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Mr Jonathan Curtis
Committee Secretary
Parliamentary Joint Committee on the Australian Crime Commission
Parliament House
CANBERRA ACT 2600

Dear Mr Curtis

Re: INQUIRY INTO AMPHETAMINE AND OTHER SYNTHETIC DRUGS

The Crime and Misconduct Commission (CMC) is happy to contribute to the Parliamentary Joint Committee Inquiry into the Australian Crime Commission's (ACC), Amphetamines and Other Synthetic Drugs (AOSD) Special Intelligence Operations Determination.

The CMC was formed on 1 January 2002 when the former Criminal Justice Commission and the Queensland Crime Commission merged. The purposes of the CMC are to combat and reduce the incidence of major crime and to continuously improve the integrity of, and to reduce the incidence of misconduct, in the public sector pursuant to *the Crime and Misconduct Act 2001* (the Act).

The CMC has two primary functional areas:

1. Crime

The CMC utilises multidisciplinary teams to conduct investigations to dismantle and disrupt organised crime networks. It works in partnership with the Queensland Police Service and other law enforcement agencies (LEAs) to fight major crime. Major crime is defined in the Act to include organised crime (such as drug trafficking), criminal paedophilia and indictable offences (punishable on conviction by a term of imprisonment not less than 14 years).

2. Misconduct

The CMC's misconduct jurisdiction covers the Queensland public sector, including the police service, statutory authorities, universities, local authorities, courts, prisons and elected officials. 'Misconduct' covers official misconduct and police misconduct.

The CMC as an investigative and intelligence agency regularly liaises, provides input to and conducts joint investigations with the National Operations Directorate and Intelligence Directorate of the ACC.

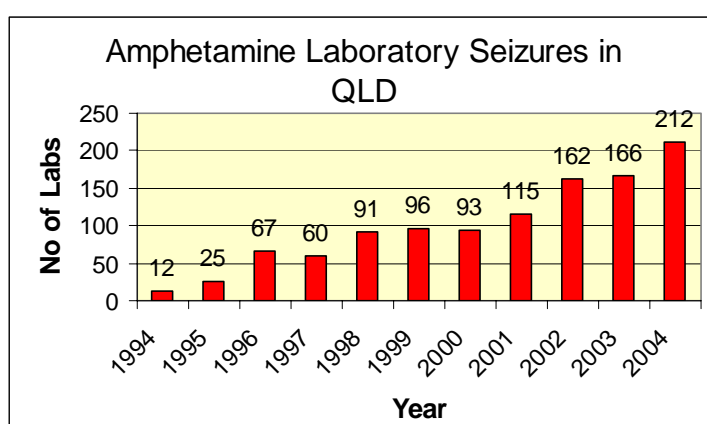
Throughout all of these dealings, the CMC finds that the ACC is working effectively in meeting the challenge of disrupting the trafficking, production and supply of AOSD. The inquiry into the AOSD determination and proposed terms of reference is supported by the CMC.

The following information is supplied against the specific terms of reference from a Queensland specific and CMC perspective.

a. Trends in the production and consumption of AOSD in Australia and overseas.

Amphetamine, and more specifically methylamphetamine, has been assessed by the CMC as being the primary drug of concern to the Queensland community. Despite law enforcement attention and control procedures for precursor chemicals, the manufacture of methylamphetamine continues at record levels and is evolving to include the production of the purer form of methylamphetamine - Ice.

Queensland methylamphetamine production has historically been described as a 'cottage industry', with many small producers collectively producing a significant quantity of product. In Queensland, methylamphetamine has often been produced in small, self contained, readily portable 'Box Labs' and Queensland invariably leads Australia by a large margin in respect of the number of laboratories that are detected by law enforcement. It should be noted, however, that it does not necessarily follow that Queensland produces more methylamphetamine than any other state in Australia. It appears, for example, that a larger number of relatively small labs are located in Queensland, whereas a smaller number of larger capacity clandestine labs are located in other Australian jurisdictions, including some of significant size.



The Queensland Police Service (QPS) includes methylamphetamine as a part of the amphetamine family for recording the number of labs located in Queensland. In 1994, twelve amphetamine labs were detected in Queensland. By 2000, this figure had grown eightfold to 93 and has continued to increase, with 212 being detected in 2004. Ninety – three percent of these laboratories have been located in Southern and South East Queensland. It is obvious that these labs have been located close to major population areas and potentially large amphetamine markets. These large population areas correspond to areas of Queensland that contain a large law enforcement presence. Queensland law enforcement has noted a trend by amphetamine producers to diversify the location of labs particularly to locations where law enforcement is thinly represented.

MDMA or ecstasy is another illicit drug of concern for the CMC. The 2004 National Drug Strategy Household Survey (NDSHS) shows that the proportion of Australians reporting lifetime use of ecstasy grew from 3.1% in 1993 to 7.5% in 2004. Recent ecstasy use is less prevalent in Queensland compared to some other states, however recent use Queensland doubled from 1.7% in 2001 to equal the national average of 3.4% of Australians in 2004.

b. Strategies to reduce the AOSD Market in Australia.

The CMC has assessed that access to the relevant precursor chemicals and materials used in the production process of methylamphetamine is relatively easy and the manufacturing process is uncomplicated for those persons with a basic knowledge of the process. A common feature of methylamphetamine manufacturing methods is the use of pseudoephedrine. One phenomenon that was commonplace in Queensland was pharmacy shopping to obtain pseudoephedrine. Persons involved in the production of methylamphetamine utilised a number of associates to obtain the pharmaceutical pseudoephedrine products on their behalf. This activity has the effect of distancing the methylamphetamine cook from the risks of identification whilst shopping for precursors.

Operational information received by the CMC indicates that pharmaceutical controls, such as decreasing the packet sizes of cold and flu medications available for sale, and restrictions on pseudoephedrine sales, including the requirement to show photographic identification, have succeeded in making it more difficult for AOSD production syndicates to obtain access to sufficient quantities of pseudoephedrine to manufacture methylamphetamine.

The implementation of these strategies meant that 'pseudo runs' were extended to include the purchase of pharmaceutical products throughout Queensland and interstate. Intelligence received by the CMC indicates that runs can involve travelling large distances, for example from Brisbane to Cairns or Brisbane to Melbourne. Pseudoephedrine products are purchased at country towns during these journeys. In one 'pseudo run', the 'runner' flew from Brisbane to Melbourne on a domestic aircraft, hired a rental car which was used to facilitate the purchase of the pharmaceutical products and then flew back to Brisbane with the product. Another method recently identified during a CMC operation is the movement of bulk quantities of pseudoephedrine interstate. Intelligence suggests that an unknown quantity of pharmaceutical products valued at \$100,000 and containing pseudoephedrine were transported from New South Wales to Queensland. It is believed that the pseudoephedrine may have been sourced from pharmaceutical products that were being returned to the manufacturer because they had passed their use-by date.

The attention paid by law enforcement to the movement of precursors such as pseudoephedrine, reagents, chemicals and their diversion from legitimate uses has created a flow on effect. A significant black market for pseudoephedrine, reagents and chemicals now exists in Queensland. Access to the necessary chemicals and glassware has at times proven difficult and these items are being sold between offenders for grossly inflated prices.

Law enforcement strategies that have been implemented to reduce the size of the AOSD market, combined with the sizeable domestic production of AOSD, indicates that a shift in the normal supply source for precursors has begun to occur in Queensland. The importation of precursors has become more prevalent. It should be noted that the criminal penalties for trafficking precursors are much less than those for illicit drugs, which can increase the attractiveness of importing precursors. The internet has also emerged as a source for the purchase of precursor chemicals, manufacturing equipment and pill presses. Controls have also meant that organised crime syndicates may start to rely on larger sized labs to produce amphetamine. Other methods may also be used to produce amphetamines utilising other precursors. One option includes the use of Phenyl-2-Propane (P2P).

c. The extent and nature of organised crime involvement.

In the CMC report, *Organised crime markets in Queensland – a strategic assessment*, published in September 2004, members of outlaw motorcycle gangs (OMCGs) were identified as having a significant involvement in organised crime in Queensland. This intelligence has been confirmed in the February 2006 assessment of an OMCG chapter in Queensland. Members play a substantial role in the methylamphetamine market and are involved in other illicit drugs markets including cannabis, cocaine, MDMA (ecstasy) and GHB (fantasy). It is evident from these various criminal activities that OMCGs and/or their members form a significant component of Queensland's organised crime environment.

The CMC has assessed the involvement of OMCG members other criminal identities in the AOSD market as diverse and difficult to categorise. The networks are best and considered as fluid groupings of criminals who share a common purpose. Their membership can include members of OMCG chapters, where illegal activities are undertaken for personal profit of the individual members of the club.

Organised crime networks can deal simultaneously in a variety of illicit commodities and the members of one network may simultaneously be members of a number of other networks. In some cases, the description by law enforcement of a group of criminals as a network is more a case of analytical convenience than an accurate reflection of the intentions of the criminals.

From an AOSD perspective, criminal syndicates were traditionally involved in the entire methylamphetamine production process from the purchase of the precursor chemicals to the manufacture and sale of the illicit drugs. However, more recent evidence suggests that many criminal syndicates are compartmentalising their operations and are more loosely structured and opportunistic in relation to their illegal activities. By removing themselves from some stages of the process (such as the purchase of pharmaceutical products) the risk of detection by LEAs is reduced. This structure reflects the specialisation based on skills and contacts that is the basis of modern business structures and is doubtless constructed for the same purpose – to maximise profit for the enterprise.

There is currently an absence of large-scale ethnic organised crime networks operating in Queensland. An observed trend, however, is the emergence of multi-ethnic criminal networks and a significant level of temporary cooperation in crime markets. This is particularly obvious in the larger population areas of Queensland. Members of different crime networks form associations to achieve a joint short-term purpose eg to source illicit drugs. Many organised crime networks are simultaneously involved in supplying a number of illicit goods and services and, in so doing, the members of such networks develop a broad range of criminal contacts whom they call upon as required. In such circumstances, it is often difficult for LEAs to determine at what point particular networks begin and end. Domestic controls on the availability of precursors and subsequent increase in the importation of precursors will see an increase in the formation of these networks as the less efficient and disorganised illicit drug manufacturers are forced from the production market.

d. The nature of Australian law enforcement response.

The CMC takes an integrated approach, using a range of expertise and resources, to combat the production, trafficking and use of AOSD. To do this the CMC implements strategies (similar to the Commonwealth Governments National Illicit Drug Strategy) of supply, demand and harm reduction. This occurs by:

1. Proactive assessment of the criminal environment in Queensland;
2. Defining the characteristics of illicit drug markets;
3. Identification of organised crime networks and activities in Queensland; and
4. Dismantling and disrupting organised crime networks.

From an enforcement perspective Organised Crime Investigation Teams are utilised to conduct tactical operations to dismantle and disrupt organised crime networks involved in the trafficking of illicit drugs. The majority of these investigations target the production of methylamphetamine which, as previously mentioned has been assessed as the illicit drug of highest risk in Queensland.

The CMC also undertakes a number of prevention responses to AOSD. Recently this has included completion of the following strategic intelligence assessments and research papers:

- Organised crime markets in Queensland, - A strategic assessment.
- Ecstasy Market Indicators - An assessment of the Queensland ecstasy market.
- DUMA Annual Report - A descriptive overview of drug use patterns by a sample of detainees in Queensland watchhouses.
- Prevalence of Drug Use in Queensland - This project measures the prevalence and patterns of illicit drug use in the Queensland population.
- Amphetamines in Queensland Research Project. Collaboration between Queensland Health and CMC to monitor drug use in Queensland.
- Clandestine methylamphetamine laboratories in Queensland – A strategic assessment that provided an overview of the production methods, precursors and reagents required to produce amphetamines and the risks associated with this process.

- e. *The adequacy of existing legislation and administrative arrangements between Commonwealth and State agencies in addressing the importation, manufacture and distribution of AOSD's, precursor chemicals and equipment used in their manufacture.*

In Queensland the *Drugs Misuse Act 1986* has been the subject of various amendments to enhance the ability of the QPS and CMC to target the manufacture of illicit drugs, most notably in relation to the re-scheduling of methylamphetamine and a number of precursors. Legislation to be enacted during 2006 will increase the scope of production offence to include persons who supply equipment and material necessary for the production of amphetamines.

- f. *An assessment of the adequacy of the response by Australian law enforcement agencies, including the ACC.*

The ACC's commitment to national forums such as the annual National Chemical Diversion Conference and National Criminal and Intelligence Operations Forum (NCIOF) enhances the ability of all LEAs in Australia to become aware of emerging issues and to proactively target participants in the AOSD market.

Given the limited resources of LEAs (including the CMC) the activities undertaken by the ACC and other LEAs in response to AOSD is commendable. However, law enforcement successes impact upon only a small proportion of the illegal activities that are occurring within Queensland AOSD market, a market that is diverse and entrenched. The lack of human and technological resources, particularly the absence of Telecommunications Interception legislation in Queensland, severely impedes the capability of law enforcement to make serious inroads into the organised crime groups involved in the production and trafficking of AOSD.

There is a need to dedicate more law enforcement resources to investigate organised crime groups involved in the production and trafficking of AOSD. Specialised joint agency investigations comprising both state and national LEAs could be utilised to disrupt high level groups involved in AOSD. Co-operation and the sharing of intelligence between LEAs is essential to successfully target this criminal activity. An example of this includes the dissemination of material obtained during ACC examinations held throughout its AOSD Special Intelligence Operation. Long term cross jurisdictional task forces are required to investigate the ongoing movement of illicit drugs between states. These partnerships require a commitment of resources from all agencies in order to successfully disrupt cross border illicit drug activity.

I certify that the information has been supplied to you under Section 55(2) of the *Crime and Misconduct Act 2001*. The CMC looks forward to receiving a copy of the consolidated enquiry completed by the Parliamentary Joint Committee in the near future.

Yours sincerely

ROBERT NEEDHAM
Chairperson