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# Contraband Tobacco Enforcement Strategy

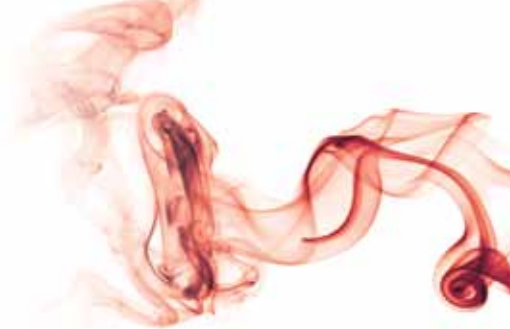
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August 2011



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Dear Reader,

The contraband tobacco market in Canada continues to be a complex and evolving challenge. As the second year of the Contraband Tobacco Enforcement Strategy has come to an end, I am pleased to present the accomplishments achieved and progress made toward its objective of decreasing the availability of, and demand for, contraband tobacco.

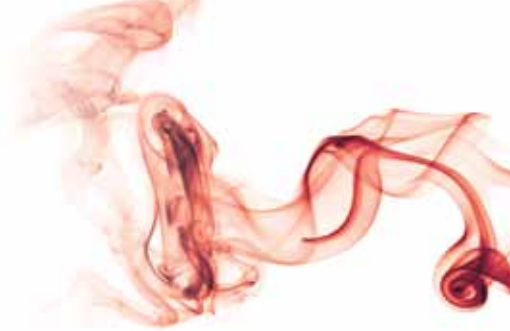
The collaborative and innovative work by the RCMP and its partner agencies and stakeholders has continued to build on our successes of the first year. Through initiatives such the Contraband Tobacco Enforcement Strategy, the RCMP has exemplified its commitment to a safe and secure Canada through the disruption of organized crime involved in the illicit tobacco trade.

The RCMP will maintain its dedication to each of the Strategy's initiatives to further the progress achieved over the past two years. With the support of partners and stakeholders, we will continue to combat the illicit tobacco trade and contribute to safer homes and communities for all Canadians.

**William J.S. Elliott**  
**Commissioner**  
**Royal Canadian Mounted Police**



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# I. EXECUTIVE SUMMARY

The current trend of manufacturing, distributing, and selling contraband tobacco products remains a serious threat to the public safety and health of Canadians. The scope of this problem is immense: in 2009, approximately 975,000 cartons and re-sealable bags of cigarettes were seized nationwide, along with approximately 34,000 kilograms of fine-cut tobacco and approximately 10 kilograms of raw tobacco leaf.

Illicit tobacco activity is most prevalent in south-eastern Ontario and southwestern Quebec. RCMP seizures of cigarettes in those two provinces account for approximately 90% of the national total. Quebec and Ontario also have the highest concentration of illicit tobacco manufacturing operations, the majority of the high-volume smuggling points, and the largest number of consumers of contraband tobacco. The illicit tobacco markets in the Atlantic and Northwest regions are almost entirely supplied by criminal organizations operating in First Nations reserves in Ontario and Quebec, and seizures of contraband tobacco products originating from these reserves have also been on the rise in the Pacific Region.

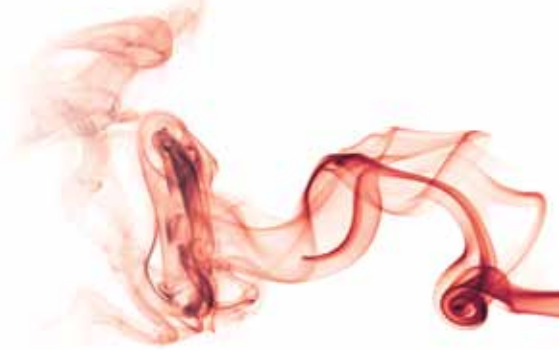
One area of growing concern is the continued attraction of organized crime groups to the illicit tobacco market; the widespread presence of these criminal organizations undermines Canadians' expectations of safe communities. From May 2009 to April 2010, a total of 18 organized crime groups of various levels of sophistication involved in contraband tobacco were disrupted as a result of RCMP investigations across the country.

In May 2008, as a response to the rise in illicit tobacco crimes, the Minister of Public Safety launched the RCMP's Contraband Tobacco

Enforcement Strategy: a three-year plan with the objective of reducing both the availability of and the demand for contraband tobacco nationwide while supporting government health objectives.

In the second year of the Strategy, the RCMP built upon a number of initiatives underway, as well as initiated some new ones. Progress was made and significant successes were achieved in all eight priority areas identified in the Strategy:

- **Disrupt organized crime and the supply chain** - The RCMP, while engaging with domestic and international partners and stakeholders, has undertaken varying levels of joint targeting initiatives, including short- and long-term joint investigations, outreach and awareness campaigns, and active participation in inter-agency contraband tobacco task forces and groups. These efforts have achieved significant success in disrupting both illegal tobacco-related activity and the organized crime groups engaged in the contraband tobacco trade.
- **Coordination, collaboration and partnership development** - Within each province, and even across our international borders, the RCMP has maintained existing partnerships directed at combatting contraband tobacco as well as developed new ones. Such partnerships allow effective information- and intelligence-sharing as well as focused target identification. Further, RCMP units across the country regularly share information with key partners, and some are pursuing the development of information-sharing protocols to better enable intelligence sharing within existing legislation, policies, and procedures.
- **Outreach** - The RCMP has continued to



engage with First Nations communities in Quebec and Ontario regarding the illicit trade in contraband tobacco. Several other initiatives have been undertaken across the country to educate the public, as well as participants in the legitimate tobacco distribution network, on the scope and nature of the illicit trade.

- **Effective use and allocation of resources** - Senior RCMP managers in all provinces regularly undertake resource utilization assessments to adjust to pressures on investigative capacity. Further, to assess program effectiveness and examine the use and allocation of resources, the Customs and Excise National Policy Centre, also known as “C&E Branch” developed a collection plan to monitor resource levels for the C&E Program.
- **Impact crime through education and awareness** - The RCMP has made significant progress regarding contraband tobacco education and awareness in each province. Increasing public awareness is of paramount importance to reducing consumer demand for illicit tobacco products. Television public service announcements, presentations to interest groups, a podcast, and a 30-minute television documentary on the contraband tobacco trade are examples of the initiatives that have been undertaken.
- **Contribute to the development of legislative and regulatory tools** - The RCMP is contributing to the development of an illicit-trade protocol under the World Health Organization’s Framework Convention on Tobacco Control (FCTC). The FCTC, an international public health treaty

that has been ratified by approximately 160 countries, is designed to control tobacco demand and consumption.

- **Conducting research** - Limited research has been conducted on the demographics of contraband users and the effectiveness of anti-contraband measures. Though RCMP C&E units in several provinces have been working with local partners in order to find evidence for better practices, there is still work to be done in developing appropriate and measurable criteria regarding the effectiveness of anti-contraband measures.
- **Employee selection and development** - The RCMP has provided, and continues to provide, dedicated training and learning opportunities for C&E investigators to ensure they effectively perform their duties. Further, RCMP C&E units in each province have undertaken learning strategies to enhance the skills of their employees.

The problem of illicit tobacco cannot be solved by enforcement alone. The complexities associated with it span multiple areas of responsibility and require a whole-of-government approach to reduce its prevalence in our communities and eliminate its lure of low-risk profitability.

Recognizing that adjustments to the Strategy may be required, the RCMP will continue to periodically review and reflect on the effectiveness of the measures put in place across the country. Further, at the conclusion of the Strategy’s three-year implementation commitment, the RCMP will conduct a comprehensive review of the Strategy to confirm that its priorities reflect the current contraband tobacco environment.



## II. INTRODUCTION

This report details the progress made in support of the RCMP's Contraband Tobacco Enforcement Strategy during its second year (May 1, 2009, to April 30, 2010), highlighting both new and ongoing initiatives undertaken to reduce the illicit tobacco market in Canada.

Many factors contribute to the illegal tobacco trade in Canada, including the following:

- smokers' motivation to find lower-cost options for tobacco products
- low public appreciation for the criminal consequences of the illegal tobacco market
- widespread availability of illegal tobacco products
- public perception that consuming contraband tobacco is a victimless crime
- apathy for the loss of government revenue which should be acquired through the taxation process
- the continued illicit manufacturing and sale of tobacco products.

The Contraband Tobacco Enforcement Strategy, a three-year initiative launched in May 2008, comprises twenty-nine initiatives in eight different priority areas for combatting this complex issue. The RCMP Customs and Excise (C&E) Program is fully committed to all initiatives contained within the Strategy, and continues to work in support of the Strategy as well as of other program priorities and public safety issues within its broader enforcement mandate.

### The C&E Program

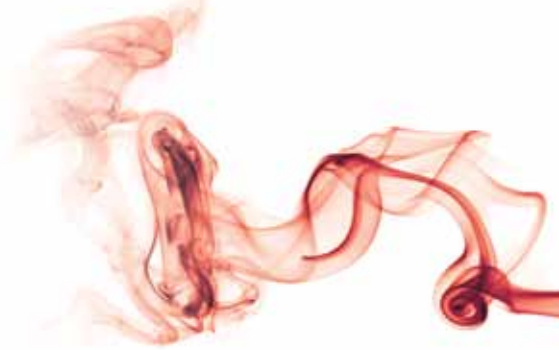
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The RCMP's C&E Program is mandated to enforce laws, both within Canada and between ports of entry, governing

- the international movement of dutiable, taxable, controlled, or prohibited goods
- the manufacture, distribution, or possession of contraband products, including tobacco and spirits.

The Program's overall goal is to protect Canadians and the economic integrity of Canada from both trans-national and domestic criminality. With respect to the illicit tobacco market, the RCMP is responsible for the enforcement of the *Excise Act, 2001*, governing the manufacture, movement, sale, and possession of tobacco products. Reducing the availability of and decreasing the demand for contraband tobacco are key components of this mandate that contribute to the safety of Canada's homes and communities.





## The Strategy

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The RCMP developed the 2008 Contraband Tobacco Enforcement Strategy to address the increasing criminality associated with the illegal manufacture, distribution, sale, and possession of illicit tobacco products.<sup>1</sup> The Strategy, which defined a three-year implementation commitment, was developed by the C&E Branch based on extensive research and consultation. Input was gathered from more than 70 individuals and groups (including some in the United States), representing government agencies, non-governmental organizations, industry, community organizations, and law enforcement at various levels. Launched by the Minister of Public Safety in May 2008, the Strategy provides an overview of the illicit tobacco trade in Canada and serves as a guide to provide national direction to front-line officers.

The overall goal of the Strategy is to reduce the availability of, and the demand for, contraband tobacco nationwide while supporting government objectives. To achieve this goal, the RCMP identified eight priorities, as follows:

- disrupt organized crime and the supply chain
- coordination, collaboration and partnership development
- outreach
- effective use and allocation of resources
- impact crime through education and awareness
- contribute to the development of legislative and regulatory tools
- conducting research
- employee selection and development.

<sup>1</sup> The Strategy is available online at <http://www.rcmp-grc.gc.ca/ce-da/tobacco-tabac-strat-2008-eng.htm>.

These priorities are supported by twenty-nine specific initiatives, all of which have been implemented by the RCMP over the past two years and will continue throughout the third year of the Strategy.

The illicit tobacco market in Canada has rebounded in recent years, rising rapidly since 2004 to become an acute problem once again.

## Changes in the Contraband Tobacco Environment

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The contraband tobacco market first became a significant issue in Canada in the late 1980s and early 1990s, when the taxes on cigarettes were increased sharply in order to raise government revenue and deter individuals from taking up or continuing smoking. During that period, more and more legally manufactured Canadian cigarettes destined for the duty-free market began making their way back into the Canadian underground economy; the high retail price of legitimate cigarettes made smuggling them back across the border (primarily by means of the St. Lawrence Seaway) a lucrative illicit business. The RCMP seized record quantities of contraband tobacco, but was also engaged in investigating the illegal activity at its source.

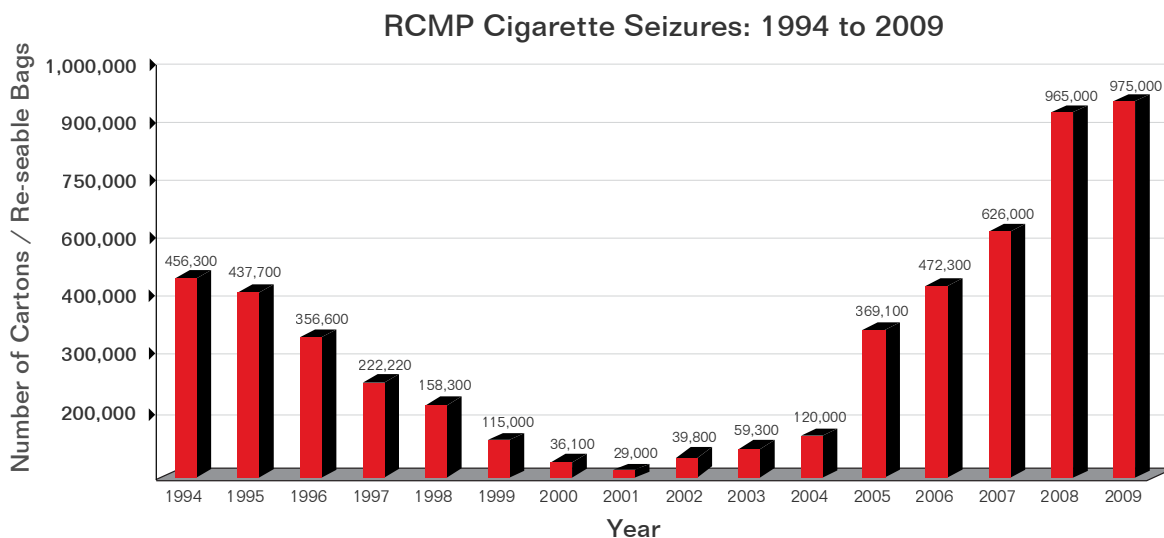


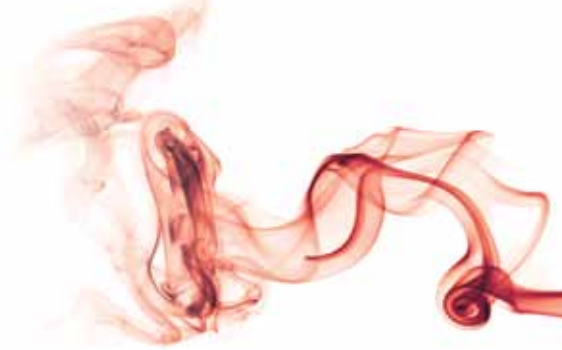
These investigations eventually led to negotiated settlements involving Imperial Tobacco Canada Limited (ITCL) and Rothmans Benson & Hedges (RBH)—a landmark agreement signed in July 2008 that set a combined total of \$1.15 billion in criminal fines and civil restitution to be paid by the companies over 15 years—and to guilty pleas in April 2010 from JTI-Macdonald Corp (formerly RJR-Macdonald) and Northern Brands International (a subsidiary of RJ Reynolds), resulting in \$550 million in criminal fines and civil restitution, which was paid forthwith.

By the mid-1990s, this type of smuggling activity largely came to an end and there followed a period of relatively low levels of illegal activity related to contraband tobacco. However, the illicit tobacco market in Canada has rebounded in recent years, rising rapidly since 2004 to become an acute problem once again.

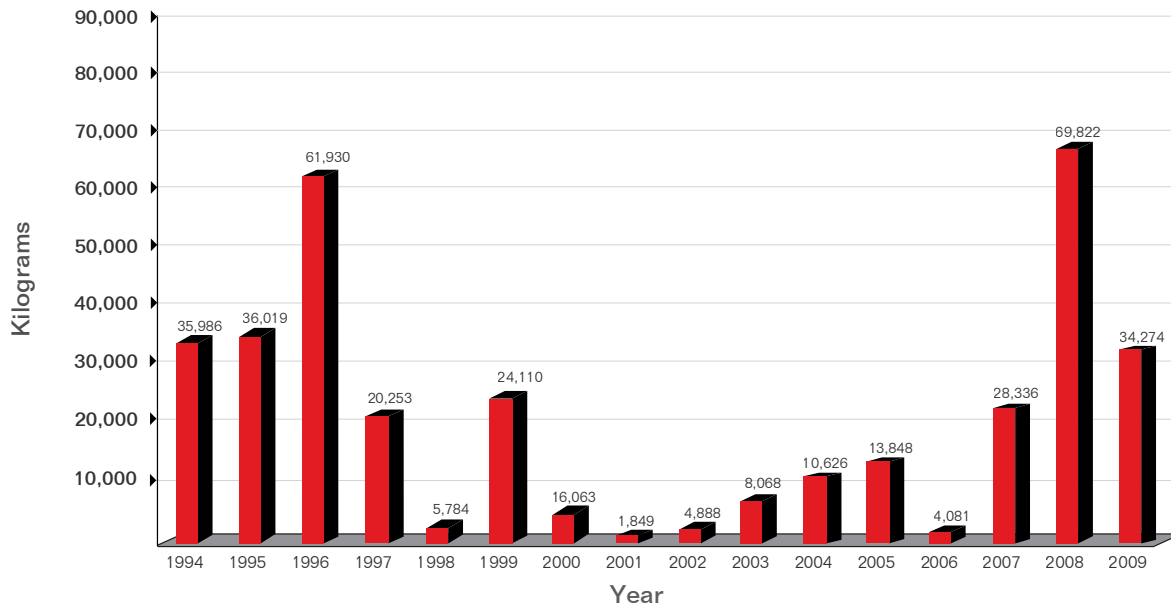
The number of cartons and bags of cigarettes seized over the course of the year represents a record high.

The current environment of illicit manufacturing, distributing, and selling contraband tobacco products, however, is markedly different from that of the 1980s and 1990s. Illegal tobacco activity in Canada today is primarily connected not to the diversion of legally manufactured products but to illegal manufacture, although it also includes, to a lesser degree, the illegal importation of counterfeit cigarettes and other forms of illicit tobacco from overseas.





RCMP Fine-cut Tobacco Seizures from 1994 to 2009



The majority of illegal tobacco manufacturing in the country occurs in central Canada. In many cases, organized crime networks operate in Aboriginal communities, often exploiting the politically sensitive relationship between those communities and various governments and enforcement agencies. (It should be emphasized that the location of these illegal activities within Aboriginal communities is not in any way a reflection of all First Nations citizens.)

The central role played by organized crime in the contraband tobacco trade in Canada means that this illegal activity is inextricably linked with

other kinds of crime; most of the organized crime groups across the country involved in the illicit tobacco market are also active in other forms of criminality.

The problem is further complicated by the international aspects of the illicit tobacco trade. For example, some of the illegal manufacturers that supply the Canadian market are on the U.S. side of the Akwesasne Mohawk Territory, which spans the border between Quebec, Ontario and New York State. Thus, the Strategy must reach beyond Canada's borders.



## Scope of the Problem

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The RCMP's 2009 illicit tobacco seizures include the following:

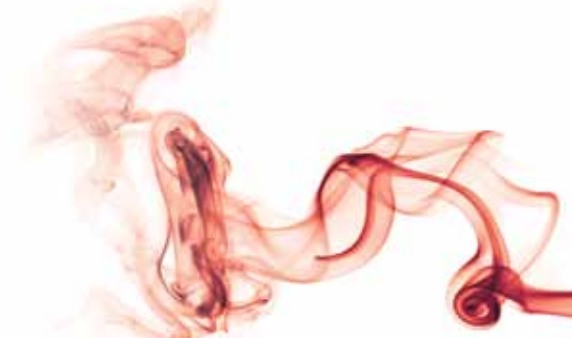
- approximately 975,000 cartons and re-sealable bags of cigarettes
- approximately 34,000 kilograms of fine-cut tobacco
- approximately 10 kilograms of raw tobacco leaf.

The number of cartons and bags of cigarettes seized over the course of the year represents a record high, an increase of 1% over 2008, when the previous record was set. However, there were sizeable decreases between 2008 and 2009 in the quantities of fine-cut tobacco and raw tobacco leaf seized: 51% and 99% respectively. These decreases may be attributed to the initial effects of the Ontario Raw Leaf Tobacco Growers' Licensing Program and the related Tobacco Transition Program—a \$300-million federal government initiative to help farmers exit the tobacco industry—and to the relocation of the Canada Port of Entry at Cornwall, which decreased the smuggling of bulk amounts of fine-cut tobacco and raw tobacco leaf at Cornwall Island.

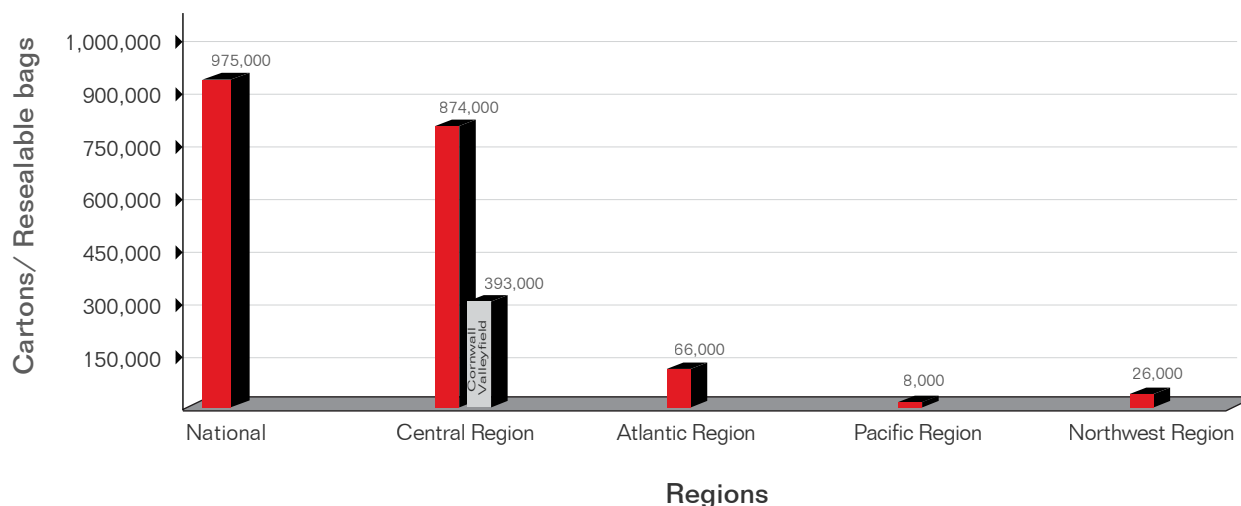
From January to April 2010 (these four months fall under year two of the Strategy, the period covered by this report), approximately 277,500 cartons and re-sealable bags of cigarettes were seized, along with approximately 21,000 kilograms of fine-cut tobacco. Seizures during the same period in 2009 were approximately 464,000 cartons and re-sealable bags of cigarettes and approximately 19,800 kilograms of fine-cut tobacco.

**It is estimated that the 2009 RCMP seizures of cigarettes and fine-cut tobacco alone represented approximately \$51 million in lost provincial and federal taxes.**

The extent of the illicit tobacco trade varies greatly across the country. It is most rampant in southeastern Ontario and southwestern Quebec. RCMP seizures of cigarettes in those two provinces account for 90% of the national total. The vicinity of Valleyfield, Quebec, and Cornwall, Ontario, remains the heart of the illicit tobacco trade in Canada; smugglers exploit the geography of the area, which borders the St. Lawrence Seaway, moving contraband goods from the U.S. to Canada. In June 2009, the Canada Border Services Agency (CBSA) Cornwall port of entry was relocated from Cornwall Island to the base of the Seaway International Bridge in the city of Cornwall, a move that has reduced the level of contraband activity in the area. However, there has been a concomitant increase in activity near Valleyfield, suggesting that smugglers are not abandoning their efforts but simply revising their



### 2009 RCMP Cigarette Seizures by Region



Central Region - Ontario, Quebec

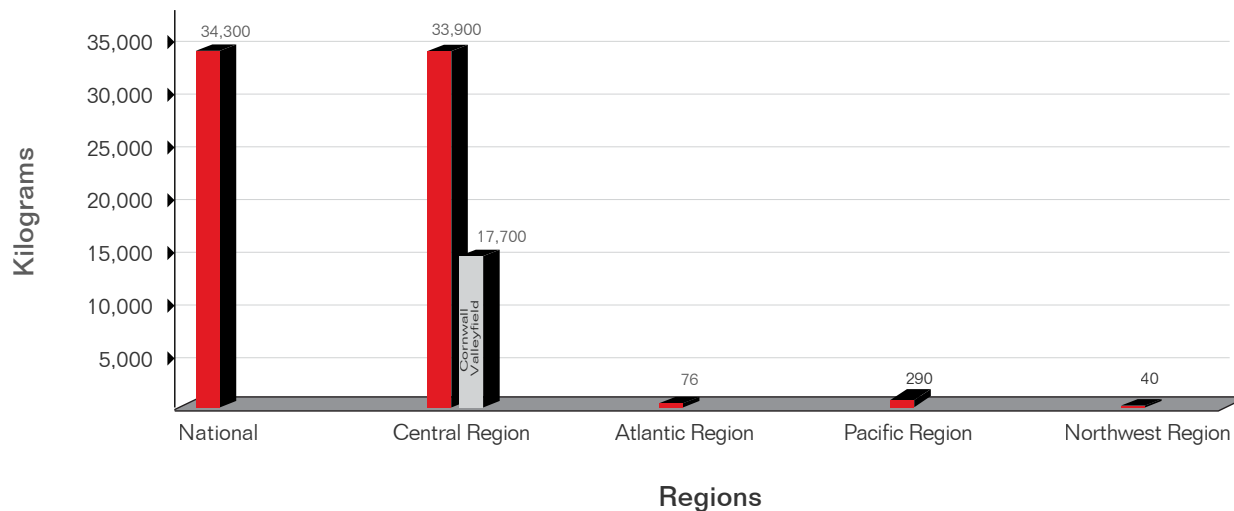
Atlantic Region - Nova Scotia, Newfoundland and Labrador, Prince Edward Island, New Brunswick

North West Region - Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut

Pacific Region - British Columbia, Yukon

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### 2009 RCMP Fine Cut Tobacco Seizures by Region



Central Region - Ontario, Quebec

Atlantic Region - Nova Scotia, Newfoundland and Labrador, Prince Edward Island, New Brunswick

North West Region - Alberta, Saskatchewan, Manitoba, Northwest Territories, Nunavut

Pacific Region - British Columbia, Yukon



routes.

The Cornwall/Valleyfield region, which was the centre of tobacco smuggling operations in Canada in the late 1980s and early 1990s, remains a focal point for illegal tobacco activity: the approximately 393,000 cartons and re-sealable bags of cigarettes and the approximately 17,700 kilograms of fine-cut tobacco seized there in 2009 represent 40% and 52%, respectively, of the national seizure totals in these categories.

The illicit tobacco markets in the Atlantic and Northwest regions are almost entirely supplied by criminal networks that source their products from First Nations reserves in Ontario, Quebec, and New York state. Seizures of contraband tobacco originating from these reserves have also been on the rise in the Pacific Region.

**The operation interrupted the flow of cocaine and illicit tobacco in Quebec and New Brunswick, which was being managed by members of the Hells Angels Quebec chapter.**

Contraband tobacco costs Canadian taxpayers millions of dollars every year. It is estimated that the 2009 RCMP seizures of cigarettes and fine-cut tobacco alone represented approximately \$51 million in lost provincial and federal taxes. This number includes the federal excise duty, an average of provincial tobacco taxes, an average of provincial sales taxes, and the federal GST.

The trade in counterfeit tobacco products, while much smaller than the trade in other forms of contraband tobacco, is nonetheless substantial. For example, during a joint investigation in April 2010, the CBSA and the RCMP seized over 50,000 cartons of counterfeit cigarettes imitating various U.S. and Canadian brands. The seizure also included some smuggled Chinese-brand cigarettes that were not legal for retail sale in Canada.

Increasingly, contraband cigarettes are finding their way into the hands of young people. Recent studies conducted by the Arcus Group and published by the Fraser Institute showed that, based on an analysis of cigarette butts from the grounds of more than 100 schools, the proportion of contraband cigarettes being smoked by students in Quebec schools increased from 36% in 2008 to 45% in 2009, and in Ontario schools it increased from 26% in 2008 to 30% in 2009.<sup>2</sup> While smoking prevalence among teens has been falling overall, this study reveals that more and more of the teens who continue to smoke are consuming contraband cigarettes.

The illicit trade in tobacco products is a widespread criminal activity—one that poses a serious threat to public safety and the health of Canadians. In light of the continued growth in the illegal tobacco market, it has become increasingly evident that the enforcement and prevention measures comprising the Contraband Tobacco Enforcement Strategy are necessary to mitigate the effects of this form of criminality.

<sup>2</sup> Fraser Institute, "Contraband Tobacco in Canada: Tax Policies and Black Market Incentives," *Studies in Risk & Regulation*, July 2010. Available online at [http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/contraband-tobacco-in-canada\(1\).pdf](http://www.fraserinstitute.org/uploadedFiles/fraser-ca/Content/research-news/research/publications/contraband-tobacco-in-canada(1).pdf)

# III. REPORT ON PROGRESS: YEAR TWO



In this second year of the Contraband Tobacco Enforcement Strategy, the RCMP has continued to initiate new activities aimed at alleviating the threats caused by the illicit tobacco market, as well as built on the activities implemented in year one. Each of the twenty-nine initiatives in eight priority areas identified in the Strategy was successfully launched in the first year of the mandate. The second year has seen continued progress in all eight areas. Successes have included not only an increase in contraband tobacco seizures but also a strengthening of inter-agency cooperation, a rise in outreach, education, and awareness efforts, and a number of improvements to employee training and development. It should be noted that the activities outlined here are not a comprehensive list of the initiatives undertaken in the fight against contraband tobacco, but a selection of highlights that serve to demonstrate the progress made in the priority areas outlined in the strategy.

## **Priority 1: Disrupt Organized Crime and the Supply Chain**

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### ***Initiatives:***

- *Work with domestic and international law enforcement partners to identify and target criminal organizations, as well as seize their illicit proceeds.*
- *Develop, support, and employ innovative law enforcement models, such as Project ACCES and SHIPRIDER, to target and disrupt smuggling and distribution networks.*
- *Conduct coordinated surge enforcement operations in high-risk locations to disrupt the contraband tobacco supply chain.*
- *Enhance coordination and awareness with*

*Public Prosecutions Service of Canada (PPSC) and the courts to ensure the appropriate application of federal law controlling contraband tobacco.*

The illicit tobacco market is dominated by criminal organizations motivated by the lure of significant profits and relatively low risks. Enforcement actions are therefore directed at increasing the risks associated with contraband tobacco activities: dismantling illegal manufacturing facilities, disrupting distribution supply lines, apprehending key figures, confiscating conveyances such as trucks and boats, and seizing the proceeds of crime. These actions have the dual goal of disrupting the illicit flow of tobacco and weakening the organized crime groups involved in the production, distribution, smuggling, and trafficking of contraband tobacco.

To achieve these goals, the RCMP has engaged in joint targeting initiatives with law enforcement partners and other stakeholders across Canada, and even, in some cases, internationally. These initiatives, varying in their degree of complexity, include short- and long-term joint investigations, outreach and awareness campaigns, and active participation in inter-agency contraband tobacco task forces and groups. In some areas, formalized processes for sharing intelligence—including regular partner meetings, the engagement of stakeholders and potential informational sources, and the development of memorandums of understanding for intelligence sharing ease—have been put in place to share information and initiate investigations when appropriate. The results of some of these initiatives are highlighted below.





### ***Illicit Manufacturing and Supply within Canada and across the U.S. Border***

Project JACOBY is an example of a complex investigation resulting in the disruption of an organized crime group operating interprovincially. The main subjects of the investigation were involved in the sale of illicit tobacco products and drugs. The operation interrupted the flow of cocaine and illicit tobacco in Quebec and New Brunswick, which was being managed by members of the Hells Angels Quebec chapter. At the conclusion of the investigation, 112 people were arrested—primarily in Quebec, although several arrests were also effected in New Brunswick. In addition to approximately 50 cartons of contraband cigarettes, a variety of illegal goods were seized, including methamphetamine, cocaine, hashish, ecstasy, marihuana, and steroids, as well as a cocaine press, several vehicles and a number of restricted firearms. The charges faced by the individuals arrested include conspiracy to commit murder, conspiracy to traffic in controlled substances, belonging to an organized crime group (“gangsterism”) and commission of a criminal act for a criminal organization. This investigation clearly demonstrates the ties between illicit tobacco and organized crime groups that are involved in other serious criminal activities. Although the investigation is over, this matter is still before the court.

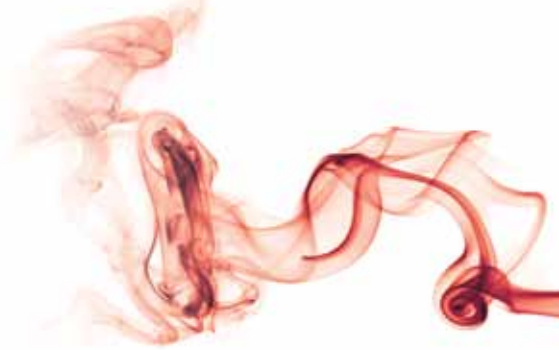
Another example of a successful investigation is Project H-SAVANNA, conducted by the RCMP in Nova Scotia. A criminal organization, centered in the urban regions of Halifax and Hants County but featuring links to Quebec, was obtaining hundreds of cases of contraband cigarettes per month from a supplier in Montreal; the cigarettes were originating in Kahnawake and were being shipped

from Montreal in wooden crates via a major courier company. While the primary commodity of this organized crime group was contraband tobacco, the group was also involved in trafficking illegal drugs. In May 2009, the investigators obtained information regarding a shipment of 1,000 cartons of cigarettes en route from Montreal to Halifax, and were successful in arresting the principal subject of the investigation once the cigarettes arrived at the Halifax terminal. The investigation significantly

**The container [was]...found to contain over 50,000 cartons of counterfeit cigarettes.**

disrupted this criminal organization.

Projects C-MACHINE and C-MACHINE II targeted organized crime involved in a number of criminal activities including the exporting of tobacco products outside of the province of Quebec. Both investigations were led by the Service de Police de la Ville de Montréal (SPVM) and conducted in collaboration with the RCMP, Sûreté du Québec (SQ) and Kahnawake Mohawk Peacekeepers (KMP). As a result of these investigations, search warrants were executed on 36 locations, including a manufacturing facility and warehouse in Kahnawake; 46 people were subsequently arrested. Firearms and ammunition, cash (over \$350,000 in Canadian currency and over \$9,000 in U.S. currency), illegal drugs (crack cocaine, marihuana, cocaine hydrochloride, methamphetamine, ecstasy and hashish) and tobacco were seized during the C-MACHINE projects.



The Central St-Lawrence Valley RCMP Detachment conducted an investigation, which included surveillance and approximately five judicial authorizations, into a well-structured criminal organization whose primary illegal activity was the smuggling of contraband tobacco near St-Francois and St-Anicet, Quebec. As a result of the investigation, seven people were arrested, approximately 7,400 kilograms of fine-cut tobacco and five vehicles were seized. During the court proceedings, which occurred between March 2009 and May 2010, four members of this organization were convicted of belonging to a criminal organization. These were the first “gangsterism” convictions in Canada where the criminal activity was linked to charges for possession of unstamped tobacco pursuant to the *Excise Act*, 2001.

In another incident involving the same RCMP detachment, investigators conducting surveillance in March 2010 observed two boats loaded with plastic bags of tobacco docking near a local residence on the shores of Lac St-François, Quebec. The boats were off-loaded and persons transported the bags to a wooded area on the shore. The following morning, two vans were loaded with the stashed bags and went to Kahnawake, where they were unloaded. Four suspects, later charged under the *Excise Act*, 2001, were arrested shortly thereafter. The subsequent investigation resulted in the seizure of four vehicles as well as 3,820 kilograms of fine-cut tobacco valued at over \$380,000.

In May 2009, investigators with the RCMP C&E Unit in Montreal concluded an investigation involving a collaboration with Canada Border Services Agency (CBSA), La Régie intermunicipale de

police de Roussillon, U.S. Immigration and Customs Enforcement, U.S. Border Patrol (USBP), U.S. Alcohol, Tobacco, Firearms and Explosives (ATF), and other internal RCMP teams to disrupt contraband tobacco smuggling. The RCMP obtained information regarding a commercial vehicle containing contraband tobacco that was parked at a rented space in Delson, Quebec. The investigation led to the discovery that two other parking spaces were rented and two other commercial vehicles containing illicit tobacco were arriving from New Jersey en route to Kahnawake. As a result of the joint cross-border investigational efforts, 26 tons of fine-cut contraband tobacco, three tractor trailers and two trucks were seized





between the RCMP, the USBP and ATF.

### ***Overseas Smuggling***

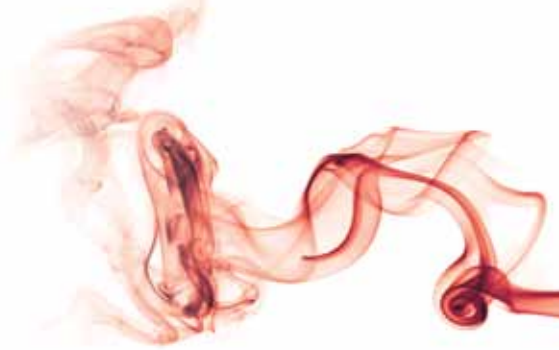
In August 2009, the RCMP and the CBSA jointly engaged in Project H-SCAMP. This investigation in the Atlantic Region uncovered a group of individuals receiving packages that were being declared at Customs as containing composite board or thermal insulation, but in fact contained Chinese-brand cigarettes. Shipments of these cigarettes were being transported by an express air cargo service from Shanghai to Halifax on an almost daily basis, then repackaged and mailed to various individuals in Alberta and Ontario. Although some of the product may have been distributed locally, the investigation revealed that the suspects were using Internet sites to sell the cigarettes throughout Canada and using a courier service and Canada Post to transport them. The contraband was initially intercepted by the CBSA, which then engaged the RCMP since the investigation involved organized crime. The joint investigation resulted in charges laid by the CBSA under the *Customs Act* and by the RCMP under the *Excise Act, 2001*. This investigation is testimony to the strong partnership between, and effective combined efforts of, the RCMP and the CBSA.

In April 2010, the RCMP C&E Unit in British Columbia was advised by the CBSA of an imported marine container from China that was believed to contain illicit tobacco. The container, labelled as household sinks bound for an address in Richmond, was inspected and detained by the CBSA and found to contain over 50,000 cartons of counterfeit cigarettes imitating U.S. and Canadian brands, as well as some Chinese-brand cigarettes not legal for retail sale in Canada. The RCMP and CBSA conducted a joint investigation that resulted in the arrest of six people and the seizure of tobacco worth an estimated \$3.4 million.

The RCMP in British Columbia conducted two other notable successful investigations in early 2009. Project E-POLYESTER, a joint investigation between the Victoria Police Department and the RCMP Border Integrity Team, targeted a tobacco trafficking ring smuggling contraband tobacco from Central Canada to Victoria. The project culminated in May 2009 with the execution of several search warrants, and resulted in the seizure of 1,611 cartons of re-sealable bags of cigarettes, as well as 4,050 grams of marijuana. Project E-PLAICE, which is still before the court, was an RCMP investigation that targeted an organized crime group supplying tobacco traffickers in the BC Lower Mainland with contraband tobacco products from Central Canada and the United States. In June 2009, as a result of Project E-PLAICE investigations, police officers with the RCMP Provincial Tobacco Enforcement Team executed a search warrant on a vehicle and U-Haul trailer located in Abbotsford, and seized 3,050 cartons of contraband cigarettes of various brands used by illegal manufacturers, as well as 450 bags of fine-cut tobacco, each weighing 200 grams.

### ***Ongoing Initiatives***

Supporting the front-line successes, the RCMP's C&E Program in Quebec is continuing to strengthen its participation in Project ACCES, a joint task force involving a number of partners with the aim of combating illicit activities such as the manufacture and distribution of contraband tobacco. The partners involved include the RCMP, the CBSA, the Canada Revenue Agency (CRA), the SQ, Service de police de la Communauté Urbaine de Montréal, the Association des directeurs de police du Québec, and a number



of municipal police forces, as well as Quebec's Ministère de la Sécurité publique, Régie des alcools, des courses et des jeux, Ministère de la Justice, Ministère du Revenu, and Ministère des Finances. The Ministère de la Sécurité publique is responsible for coordinating the province-wide program. RCMP C&E staff members from various regions within the province are assigned to this initiative.

Another high-profile initiative that benefited from collaboration between enforcement partners is SHIPRIDER, an integrated cross-border maritime law enforcement operation (ICMLEO). SHIPRIDER enables seamless law enforcement operations across the Canada–U.S. border, facilitating cross-border surveillance and interdiction and serving as a force multiplier. It involves reciprocal arrangements under which Canadian and U.S. law enforcement personnel embark on, and conduct operations from, each others' law enforcement vessels in the sovereign waters of both countries and under the supervision of members of the host country. Recently, the RCMP and the U.S. Coast Guard conducted two SHIPRIDER security operations during the Vancouver 2010 Olympics and the G20 Summit in Toronto. These successful cross-border security operations involved the integration of over 50 RCMP officers and a number of U.S. Coast Guard members, working together to secure the shared waters off the coast of British Columbia and the state of Washington during the Vancouver Olympics, and Lake Ontario during the Summit. Although no tobacco enforcement actions have resulted from SHIPRIDER during these operations, continued implementation of ICMLEOs along the Canada–U.S. border will facilitate cross-border surveillance and provide law enforcement with

additional means to deter, detect and interdict tobacco smuggling in the maritime environment while respecting the sovereignty of each nation. New legislation to implement the SHIPRIDER project on an ongoing basis was introduced in the Senate in October 2010.

### **Summary**

From May 2009 to April 2010, a total of 18 organized crime groups of various levels of sophistication involved in contraband tobacco were disrupted as a result of RCMP investigations across the country. Over 1,000 charges related to the Excise Act, 2001 were laid during those 12 months, an increase of 39% over the number of charges laid during the same period in 2008–2009.

The success of these projects demonstrates that intelligence-led investigations, strengthened by formalized partnerships, can disrupt organized crime groups and reduce the availability of





contraband tobacco.

## **Priority 2: Coordination, Collaboration and Partnership Development**

### **Initiatives:**

- *Pursue the establishment of a national committee composed of senior representatives from relevant agencies to increase coordination efforts and cooperation to reduce the impacts of the illicit tobacco trade.*
- *Establish regional operational coordination committees to enhance information-sharing, improve target identification, and coordinate operational responses.*
- *Appoint a divisional coordinator to oversee the implementation of the tobacco Strategy.*
- *Collaborate with law enforcement partners to co-locate intelligence resources.*
- *Pursue the development of information-sharing protocols with key partners.*
- *Finalize the guidelines which clarify roles and responsibilities between RCMP and CBSA in relation to the enforcement of the Customs Act.*
- *Participate in the Canada–U.S. Tobacco Diversion Workshop.*

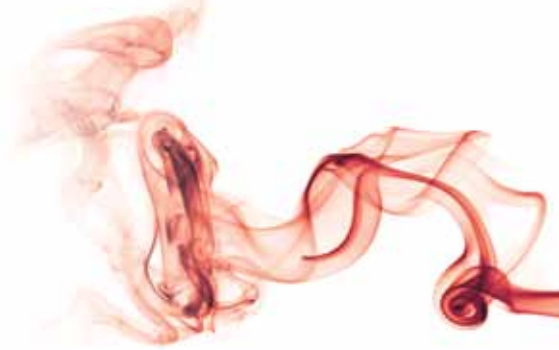
The RCMP has continued to engage in a variety of collaborative efforts with the public, the private sector and a number of non-governmental organizations that share an interest in the disruption of the illicit tobacco trade. For example, the RCMP is an active participant in the Government Task Force on Illicit Tobacco Products, comprising representatives from Public Safety Canada (Chair), the RCMP, the Department of Finance Canada, the CRA, the CBSA, Indian and Northern Affairs Canada, Agriculture and Agri-Food Canada, and Health Canada. The Task Force is mandated to

provide the Minister of Public Safety with proposed concrete measures, including policies, programs and regulatory and/or legislative options, that will help disrupt and reduce the trade in contraband tobacco.

The RCMP is also currently working with the CRA to develop a memorandum of understanding with the goal of facilitating the flow of information between the CRA and the RCMP with regard to the administration and enforcement of the *Excise Act, 2001*.

Within each province, the RCMP has both maintained past partnerships directed at combating contraband tobacco and developed new ones. Such partnerships allow effective information- and intelligence-sharing as well as focused target identification. In some provinces, the RCMP is taking collaboration even further by pursuing the development of information-sharing protocols that





will better enable intelligence-sharing within existing legislation, policies and procedures. The benefits of this kind of cooperation between federal and provincial law enforcement cannot be overstated; it is a key element in conducting effective and efficient investigations, and has a significant impact on disrupting criminal organizations.

A non-exhaustive list of some of the coordination and partnership initiatives the RCMP is engaged in across the country that relate to illicit tobacco enforcement is presented below.

### ***Eastern Canada***

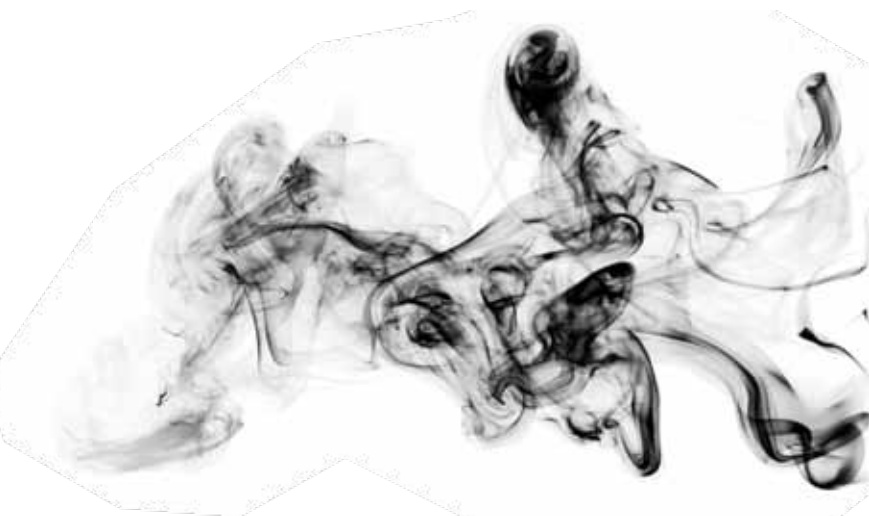
One example of information- and intelligence-sharing is evident in Newfoundland and Labrador where, during Criminal Intelligence Service Newfoundland and Labrador gatherings, the RCMP regularly meets with local representatives of the CBSA, Canada Post, the Newfoundland Liquor Corporation, the Newfoundland & Labrador Department of Environment and Conservation, Fisheries and Oceans Canada, the CRA, and the Royal Newfoundland Constabulary, as well as of the French Gendarmerie Nationale and the Gendarmerie Maritime of Saint-Pierre et Miquelon. These meetings have clarified each agency's roles and responsibilities regarding illicit tobacco intelligence, information and enforcement, have facilitated cooperation and the development of memoranda of understanding between various agencies and programs, and have developed a forum for the sharing of pertinent information.

In Nova Scotia, the RCMP C&E Unit continues to participate in monthly intelligence meetings regarding contraband tobacco. These meetings are attended by several partners, including Canadian Security Intelligence Service (CSIS),

Criminal Intelligence Service Nova Scotia, the Department of National Defense, the Canadian Coast Guard, the CRA, the CBSA, the Fuel and Tobacco Compliance branch of Service Nova Scotia and Municipal Relations, and several other RCMP units.

### ***Central Canada***

Cornwall, Ontario, is located within the heart of the most active region of Canada with regard to contraband tobacco; a number of joint enforcement initiatives are centred there. One of the most extensive of these, the Cornwall Regional Task Force, was restored in January 2010. This partnership brings together the RCMP, the Ontario Provincial Police (OPP), the Cornwall Community Police Service (CCPS), the Ontario Ministry of Revenue and the CBSA to combat organized crime and its involvement in contraband tobacco and other forms of criminality. Currently, the Hamilton-Niagara RCMP Detachment is actively pursuing, with the Ministry of Revenue, a parallel task force initiative similar to the Cornwall Regional Task Force. The aim is to determine if the Cornwall enforcement model could be extended to include other areas of Ontario and Quebec.





Further, the Cornwall Integrated Intelligence Section chairs weekly intelligence meetings to discuss criminal activities, including contraband tobacco. In attendance at these meetings are representatives of the RCMP; U.S. Customs and Border Protection, Office of Border Patrol; the New York State Police; the U.S. ICE; the CBSA; CSIS; the OPP; the SQ; the Kahnawake Mohawk Peacekeepers; the Ontario Ministry of Revenue; the Akwesasne Mohawk Police Service; the CCPS; Criminal Intelligence Service Ontario; the St. Regis Mohawk Tribal Police; the CRA; and the

**A Joint Investigative Team was created between Cornwall and Akwesasne to facilitate the development of common strategies.**

U.S. Coast Guard.

In April 2010, the RCMP began the establishment of a Combined Forces Special Enforcement Unit–Contraband Tobacco Initiative (CFSEU CTI), based in Cornwall, Ontario. The mandate of this new three-year project, funded by the federal government, is to specifically target organized crime involved in the manufacture and distribution of contraband tobacco.<sup>3</sup> The team for this initiative, which operates in the Cornwall–Valleyfield corridor, includes resources from the RCMP, the CCPS, and other interested law enforcement agencies. The CFSEU-CTI maintains an investigative capacity complemented by dedicated criminal analysis and community outreach resources.

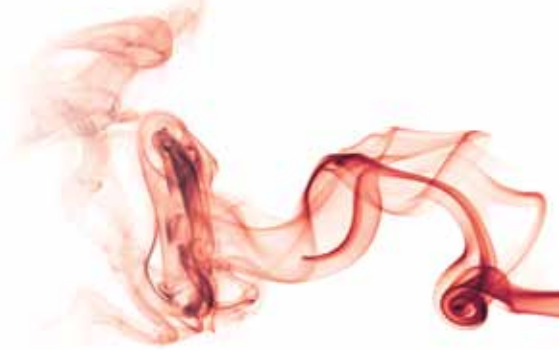
<sup>3</sup> Funds for this initiative were obtained as a result of monetary penalties assessed to tobacco companies from criminal court decisions.

The Hamilton-Niagara and London RCMP units are integral members of a Tobacco Working Group, which is composed of the Ontario Flue-Cured Tobacco Growers’ Marketing Board, the CRA, the Ontario Ministry of Revenue, and representatives from private industry. The Working Group provides RCMP investigators with invaluable insight into the control of raw-leaf tobacco, aspects of which are overseen by the Board. This collaboration has facilitated an understanding of means by which raw-leaf tobacco is potentially being diverted to the black market. The Working Group has also helped educate investigators on the mechanics of the Canadian tobacco industry, thus leading to the development of more effective enforcement methods.

Another kind of ongoing collaborative effort is the co-location of RCMP resources with enforcement partners. For example, the RCMP in both Valleyfield, Quebec, and Cornwall, Ontario, have assigned investigators to work with the Akwesasne Mohawk Police Service in St. Regis as part of the Joint Investigative Team.

### ***Western Canada***

As mentioned above, the RCMP in all provinces regularly shares information with key partners, in some cases developing formal mechanisms for such cooperation. One example can be found in Saskatchewan, where the RCMP has been actively involved in the development of a comprehensive information-sharing protocol that details agency responsibilities and policy regarding the sharing of intelligence between the RCMP, the CBSA, U.S. Customs and Border Protection (CBP), and the U.S. ICE. The Saskatchewan RCMP has also engaged in the development of a memorandum of understanding with Health Canada in the



region, clearly stipulating the responsibilities of both agencies and fostering an improved working environment. Further, RCMP representatives in Saskatchewan attend quarterly intelligence meetings in Montana, which are co-attended by the U.S. CBP, the FBI, and ATF, as well as by the Saskatchewan Department of Finance, the Alberta Department of Revenue, CBSA and various municipal partner agencies.

Another example is the RCMP Border Integrity Intelligence Unit in British Columbia, which has been hosting regular intelligence meetings with tobacco enforcement representatives from the CBSA, the BC Ministry of Finance, and other internal RCMP partners, such as Aboriginal policing, the Asian Probe Team, and the Vancouver Ports Unit. The meetings encourage law enforcement agencies to compare, share and corroborate information regarding the illicit tobacco market. Further, the RCMP Provincial Tobacco Enforcement Team in British Columbia has developed partnerships with the U.S. ATF and ICE, laying the groundwork for future intelligence-sharing and enforcement collaboration efforts, including threat assessments and regular intelligence meetings.

### ***International***

A prominent example of sustainable partnership development that goes beyond Canada's borders is the joint Canada–U.S. Tobacco Diversion Workshop (TDW), an ongoing commitment by Canadian and U.S. agencies, including the RCMP, to address the growing illicit tobacco market. Ongoing since 2002, the TDW is the result of successful coordination among five core agencies: the RCMP, the CBSA, the CRA, ATF, and the U.S. Alcohol and Tobacco Tax and Trade Bureau. The workshop brings together members

of Canadian and American law enforcement and regulatory agencies that are mandated to respond to various aspects of the illicit tobacco market, including smuggling, counterfeiting, theft and other illegal activity. Last held during fall 2009, the TDW allows participants to gain from shared experience. It focuses on current trends in Canada, the United States and abroad; in recent years it has expanded its international profile with presenters from Mexico, Europe, South America and Australia.







## Priority 3: Outreach

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### **Initiatives:**

- *Use current mechanisms and develop lines of communication to increase dialogue with Aboriginal government.*
- *Educate private sector entities about the contraband tobacco issue.*

The Canadian contraband tobacco market continues to be dominated by tobacco products originating in Aboriginal communities in Central Canada and the adjacent state of New York. It is therefore crucial to the success of addressing the illicit tobacco trade to increase dialogue on the issue with those communities.

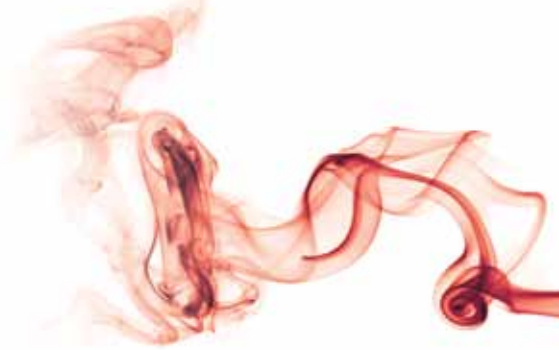
The RCMP continues to engage with First Nations communities in Quebec and Ontario. For example, a Joint Investigative Team was created between Cornwall and Akwesasne to facilitate the development of common strategies; this team operates directly from the offices of the Akwesasne Mohawk Police Service (AMPS). Further, as the result of open dialogue meetings with the Mohawk Council Chiefs from Akwesasne, 15 RCMP investigators in Quebec participated in a week-long course on the Akwesasne territory, whereby they gained a better understanding of the community's concerns.

In June 2009, employees of the RCMP National Communication Services and the C&E Branch consulted with the Mohawk Council of Kahnawake Communications Unit regarding the anticipated release of the first year Progress Report on the Strategy. This initiative led to positive interactions between the two organizations and was helpful

in gathering the differing perspectives associated with tobacco and the challenges inherent in raising awareness.

In addition to engaging First Nations groups, the RCMP has undertaken a variety of other outreach initiatives across the country to educate the public and representatives of the legitimate tobacco distribution network on the scope and nature of the illicit trade and to encourage reporting suspicious activities:

- Throughout Southern Ontario—including Ottawa, Cornwall, Kitchener, Windsor, London, Oshawa, Brantford, and the greater Toronto area—the RCMP conducted presentations regarding contraband tobacco in conjunction with the Ontario Convenience Stores Association and the Coalition Against Contraband Tobacco.
- C&E investigators in Newfoundland and Labrador held meetings with a representative of a major tobacco wholesaler on the west coast of the island, as well as with a number of convenience-store operators, with an emphasis on discussing enforcement strategy and sharing information regarding local tobacco smuggling activities.
- The RCMP Hamilton-Niagara Detachment met with members of the trucking and courier industry and dispersed copies of a handbook it created for non-policing partners who may encounter contraband tobacco. The handbook provides advice on how to identify illegal products and report suspicious activities.
- The RCMP in Manitoba, together with the Manitoba Department of Finance, developed a contraband tobacco investigational training video, which was distributed to all RCMP detachments and municipal police forces



within the province. The Manitoba RCMP also distributed a contraband tobacco brochure to all of the licensed tobacco retailers in the province, and created a “Report Tobacco Smuggling” email address to provide the public with a direct avenue for reporting illicit tobacco smuggling.

- The RCMP in Alberta has met with four courier and transport companies throughout the province in order to educate their employees about contraband tobacco.
- The RCMP in Saskatchewan has also connected with courier and transport companies in that province to discuss the possibility of their services being used for contraband tobacco shipments.
- Police officers and analysts from the RCMP C&E Branch met with representatives of Altria Client Services Corporate Security, a parent company of Philip Morris USA, for an informative exchange surrounding contraband cigarettes and other tobacco products and the role of legitimate tobacco stakeholders in

detecting contraband.

## **Priority 4: Effective Use and Allocation of Resources**

### ***Initiatives:***

- *Monitor resource allocation to ensure program focus is maintained.*
- *Develop a C&E Program Evaluation Framework to assess program effectiveness.*
- *Work in close partnership with Aboriginal Policing Coordinators and their initiatives aimed at reducing Aboriginal criminal involvement and victimization.*

The RCMP monitors its resource allocation on an ongoing basis. Senior RCMP managers in all provinces regularly undertake resource utilization assessments to adjust to pressures on investigative capacity such as those experienced in 2010 during the Olympic Games, the G8 Summit in Muskoka and the G20 Summit in Toronto. For example, the Border Integrity Branch of the RCMP in Quebec, which includes C&E resources, holds management meetings every month at which human resource and financial issues are addressed, and performs in-depth budget reviews every trimester.

Another example of an initiative to ensure effective resource use is Project Concept, launched in May 2009 by the RCMP in Quebec to assess the impact of increased intelligence-led uniformed police presence between the ports of entry along the Canada–U.S. border. To support the objectives of this 11-month pilot project, a course was developed to train officers in effectively responding to cross-border criminality, including tobacco smuggling.

The newly established CFSEU-CTI also contributes to this priority. By joining the resources of the RCMP and the CBSA into a combined unit





with both investigative and analytical capacity, as well as a community liaison aspect, this unit will allow for the leveraging of both human and financial resources for maximum effectiveness.

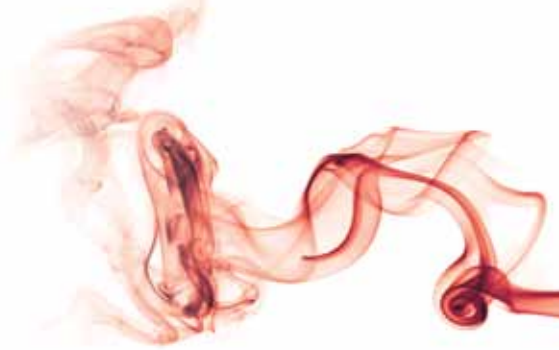
In aid of the second initiative in this area, assessing C&E program effectiveness, the C&E Program Evaluation Services completed an evaluation of the C&E Program for the period of 2006–2008. This evaluation examined program goals in three areas: reducing available contraband in Canada, decreasing the demand for contraband, and increasing confidence in export and import controls. It led to several recommendations, including improving training, enhancing intelligence collection, increasing awareness, and streamlining reporting mechanisms. A Managerial Response and Action Plan, which set a direction to address those recommendations, was concluded in December 2010.

One specific initiative implemented as a result of the C&E Program Evaluation is a collection plan to monitor human resource levels for the C&E program. The data from this plan provides near-real-time tracking of resources and ensures consistency in program focus.

Approximately 50 law enforcement officers, mostly from the Cornwall RCMP Detachment, attended Cultural Sensitivity Awareness sessions in 2009. These sessions enhanced participants' awareness of First Nations cultural issues and improved the potential for collaboration with Aboriginal police services. Cornwall investigators have been able to facilitate a partnership with AMPS in Akwesasne that has continued into 2010 via the Joint Investigative Team (discussed under Priority 3, above) in which RCMP investigators

work directly within the offices of the AMPS. In the summer of 2009, the RCMP in Kingston engaged an Aboriginal pre-cadet to prepare a community profile of the aboriginal communities within the detachment area, furthering understanding between the detachment and the residents of local First Nations residents. Further, Kingston RCMP also developed an initiative to have one investigator assigned as an Aboriginal Police Liaison Officer. Again, this allocation of resources serves to further open lines of communications.





## Priority 5: Impact Crime through Education and Awareness

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### **Initiatives:**

- *Heighten awareness about the public safety and health consequences of the illicit tobacco trade.*
- *Develop and communicate targeted messages for the general public, smokers and Aboriginal communities.*
- *Produce and publish declassified versions of RCMP strategic intelligence assessments on contraband tobacco.*
- *Seek hearings with key decision-making bodies to raise awareness about the growth of this criminal market.*
- *the use of RCMP Internet and Intranet sites.*

To be successful, the battle against contraband tobacco must address not just the supply end of the trade but the demand end as well. Raising public awareness of the illicit tobacco trade, its impact on communities, and the legal consequences associated with purchasing or possessing contraband tobacco products is a crucial aspect of the Strategy, as greater awareness will reduce consumer demand for these products. Progress in this regard has been made across the country during the second year of the Strategy.

For example, the RCMP in Alberta, in conjunction with the Alberta Liquor and Gaming Commission, Crime Stoppers, and Global TV, developed a televised public service announcement (PSA) regarding the criminal aspects of illicit tobacco, which has been aired on the Global TV station. A PSA developed earlier in Nova Scotia by the RCMP and Crime Stoppers continues to air regularly, and has generated numerous tips and

information from the public.

The RCMP in Prince Edward Island engaged a YMCA intern to work on education and awareness initiatives pertaining to the Strategy. With the assistance of the intern, the C&E program in Prince Edward Island:

- *developed a partnership with the Students Working in Tobacco Can Help (SWITCH) program*
- *delivered presentations on illicit tobacco to the PEI Tobacco Reduction Alliance (PETRA) and students at Souris Regional High School*
- *developed a partnership with PEI Crime Stoppers to include contraband tobacco information on its website*
- *prepared informational material regarding the identification of contraband tobacco for the PEI RCMP's internal and external websites*
- *prepared a tobacco investigator's summary sheet showing sample cigarette packages and colour photos to help familiarize investigators with contraband tobacco and packaging, and distributed this sheet to all PEI RCMP detachments and municipal police services, as well as to the PEI offices of Parks Canada, the CBSA, Health Canada, and Canada Post.*

The RCMP in London, Ontario, has developed an educational package to inform store owners about the impact of selling illicit tobacco from legal, health, and community perspectives. In Toronto, RCMP investigators have conducted lectures to approximately 300 college students, provided information sessions and packages to other local colleges, and visited storage-unit rental sites (often used by smugglers to hold goods) as well as social venues traditionally associated with high rates of tobacco consumption, to educate owners and employees about contraband toba-



cco and enforcement.

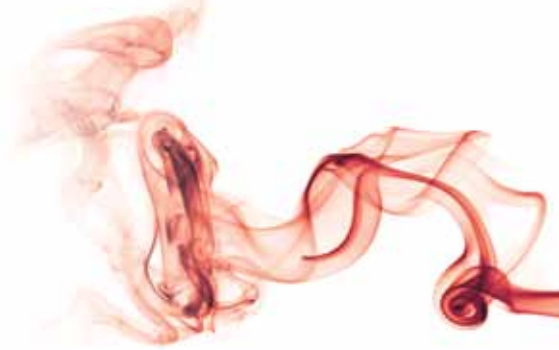
Tobacco farmers were the target audience of an education campaign developed by RCMP officers of the Hamilton-Niagara Detachment in consultation with the OPP, the CRA, the Ontario Flue-Cured Tobacco Growers' Marketing Board, and the Ministry of Revenue. Officers from the detachment created a Tobacco Farmer Awareness package summarizing the relevant legislation and outlining the risks posed to the tobacco industry by illicit activity. These packages were distributed by RCMP investigators, assisted by the Ontario Ministry of Revenue, to 96% of all tobacco farmers and buyers registered for the year 2009 within the jurisdictions of the Hamilton-Niagara and London C&E units.

The fight against contraband tobacco in Canada has even been depicted on television. After months of work by the C&E Branch and the Cornwall Detachment, in conjunction with the producers of the *Courage in Red* television series, a 30-minute episode regarding contraband tobacco investigations aired on OLN in December 2009.<sup>4</sup> *Courage in Red* is a Canadian television documentary series that documents various aspects of the RCMP, including training, investigations, procedures, and security and police operations. The "Customs and Excise" episode focused on the work of the RCMP and its enforcement partners as they conduct land and marine contraband tobacco smuggling investigational operations around the Cornwall area. This television episode successfully conveyed the realities of illicit tobacco smuggling, including police investigations and the involvement of organized crime.

Work is near completion on a new RCMP contraband tobacco brochure, focusing on the links between organized crime and illicit tobacco products, created by the C&E Branch with input and advice obtained through consultations with Health Canada. In conjunction with the pamphlet, a contraband tobacco display case, which includes samples of seized packaging and tobacco products, has been assembled; the case will be made available to the RCMP in all provinces for use with local illicit tobacco presentations.

In January 2010, the Director of the C&E Branch completed a podcast on contraband tobacco, which was broadcast on the Canadian Embassy's website and featured on the RCMP's Infoweb. Also in January 2010, the C&E Branch launched its new Internet site. The new site provides easier navigation and better organization of content. In addition, the site design includes an area where initiatives such as the Contraband Tobacco Strategy are highlighted; users can reach more information about the Strategy from the home page with one click. The site's content was also refreshed to bring the program information up to date; it includes publicly accessible versions of RCMP strategic intelligence assessments on contraband tobacco, as well as Federal Tobacco Control Strategy reports. The site's metadata has also been updated, improving search engine results and making it easier for users to locate information. For the period from May 2009 to April 2010, there were over 52,000 visits to the site.

<sup>4</sup> The *Courage in Red* series is presented by Jencor Entertainment, Inc., in association with the Royal Canadian Mounted Police.



There are indications that public awareness of the issues surrounding contraband tobacco are effective. For example, in meetings with the RCMP in Newfoundland & Labrador, local retailers indicated that some citizens whom they suspected had previously been purchasing contraband tobacco products were now purchasing legitimate products from local businesses. Further, the local media coverage of seizures appears to have curbed some of the contraband tobacco smuggling; anecdotal reports from several former illicit tobacco consumers, distributors and smugglers indicate that since learning from the media about the associated fines, forfeitures, arrests and charges, they are no longer so inclined

to smuggle and/or purchase contraband tobacco.

## **Priority 6: Contribute to the Development of Legislative and Regulatory Tools**

### **Initiatives:**

- *Identify current legislative and regulatory control mechanisms that will further deter organized crime's involvement in the illicit tobacco trade.*
- *Assess the viability of additional amendments to enhance the government's ability to reduce the impact of the illicit trade.*
- *Contribute to the development of an illicit trade protocol under the World Health Organization Framework Convention on Tobacco Control (FCTC).*

Strengthening tobacco controls can help curb the availability of illicit tobacco. To this end, the RCMP is working with the interdepartmental government community to identify shortcomings and vulnerabilities in Canada's legislative and regulatory framework.

The RCMP is contributing to the development of a protocol to eliminate the illicit trade in tobacco products under the World Health Organization's Framework Convention on Tobacco Control, an international public health treaty that has been ratified by approximately 170 countries. The C&E Branch formed part of the Canadian delegation during all negotiating sessions, most recently in June 2009 and March 2010, on Article 15 of the FCTC, which defines the direction and parameters for the "elimination of all forms of illicit tobacco products, including smuggling, illicit manufacturing and counterfeiting, and the development and implementation of related national law, in addition to subregional, regional and global agreements."





The RCMP contributed to analysis of the draft protocol for the national delegation, and provided input on the specific areas of offences, liability, sanctions, searches, seizure, destruction, special investigative techniques, joint investigations, and inter-agency cooperation.

## Priority 7: Conducting Research

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### **Initiatives:**

- *Collaborate with academia and non-governmental organizations on research projects in order to increase knowledge of the illicit tobacco trade.*
- *Develop metrics that will enable the RCMP and its partners to better gauge success in decreasing the availability of contraband tobacco.*

Estimating the size of Canada's contraband tobacco market is a challenge due to the complexity of the environment and the lack of available data. Limited research has been conducted on the demographics of contraband users and the effectiveness of anti-contraband measures.

RCMP C&E units in several provinces have been working with local partners in order to find evidence for better practices in anti-contraband measures. In Prince Edward Island, the RCMP have met with the coordinator of the Comprehensive School Health Research Group, responsible for conducting the PEI Youth Smoking Survey, to discuss the addition of specific questions relating to contraband cigarettes. The suggested questions will be brought forward to the Group's National Committee. In New Brunswick, the RCMP held discussions with the provincial Department of Finance to adopt, where appropriate, its data-collection methods in order to

assess the impact the RCMP has on contraband tobacco. The Hamilton-Niagara Detachment has developed a partnership with the CBSA Laboratory to study emerging packaging trends, the results of which are expected to help investigators determine how the illicit tobacco industry adjusts and evolves in response to enforcement actions.

## Priority 8: Employee Selection and Development

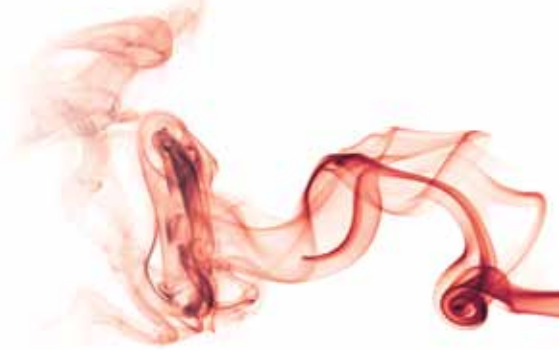
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### **Initiatives:**

- *Review the competency profile for C&E investigators.*
- *Work with Learning and Development to enhance the skills and abilities of C&E personnel.*
- *Identify, with the assistance of national Aboriginal policing services, resources that could be engaged to assist in increasing the cultural competency of C&E members.*

Between September 2009 and February 2010, the C&E Branch National Coordinator for contraband tobacco met with all RCMP Divisional Coordinators for the Contraband Tobacco Enforcement Strategy, and in some cases with investigators and partners, to review the implementation and progress of the Strategy. Further, in March 2010, the RCMP Director of C&E Branch chaired a national video conference, attended by all divisional coordinators, to review contraband tobacco trends and best practices. This sharing of information enhances the skill set of all those involved in the implementation and management of the Strategy.

The RCMP has provided dedicated training for C&E investigators to ensure they effectively perform their duties. In September 2009, the



RCMP sent two investigators and two criminal analysts to the United States for the ATF's Tobacco Diversion Training in order to expand their knowledge on contraband tobacco issues. In July 2008, the online C&E Basic Course was updated on the Agora learning platform; to date, approximately 300 investigators and employees have completed the course. The C&E Advanced course was delivered in Ottawa in October 2009, with approximately 30 candidates from across Canada participating, and in Montreal in December 2009, again with approximately 30 candidates.

Further, in order to ensure the best possible training is available with regard to contraband tobacco and the C&E program and mandates, the C&E Branch and the RCMP Learning and Development Directorate are working to redesign both the Basic and the Advanced courses.

RCMP C&E units in each province are working to enhance the skills of their employees. In British Columbia, all new investigators in the C&E Unit and on the Tobacco Team are required to complete the C&E Basic Course, and are then immediately registered for the Advanced Course to ensure they are properly trained. Similar requirements exist in other provinces. The RCMP C&E units in Newfoundland and Labrador initiated a local performance improvement plan, targeting specific competencies and addressing individual weaknesses and future development to strengthen those competencies. The RCMP in Cornwall implemented high intensity enforcement operations and Cultural Sensitivity training to provide development and leadership opportunities to its investigators. The C&E units in the West District of Quebec had numerous investigators

from units outside the C&E Program participate in surge enforcement activities. This initiative exposed the other police officers to C&E investigations and also served to enhance the coaching and mentoring skills of the C&E employees. The RCMP in Alberta, in partnership with the Alberta Gaming and Liquor Commission, developed a training DVD for front-line investigators; over 350 copies have been distributed to various external and internal partner agencies and units over the past year.







## VI. CONCLUSION

This second report on the progress of the 2008 RCMP Contraband Tobacco Enforcement Strategy demonstrates that the RCMP is continuing to develop and sustain initiatives aimed at addressing the problem of illicit tobacco in Canada. While the illicit tobacco environment varies greatly from one region to another, the results of these initiatives have an impact across the country.

Some of the more high-profile activities of the past year include Project JACOBY, which disrupted a drug and illicit tobacco distribution network involving the Hell's Angels outlaw motorcycle gang, the launch of the Cornwall Regional Task Force to combat contraband tobacco, the disruption of an illicit cigarette manufacturing and storage warehouse in Kahnawake during Projects C-MACHINE and C-MACHINE II, the airing of a contraband tobacco episode of the documentary television program *Courage in Red*, the securing of federal funding to support the creation and implementation of the CFSEU CTI, and the development of an extensive network of partners working with the RCMP across the country to effectively combat organized crime and tackle the illicit contraband tobacco market in Canada.

The actions of the RCMP, including enforcement and organized crime disruption, partnership development, outreach and education, have contributed to an apparent increase in awareness of the illegality surrounding the contraband tobacco market among consumers, distributors and manufacturers. The contraband tobacco industry has increasingly been exposed as a significant public safety issue.

Although a considerable amount of work has been completed on implementing the Strategy, resulting in recognizable impacts on the contraband tobacco market, there remains little doubt that illicit tobacco activity persists in Canada and remains rooted within organized criminal activities. The production, smuggling and trade of this illegal commodity affects all levels of Canadian society by undermining public safety and economic integrity. However, effectively tackling the problem of illicit tobacco cannot be solved by enforcement alone. Rather, a whole-of-government approach is required to reduce the profitability and marketability of contraband tobacco and lessen the attractiveness of its production, distribution and sale to criminal enterprises.

The RCMP is committed to building on the successes of the Strategy's initial implementation, enhancing current measures, cultivating new initiatives, sharing best practices, developing and reinforcing partnerships and establishing new strategic methods in reducing the contraband tobacco market. The achievements of the first two years of the Strategy will contribute to continued success in the third year and thereafter.

