public. The activities and workings of criminal organizations are often complex and can be hidden from the everyday world. With this report, CISC seeks to make the effects of organized crime visible and of concern to every community and region in Canada. Organized crime is a threat to public safety and to all Canadians. With this report CISC solicits help from the public. Law enforcement needs people to recognize the effects of organized crime on their communities and, together with law enforcement, take a stand.



The information has been verified through intelligence and investigation reports from Canadian and international enforcement agencies received by CISC throughout the year. In particular, CISC relies on CISC member agencies across Canada to provide valuable information on organized trends and activities in Canada.

The report covers information from the previous year up to June of the current year.

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 .

This report is also available on CISC's website at: www.cisc.gc.ca.



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EXECUTIVE SUMMARY

This report is designed to present a comprehensive review of targeted 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.

Asian-based organized crime (AOC) groups remain extensively engaged in the large-scale manufacture and distribution of counterfeit credit cards, software and electronic entertainment such as CDs and DVDs. AOC groups in Canada are involved in the importation and distribution of cocaine and southeast Asian heroin at the multi-kilogram quantity and, increasingly, the importation and distribution of designer synthetic drugs, including ecstasy.

Across the country, the HELLS ANGELS and Asian-based organized crime groups, particularly Vietnamese-based groups, prevail as major participants in the large-scale cultivation and exportation of marihuana. In January and April 2002, police across Canada launched Operations GREENSWEEP I & II to counter the nationally widespread phenomenon of residential marihuana growing operations. These operations will likely continue to be highly concentrated in existing areas, such as the B.C. Lower Mainland, Ontario and Québec.

The HELLS ANGELS persist as the largest and most criminally active outlaw motorcycle gang (OMG) in the country with 35 full chapters, one prospect chapter and one hangaround chapter. OMGs in Canada are involved in money laundering, intimidation, assaults, attempted murder, murder, fraud, theft, counterfeiting, extortion, prostitution, escort agencies/strip clubs, after-hours clubs (selling alcohol illegally), telemarketing and the possessing and trafficking of illegal weapons, stolen goods and contraband.

Violence continues in Québec between the HELLS ANGELS and BANDIDOS over the protection and expansion of drug trafficking networks. There have also been a number of violent incidents between the OUTLAWS and HELLS ANGELS in Ontario. OMG-related violence in Manitoba has increased sharply, concurrent with the formation of the HELLS ANGELS Winnipeg chapter. There have been a number of incidents of intimidation by OMGs and their affiliates against victims, witnesses and law enforcement. OMGs continue to form and maintain associations with street gangs.

Traditional (Italian-based) organized crime (TOC) groups maintain their involvement in a multitude of criminal activities including the coordination of large quantity illicit drug importations. Unlike outlaw motorcycle gangs, TOC groups do not wish to create or maintain a high public profile in Canada. They have a long standing presence in Canada and have transformed criminal gains into commercial assets to establish a basis of legitimate credibility within their communities. Their presence in Canada is particularly prominent in Ontario and Québec with varying levels of activity in other provinces. A Montréal-based Sicilian crime family continues to expand its influence throughout the Canadian Italian-based criminal community and maintains connections with other organized crime groups to facilitate joint criminal endeavors.

East European-based organized crime (EEOC) groups are engaged in a wide spectrum of criminal activity, ranging from street-level crimes such as theft and prostitution to more sophisticated economic crimes such as money laundering and elaborate fraud schemes. EEOC groups are well-





connected to a vast network of contacts. While EEOC groups in Canada operate primarily in conjunction with their global counterparts, mutually beneficial relationships with other organized crime groups have been struck for specific purposes.

Organized crime groups are involved in the illegal movement and distribution of contraband throughout Canada. Illicit drugs continue to be the major source of criminal profit for organized crime groups. Illicit firearms are derived from a number of domestic and foreign sources. The major foreign source of illicit firearms, particularly handguns, is the United States. The criminal patterns of the Canadian illicit tobacco market have been fairly consistent, with minor variations, over the last few years. The illicit alcohol market in Canada continues to be supplied by a variety of means. The two major concerns are smuggled alcohol and illicitly manufactured alcohol.

Since 1998, CISC has reported on the presence of organized crime at several of Canada's marine ports, particularly the three major marine container ports of Vancouver, Montréal and Halifax. This organized crime presence at the ports facilitates the movement of all types of contraband into and out of the country. There are numerous other marine ports in Canada with various levels of port facilities and cargo volume capability. Each are potential targets for organized crime penetration, vulnerable to either infiltration by crime groups and/or corruption of current port employees.

The diamond industry in Canada has developed to the point where this country is currently one of the five largest producers of rough diamonds in the world. In Canada, there is a potential, as observed in other countries, for organized crime to attempt the infiltration of the industry to arrange for diamonds to be illegally diverted from the legitimate commercial pipeline for their criminal exploitation and profit.

The Internet facilitates the distribution of child pornography at an alarming rate. The most prevalent type of complaint and investigation, involving the sexual exploitation of children (SEOC), handled by investigators relates to child pornography on the Internet. Police report the number of images retrieved from seized computer hard drives during authorized searches has increased dramatically. It is not uncommon to find caches of images well into the thousands.

Technology plays a very significant role in our wired world. Organized crime groups are well known for their use of sophisticated technology to commit crimes such as currency and credit card counterfeiting and fraud as well as various fraudulent investment and telemarketing schemes. These groups employ individuals with computer expertise to further their criminal enterprises. In addition to using technology to commit crimes, organized crime groups will use the Internet and encryption software to facilitate communications. Due to the seemingly limitless resources available to some of the more sophisticated groups, it would appear that cost is no object when it comes to attaining or developing leading-edge technology to facilitate crimes or engage in counter-surveillance against rivals or law enforcement.





SPECIAL REPORT

Operations GREENSWEEP I & II

Overview of Operations GREENSWEEP I & II

In January and April 2002, police across Canada launched Operations GREENSWEEP I & II to counter the nationally widespread phenomenon of residential marihuana growing operations. There has been an observed increase in organized and sophisticated multi-plant profit-oriented operations. The illicit profits generated are enormous and the involvement of organized crime is integral to these operations. Police also wanted to educate the public about the various dangers associated to these operations for people living in or near the residences.

In Operation GREENSWEEP I, on January 30th, police executed 189 search warrants, arrested 162 people on 367 charges and seized 56,201 marihuana plants worth an approximate \$56.2 million and growing equipment worth about \$3.8 million from operations across the country. Over 500 police officers took part in this joint forces operation coordinated by York Regional Police Service and Criminal Intelligence Service Canada. The majority of the operations were rental residences and had the potential to produce approximately 1,600 plants generating \$1.6 million annually. Most operations, including the 99 operations that contained hydro bypasses, posed a significant fire and safety hazard to the community. Thirty-seven children were taken from some of the raided residences and placed in the care of relatives or social services.¹ An increasing number of children found in marihuana operations is a serious concern.

In Operation GREENSWEEP II, law enforcement across the country agreed to target marihuana growing operations from April 15th to April 30th, 2002. Police executed 208 search warrants, arrested 255 people on 510 charges and seized 60,128 marihuana plants worth an approximate \$60 million and growing equipment worth about \$4.8 million from operations across the country. Over 700 police officers took part in this joint forces operation coordinated by the Drug Enforcement Section of the Ontario Provincial Police and Criminal Intelligence Service Canada. As in Operation GREENSWEEP I, most operations, including the 103 operations that contained hydro bypasses, posed a significant fire and safety hazard. A total of 29 children were removed from some of the raided residences. A number of various weapons were also seized from the residences, including six rifles, two shotguns, a sword, a bayonet and various knives.²

Involvement of Organized Crime

The residential marihuana operations targeted in Operation GREENSWEEP were sophisticated operations with organized crime involvement. Throughout Canada, the HELLS ANGELS and

¹ Operation GREENSWEEP I press release, 30 January 2002, Coordinated by Drugs and Vice Enforcement, York Regional Police.

² Operation GREENSWEEP II press release, 2 May 2002, Coordinated by the Drug Enforcement Section, Ontario Provincial Police.





Asian-based organized crime groups, particularly Vietnamese-based groups, continue to be extensively involved in the large-scale cultivation and exportation of marihuana.

The HELLS ANGELS have been known to control sites with large numbers of plants while Vietnamese-based growers often cultivate smaller numbers of plants in multiple locations. In the recent past, there was competition between the HELLS ANGELS and Vietnamese-based organized crime groups for control of the marihuana industry in the B.C. Lower Mainland.³ However, both criminal organizations have realized that demand for marihuana nationally and internationally exceeds the supply of any one gang. These groups currently tolerate each other's marihuana operations.

There has been an increase in Asian-based organized crime marihuana grow operations eastward across the country. In B.C., marihuana cultivation is moving from centralized locations in greater Vancouver to venues further up the Fraser Valley and into the interior of the province.⁴ In the last 18 months, there has also been a dramatic increase in marihuana operations in southern Ontario. As an example, police in the Peel Region seized and destroyed six tons of marihuana in 2001.⁵

In Operations GREENSWEEP I & II, the majority of individuals arrested were people of Vietnamese descent who acted as growers or housesitters. Members or associates of criminal organizations run a number of operations at any time, thus reducing the profit loss if any operations are raided. Crop-sitters act as security guards and tend to the crop, looking after the lighting and watering systems. Many of the growers are indirectly associated to organized crime. Others are individuals working off loans, gambling or drug debts or are recent immigrants indentured to criminal individuals or groups.⁶ Contractors will set up a basement operation for a fee and brokers act as negotiators between growers and buyers.⁷ Workers, usually paid about \$40-\$50 an hour, may be brought in to dry and separate buds.⁸

Proceeds from marihuana operations are frequently funnelled into other criminal activities, such as the importation and trafficking of cocaine, ecstasy and heroin, or are laundered to be reinvested in

³ Drug Situation in Canada – 2000. Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, Royal Canadian Mounted Police, Ottawa, June 2001, <www.rcmp-grc.gc.ca/crim_int/drugs_2000_e.htm#Marihuana>.

⁴ Organized Crime Agency of British Columbia Annual Report 2001, p. 24, <www.ocabc.org>.

⁵ Brett Clarkson, "People who Live in Grass Houses; Big League Crime Moves in Right Next Door." *Toronto Sun*, 24 March 2002.

⁶ Inspector Mike Ryan, "Organized Crime and Money Laundering in British Columbia." Organized Crime Agency of British Columbia, <www.ocabc.org> ; "Drug Situation in Canada – 2001." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <www.rcmp-grc.gc.ca/crim_int/drugs_201e.htm>.

⁷ "Drugs in Canada 2000." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate Royal Canadian Mounted Police, Ottawa, June 2001, <www.rcmp-grc.gc.ca/crim_int/drugs_2000_e.htm#Marihuana>

⁸ "Asian Crime Gangs Running Pot Plantations." *Edmonton Journal*, 1 April 2002.





legitimate businesses.⁹ Marihuana grown in Canada is distributed across the country to meet domestic demand and a significant portion is also smuggled to the U.S. as it is a lucrative export. Drug Enforcement Administration officials in Portland, Maine, report that Canadian-grown marihuana is sold in the region at up to five times the price of domestic and Mexican marihuana. Canadian marihuana sells for US\$1,500 to US\$2,000 per pound in Vancouver and between US\$3,000 to US\$8,000 in major American metropolitan areas.¹⁰

Public Health and Safety Issues

Marihuana grown indoors is produced through either organic (soil-based) or hydroponic (water-based) technology. Hydroponic systems normally yield higher THC levels, but Vietnamese-based groups appear to have mastered organic methods that rival the more high-tech systems.¹¹ Indoor marihuana operations enable growers to operate year-round and give them better protection from law enforcement and the criminal element than open-air marihuana operations. There are significant electrical and structural alterations needed to convert a typical urban residence into a high-yield, profit-oriented growing operation. These operations pose a number of serious health and safety risks to the occupants of the residences in which the cultivation occurs and to the larger community.

Growing marihuana indoors demands an amount of heat and electricity that is markedly higher than normal residential wiring and power supplies can handle safely. A significant number of residential operations use electrical diversions or bypasses to circumvent utility meters in order to steal electricity. Bypasses are utilized to avoid the suspicion of utility companies and to conceal high electricity usage. In order to perform a bypass, holes are often drilled through the concrete foundation or walls to tap into the hydro lines. Through this bypass, the current generally does not go through fuses or circuit breakers, thus removing safety controls on unsafe or excessive energy consumption. A household that operates a hydroponic lab needs three to 10 times the power of an average home.¹²

Bypasses are often performed by people who have little knowledge of electrical wiring or safe levels of usage. In B.C., from 1995 to 2000, there have been approximately fifteen electrocutions of growers as a result of improper electrical installations at grow operations.¹³ In addition to electrical wire alterations and the diversion of electricity, marihuana grow operations also often have

⁹ Inspector Mike Ryan, "Organized Crime and Money Laundering in British Columbia." Organized Crime Agency of British Columbia, <www.ocabc.org>.

¹⁰ "B.C. Bud: Growth of the Canadian Marihuana Trade." Drug Intelligence Brief. Drug Enforcement Administration: Intelligence Division. December 2000. <www.usdoj.gov/dea/pubs/intel/01001-intelbrief.pdf>.

¹¹ "Drug Situation in Canada – 2001." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <[www.rcmp-grc.gc.ca/crim_int/drugs_201\)e.htm](http://www.rcmp-grc.gc.ca/crim_int/drugs_201)e.htm)>.

¹² Judy Trinh, "Hydro Asked to Police Marihuana Operations." *Ottawa Citizen*, 22 March 2002.

¹³ Alex Tyakoff, Tactical Analyst, Quick Response Team, "A Community Impact Assessment of the Marihuana Grow Operation at 5570 Argyle Street." Organized Crime Agency of British Columbia, 17-18 April 2000, <www.ocabc.org>.





numerous fire hazards, including exposed live wires, high-intensity light bulbs and overheated electrical ballasts, the electrical ignition portion, that is used to operate fluorescent lamps. Approximately one in 10 bypass operations end in a fire.¹⁴ These fires pose an obvious danger to the surrounding community. In addition, overloading the power system can cause hydro transformers to blow, resulting in power outages in entire neighbourhoods.

Hydro companies are becoming more proactive about targeting marihuana grow operations. As an example of the magnitude of theft of electricity for marihuana grow operations, Ontario's York Regional Police Service estimates \$72 million worth of power was stolen in the region in 2001. Since February 2002, utility companies in York region have monitored transformers for surges in electrical use. Using this system, police have located and shut down 150 marihuana operations in the region.¹⁵

In addition to massive amounts of electricity, marihuana grow operations also require significant amounts of water, causing high levels of humidity within the residence. Constant high levels of humidity without proper ventilation can result in the build-up of mold throughout the residence, particularly inside the walls and in the insulation. Large indoor crops can also produce high levels of pollen inside the residence. The continual high levels of molds and pollens can cause asthma, respiratory conditions and allergies in the individuals who live or work in the residences. Vapours from a variety of chemicals used to grow marihuana rapidly can also cause respiratory health problems, particularly in children. Furthermore, faulty rerouting of the residence's ventilation system and extensive indoor plant cultivation can cause the build-up of deadly levels of carbon monoxide.¹⁶

The investigation and dismantling of growing operations poses a serious chemical and electrical hazard to law enforcement, rescue workers, including paramedics and firefighters, and municipal officials such as city housing inspectors and utility inspectors. Police drug units involved in raiding marihuana operations frequently wear full-length disposable suits and goggles for protection against the fumes. Firefighters face hazards including unstable walls from structural alterations, dangerously high temperatures, electrocution or chemical traps. Marihuana operations also pose significant dangers to the hydro crews who must repair the illegal electrical bypasses. The crew must dig deep down and disconnect the hydro bypass, a task that can lead to electrocution if live wires are touched. Furthermore, there is a significant safety risk to housing inspectors, contractors or the next legitimate tenants should those involved in a growing operation move out and leave the bypass intact.

In addition to the known potential hazards, investigators have reported that some residences have traps planted to protect the operation from other criminals or law enforcement. Structures have

¹⁴ "Vancouver Raids Part Of National Blitz On Homes Used By Drug Dealers." *Vancouver Sun*, 31 January 2002; Ian Austin. "Country-wide Raids Net 40 B.C. Grow-ops: But It's Feared Growers Merely Moving East." *Vancouver Province*, 31 January 2002;

¹⁵ Judy Trinh, "Hydro Asked to Police Marihuana Operations." *Ottawa Citizen*, 22 March 2002. York Regional Police estimate \$24 million in stolen electricity for every 1,000 marihuana grows and estimate the region has 3,000 grows.

¹⁶ Pam Douglas. "Five Drug Labs Busted in Raids: Operation Green Sweep Hits 160 Labs in Canada." *Brampton Guardian*, 1 February 2002.





been found to contain spike traps or trip wires which activate harmful substances or electrical currents.

Increasingly, marihuana operations are being discovered in larger suburban houses located in upscale neighbourhoods. The overwhelming majority of residential marihuana cultivation is conducted in rental properties. More and more, landlords are being held responsible for electricity stolen and damage incurred by marihuana growing tenants. Some hydro companies in Ontario are refusing to reconnect electricity until restitution is made for the stolen power. It is only a matter of time before insurance companies become stricter when dealing with marihuana operation-related claims.

Violence is an integral part of profit-oriented marihuana operations run by organized crime. Homicides and assaults are carried out to exert control over production and distribution. Across the country but particularly in B.C., home invasions accompanied with severe beatings are perpetrated to steal harvests. In the B.C. Lower Mainland, a number of homicides are related to the marihuana industry. This violence has already emerged in Ontario's marihuana industry. In 2001, a man was found bound and shot execution-style in a marihuana grow operation located in the York region of the Greater Toronto Area (GTA).¹⁷ The potential for violence is an obvious safety risk to innocent people living in neighbourhoods with marihuana operations.

Outlook

Organized crime groups, particularly the HELLS ANGELS and Vietnamese-based organized crime groups will continue to be extensively involved in the large-scale cultivation and distribution of marihuana across Canada. Marihuana smuggling from Canada to the U.S. will probably increase if the demand for marihuana in the U.S. continues. Residential marihuana growing operations will likely continue to be highly concentrated in existing areas, such as the B.C. Lower Mainland, Ontario and Québec, and organized crime groups will also continue to establish operations eastward across the country, particularly in smaller centres. Residential marihuana operations will continue to be a cost-effective and highly profitable way of growing large amounts of marihuana.

Signs a Marihuana Growing Operation May be in Your Neighbourhood:

- ★ Residents appear rarely to be home
- ★ Residents are home only for a few hours, then leave again
- ★ Windows are boarded or covered up
- ★ A strange odour emanates from the residence
- ★ Little outside maintenance: unshovelled snow, uncut grass
- ★ Sounds of electrical humming, fans
- ★ Unusual visitor behaviour
- ★ Beware of dog signs or guard dogs
- ★ Bright lights
- ★ Localized power surges / decreases
- ★ Flyers left in the mailbox
- ★ Television or radio left on all night
- ★ Signs of digging or disturbance around the outside hydro box
- ★ Layer of condensation on the windows
- ★ Air conditioner never runs; windows are always closed

¹⁷

Brett Clarkson, "People who Live in Grass Houses; Big League Crime Moves in Right Next Door." *Toronto Sun*, 24 March 2002.





Concurrent with the continuation of residential marihuana operations will be the accompanying serious health and safety concerns. The number of children found living in residential marihuana operations is a serious and concerning trend. Similarly, the number of fires and violence related to marihuana operations is a public safety concern affecting entire communities.

It is expected that hydro companies will follow the trend in B.C. and southern Ontario and increasingly work with law enforcement by profiling suspicious or unexplained excessive hydro consumption. Insurance companies, in order to counter growing losses, are expected to introduce firmer rules regarding residences damaged by marihuana growing operations. As a result of changes in policy by hydro and insurance companies, landlords will have to become more accountable for their tenants' criminal activities, particularly when those activities endanger the wider community.





CISC NATIONAL PRIORITIES

ASIAN-BASED ORGANIZED CRIME (AOC)

Highlights

- ★ Asian-based organized crime groups (AOC) continue to be extensively involved in the large-scale manufacture and distribution of counterfeit credit cards, software and electronic entertainment such as CDs and DVDs.
- ★ AOC groups across the country are involved in the importation and distribution of cocaine and southeast Asian heroin at the multi-kilogram quantity and, increasingly, the importation and distribution of designer synthetic drugs, including ecstasy and GHB.¹⁸
- ★ Vietnamese-based groups continue to produce a significant portion of B.C.'s marihuana through large-scale, indoor marihuana growing operations and have expanded these operations across the country, particularly in southern and eastern Ontario.

Members and associates of AOC often conduct several different criminal activities with different AOC groups simultaneously. This structural fluidity and flexibility, in which individuals may be a high-level organizer in one criminal enterprise and a lower-level labourer in another, are trademarks of AOC. There may be definite or no links between the criminal activities. Members and associates of AOC groups travel frequently nationally and internationally. This travel demonstrates the wide scope of AOC's criminal activities and is also an attempt to avoid law enforcement scrutiny.

AOC groups continue to associate with other organized crime groups, nationally and internationally, and to expand their association with youth and street gangs. Members of street and youth gangs are typically used as a labour pool for their criminal activities, security and as a source of recruits.

There are a number of active Asian-based street gangs in British Columbia, Ontario and Québec. Some members of street gangs gradually perform criminal activities for organized crime groups, typically through street-level crimes, violence and drug trafficking. As in other organized crime groups, law enforcement is beginning to observe second-generation members in street gangs.¹⁹

¹⁸ GHB, gamma hydroxybutyric acid, generates feelings of euphoria and intoxication and has been used in the commission of sexual assaults because it renders the victim incapable of resisting, and may cause memory problems that could complicate case prosecution. In lower doses, GHB causes drowsiness, dizziness, nausea, and visual disturbances. At higher dosages, unconsciousness, seizures, severe respiratory depression, and coma can occur.

¹⁹ Susan Clairmont, "Gang Link in Slaying; Named in Teen's Beating Death." *The Hamilton Spectator*, 12 October 2001; "Drug Situation in Canada – 2001." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <[www.rcmp-grc.gc.ca/crim_int/drugs_201\)e.htm](http://www.rcmp-grc.gc.ca/crim_int/drugs_201)e.htm)>.





AOC groups on the west coast of British Columbia, the Canadian gateway to the Pacific Rim, are geographically situated to exploit the international illicit trade in drugs, firearms and illegal human migrants. AOC continues to be criminally active at marine ports throughout B.C., particularly on the Lower Mainland, and often in conjunction with other criminal organizations, to smuggle contraband into and out of Canada.²⁰

AOC groups across the country remain extensively involved in the large-scale importation and trafficking of drugs, particularly heroin, cocaine and ecstasy. As approximately 95 percent of the heroin smuggled into Canada originates in southeast Asia, AOC traffickers, and increasingly, Fukinese-based criminal groups,²¹ dominate the heroin trade in Canada. All major heroin seizures in Canada in 2001 involved Asian-based crime syndicates. Southeast Asian heroin typically enters Canada through Vancouver, Toronto or Montréal international airports and major B.C. marine ports. A portion of this heroin is then smuggled to the U.S criminal groups composed of individuals of Chinese descent who operate on both sides of the border and control distribution. The smuggling of heroin to the U.S. is expected to continue, particularly if heroin demand continues to rise.²²

In 2001, there were 222 illicit drug deaths in B.C. (90 of these were in Vancouver) – the highest absolute and per capita number in Canada. Heroin and cocaine (often in combination) remain the major drugs of choice for injection.²³

AOC groups, along with the HELLS ANGELS, in Saskatchewan, particularly in Saskatoon, are engaged in importing cocaine, ecstasy and marihuana from B.C. and trafficking it locally. In Winnipeg, individuals associated to AOC groups are operating cocaine trafficking rings. The drugs are likely obtained from Asian-based associates in B.C. and transported to Manitoba by air or land.

AOC groups in Ontario continue to be heavily involved in the large-scale importation and distribution of heroin. As a result of charges laid in the 1999 Project OCCLUDE, two individuals pleaded guilty; the mother to importing heroin and amphetamines and the son to methamphetamine importing.²⁴

²⁰ The Standing Senate Committee on National Security and Defence, February 2002. <www.parl.gc.ca/37/1/parlbus/commbus/senate/com-e/defe-e/rep-e/rep05feb02-e.htm>.

²¹ Individuals from Fujian province, on the southeastern coast of China between Hong Kong and Shanghai, are known variously as Fujianese, Fuzhounese, Fukienese or Hokienese.

²² "United States-Canada Border Drug Threat Assessment." National Drug Intelligence Center, Pennsylvania, December 2001, pp. vii, 8-9, <www.rcmp-grc.gc.ca/pdfs/cid>; "Drug Situation in Canada – 2001." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <www.rcmp-grc.gc.ca/crim_int/drugs_201e.htm>.

²³ Preliminary data – Office of the Chief Coroner of B.C., January 2002. Mark McLean, MD MSc FRCPC CCENDU - Vancouver Site Representative. "Vancouver Drug Use Epidemiology 2001: Vancouver and B.C., Canadian Community Epidemiology Network on Drug Use." January 2002, p. 8-9, <www.ccsa.ca/ccendu/Reports/2001Vancouver/tp_contents.htm>.

²⁴ Shannon Kari, "Mother, 50, Sentenced to 17 Years for Smuggling Heroin, Amphetamines." Ottawa Citizen, 1 June 2002. Police had intercepted a shipment from China of more than 1,000 cases of preserved duck eggs of which about one percent were plastic replicas filled with 57 kilograms of heroin and 17 kilograms of illicit pills.





AOC groups are also involved in the smuggling of cocaine into eastern Canada, generally at the multi-kilogram level. The groups are also the predominant importers of opium, originating either in southwest Asia in the Afghanistan/Pakistan region or in southeast Asia in the Myanmar/Thailand/Laos region, into Canada.²⁵

Vietnamese-based groups continue to be extensively involved in the large-scale cultivation and exportation of marihuana through residential growing operations across Canada, particularly in British Columbia. In the last 18 months, Vietnamese-based marihuana operations have been rapidly expanding eastward across the country to Ontario. These operations pose significant health and safety risks both to the occupant growers and their families and to the surrounding communities.

Through the use of marihuana brokers, the HELLS ANGELS and Vietnamese-based crime groups, control approximately 85 percent of the marihuana production and distribution in B.C. It is conservatively estimated that there are 15,000 to 20,000 grow operations in the Lower Mainland. The value of marihuana production in the Lower Mainland is estimated at \$4.2 billion with the provincial wholesale value at approximately \$6 billion. Profits from the marihuana industry are frequently funnelled into other criminal activities. According to intelligence gathered from one operation, high-level gang members of Chinese descent bought marihuana from Vietnamese-based drug trafficking gangs to transport to the U.S.²⁶

AOC groups are extensively engaged in manufacturing designer drugs such as ecstasy. Following an eight-month investigation by the RCMP and Toronto Police Service, six individuals were arrested in relation to the manufacture and distribution of ecstasy. It was one of the largest ecstasy seizures in Canadian history. Police seized chemicals that could have produced hits of ecstasy worth more than \$10 million.²⁷ In the joint forces Project DRACULA, investigators disrupted a drug trafficking network which was active in Toronto, Ottawa and Montréal. The individuals arrested were high-level members of three different AOC groups.

AOC groups across Canada continue to be involved in extortions, home invasions, kidnappings, illegal migrant smuggling operations, theft, shoplifting, prostitution, assaults, illegal gambling, loan-sharking and the production of counterfeit currency, software, manufactured goods and credit cards. The groups are also involved in the laundering of criminal proceeds and the investment of laundered money into legitimate businesses.

AOC groups continue to be engaged in smuggling illegal migrants into Canada and often, across the Canada-U.S. border. In May 2002, two Canadian citizens of Chinese descent were caught trying to smuggle four Chinese nationals across the Niagara River into the United States. All four had arrived in Canada through the Vancouver airport. The migrants were being smuggled in a

²⁵ "Drug Situation in Canada – 2001." Drug Analysis Section, Criminal Analysis Branch, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <[www.rcmp-grc.gc.ca/crim_int/drugs_201\)e.htm](http://www.rcmp-grc.gc.ca/crim_int/drugs_201)e.htm)>.

²⁶ Organized Crime Agency of British Columbia Annual Report 2001, p. 10, 23, <www.ocabc.ca>. Information from Project EMERALD, a provincial database designed to strategically target marihuana grow operations in B.C. to support concerted law enforcement action.

²⁷ Kim Bradley and Pete Fisher, "\$10M Ecstasy Lab Busted." *Toronto Sun*, 14 October 2001.





homemade boat with plywood seats and no windshield.²⁸ There have also been a few incidents of Korean and Malaysian nationals being smuggled into the U.S. through New Brunswick with a final destination of New York City. The smuggled individuals had travelled from Toronto.

Since the high-profile arrival in 1999 of four decrepit ships carrying 599 illegal Chinese migrants, there has been no detected large-scale smuggling attempt by ship. The majority of illegal migrants continue to enter Canada by regular commercial international flights.

AOC groups in B.C. remain extensively involved in the production and distribution of counterfeit materials, including credit cards, software, CDs and DVDs. AOC in the province, particularly the Lower Mainland, continues to be at the forefront of production and distribution of counterfeit credit cards throughout North America.²⁹

In January 2002, Vancouver Police made the largest seizure of counterfeit DVDs in Canadian history – 5,000 counterfeit DVDs worth over \$150,000 at one location in Chinatown and 1,700 counterfeit DVDs at another Chinatown location. The illegal DVDs, which are usually sold at smaller video stores, cost less than legal DVDs and are of lower quality.³⁰

In April 2002, eight people were arrested after \$500,000 of counterfeit goods were seized from two Vancouver companies. Most of the counterfeit goods were made in China and other parts of Asia. The raids coincided with the seizure of counterfeit goods in Toronto. Industry experts estimate the counterfeit industry in Canada to be worth an estimated \$20 billion annually, compared with a worldwide total of over \$500 billion annually.³¹

As in B.C., AOC groups in Alberta, particularly Calgary, are also involved in the production and distribution of counterfeit credit cards with networks throughout North America. In early 2002, a 15-month joint forces operation disrupted a huge Asian-based counterfeit credit card ring. The group had associations in 34 countries. The counterfeiters reportedly made the cards by swiping genuine credit cards from users at 116 retail merchants across North America and forwarding the electronic data to other members at eight counterfeit card factories (now dismantled) in Toronto, Calgary, Edmonton and Vancouver. In an example of the multiple criminal activities AOC groups undertake simultaneously, approximately 2,200 kilograms of marijuana was also seized during the course of this investigation.³²

²⁸ "Immigrant Smugglers Caught in Broad Daylight." *Edmonton Journal*, 6 May 2002; Karena Walter, "Police Watch Human Smuggling Bid." *National Post* (Toronto), 9 May 2002.

²⁹ "1.5 Million Dollars in Counterfeit Credit Cards Recovered." Organized Crime Agency of British Columbia, 25 January 2001, <www.ocabc.org>.

³⁰ "Biggest DVD Seizure in Canada." *Global BC*, 31 January 2001. <www.canada.com/vancouver/story.asp?id={F0DDF909-65EB-49F8-BD29-CD30052}>; "Counterfeit DVD Seizure Sets Record." *Vancouver Sun*, 2 February 2002.

³¹ Brian Morton, "Counterfeit 'Name' Gear Brings Arrests." *Vancouver Sun*, 25 April 2002.

³² "Police Working to Bust Huge Credit Card Ring." *CTV News*, 19 March 2002. A similar, smaller-scale operation was uncovered in B.C. in 2000 and 2001. The counterfeit ring involved banking institutions throughout North America and had a potential fraud loss of this operation exceeds \$200 million. "1.5 Million Dollars in Counterfeit





AOC groups in Saskatchewan have also been known to be involved in the distribution of counterfeit currency. One group in Saskatoon was involved in stealing information from credit and debit cards through a portable skimmer. The stolen data was then used to produce counterfeit cards in the Toronto area that were used for fake deposits and withdrawals. The Toronto portion of the operation was associated to the DAI HEUN JAI.³³

AOC groups in Toronto, particularly the DAI HEUN JAI, continue to be responsible for the majority of manufactured counterfeit credit cards and exert considerable control over the counterfeit card industry in Canada. Like other AOC groups, the DAI HEUN JAI have criminal networks nationally and internationally, both within and outside of AOC groups. AOC groups have been known to work with East European-, East Indian- and Nigerian-based organized crime groups in the counterfeit card industry.³⁴

Outlook

- ★ Vietnamese-based organized crime groups will continue to be extensively involved in the large-scale cultivation of marihuana and the exportation of large quantities of this product to the U.S.
- ★ Atlantic Canada will see an increase in the presence of and criminal activities by AOC.
- ★ The movement eastward from B.C. of individuals associated to Vietnamese-based organized crime groups and involved in marihuana growing operations will continue, as will the more recent trend of like individuals moving back to B.C. after being charged in Ontario.

Credit Cards Recovered." Organized Crime Agency of B.C. press release, Vancouver, B.C., 25 January 2001. <www.ocabc.org>.

³³ The DAI HEUN JAI or BIG CIRCLE BOYS is an AOC group with a national network involved in a number of criminal activities. DAI HEUN JAI is also commonly spelled DAI HUEN JAI.

³⁴ "Asian-based Payment Card Crime in Canada," Criminal Intelligence Directorate, RCMP, Prepared for the G-7/P-8 Working Group on International Organized Payment Card Crime - January 27/28, 1999 - Tokyo, Japan, <www.rcmp-grc.gc.ca/crim_int/cardcrimeeng.html>.





EAST EUROPEAN-BASED ORGANIZED CRIME (EEOC)

Highlights

- ★ East European-based organized crime groups continue to be involved in a wide spectrum of criminal activity, ranging from street-level crimes such as theft and prostitution to more sophisticated economic crimes such as money laundering and elaborate fraud schemes.
- ★ EEOC groups in Canada operate primarily in conjunction with their global counterparts, however, working relationships with other prominent organized crime groups have evolved.
- ★ EEOC groups continue to exploit technology in order to extend their criminal profits and reach.

In Canada, East European-based organized crime (EEOC) includes groups originating in the former Soviet Union, Poland, Hungary, Romania, Bulgaria and the former Yugoslavia. Among these groups, power tends to be concentrated among those whose origins can be traced to the territory of the former Soviet Union. These include groups originating not only in Russia proper but also in Belarus, Ukraine, Transcaucasia (such as Georgia and Chechnya) and the former Soviet Central Asia.

The center of EEOC activity in Canada is in Southern Ontario. EEOC groups are also reported to be active in the larger urban centers of Québec and British Columbia. Other provinces and territories describe an EEOC presence of varying degrees.

EEOC crime groups, known for their entrepreneurial and opportunistic tendencies, are quite adaptable and are strongly motivated by profit. As a result, they will engage in any type of criminal activity or attempt to penetrate any market sector they view as being vulnerable for exploitation. In Canada, EEOC groups are involved in a wide spectrum of criminal activity, ranging from various street-level crimes to more sophisticated economic crimes requiring specific technological expertise. As a means of achieving a sense of legitimacy, EEOC groups have utilized bona fide businesses as fronts for their illegal activities.

EEOC groups are well-connected to a vast network of contacts. While EEOC groups in Canada operate primarily in conjunction with their global counterparts, mutually beneficial relationships with Traditional and Asian-based organized crime groups and outlaw motorcycle gangs have been struck for specific purposes. These relationships enable EEOC groups to more easily facilitate their criminal endeavours and to reach markets of criminal activity that would be otherwise inaccessible to them.

Globally, EEOC activity is known for its impact on economies and societies where it takes root.





As a Canadian example, losses attributable to an East European-based automobile theft ring in Ontario has been conservatively estimated at more than \$17.5 million. While other EEOC-related economic costs, particularly those related to counterfeiting and fraud, are not known, the 1998 high-profile case involving YBM Magnex could serve as an indicator of the potential of this form of organized crime.³⁵

The most frequently reported criminal activities in Canada include: financial and insurance frauds, prostitution, theft, large-scale shoplifting, commodities smuggling, luxury vehicle theft and illegal export and money laundering as well as illicit drug importation and trafficking.

Unlike other groups who have been observed to participate in either vehicle or commodities smuggling, EEOC groups are extensively involved in both activities. EEOC groups play a significant role in organized theft and export of automobiles in Canada. In addition, EEOC groups are extensively involved in the smuggling of stolen consumer goods, from Canada and the United States to the former Soviet Union and other European countries, via both legitimate business and criminal operations.

Organized crime groups, including EEOC, manipulate technology and utilize the Internet to facilitate financial frauds. Credit card "skimming",³⁶ e-commerce site hacking and fraudulent credit card purchases are examples of how technology, including the Internet, is exploited for their gain.

Outlook

- ★ EEOC groups based in Canada will continue to take advantage of technological advances as well as their transnational criminal connections to facilitate crimes such as commodities smuggling, drug importations, money laundering and sophisticated fraud schemes.
- ★ EEOC groups are anticipated to surface in parts of Canada that have not previously experienced their presence.
- ★ EEOC groups will continue to collaborate with other prominent organized crime groups in order to extend their reach into otherwise inaccessible markets of criminal activity.
- ★ EEOC groups will continue their quest to attain substantial profit by conducting criminal activities in Canadian sectors vulnerable to penetration.

³⁵ YBM Magnex International Incorporation, a Canadian industrial magnet manufacturer (with its headquarters in Pennsylvania, U.S. and a production plant in Budapest, Hungary) had great expectations in public stock trading, until it collapsed in May 1998 amid allegations the company was involved in EEOC profit laundering.

³⁶ "Skimming", or the illegal duplication of credit cards, is achieved by running the card through a reader that captures information stored in the magnetic strip on the back of a credit card. These readers have become progressively discreet in size and can be attached to a person's belt, like a pager, or affixed to the underside of a counter - all out of sight of the intended victim.. These readers can store data from several credit cards at a time. Once a sufficient quantity of credit card numbers is obtained, the reader can be connected to a computer where data is quickly downloaded. It can then be sent via the Internet, to partners, often located in other parts of the world, who replicate the information onto counterfeit cards. These duplicate cards are then used for fraudulent purchases or sold on the black market.





TRADITIONAL (Italian-based) ORGANIZED CRIME (TOC)

Highlights

- ★ Traditional (Italian-based) organized crime groups continue to be engaged in a multitude of criminal activities including the coordination of large quantity illicit drug importations.
- ★ A Montréal-based Sicilian crime family continues to expand its influence throughout the Canadian Italian-based criminal community and maintains connections with other organized crime groups to facilitate joint criminal endeavors.

In Canada, there are three main Italian-based organized crime groups that participate in significant criminal activities; the Sicilian mafia, the 'Ndrangheta, and the U.S. branch of the Cosa Nostra. Their presence in Canada is particularly prominent in Ontario and Québec with varying levels of activity in other provinces.

These Italian-based crime groups maintain close ties with outlaw motorcycle gangs, Asian and East European based organized crime, Colombian and other South American groups as well as various domestic criminal organizations. In particular, outlaw motorcycle gangs in Québec, Ontario and British Columbia have had a historical relationship with TOC families. The nature and level of these interconnections and relationships with other organized crime groups will vary across Canada. It ranges from the strong influential role exercised by a Sicilian family within the diverse criminal milieu of Montréal to other areas of Canada where there is a minimum or non-existent TOC presence and/or influence.

The Sicilian mafia is the most influential in Canada, particularly a Sicilian family based in Montréal. This family's influence has extended throughout Québec and into other provinces, particularly Ontario. It has connections to other Sicilian clans throughout Canada and internationally including Venezuela and the United States. An alleged prominent member of this Sicilian family was the reported target of an murder plan that was disrupted by police authorities in Québec.³⁷ As well, a case brought against this individual by the federal government was settled out of court avoiding a potential tax hearing which may have brought into public awareness his alleged criminal activities.³⁸

The specific criminal activities of TOC crime groups will vary but overall they are involved in numerous crimes including: drug smuggling and trafficking, various other contraband movement, money laundering, illegal gaming, extortion, loan sharking, prostitution, and stock manipulation.

³⁷ Adrian Humphrey & Graeme Hamilton, "Planned Hit Was About Family Not Mafia", *National Post*, 17 July 2001.

³⁸ "Alleged Mafioso Settles Income Tax Case Out of Court" *National Post*, 18 August 2001.





Illegal gaming activities include traditional backroom gaming, sports betting involving the internet and illegal lottery gaming terminals.

The role of TOC crime groups in the illegal drug trade is more at an upper echelon level of drug importation and distribution, involving many types of drugs, in particular cocaine.³⁹ TOC uses its contacts at the marine ports of Canada to facilitate the movement of significant quantities of their drug importations into the country.

Unlike outlaw motorcycle gangs, TOC groups do not wish to create or maintain a high public profile in Canada. They have a long standing presence in Canada and have transformed criminal gains into commercial assets to establish a basis of legitimate credibility within their communities. TOC members are known to engage in legitimate commercial businesses which could be completely isolated from any criminal activity. But in some cases, these businesses serve as a front for their criminal activities or as a means to launder criminally-derived profits. TOC members will participate in the regular social and cultural activities of their area and to the members of their community will present a completely respectable and legitimate appearance.

It is important to note that the success of TOC criminal activities and the laundering of their illicit profits would not be possible in Canada without the use of legitimate services and the tacit or indirect cooperation of some legitimate individuals involved in the daily commerce of this country. It is recognized that in most cases, these cooperating players are unaware of the criminality of their business associates. However, there are others who may be cognizant or suspect such criminality but are either victims of coercion, unconcerned or recipients of largesse.

Outlook

- ★ TOC will remain a prominent player within the criminal milieu of Canada, continuing to participate in the planning and execution of large illicit drug movements, money laundering schemes, illegal gaming and a multitude of other illegal activities.
- ★ The Sicilian crime family based in Montréal will continue to extend and consolidate its influence outside of Québec to other parts of Canada with a particular emphasis on Ontario.
- ★ The extension of this Sicilian crime family's influence into Ontario potentially could create conflict with established TOC families in the area.

OUTLAW MOTORCYCLE GANGS (OMGs)

³⁹ Drug Situation in Canada-2001, Criminal Intelligence Directorate, RCMP, Ottawa, April 2002, <www.rcmp-grc.gc.ca/crim>.





Highlights

- ★ Across the country, there have been a number of incidents of intimidation by OMGs and their affiliates against victims, witnesses and law enforcement.
- ★ Violence continues in Québec between the HELLS ANGELS and BANDIDOS over the protection and expansion of drug trafficking networks. There have also been a number of violent incidents between the OUTLAWS and HELLS ANGELS in Ontario.
- ★ OMGs, particularly the HELLS ANGELS, continue to form and maintain associations with street gangs.

National Overview

Across the country, OMGs, particularly the HELLS ANGELS, are engaged in money laundering, intimidation, assaults, attempted murder, murder, fraud, theft, counterfeiting, extortion, prostitution, escort agencies/strip clubs, after-hours clubs (selling alcohol illegally), telemarketing and the possessing and trafficking of illegal weapons, stolen goods and contraband.

The HELLS ANGELS remain the largest and most criminally active OMG in the country with 35 full chapters, one prospect chapter and one hangaround chapter. Members of the HELLS ANGELS continue to be extensively involved in the importation and trafficking of cocaine, the cultivation and exportation of high-grade marihuana and, to a lesser extent, the production and trafficking of methamphetamine, and the trafficking of ecstasy and other illicit synthetic drugs.

OMGs in Canada continue to be involved in violence, ranging from intimidation and assault to attempted murder and murder. Incidents of violence between the HELLS ANGELS and BANDIDOS continue. Several high-profile cases of intimidation against victims of crime, witnesses and law enforcement across the country demonstrate the extent to which the gang will attempt to protect its members from law enforcement.

Western Canada

The HELLS ANGELS have seven chapters in British Columbia: East End, Haney, Nanaimo, Vancouver, White Rock, Mission City and a NOMADS chapter.⁴⁰ The RENEGADES remain the HELLS ANGELS only puppet club in the province.⁴¹

The B.C. HELLS ANGELS continue to be extensively involved in the importation and trafficking of cocaine and the cultivation and trafficking of hydroponically-grown marihuana.

⁴⁰ The NOMADS are a specific kind of HELLS ANGELS chapter which is not based in a certain geographical area.

⁴¹ A puppet club is a subordinate gang that receives its orders from and acts as a labour pool for the stronger gang.





In a 16-month joint forces operation related to the 2001 Calgary-based Operation SHADOW, which investigated the HELLS ANGELS Calgary chapter, B.C. police targeted the HELLS ANGELS' involvement in methamphetamine and ecstasy pill production and trafficking. Police shut down seven methamphetamine labs in a trafficking operation which had connections in Calgary, Kelowna, Vancouver and areas in the Fraser Valley.⁴²

A HELLS ANGELS associate was found guilty of threatening a prosecutor after two members of the HELLS ANGELS East-End chapter were found guilty of trafficking cocaine.⁴³

The HELLS ANGELS continue to be criminally active at marine ports throughout B.C., particularly on the Lower Mainland. Their influence at ports enables the gang, often in conjunction with other criminal organizations, to smuggle contraband into and out of Canada. Incidents of intimidation against law enforcement at the marine ports has been recorded.⁴⁴

B.C. HELLS ANGELS have had an historical association with Traditional (Italian-based) organized crime families in eastern Canada and have developed significant criminal alliances. There are also indications of increased collaboration between some HELLS ANGELS and members of Asian-based organized crime groups.⁴⁵

There are three HELLS ANGELS chapters in Alberta: Edmonton, Calgary and a NOMADS chapter in Red Deer. As was shown in the 2001 Operation SHADOW, HELLS ANGELS in the province continue to be extensively involved in cultivating and trafficking marihuana and trafficking in cocaine, hashish and illicit synthetic drugs. While most of the members and associates arrested during Operation SHADOW are proceeding through the courts, some have pled guilty and have received sentences ranging up to 6 years in jail.

The HELLS ANGELS in Saskatchewan maintain two chapters: Saskatoon and Regina, which was formed on December 31, 2001. The HELLS ANGELS has two puppet clubs, the FREEWHEELERS and the REGINA MEN'S CLUB. There has been an increase in the amount of cocaine and ecstasy in Saskatchewan, much of which comes from B.C. The HELLS ANGELS are a significant criminal presence in the province but other criminal groups are involved in drug trafficking.⁴⁶

OMG-related violence in Manitoba has increased sharply, concurrent with the formation of the HELLS ANGELS Winnipeg chapter. The HELLS ANGELS' attempt to establish control over the local drug trade and to promote and protect the gang has resulted in a number of particularly violent incidents of intimidation against victims, witnesses and law enforcement in the province. During

⁴² "Provincial Methamphetamine Trafficking and Production Investigation." Organized Crime Agency of British Columbia press release, 2 February 2002, p. 12, <www.ocabc.org>.

⁴³ "8 Months' Jail for Hells Angel Who Threatened Prosecutor." *Vancouver Province*, 25 January 2002.

⁴⁴ The Standing Senate Committee on National Security and Defence, February 2002. <www.parl.gc.ca/37/1/parlbus/commbus/senate/com-e/defe-e/rep-e/rep05feb02-e.htm>.

⁴⁵ Organized Crime Agency of British Columbia Annual Report 2001, p. 11, <www.ocabc.org>.

⁴⁶ Darren Bernhardt, "Ecstasy Also Becoming Problem in Province: Sask. Police Alarmed by Growing Cocaine Use." *The StarPhoenix* (Saskatoon), 22 February 2002.





six weeks in June and July 2001, there were five drive-by shootings and two firebombings in Winnipeg.

In order to insulate the gang, the HELLS ANGELS typically order their lower-level criminal associates, like the ZIG ZAG CREW and the aboriginal-based gang the MANITOBA WARRIORS, to perform acts of intimidation and violence. HELLS ANGELS members also allegedly perform violent acts – seven of the 10 members are before the courts for charges including uttering threats, assault, assaulting a police officer and attempted murder.⁴⁷

As incidents of intimidation in Québec have demonstrated, the often public nature of intimidation is intended to threaten anyone from reporting or testifying about organized criminal activities. In Winnipeg, one witness' home was firebombed while another's was fired upon with a shotgun. A former gang unit police officer has had her vehicle torched and her residence firebombed twice, once successfully. Three members of the ZIG ZAG CREW have been charged with arson in connection with the torching of the officer's van.⁴⁸

The HELLS ANGELS and associates continued to display their colours in court in an attempt to intimidate potential witnesses, police officers and members of the justice system. In response to these incidents of intimidation, the provincial justice department implemented policies to protect witnesses at risk who testify against organized crime groups.⁴⁹

The Winnipeg HELLS ANGELS chapter has become increasingly active in the importation and distribution of drugs in Manitoba, particularly cocaine and marijuana, but also other drugs such as ecstasy. In March 2002, after a nine-month investigation, police closed a "cocaine storefront" operation connected to the HELLS ANGELS.⁵⁰

The HELLS ANGELS continue to be involved in distributing drugs within correctional institutions in Manitoba, involving the corruption of government employees. In March 2002, three employees at the medium-security Stony Mountain Institution, north of Winnipeg, were allegedly involved in delivering drugs to an incarcerated ZIG ZAG CREW member.⁵¹

Central Canada

⁴⁷ Cary Castagna, "Bikers Best Behave; Criminal Charges Curb Hells Angels Activities." *Winnipeg Sun*, 3 February 2002.

⁴⁸ Bob Holliday, "Police Officer Stalked; Home Attacked, Van Torched." *Winnipeg Sun*, 21 February 2002; Cary Castagna, "Three Bikers Busted; Trio Accused of Torching Female Cop's Van." *Winnipeg Sun*, 8 March 2002.

⁴⁹ David Kuxhaus, "Witnesses Get Guards; Province Will Be 'Relentless' in Fighting Gang Intimidation: Mackintosh." *Winnipeg Free Press*, 6 April 2002.

⁵⁰ Bruce Owen, "Police Shut Suspected 'Cocaine Storefront,' Link Pool-hall Operation to Hells Angels Network." *Winnipeg Free Press*, 20 March 2002; Cary Castagna, "Cops Close in on Hells Elite." *Winnipeg Sun*, 20 March 2002.

⁵¹ Cary Castagna, "Drug Flow Slowed; RCMP Root Out Three Stony Employees, Street Gang Member." *Winnipeg Sun*, 29 March 2002; David O'Brien, "Prison Worker Nabbed in Alleged Drug Plot Police Say Pot Was for Inmate with Gang Ties." *Winnipeg Free Press*, 30 March 2002.





The HELLS ANGELS have 14 full chapters and one prospect chapter in Ontario, while the BANDIDOS formed two full chapters on December 1, 2001. The OUTLAWS have 10 chapters. All three gangs, the HELLS ANGELS in particular, are increasingly joining alliances with numerous street gangs. These gangs perform the same lower-level criminal activities and security duties as puppet clubs.

In Ontario, there are continued tensions, occasionally escalating into violence, between the HELLS ANGELS and OUTLAWS and between the HELLS ANGELS and the BANDIDOS, and all three gangs' puppet clubs and affiliated street gangs. The HELLS ANGELS, after expanding rapidly into Ontario in December 2000, remain highly competitive in the province and have insisted members of the OUTLAWS, BANDIDOS and other gangs join the HELLS ANGELS as puppet club members or voluntarily disband. Some OUTLAWS quit the gang, joining the HELLS ANGELS, while other members wanted to stay or join the BANDIDOS.⁵²

The Ontario NOMADS chapter allegedly responded to the BANDIDOS' refusal to disband and its continued expansion into HELLS ANGELS' territory by targeting BANDIDOS members in Kingston and Montréal. The BANDIDOS targeted the HELLS ANGELS in retaliation. The hit squads, composed primarily of prospects and associates, have been responsible for several incidents of violence in Ontario and Québec.⁵³ One alleged hitman, a Rockers associate, accompanied by a Rockers member, was stopped by police for a routine traffic violation. The alleged hitman opened fire on the police and was killed in the return fire.⁵⁴

The HELLS ANGELS continue to promote the gang publicly. A number of public venues have implemented or are considering implementing bans on gang colours because of public safety. Some municipalities, such as Barrie and Kitchener, have instituted voluntary "No Gang Colours/No Gang Clothing" programs for local businesses. Unexpected and extra policing costs are becoming more common in order to properly monitor and police OMGs at public venues, particularly when rival gangs attend.⁵⁵ Some members of the OUTLAWS and BANDIDOS were wearing protective body armour at a London motorcycle show.⁵⁶

OMGs in the province continue to be involved in large-scale theft. In the joint forces Project WOLF, 149 charges were laid against 27 people associated to the BANDIDOS involved in hijacking and stealing cargo truckloads of merchandise. Drugs, weapons, and \$3 million in stolen property was recovered. The gang had a complete distribution network to repackage and market products in order to disguise its origin.⁵⁷

⁵² Randy Richmond, "Angels Win Battle over City Drug Trade." *London Free Press*, 12 December 2001.

⁵³ Gary Dimmock, "Hells Angels 'Hit Squads' Target Rival Biker Gang Contract Issued to Defend Monopoly on Illegal Drugs." *Ottawa Citizen*, 27 March 2002.

⁵⁴ "Search for Rockers." *Montréal Gazette*, 5 April 2002.

⁵⁵ John Burman, "Gang Wore Colours at Copps." *Hamilton Spectator*, 16 March 2002; Liz Monteiro, "Removal of Gang Colours, Clothing Accepted in Barrie." *Kitchener-Waterloo Record*, 5 October 2001.

⁵⁶ Rob Lamberti, "Biker Battles Likely: Expert." *Toronto Sun*, 4 April 2002.

⁵⁷ Peter Edward and Cal Millar, "Gang Hijacked Trucks Full of Goods." *Toronto Star*, 4 October 2001.





A number of innovative initiatives to combat OMGs in Ontario are being examined across the province. In April 2002, the Ontario provincial government enacted proceeds of crime legislation, titled, *An Act to Provide Civil Remedies for Organized Crime and Other Unlawful Activities*. Legislation to amend the *Building Code Act* to permit municipalities to pass by-laws prescribing standards for the use of fortifications, barricades and surveillance equipment on property is before the provincial legislative assembly. The bill is in response to concerns regarding outlaw motorcycle gang clubhouses. Québec passed similar legislation in 1997.⁵⁸

There are now seven HELLS ANGELS chapters in Québec: NOMADS, South, Sherbrooke, Montréal, Québec City, Trois-Rivières, and a new chapter, Estrie. HELLS ANGELS in the province control the ROCKERS, EVIL ONES, ROWDY CREW, DAMNERS, BLATNOIS, JOKERS and SATAN'S GUARDS puppet clubs and a number of affiliated street gangs. As well as controlling the DAMNERS in Grand Falls, New Brunswick, HELLS ANGELS in Québec also exert considerable influence over criminal activities throughout Atlantic Canada. There are two full BANDIDOS chapters in the province which also control a number of affiliated street gangs.

Sporadic violence between the HELLS ANGELS and BANDIDOS continues in the province. From August 2001 to May 2002, there were seven murders, including one non-gang-affiliated person, seven attempted murders and one disappearance related to the gang violence. A teenager died when he was caught in cross-fire outside a bar. In another incident, an innocent man was killed when his car was confused with that of a BANDIDOS member.⁵⁹

There have been approximately 26 arsons in bars and clubs associated to the HELLS ANGELS in south-central Montréal. One person was killed and a number have been left injured or homeless. Individuals belonging or associated to the BANDIDOS have been arrested on charges relating to the arsons. The BANDIDOS were trying to take control of drug territory controlled by the HELLS ANGELS after Operation SPRINGTIME 2001 which targeted the HELLS ANGELS in Québec and Atlantic Canada.⁶⁰

Initially handed fines, three former members of the EVIL ONES Granby chapter, HELLS ANGELS' puppet club, were sentenced to between one to three months after the Québec Court of Appeal overturned their sentences. In January 2001, the EVIL ONES intimidated and threatened the families of three police officers who had entered a bar after a routine check. Thirty members of the EVIL ONES Granby and Outaouais chapters were present during the incident.⁶¹

⁵⁸ For full text of the legislation on each bill, see:
<www.ontla.on.ca/documents/Bills/37_Parliament/Session2/index-01.htm#P354_24948>;
<www.ontla.on.ca/documents/Bills/37_Parliament/Session2/b104_e.htm>.

⁵⁹ Michelle Lalonde, "Teen Slain Outside Club." *Montréal Gazette*, 12 October 2001; Charlie Fidelman, "Police Link Shooting to Mistaken Identity." *Ottawa Citizen*, 17 March 2002; Brian Myles, "Erreur sur la personne; La SQ mobilise dix enquêteurs pour résoudre le meurtre d'Yves Albert." *Le Devoir* (Montréal), 16 mars 2002.

⁶⁰ "Fires Blamed on Biker War." *Edmonton Journal*. 3 November 2001; Élisabeth Fleury, "Bar L'Extase; Bandidos accusé d'extorsion." *Le Soleil* (Montréal), 12 avril 2002.

⁶¹ Maurice Crossfield, "Appeal Court Sends Three Evil Ones to Jail." *Sherbrooke Record*, 17 April 2002; David Santerre, "Bar de granby: La prison pour trois motards; La Cour d'appel renverse un jugement sur une affaire d'intimidation de policiers." *La Voix de l'Est*, 16 avril 2002.





Forty-eight of 49 members and associates of the HELLS ANGELS and affiliated puppet clubs arrested in Operation SPRINGTIME 2001 are before the courts or have pled guilty to various charges relating to money laundering and drugs. In addition, seventeen individuals are before the court facing charges of gangsterism, drug trafficking and conspiracy to murder rival drug-dealers in the ROCK MACHINE (now BANDIDOS). The trial is taking place in a new courthouse located next to the Bordeaux Jail where the accused are being held. Special security precautions have been taken to protect jurors and the defendants, who will sit behind floor-to-ceiling bulletproof glass.⁶² The second major trial from Operation SPRINGTIME 2001 will begin in September 2002. Fourteen individuals, including 10 NOMADS members, are each facing 13 counts of first-degree murder and three counts of attempted murder.⁶³

An influential member of the NOMADS in Québec was retried on charges of ordering the murders of two prison guards and the attempted murder of another in 1997. The highly-publicized trial revealed numerous details of the HELLS ANGELS' drug trafficking network and other criminal activities in Québec, the gang's extensive use of intimidation and violence and the strict, hierarchal structure of the gang. The member was found guilty of all three counts and will serve 25 years in prison before becoming eligible for parole.⁶⁴ The NOMADS member is appealing his conviction.

HELLS ANGELS in Québec continue to be extensively involved in the cultivation and trafficking of marihuana. In January 2002, police raided a new subdivision on Montréal's North Shore, finding hydroponic marihuana grow operations at 17 of 80 houses. The operation is believed to be linked to the ROCKERS North chapter. Eight thousand plants and a large quantity of hydroponic equipment were seized. The homes, largely unoccupied, were equipped with false basement windows and contained props, such as children's toys and trophies, so the homes would appear to be lived in.⁶⁵

Project AMIGO targeted the BANDIDOS in Ontario and Québec. In June 2002, the 15-month operation resulted in 62 arrest warrants charging members and associates with offences including conspiracy to murder, gangsterism and trafficking in a variety of drugs (cocaine, heroin, ecstasy, marihuana and Viagra). The entire BANDIDOS Montréal chapter, along with half the BANDIDOS Québec City chapter were arrested. The Kingston, Ontario-based national president of the BANDIDOS was also arrested. Twenty-six individuals named in the warrants were already behind

⁶² George Kalogerakis, "Mom's Boy is Next to Face Trial for Murder." *Montréal Gazette*, 8 April 2002; André Cédilot, "Proces des Hells; Une nouvelle jurée bien déçue..." *La Presse* (Montréal), 11 avril 2002.

⁶³ Alison Hanes, "14 Hells to Be Tried for Murder." *Montréal Gazette*, 9 November 2001; Christiane Desjardins, "Procès des Hells Angels; Quatorze accusés de meurtres seront jugés en même temps." *La Presse* (Montréal), 9 novembre 2001.

⁶⁴ Monique Beaudin, "Guilty: Jury Convicts Mom Boucher of Two Murders." *Montreal Gazette*, 6 May 2002; Brian Myles, "Boucher: la prison à vie." *Le Devoir* (Montreal), 6 mai 2002.

⁶⁵ Paul Cherry, "Dream Homes go to Pot." *Montréal Gazette*, 15 January 2002; Jerome Dussault, "Une maison sur deux placardée rue de la Tournee." *Le Journal de Montréal*, 15 janvier 2002.





bars for previous arrests or convictions. Clubhouses and residences were raided in both provinces.⁶⁶

Atlantic Canada

OMG activities in the Atlantic provinces continue to follow the national trend of violence and control of drug production/importation and distribution. Eight men, including three BANDIDOS members, two KILLERBEEZ members and three BANDIDOS associates, were convicted of charges relating to the assault and kidnapping of a man belonging to the DAMNERS, a puppet club to the HELLS ANGELS Québec City chapter.⁶⁷

In Operation 4-H, a culmination of Operations JOHNNY and JACAMAR, police arrested 55 members and associates of the HELLS ANGELS Québec City chapter and New Brunswick DAMNERS. Those arrested are facing charges of conspiracy to traffic in cocaine, ecstasy and marihuana and charges of conspiracy to launder the proceeds of crime. The operation identified a national drug network with drugs imported from B.C. and Québec into Atlantic Canada. Police seized 70 kilograms of high-quality of cocaine, 35.5 kilograms of high-grade B.C. marihuana, 5,300 hits of ecstasy and cash, including over \$1 million in property.⁶⁸

The HELLS ANGELS Halifax chapter, the only chapter in Atlantic Canada, has influence over the HIGHLANDERS in Antigonish, Nova Scotia and the CHARLOTTETOWN HARLEY CLUB in Prince Edward Island. The BACCHUS in New Brunswick is a HELLS ANGELS hangaround chapter.

A successful operation against the HELLS ANGELS Halifax chapter indicates the gang's extensive involvement in drug trafficking. In Operation HAMMER, 20 individuals with ties to the HELLS ANGELS Halifax chapter, including three members, were charged with drug trafficking and weapon and gang-related offences.⁶⁹

Although there is no resident OMG in Newfoundland and Labrador, the HELLS ANGELS Québec chapter continues to exert influence in the province's sex and drug trades.

⁶⁶ Paul Cherry, "Bandidos Nabbed - All of Them: Charged with Trafficking, Gangsterism, Conspiracy." *Montréal Gazette*, 6 June 2002; "Le début de la fin de la guerre des motards?; L'Opération Amigos décime les Bandidos." *L'Acadie Nouvelle*, 6 juin 2002.

⁶⁷ Tracy Carr, "Suspected Members of Biker Gang Plead Guilty." *The New Brunswick Telegraph Journal*, 22 January 2002

⁶⁸ Yvon Gauvin, "N.B. Drug Raid Nets \$1.9m; Nine Moncton Area Residents Arrested as Part of Nation-wide RCMP Operation." *The Moncton Times and Transcript*, 28 February 2002; "Vaste opération policière au Québec et au Nouveau-Brunswick; Une soixantaine de motards reliés aux Hells sont arrêtés." *Le Devoir* (Montréal), 28 février 2002.

⁶⁹ Beth Johnston, "Judge Clips Angels' Wings." *Halifax Daily News*, 6 December 2001; Patricia Brooks and Randy Jones, "RCMP Confirm Arrest Story; Halifax Hells Angels President Arrested After December Raids." *The Chronicle-Herald* (Halifax), 4 April 2002.





Outlook

- ★ OMGs and their affiliates will continue to be involved in incidents of intimidation against victims, witnesses and law enforcement. In response to new anti-gang legislation and increase police presence, the OMGs and affiliates will likely decrease their wearing of gang-affiliated paraphernalia during intimidation.
- ★ OMGs will continue to use the media and the Internet as public relations tools in an attempt to sanitize their outlaw biker image into a corporate, professional organization.
- ★ OMGs, particularly the HELLS ANGELS, will use the Internet extensively to promote the gang's interests, communicate with chapters worldwide and make profits through the online sale of gang-affiliated merchandise.





SEXUAL EXPLOITATION OF CHILDREN (SEOC)

Highlights

- ★ The most prevalent type of complaint and investigation handled by SEOC investigators relates to child pornography on the Internet.
- ★ The much anticipated Bill C-15A, containing new offences and amendments relating to the sexual exploitation of children on the Internet and child sex tourism, receives Royal Assent.

The sexual exploitation of children (SEOC) is an ongoing concern to Canadians. While public education and awareness campaigns have brought attention to this issue, crimes associated with SEOC occur with alarming frequency. Almost daily media reports detail instances of sexual exploitation against one of our society's most vulnerable groups. Unfortunately, many instances of this criminality continue to go unreported until long after the crimes have been committed. Reasons why this occurs are varied. In some instances the adult offender holds a position of trust to the victim, while in other instances the victim is groomed into believing that he or she has participated in normal behaviour. In other instances, the victim may have been contacted through a chat room or an e-mail and did not realize the potential danger in engaging in communications until it was too late. In most instances the victim is told by the offender to keep their activities secret. In recognition of the need to combat and prevent these horrible crimes against children, SEOC has become a national priority within the law enforcement community.

Criminal Intelligence Service Canada (CISC), which has over 380 law enforcement member agencies, initiated a national coordinated law enforcement strategy in 1998. Areas of focus include child pornography, child prostitution and sex tourism (Canadians who exploit children in foreign countries). CISC works in partnership with Interpol, the RCMP, Canada Customs and Revenue Agency (CCRA), other federal departments, provincial and municipal police forces, and U.S. and international agencies on this initiative.

Child Pornography and the Internet

The global information highway, easily accessible through private residences or through public forums such as the work place, schools, libraries and cyber cafes, allows individuals to connect with others from around the world with little effort. While this borderless access has many advantages in our fast-paced world, there are those who will use the Internet for the purpose of sexually exploiting children around the world. Some will use the Internet to communicate with like-minded individuals to share similar interests and views. Some will use chat rooms and e-mail as a means of locating children for sexual encounters. Others use the Internet as a vehicle for personal profit through the creation of websites that distribute child pornography. In other instances, individuals, often in locations around the world, have formed sophisticated and clandestine networks to facilitate their passion for child pornography.





Child pornography is not a victimless crime. A child is not only victimized when the photo is initially captured, but repeatedly as the image is shared with others around the world via the Internet. Photos taken years ago continue to surface in some offender's collections.

Some behavioural scientists in the law enforcement community are of the opinion that people who view child pornography only do so because they wish to have sexual relations with children. It is further felt that child pornography acts as a catalyst towards abusing children. Investigators not only want to prosecute individuals who possess child pornography, but also those who create and distribute child pornography.

Investigators face great challenges in attempting to identify victims. Law enforcement in G8 member countries are in the process of establishing an international child pornography database that would contain general information on both victims and offenders. The goal would be to provide a central search point when attempting to identify victims and track known offenders. A pilot project is being studied by the European Union.⁷⁰

The Internet facilitates the distribution of child pornography at an alarming rate. The high volume of images available through the Internet allows individuals to obtain vast collections quickly and with little effort when compared to past conventional methods of distribution. While instances of traditional distribution, such as the postal system, are reported on occasion, the bulk of pornographic material flows through the Internet. Police report the number of images retrieved from seized computer hard drives during authorized searches has increased dramatically. It is not uncommon to find caches of images well into the thousands. They further note an increase in the level of violence depicted in these pornographic images.

Law enforcement personnel report the number of investigations involving child pornography on the Internet continues to rise. These investigations require specialized knowledge and skills. It is noted that a portion of these investigations have become increasingly complex due to their multi-national and multi-jurisdictional nature.

International investigations relating to child pornography are coordinated through Criminal Intelligence Service Canada's Central Bureau and Interpol Ottawa. The number of requests for assistance has increased dramatically over the past two years. In 2000, a total of 245 international and domestic requests for assistance were received. In 2001, the number rose to 419. In 2002, over 900 are anticipated. These requests originate from various national and international law enforcement agencies and hotlines that have been established for reporting crimes against children. Considering the vast number of Internet users as well as the expansion of web sites and chat rooms devoted to child pornography, it is likely the number of requests for assistance will continue to rise.

Increasingly, concerned stakeholders in Canada, including law enforcement, public interest groups, private industry and representatives from various levels of government, are partnering together and forming committees and working groups to develop new public awareness and educational campaigns. Both children and parents need to be aware of the potential dangers posed by the Internet with regards to the sexual exploitation of children.

⁷⁰ Luiza Chwialkowska, "G8 Databank to Combat Child Porn", National Post (Toronto), 14 May 2002, A12.





As a recent example of law enforcement's approach to tackling child pornography, an integrated unit was formed in Manitoba in 2001. This unit has made several arrests as the result of various investigations. The majority of charges laid have been either possession of child pornography or attempt to possess child pornography. In one instance, a charge of making child pornography was successfully prosecuted. One major investigation involved the arrest of an individual who had in excess of 375,000 electronically stored images of child pornography.

Written Works of Child Pornography

In the highly publicized case of *R. v. Sharpe* in March 2002, a Supreme Court of British Columbia ruling sparked great debate over the use of the artistic merit defence in instances involving written works of child pornography. As the result of the court's decision that the defendant's short stories had artistic merit, the defendant was found not guilty of the related charges of possession of child pornography. In response to this ruling, the federal government announced plans to introduce new legislation this fall that will address some of the identified gaps in existing laws, including the tightening of the definition of the artistic merit defence.⁷¹

Child Sex Tourism

A number of countries around the world are becoming increasingly popular destinations for individuals wishing to have sexual relations with children. In 1997, amendments were made to the *Criminal Code* which extended the jurisdiction of Canadian courts to acts of sexual exploitation of children committed by Canadians against children outside Canada. In reference to the preconditions for prosecution in Canada, the law distinguishes between commercial sexual exploitation (e.g. child prostitution) and noncommercial sexual exploitation. In instances where the allegations do not involve child prostitution, prosecutions in Canada can only be initiated at the request of the country where the crime reportedly happened. Canada is one of 24 countries which have extraterritorial legislation in place to combat sex tourism and other forms of sexual exploitation of children. To date, no charges have been pursued under this section of the *Criminal Code*.

Bill C-15A contains an amendment which will remove this current procedural requirement in noncommercial sexual exploitation cases. This will enable prosecution to proceed, in Canada, against Canadian citizens and permanent residents, who commit sexual offences against children in foreign countries without first obtaining a formal request from that country.⁷²

Child Prostitution

Child prostitution is an issue of concern to law enforcement across Canada. The average age of children involved in this activity is fourteen, which also happens to be Canada's age of consent. Debates are ongoing as to whether or not children of this age possess the requisite maturity to make appropriate decisions in relation to engaging in sexual activity. Many involved in child prostitution have serious drug or alcohol addictions. Organized crime is believed to be involved in

⁷¹ Janice Tibbetts, "Child porn laws to be overhauled", *The Ottawa Citizen*, 11 May 2002, A3.

⁷² <www.canada.justice.gc.ca/en/news/nr/2002.doc_30531.html>.





this aspect of child sexual exploitation. Several provinces have either enacted or initiated legislation or commenced new programs designed to tackle the issues involved in child prostitution.

A recent Ontario investigation into child prostitution led to the arrests of twelve individuals as well as a significant seizure of cash and property.⁷³ A separate investigation in Atlantic Canada led to charges of various criminal offences against several individuals and resulted in the closure of a bawdy house.

Legislative Responses

Bill C-15, referred to as the Omnibus Crime Bill, was tabled in the House of Commons in March 2001. A portion of this proposed broad-spectrum legislative package related to the sexual exploitation of children through the Internet and child sex tourism. In an effort to expedite the passage of this proposed legislation, Bill C-15 was divided into two bills in September 2001. Bill C-15A contained the proposed new offences and amendments to existing legislation relating to the sexual exploitation of children.

After going through the legislative process, Bill C-15A received Royal Assent on June 4, 2002 and will come into force on July 23, 2002. Examples of the new offences include: making child pornography available on the Internet (including web sites that have links to child pornography sites), transmitting child pornography, exporting child pornography and possession for the purposes of transmitting or exporting child pornography over the Internet. These offences each have a maximum penalty of ten years imprisonment. Another new offence, with a maximum penalty of five years imprisonment, is knowingly accessing child pornography sites.

One of the most significant elements of Bill C-15A is the much anticipated luring offence,⁷⁴ which will carry a maximum penalty of five years imprisonment. Complaints involving this crime type have been more frequently reported over the past few years. Previous legislation did not encompass instances of Internet luring.

In April 2001, Ontario became the first provincial government to enact a sex offender registry. This registry will house information relating to convicted sex offenders residing in Ontario. Information contained in this registry is only available to law enforcement. Other provincial governments have tabled, but not yet enacted, similar legislation.

The federal government has provided funding to finance significant upgrades to the Canadian Police Information Centre database which will assist law enforcement in capturing data on convicted sex offenders. It is anticipated that these upgrades will become operational in late 2002.

Some may not initially associate the sexual exploitation of children with organized crime, however, several past investigations have demonstrated links to organized crime groups. Examples of how organized crime could be involved in SEOC include: the organization that coordinates a child

⁷³ "Guilty 'john' alerts police to teen sex ring", *The Ottawa Citizen*, 6 April 2002, A9.

⁷⁴ The luring offence relates to instances where individuals, often posing as children themselves, make contact with children in chat rooms, instant messengers or through e-mail with the hopes of arranging a meeting in person. The goal is to lure them away from their homes for the purposes of sexually exploiting them.





prostitution ring, the group that is involved in arranging child sex tours in foreign countries or the sophisticated network that uses the Internet as a medium for the covert collection and distribution of child pornography.

Recent revisions and amendments to s. 467 (1) of the *Criminal Code* (participation in a criminal organization), as the result of Bill C-24,⁷⁵ received Royal Assent on December 18, 2001. These changes, which came into effect in early 2002, include new offences and tougher sentences for those found to be involved in organized crime activity. Bill C-24 also expanded the range of criminal offences associated to criminal organizations under s. 467 (which previously included indictable offences punishable by five years or more) to now include all serious crimes. These new provisions could now be applied to future SEOC investigations, should it be determined that there is an organized crime connection.

Outlook

- ★ SEOC investigators will continue to be challenged by the exponential increase in requests to investigate complaints relating to child pornography on the Internet.
- ★ SEOC investigators will test the new tools afforded to them by Bill C15A, in particular the Internet luring provision.
- ★ Law enforcement agencies will explore the possibility of creating integrated teams, in order to take advantage of investigative expertise and limited resources, as a strategy to combat the sexual exploitation of children.

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<www.canada.justice.gc.ca/en/news/nr/2001/doc_28211.html>.





OTHER MONITORED AND EMERGING ISSUES

CONTRABAND ACTIVITY

Highlights

- ★ Joint Canada/U.S. multi-agency border enforcement teams are being established at various locations along the border to combat all forms of illegal cross border movement
- ★ Organized crime has infiltrated Canada's marine ports to facilitate the movement of all types of contraband particularly illicit drugs.
- ★ Illegal tobacco and alcohol from a variety of domestic and foreign sources continue to supply a Canadian illicit market.
- ★ Illegal firearms acquired in the United States continue to be a major source of weapons for criminal organizations in Canada. There is an increased firearm capability observed within urban street gangs

Organized crime groups are involved in the illegal movement and distribution of contraband throughout Canada. This contraband is acquired domestically through illegal diversion and illicit production or smuggled into the country. Illicit drugs continue to be the major source of criminal profit for organized crime groups. It is drug trafficking that significantly fuels and finances other criminal acts, creates situations prone to violence, and encourages societal corruption and disruption. However, crime groups are also involved in various other types of contraband activity including: firearms, tobacco, alcohol, precious stones, and luxury vehicles. As well, illegal migrants enter Canada through a variety of methods either destined for this country or in-transit to the United States.

A significant portion of the contraband that supplies the Canadian illegal markets, particularly illicit drugs, is supplied from foreign sources and therefore must enter Canada through air, land or marine movement. Organized crime has become knowledgeable of and utilizes all facets of the legitimate business and transportation community involved in the international movement of goods and services to move their contraband into Canada. Organized crime has also attempted to infiltrate and/or corrupt border entry points, with our marine ports particularly targeted. Law enforcement in Canada is cognizant of these entry points for contraband and continues to work cooperatively to combat this illegal movement.

Canada and the United States participate in joint cross border initiatives to improve cooperation and coordination between law enforcement agencies in both countries. In 1997, the Cross Border Crime Forum was established as a bilateral consultative mechanism to address cross border issues. Senior law enforcement and justice officials meet each year and the result has been increased cooperation and sharing of information between Canada and the United States.





The Integrated Border Enforcement Team (IBET) concept, initially established in 1996 along the international land and marine borders between British Columbia and Washington State, is being gradually extended across the Canada/United States border at designated areas. IBETs are multi-agency and are designed to complement existing border enforcement efforts and target cross border illegal activity regardless of the direction or the commodity involved.

This section will only discuss selected contraband issues though it is recognized that the illicit drug trade continues to be a major activity of organized crime.

Firearms

The illicit firearm market supplies organized crime groups in Canada with the capability to commit crimes, provide protection, demonstrate status, and intimidate or inflict violence on their criminal peers, the law enforcement community and innocent citizens. The weapon capability of even local urban street gangs is continually being upgraded from weapons previously encountered, such as knives, to now include various illegal automatic firearms. While there is a profit incentive in the sale of illegal firearms, it is criminal activity, particularly the illegal drug trade, that fuels the illegal firearms market. In addition, this illicit market supplies firearms to normally law abiding individuals who wish to avoid government control regulations.

Illicit firearms are derived from a number of domestic and foreign sources. Domestically, illicit firearms are either stolen from private residences and commercial retail outlets or diverted during a legitimate commercial movement. The major foreign source of illicit firearms, particularly handguns, is the United States. These firearms are usually acquired either from a legitimate U.S. federal firearms license retailer or from secondary markets such as gun shows, flea markets, and the Internet. It is difficult to quantify the number of firearms illegally entering Canada each year and the overall total number of illicit firearms in Canada is unknown.

In some cases, a U.S. resident with legitimate identification is utilized by Canadian smugglers to act as a front person to legally purchase the firearm. The firearms are then illegally moved across the border to the Canadian illicit firearm market usually in small quantities between three to five. It is impossible to totally prevent illegal firearms from being smuggled across the border considering the large volume of commercial and personal movement that legally crosses the border each day from the United States and the multitude of concealment locations within that movement. As well, there is the continual threat of illegal cross border firearm movement through the long stretches of unmanned land or water border areas. This smuggling activity is confirmed each year by the numerous crime handguns seized by law enforcement that are unregistered in Canada and when subsequently traced back to their origins are found to have been initially sold to a U.S. purchaser, often within a few months of their recovery in Canada.

Unlike other types of contraband, such as illicit drugs, a firearm is not a consumable commodity that requires constant replenishment. Firearms seized through criminal investigations are sometimes found to be manufactured as many as twenty years prior to their confiscation. Until a firearm is seized by law enforcement or discarded by the criminal, a single illicit firearm could be involved in numerous criminal actions including murder. The threat to society of a single illicit firearm, whether stolen or smuggled, can be continuous and violent.





Another source of concern to Canadian law enforcement is firearms that have been allegedly deactivated, particularly military rifles and machine guns, and sold as war trophies. In some cases these trophies, known as DWATS (Deactivated War Trophies), were poorly deactivated and could be easily reactivated to a functional status. A recently concluded law enforcement project in western Canada disrupted an operation involving DWATS that were imported into Canada, reactivated, and subsequently sold to members of organized crime groups.

While Canada is not a significant source of illegal firearms to any other country, there have been random incidents in which Canada has been used as a transit point in their movement. One such incident involved legal importations into Canada of M1 Garand rifles used by the U.S. military in World War II and the Korean War. However, the eventual intent was to illegally enter them into the United States without the proper Bureau of Alcohol, Tobacco and Firearms (ATF) permits. Information provided by the Canadian Firearms Registry was instrumental in the eventual discovery of this illegal diversion to the United States and a total of 23,850 rifles or receivers were recovered by U.S. and Canadian law enforcement agencies.⁷⁶

The law enforcement community across Canada is currently actively engaged in the interdiction of illicit firearms in Canada. The Provincial Weapons Enforcement Unit (PWEU), an Ontario joint forces initiative, continues to spearhead and actively pursue illicit firearms-based investigations in that province. Increasingly, other law enforcement agencies across Canada are also engaging in firearms' related investigations.

To support and encourage this development, the Department of Justice (DOJ) created and provides funding for the National Weapons Enforcement Support Team (NWEST). NWEST is co-managed by DOJ and the RCMP's National Police Services. NWEST is designed as a support unit to assist in anti-trafficking and anti-smuggling firearms efforts. It is staffed by qualified law enforcement representatives from federal, provincial and municipal agencies located in each province. Overall, the law enforcement community in Canada works closely with its counterparts in the United States on illicit firearms issues, particularly U.S. Customs and the ATF.

The illicit firearms market in Canada will not disappear as long as organized crime exists or individuals are determined to circumvent firearm control measures. However, law enforcement will continue in its efforts to prevent the entry of illicit firearms onto Canadian streets and remove those already there in a continual effort to decrease the threat they pose to society.

Diamonds

In a relatively short period of time, beginning with the discovery of diamonds at Point Lake in the Northwest Territories in 1991, the diamond industry in Canada has developed to the point where this country is currently one of the five largest producers of rough diamonds in the world. Law enforcement in Canada is aware of the potential criminal exploitation of diamonds and is monitoring the developing diamond industry. To assist in this effort, the RCMP established a Diamond Protection Service, in the Northwest Territories, that works in cooperation with other law

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"Firearm Control Program Busts Large Cross-Border Smuggling Ring", Canadian Firearms Centre/Department of Justice, May 2, 2000. <www.cfc-ccaf.gc.ca/en/general-public/news_releases/smug_ring.asp>.





enforcement agencies and the diamond industry. Illegal diamond activity is an issue monitored by Criminal Intelligence Service Canada.

Precious stones such as diamonds have always been an attractive commodity to the criminal world due to their high value per mass weight. They have been utilized by organized crime as currency to acquire contraband such as illegal drugs and weapons, to pay for services rendered, and as a means to move and launder criminal profits. There is also concern that terrorist organizations, such as the Al Qaeda network, may also be using diamonds as a form of currency to avoid the international banking system and controls by governmental authorities in order to continue to finance their operations.⁷⁷

In Canada, there is a potential, as observed in other countries, for organized crime to attempt the infiltration of the industry to arrange for diamonds to be illegally diverted from the legitimate commercial pipeline for their criminal exploitation and profit. As well, given Canada's reputation within the diamond industry as producers of clean diamonds, this country could attract smuggled illicit diamonds to be merged within our regular rough diamond production supply and effectively become sanitized as a bona fide Canadian product for legal sale. Similarly, this reputation could attract foreign origin cut and finished diamonds to be misrepresented as a Canadian product.

One source of illicit rough diamonds could be from regions, such as Western Africa, where some countries involved in violent civil strife, have been known to use profits from diamond sales to further the conflicts. Consequently, these diamonds have been labeled "conflict" or "blood" diamonds and have become part of common international diamond lexicon. Our geographical proximity to the United States also increases the potential of Canada as a transit point in the movement and/or sanitization of illegal diamonds, as the United States is the largest world-wide consumer of diamonds.

The international movement of illicit diamonds is assisted by a lack of effective rough diamond certification measures to easily ascertain the true origin of a rough diamond. The "conflict" diamond situation raised international interest in addressing this problem. As a result, an international effort, called the Kimberly Process, was initiated involving national governments, non-government organizations and the diamond industry to establish minimum acceptable standards for national certification schemes for the international movement of rough diamonds. In March 2002, Canada hosted a Kimberly Process meeting. It is hoped that the next plenary meeting in Switzerland (November 2002) will prepare all participants for the simultaneous launch of an accepted certification scheme by the end of the year.⁷⁸

There is also a danger that organized crime groups may target the Canadian diamond market and introduce synthetic diamonds, known as moissanite, that are acquired cheaply in foreign markets

⁷⁷ "Al-Qaida Terrorist Operatives Diversifying Finances, UN Expert Panel Warns", United Nations News Centre, 22 May 2002. <www.un.org/apps/news/storyAr.asp?NewsID=3746&Cr=taliban&Cr/=>.

⁷⁸ "Kimberley Process - Final Communique", Department of Foreign Affairs and International Trade, 21 March 2002. <www.dfait-maeci.gc.ca/menu-en.asp>





and illegally passed off as the legitimate product for substantial profit in Canada.⁷⁹ The moissanite diamond on the legal market is retailed at a substantially lower price than a real diamond. However, it is difficult to differentiate these synthetic diamonds from a legitimate diamond which leaves ample opportunity for criminal misrepresentation and exploitation.

Canada's diamond mining industry continues to expand and explorations by various companies are either on-going or planned for locations in Alberta, Saskatchewan, Manitoba, Ontario and Québec. As well, Canada could develop subsidiary operations in the future, such as diamond sorting, cutting and polishing, so that rough diamonds do not have to leave Canada for conversion to a finished product. While these developments would have positive economic benefits and certainly solidify Canada's position within the international diamond community it could also create further potential opportunities for organized crime to exploit and increase the challenges to the law enforcement community.

Tobacco

The criminal patterns of the Canadian illicit tobacco market have been fairly consistent, with minor variations, over the last few years. As tobacco is a legal commodity, the continued impetus behind the illicit market is predominantly price driven involving schemes to avoid the various federal and/or provincial taxes. The participants in the illegal tobacco activities range from organized crime groups, such as Asian-based gangs, to smaller family-based entrepreneurial operations.

For the most part, the illicit market involves tobacco that is legitimately manufactured but illegally diverted through movement between provinces due to tax differentials and illegal diversions within a province's internal distribution. There are also small quantities of Canadian products that are legally exported and then smuggled back into Canada, foreign smuggled brands, and some illegal domestic manufactured tobacco. Smuggled foreign brands are either legitimately manufactured and illegally diverted or counterfeit products. They include the Phillip Morris "Marlboro" cigarette brand that is not legally or readily available in this country, as well as Middle Eastern water pipe tobacco.

Inter-provincial tobacco movement mainly involves cigarettes from lower tax provinces such as Ontario and Québec, where a carton of cigarettes continues to be between \$14-20 dollars below most other provinces, to the higher tax regions such as western Canada. These cigarettes are moved by a variety of means including rental vehicles, motor-homes, postal and normal air traffic. In October 2001, the RCMP seized 2,897 cartons of Ontario marked cigarettes from a motor-home en-route to Calgary.

In April 2001, new tax changes were introduced that involved increases in federal and some provincial taxes along with a revised export tax. It appears that these changes have not resulted in any significant increase in the illegal cross border movement of tobacco. However, over the last year there has been a gradual increase in tobacco tax levels in most provinces including Ontario and Québec, previously the major sources of the illegal interprovincial movement. The effect of

⁷⁹

"Criminal Intelligence Service Alberta - Annual Report" Criminal Intelligence Service Alberta, April 2000-March 2001, 5 <www4.gov.ab.ca/just/upload/cisa/2001/cisa2001>.





these increases if they return to 1993 levels, the historical smuggling high point, is currently unknown but could affect the current dynamics of illicit tobacco activities in Canada.

It is reported that world legal cigarette exports by the international tobacco industry currently exceed reported legal imports and that possibly as much as one quarter of the world's cigarettes are diverted to the contraband market. This total does not include counterfeit tobacco products or movement between high tax to low tax national jurisdictions. The World Health Organization (WHO) hopes to finalize by 2003 a comprehensive global treaty, the Framework Convention on Tobacco Control (FCTC), dealing with tobacco issues including anti-smuggling measures to monitor and regulate the international movement of tobacco.⁸⁰

The magnitude of this illegal diversion has been demonstrated by numerous international enforcement actions including a recent seizure in May 2002 by Irish authorities of 30 million cigarettes that were concealed in containers from Miami via the Netherlands that had been declared as furniture.⁸¹ In January 2002, customs officials in the United Kingdom seized 68,000 cigarettes off an Estonian vessel.⁸²

The international tobacco industry has been on the legal defensive over the last few years due to a number of court challenges by various national governments in regards to their alleged connection to the illegal movement of tobacco products.⁸³ In March 2002, the Government of Canada appealed to the U.S. Supreme Court an October 2001 decision by the United States Court of Appeals for the Second Circuit that upheld a U.S. District Court ruling which dismissed the Canadian government's one billion dollar lawsuit against RJR -MacDonald Inc., several related companies and the Canadian Tobacco Manufacturers Council. The lawsuit alleged that the defendants had conspired with well-known distributors and smugglers to ship tobacco products to the United States and then smuggle them back into Canada for sale on the illicit market. In May 2002, the U.S. Supreme Court invited the U.S. Solicitor General to file a brief in this case to express the views of the United States.⁸⁴

In 1998, Northern Brands International Inc., an affiliate of the R.J. Reynolds Inc., a major U.S. tobacco manufacturer, was convicted of involvement in a tobacco smuggling scheme directed at Canada.⁸⁵ This case illustrates a potential corruption problem facing legitimate business enterprises dealing in a legitimate product that may be heavily taxed by governments. Invariably,

⁸⁰ "Government of Canada Demonstrates Commitment To International Action To Reduce Global Tobacco Consumption", Health Canada, 18 March 2002. <www.hc-sc.gc.ca/english/media/releases/2002/2002_16.htm>.

⁸¹ "Seizure of 30 Million Cigarettes in Dublin Port", Irish Revenue News-site, 13 May 2002. <www.revenue.ie/>.

⁸² "Major Customs Seizures in Dundee and Peterhead", HM Customs and Excise News Release, 17 January 2002. <www.hmce.gov.uk/news/reg-sco-003.htm>.

⁸³ "EU Commission to Appeal Against New York Court Ruling", European Commission, 20 March 2002. <www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=1P/02/444I0IAGED&1g=EN&display=>>.

⁸⁴ Supreme Court of the United States, "Attorney General of Canada, Petitioner v. R.J. Reynolds Tobacco Holding, et al", Docket File, 13 May 2002. <www.Supremecourtus.gov/>.

⁸⁵ "1999 Annual Report on Organized Crime in Canada", Criminal Intelligence Service Canada, June 1999, 25.





an illicit market will develop to supply a cheaper product. The business pressures to maintain or increase corporate profits and market share may influence actions which could contribute, even indirectly, to the illegal diversion of a legitimate product to the illegal marketplace.

As evident by the Canadian experience during the early 1990s, illicit tobacco activities if unchecked, deprive governments of tax revenue that could be used in much needed service programs. It also provides organized crime groups with enormous illicit profits and assists in the furtherance of other criminal activities such as drug trafficking.

Alcohol

The illicit alcohol market in Canada continues to be supplied by a variety of means including cross border smuggling, retail/wholesale thefts, illicit manufacture, and to a lesser degree interprovincial movement. Currently, the two major concerns are smuggled alcohol and illicitly manufactured alcohol. The motive for this illegal activity, as in the case of tobacco, is often price driven and the avoidance of government taxes. Almost all organized crime groups participate, to varying degrees across Canada, in supplying the illicit alcohol market. The problem appears greatest in Ontario, Québec and parts of western Canada.

The United States is the primary source of illicit alcohol largely due to a significant price differential and the numerous opportunities to move contraband either mingled within the vast volume of daily commercial and personal legitimate traffic or surreptitiously moved over unmanned land and water border areas. In some cases smugglers change license plates in attempts to mislead law enforcement border scrutiny. As well, illegal alcohol also enters through Canada's marine ports in container shipments usually misdescribed as another commodity. Participants in the movement of illegal alcohol are often knowledgeable of and utilize legal import/export procedures to facilitate the international movement of their product prior to its diversion to an illicit market.

Domestic thefts of alcohol continue to occur across Canada. In late March 2002, thieves hijacked two tractor trailers parked in a warehouse in Longueuil and stole an estimated 30,000 bottles of wine and sangria worth approximately \$300,000.⁸⁶ In another incident approximately 3,300 cases of beer were stolen from a hijacked tractor trailer in Alberta.⁸⁷

Illicit stills continue to be encountered by law enforcement agencies across Canada. In some cases, these stills are small operations with the production for personal or limited distribution. However, commercial size stills continue to be encountered in Canada with a much larger production capability for widespread distribution.

An illegal manufacturing operation south of Montréal was disrupted in February 2002. It is estimated that this operation, during a one year period, had distributed 3,000 cases (6 x 1.75 litres) of pure alcohol, diluted with other products and with counterfeit labels attached. In all these cases,

⁸⁶ "Thieves in Québec Steal \$300,000 in Wine, Sangria", *The Chronicle Herald*, 01 April 2001, C16

⁸⁷ "\$51K of Beer Stolen", *The Calgary Sun*, 29 March 2001.





the illicit alcohol is portrayed as the legitimate product and subsequently distributed to business establishments such as bars and restaurants.

Aside from the illegality, alcohol from illicit stills can pose a serious health problem due to bacterial contamination and/or through methanol poisoning. This situation could result in a variety of medical conditions, including blindness, and ultimately lead to death.

In addition to this potential direct medical threat to Canadians, the illicit alcohol market deprives governments in Canada of tax revenue that would assist in the funding of our health care system as well as the provision of other social services. It also could affect the economic viability of businesses, and their employees, that are involved in the legitimate manufacturing and distribution of alcohol.

As with any other criminal activity, illegal alcohol activities generate large profits that can finance and contribute to other criminal activity and create situations in society which are prone to violence and corruption.

Marine Ports

Criminal Intelligence Service Canada has been monitoring and evaluating organized crime activities at Canada's marine ports since 1998. As part of this process a national ports strategy was developed and implemented to enhance inter-agency cooperation and coordination under the umbrella of a "National Ports Working Group". This group consists of representatives from federal, provincial and municipal law enforcement agencies. Integrated multi-agency enforcement units are currently located at the ports of Vancouver, Montréal, Halifax, Saint John, and St. John's.

In 1998, CISC clearly stated that organized crime has established a presence at many of Canada's marine ports, particularly the three major marine container ports of Vancouver, Montréal and Halifax.⁸⁸ CISC has repeated this message in each succeeding annual report and this situation was further substantiated in various law enforcement submissions to The Standing Senate Committee on National Security and Defence and included in a February 2002 report.⁸⁹ Organized crime groups that have an influence within Canada's marine ports include outlaw motorcycle gangs, Traditional (Italian-based), Asian- and East European-based groups, and local domestic crime groups.

There are numerous other marine ports in Canada with various levels of port facilities and cargo volume capability and each are potential targets for organized crime penetration, vulnerable to either infiltration by crime groups and/or corruption of current port employees. These vulnerable ports not only include those along the Pacific or Atlantic coast lines but also ports along inland water ways such as the St. Lawrence River and the Great Lakes waterways which are also accessible to ocean going vessels. As well, organized crime uses smaller commercial ships, private

⁸⁸ "1998 Annual Report on Organized Crime in Canada", Criminal Intelligence Service Canada, June 1998, p.19.

⁸⁹ "Canadian Security and Military Preparedness", The Standing Committee on National Security and Defence, February 2002. <www.parl.gc.ca/37/1/parlbus/commbus/senate/com-e/defe-e/rep-e/rep05feb02-e.htm>.





vessels and fishing boats to move contraband along the coastline and within the waterways of North America.

The means by which organized crime can infiltrate and influence operations at a marine port is well established. It is not necessary for their presence at the port to be all pervasive. However, it does involve their penetration at positions that influence the movement of commercial cargo off the vessels and within the port environment. The majority of port employees may be unaware of any criminal presence and are certainly not involved or implicated in any of the illegal activities occurring around them. In some cases port employees have been subject to intimidation to ensure either cooperation or silence.

This organized crime presence at the ports facilitates the movement of all types of contraband into and out of the country. In particular, marine ports have been a major entry point of all illicit drug types to supply domestic markets in Canada and in some cases the United States. The illicit drug trade is the major activity which fuels violent incidents between rival crime gangs that can invariably affect the lives of innocent citizens. The ports also serve as a conduit for illicit tobacco, alcohol and firearms as well as illegal migrants into Canada. Crime groups are also involved in the theft and diversion of legitimate imported goods entering Canada and facilitate the export movement of stolen high value vehicles concealed in containers that are destined for illegal foreign markets in Asia, South America and Eastern Europe.

Organized crime and questions of port security are an international problem and not limited to Canadian marine ports. The United States has also identified that internal conspiracies are operating out of the major U.S. seaports involving port or transportation industry employees that are linked to regional, national or international organized crime groups. Often these criminals are as knowledgeable as legitimate participants in international trade concerning inter-modal transportation systems, commercial shipping and documentation and computer technology.⁹⁰ An organized crime group with influence at any Canada/U.S. marine port could facilitate a contraband movement for other crime groups located in any area of the continent.

A significant quantity of commercial shipping destined for Canada initially enters a United States marine port and vice versa. Thus entrenched criminality at any of North America's marine ports is a threat to both countries in the movement of contraband or any other illegal activity. Canada and the United States recognize this as a North American problem which must be addressed through mutual cooperation and coordination. In March 2002, it was announced that the two countries would be exchanging custom officers, to be housed in the targeting offices at the ports of Vancouver, Montréal, Halifax, Seattle-Tacoma and Newark, to target marine containers destined for either country at their first port of arrival into North America.⁹¹

Since September 11th, 2001 there has been a heightened concern over security at the marine ports. Prior to 1997, this security was provided by the Ports Canada Police. Since their disbandment, port

⁹⁰ "Report of the Interagency Commission on Crime and Security in U.S. Seaports", Interagency Commission on Crime and Security in U.S. Seaports - U.S. Government, Fall 2000, p.29. <www.uscg.mil/overview/icssrpt.pdf>.

⁹¹ "Enhanced Customs Clearance of In-Transit Containers at Canadian Marine Ports", Canada Customs and Revenue Agency - Media Release, 08 March 2002. <www.ccr-a-adrc.gc.ca/newsroom/releases/2002/mar/clearance-ehm1>.





security has been provided by private security companies with general law enforcement provided by the police agency with the appropriate jurisdiction. The Canadian law enforcement community is cognizant of the potential threat to marine ports as an entry point for terrorists and/or their destructive weapons or materials. It is recognized that organized crime elements entrenched within the port environment could potentially facilitate a terrorist infiltration through a mutual arrangement, being either unaware and/or uncaring of the ultimate consequences of their cooperation. This adds a new dimension to the threat of organized crime at Canada's marine ports and the potential damage that this situation could cause to Canadian society or to our neighbours in the United States.

Outlook

- ★ Organized crime will continue to have a presence at major marine ports to facilitate the movement of contraband in and out of Canada. These groups could shift their focus to other marine ports in response to law enforcement successes.
- ★ Organized crime will attempt to infiltrate the rapidly developing diamond industry in Canada and exploit any potential profit opportunity.
- ★ The illegal firearms, tobacco and alcohol market will continue to be supplied by a variety of domestic and foreign sources. As the level of federal and provincial tobacco taxes across Canada approaches that of the early 1990s, the dynamics of the illicit market will change.
- ★ The cross border movement of contraband and illegal migrants between Canada and the United States will not cease but should be reduced by enhanced levels of cross border enforcement cooperation and coordination.





TECHNOLOGY AND CRIME

Highlights

- ★ Criminal organizations are readily adopting new or existing technology as a means of enhancing their illicit activities.
- ★ As cyberspace continues to evolve and be explored, new crime types will emerge and therefore present new challenges to law enforcement.
- ★ E-commerce sites will continue to be targeted by individuals attempting to exploit stored information as well as individuals attempting to purchase goods or services with forged credit cards.

Technology plays a very significant role in our wired world. Whether or not we have chosen to embrace the conveniences afforded by technology, especially advances in information technology, there are very few aspects of our lives that are not guided by its influence. Organized crime groups not only recognize the significance of this influence but also the vast economic potential that can be achieved through its exploitation.

Organized crime groups are well known for their use of sophisticated technology to commit crimes such as currency and credit card counterfeiting and fraud as well as various fraudulent investment and telemarketing schemes. In addition to the use of conventional technology, such as laser jet printers, colour copiers, credit card skimmers, and telecommunications equipment, organized crime has increasingly adapted to include the power of cyberspace, with its added benefits of global reach and anonymity, to their arsenal.

The dark side of information technology's evolution continues to open uncharted territory for criminal exploitation. Crimes including system intrusions, data and identity theft, intellectual property theft or occurrences of the distribution of viruses, hoaxes and worms are occurring with greater frequency. While in several instances these offences are new crime types, in other instances, they are not. In many regards, information technology has facilitated the commission of old crime types, such as theft, fraud or extortion, in new ways.

Over a relatively short time frame, the law enforcement community has witnessed an exponential expansion in both the scope and depth of organized crime's ability to use technology in furthering their criminal activities. These groups employ individuals with computer expertise to further their criminal enterprises. In addition to using technology to commit crimes, organized crime groups will use the Internet and encryption software to facilitate communications. Due to the seemingly limitless resources available to some of the more sophisticated groups, it would appear that cost is no object when it comes to attaining or developing leading-edge technology to facilitate crimes or engage in counter-surveillance against rivals or law enforcement.





Payment Card Fraud

The Payment Card Partners (PCP) represent the collective interests of Visa International, MasterCard and American Express in Canada. In 2001, the PCP reported a dollar loss figure of \$182.7 million compared with \$172.5 for 2000.⁹² This increase is attributed to a rise in the fraudulent use of credit cards⁹³ and an increase in the number of fraudulent credit card applications. Forged credit card activity accounted for \$66.3 million of all credit card losses in 2001 compared with \$81.1 million in 2000. This decrease, for the second year in a row, illustrates that efforts to deter and investigate credit card fraud continues to have a notable impact. Debit card fraud losses are not reported by the debit card industry.

Credit card fraud is international in scope and ongoing investigations show that sophisticated organized criminals in Canada continue to operate and profit at both the national and international levels. In 2001, 36 per cent of Canadian Visa and MasterCard credit card fraud occurred outside of the country. Forged Canadian credit card numbers have been used throughout North and South America, Europe and the Asia Pacific region. Foreign authorities have seized credit card manufacturing factories in China, Japan and the United States which were directly related to investigations in Canada.

Many criminal groups in Canada are involved in forged credit card activity. These groups compromise payment card data, manufacture, distribute and use forged credit cards. Proceeds from credit card fraud continue to support other criminal activities such as drug trafficking.

In January 2001, a joint forces operation in British Columbia was successful in closing sophisticated counterfeit credit card factories. In one particular location, investigators estimated the factory contained enough material to produce over \$200 million dollars worth of fraudulent credit cards.⁹⁴ This long term investigation revealed several international links. These groups shared counterfeit materials and data from collusive merchants and diverted their proceeds into drug trafficking. This investigation also revealed extensive networking and mobility among those involved.

In May 2002, police closed a significant counterfeit credit card operation based in Québec. At the time of the arrest of two of the alleged key figures, over 30,000 phony cards, attributed to over 70 financial institutions around the world and with spending limits of up to \$150,000, were seized by police. In addition to counterfeit credit cards, this organization was involved in the production of fraudulent identification papers.⁹⁵

⁹² <www.rcmp-grc.gc.ca/scams/ccandpc.htm>.

⁹³ The fraudulent use of credit cards can be achieved in various ways. An increasingly favoured method is referred to as no-card fraud. In this type of fraud, deceptive telemarketers or fraudulent websites obtain specific card details from their victims, while promoting the sale of exaggerated or non-existent goods and services. This leads to fraudulent charges against the victims' accounts. (Source: Payment Card Partners working group)

⁹⁴ <www.ocabc.org>.

⁹⁵ Tu Thanh Ha, "Police seize 30,000 phony premium credit cards", *The Globe and Mail (Toronto)*, 29 May 2002, A8.



Organized Crime and Hackers

Historically, hackers evolved from an elite group of programmers who legitimately tested systems in search of program flaws or network vulnerabilities. During this time period, computer systems were quite large and cumbersome and housed in large storage areas - desk top and lap top computers were non-existent - and the Internet was still in its infancy. Those who worked in this field shared a common bond of wanting to build a better system and as a result, would frequently share their findings and source code with like-minded individuals. Members of this community prided themselves in their ability to discover programming deficiencies and create improvements.

As information technology systems evolved and developers became increasingly sophisticated and competitive for market share, new types of hackers emerged and proliferated. Within this arena there are white hats (those who specialize in systems security), black hats (those who specialized in destructive attacks) and somewhere in between, grey hats. In addition, there are those, often referred to as script kiddies, who make use of readily available malicious software on the Internet to launch cyber attacks.

Reasons for modern hacking are numerous. Some hackers are driven by curiosity and others by peer recognition. Some claim that they are in pursuit of enhancing computer security. Others have political motivations and use their skills for activism. Other still are motivated by power, profit, revenge and other acts of malicious intent. Hackers engage in activities such as system intrusions, security breaches, the distribution of viruses, website defacing and denial of service attacks.⁹⁶ Instances of illegal hacking activity in Canada are widely reported by law enforcement and continue to increase annually. Some hacker groups around the world have become increasingly organized and sophisticated in their attacks. It is possible that organized crime groups will attempt to recruit hackers to assist them in furthering their criminal activities.

Identity theft

Reported instances of identity theft, which is the unauthorized collection and use of personal information, is on the rise in Canada. Past methods of collecting information on individuals, such as pilfering through garbage, theft of mail or impersonation over the phone, has been joined by technological techniques, such as credit card skimming or computer hacking, to gain illegal access to sufficient information to assume another's identity. So far, there have been no reported instances of organized crime involvement in this criminal activity in Canada.

Theft of personal information can be used to obtain new credit or services and new identification. In many cases, the criminal assumes the victim's identity to take advantage of his or her established credit rating. Often the victim is unaware that the theft has occurred until they try to obtain new credit or they receive notification from collection agencies of unauthorized, yet outstanding, debt. This type of crime is devastating to the victim who is faced with trying to re-establish their rightful identity and credit rating.

⁹⁶ Denial of Service (DoS) attacks are accomplished through the use of software designed to send numerous messages simultaneously. These messages ensure that there will be constant dial up, therefore the communication link to the server remains busy. These actions either cause the server to crash or denies others legitimate access to the server. Variations of the software, available on the Internet, are often exchanged amongst hackers.



As society becomes increasingly dependent on the Internet and uses it for day to day routine activities, more information is made available for exploitation. Computer users should be aware of the potential for identity theft and should be careful of the what personal information they disclose while on-line.

Jurisdictional issues

A major challenge facing technology crime investigators is the issue of jurisdiction. Investigators of technology-based crimes have a number of fundamental requirements in order to maintain an evidentiary trail that often crosses international boundaries. Internationally, the Council of Europe took a lead role in addressing this issue. Canada, along with the United States, Japan, South Africa and member countries of the Council of Europe participated in the drafting process of the *Convention on Cyber-Crime*. The purpose of this treaty is to establish a common international criminal policy against cybercrime. The *Convention* deals with a range of cybercrime offences such as copyright infringement, computer-related fraud, child pornography and offences related to network security.⁹⁷ Canada was among the signatory countries at a Council of Europe ceremony held in Budapest, Hungary in November 2001.

The federal government is expected to introduce new high-tech crime legislation this fall that will incorporate aspects of the *Convention* into Canadian laws. Preliminary highlights include providing law enforcement with wider access to electronic information held by Canadian phone companies, banks and Internet service providers.⁹⁸

In recognition that offences committed in cyberspace do not recognize conventional, jurisdictional boundaries, the law enforcement community has and will continue to engage in key partnerships with government agencies and the private sector to examine barriers presented by cybercrime and develop best practices and strategies to overcome them.

Outlook

★ Governments and the private sector will work together to establish best practices, security processes and legislation to combat increasingly sophisticated hacker attacks against Canadian information and communication systems.

★ Legislation designed to combat both computer-assisted crimes and crime committed in cyberspace will give much needed tools to police and law enforcement.

★

⁹⁷ <[www.press.coe.int/cp/2001/840a\(2001\).htm](http://www.press.coe.int/cp/2001/840a(2001).htm)> .

⁹⁸ Erin Anderssen, "Ottawa to table high-tech crime bill", *The Globe and Mail (Toronto)*, 15 May 2002, A7.





CISC 2002 Annual Report on Organized Crime Evaluation Form



Criminal Intelligence Service Canada would like to receive feedback on its *Annual Report on Organized Crime in Canada* in order to improve the quality of the report and its value to Canadian society. CISC invites you to complete and return this evaluation form. Your comments and suggestions will ensure a better report.

How informative is the *Annual Report on Organized Crime* for each of the following criteria?

National Overview	No use	1	2	3	4	Most useful
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Law enforcement response	No use	1	2	3	4	Most useful
Emerging trends	No use	1	2	3	4	Most useful

Please circle the number which best describes your judgement about the content of the report.

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How does the information in this report impact on your views of organized crime?

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

This form is available on CISC's website at www.cisc.gc.ca. CISC welcomes your comments and requests that you complete the information box and return this form by e-mail, fax or mail to:

Criminal Intelligence Service Canada
1200 Vanier Parkway, Ottawa, Ontario, K1A 0R2
Fax: (613) 993-3928
Email: webmaster@cisc.gc.ca

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