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Contraband Tobacco Enforcement Strategy

Third Progress Report
(2010-2011)



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EXECUTIVE SUMMARY

In May 2008, in response to the rise in illicit tobacco crimes, the Minister of Public Safety launched the RCMP's Contraband Tobacco Enforcement Strategy: a three-year strategy with the objective of reducing both the availability of and the demand for contraband tobacco nationwide while supporting government health objectives.

The manufacture, distribution, and sale of illicit tobacco products continues to be a serious threat to the health and safety of Canadians. The scope of this problem is significant: in 2010, approximately 782,000 cartons and re-sealable bags of cigarettes were seized nationwide, along with approximately 43,000 kilograms of fine-cut tobacco, approximately 5,300 kilograms of raw leaf tobacco and approximately 142,000 cigars.

Illicit tobacco activity is most prevalent in southeastern Ontario and southwestern Quebec. RCMP seizures of cigarettes in those two provinces account for approximately 81% 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 that obtain their products mainly from First Nations communities in Ontario and Quebec; 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, which undermines Canadians' expectations of safe communities. From May 2010 to April 2011, RCMP investigations across the country resulted in the disruption of at least 13 organized crime groups, of various levels of sophistication, involved in contraband tobacco.

In the third year of the Strategy, the RCMP built upon a number of initiatives already underway, as well as initiated new ones. Progress was made and 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. 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* — Across Canada, and even across our international borders, the RCMP has maintained existing partnerships directed at combating contraband tobacco. Such partnerships allow effective information and intelligence sharing as well as focused target identification.
- *Outreach* — The RCMP has continued to engage with First Nations communities 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* — To assess program effectiveness and examine the use and allocation of resources, the RCMP Customs and Excise National Policy Centre, also known as “C&E Branch”, developed and implemented a collection plan to monitor resource levels for the Customs and Excise Program. Further, senior RCMP managers in all provinces regularly undertake resource utilization assessments to adjust to pressures on investigative capacity.
- *Impact crime through education and awareness* — The RCMP has continued making 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, radio and print public service announcements, presentations to interest groups and the general public, meetings with local elected officials and a 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). Further, the RCMP has assisted in the development of new provincial tobacco legislation and has employed the use of other current provincial legislation in the fight against illicit tobacco.
- *Conducting research* — The RCMP and the Canada Border Services Agency (CBSA) Laboratory have partnered to launch a study that will examine emerging contraband tobacco packaging trends. Further, collected tobacco samples, obtained as a result of new tobacco crop sampling requirements on the part of Ontario farmers, will be used to chemically characterize tobacco grown in Canada.
- *Employee selection and development* — The RCMP has provided, and continues to provide, dedicated training and learning opportunities for Customs and Excise investigators to ensure they effectively perform their duties. Further, RCMP Customs

and Excise units in each province have undertaken learning strategies to enhance the skills of their employees.

Recognizing that adjustments to the Strategy may be required, C&E Branch, in consultation with National Program Evaluation Services, is in the process of conducting a comprehensive review of the 2008 Contraband Tobacco Enforcement Strategy.

INTRODUCTION

This report details the progress made in support of the RCMP's Contraband Tobacco Enforcement Strategy during its third year (May 1, 2010, to April 30, 2011), 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
- involvement of organized crime and its networks
- 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
- exploitation of First Nations territories and the political sensitivities regarding sovereignty to manufacture tobacco products.

The Contraband Tobacco Enforcement Strategy, a three-year strategy launched in May 2008, consists of twenty-nine initiatives in eight different priority areas aimed at combating 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 along with other program priorities and public safety issues within its broader enforcement mandate.

The C&E Program

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

- the international movement of dutiable, taxable, controlled, or prohibited goods
- the manufacture, distribution, or possession of contraband products, including tobacco and spirits
- the illicit traffic of critical high technology and strategic goods such as chemical, biological, nuclear weapons and other armaments;
- the regulations that impose non-tariff (permit) controls on the international movement of commodities.

The Program's overall goal is to protect Canada's citizens and economic integrity from both trans-national and domestic criminality. 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

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.¹ 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.

These priorities are supported by twenty-nine specific initiatives, all of which have been implemented by the RCMP over the past three years.

Changes in the Contraband Tobacco Environment

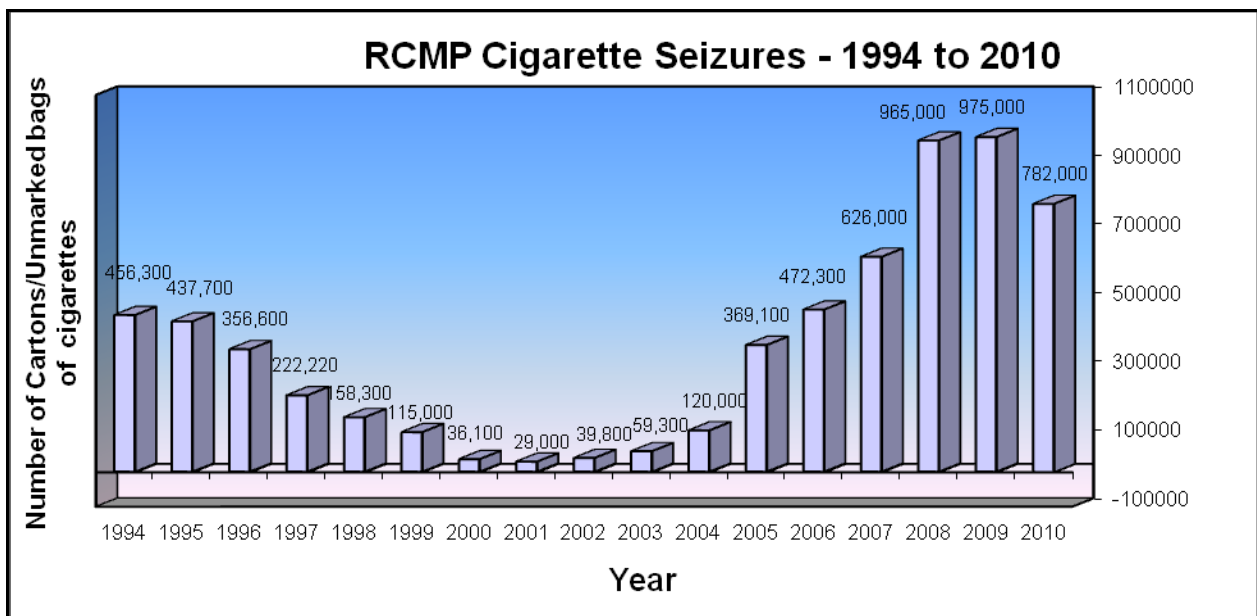
The contraband tobacco market first became a significant issue in Canada in the late 1980s and early 1990s, when the taxes on cigarettes were increased sharply in order to raise government revenue and deter individuals from taking up or continuing smoking. During that period, more and more legally manufactured 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

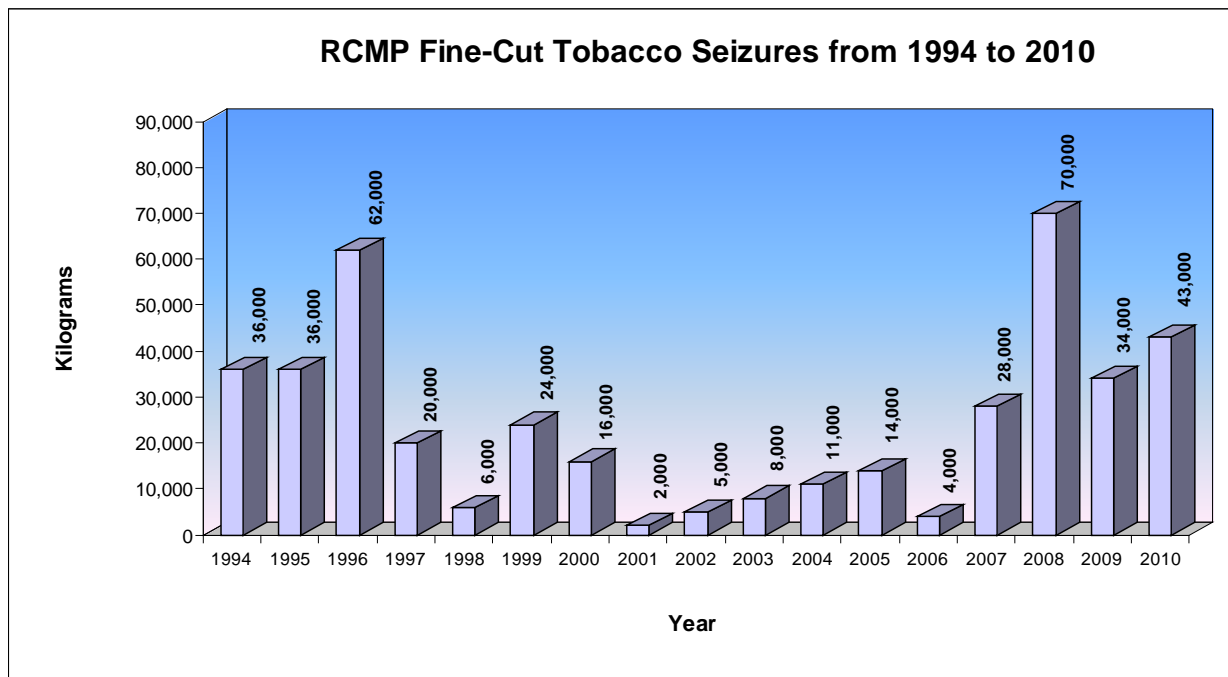
¹ The Strategy is available online at <http://www.rcmp-grc.gc.ca/ce-da/tobacco-tabac-strat-2008-eng.htm>.

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 current environment of illicit manufacturing, distributing, and selling of contraband tobacco products, however, is markedly different from that of the 1980s and 1990s. Illegal tobacco activity in Canada today is primarily connected to illegal manufacturing, although it also includes, to a lesser degree, the illegal importation of counterfeit cigarettes and other forms of illicit tobacco from overseas.





The majority of illegal tobacco manufacturing 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 the citizens living in these communities, the vast majority of whom are law abiding and desire a safe and peaceful community.)

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 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, several 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

The RCMP's 2010 illicit tobacco seizures include the following:

- approximately 782,000 cartons and re-sealable bags of cigarettes²
- approximately 43,000 kilograms of fine-cut tobacco
- approximately 5,300 kilograms of raw tobacco leaf
- approximately 142,000 cigars.

The number of cartons and bags of cigarettes seized over the course of the year represents the lowest quantity of seized contraband since the launch of the Strategy, a decrease of approximately 20% over 2009, when the record high was set. However, there were increases between 2009 and 2010 in the quantities of fine-cut tobacco and raw tobacco leaf seized: 21% and 99% respectively. As RCMP intelligence reports from across the country indicate that illicit cigarette supplies were readily available throughout the year, the decrease in the amount of cartons/unmarked bags of contraband cigarettes seized in 2010 may be attributed to several factors including, but not limited to:

- A decrease in law enforcement resources during major events such as the 2010 Olympics in British Columbia, and the G8 and G20 Summits in Ontario, as well as other law enforcement operational priorities.
- The success of investigational projects which have led to the arrest of major players in the tobacco market.
- The impact of successive enforcement actions on the illicit tobacco market.
- Heightened public awareness of the severity of contraband tobacco trafficking and its link to organized crime networks.
- The use of increasingly sophisticated methods by criminal networks to evade police detection.

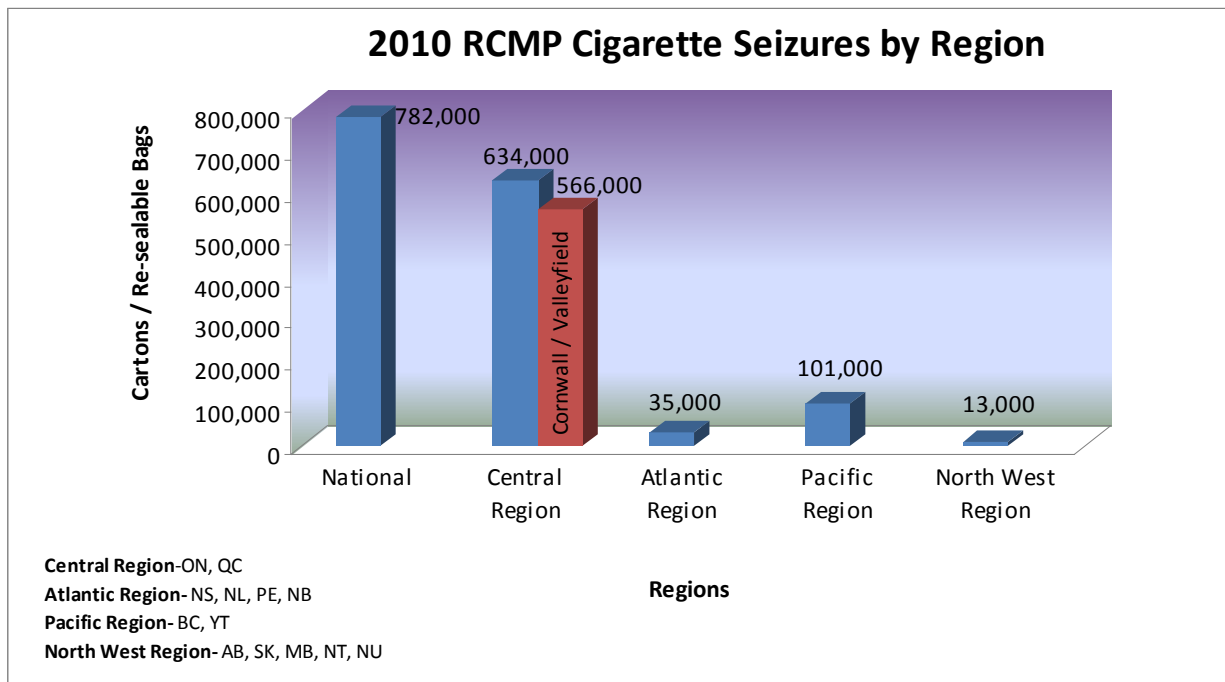
It has not been determined which of the above factors have had the greatest impact on the decrease in seizures of contraband cigarettes.

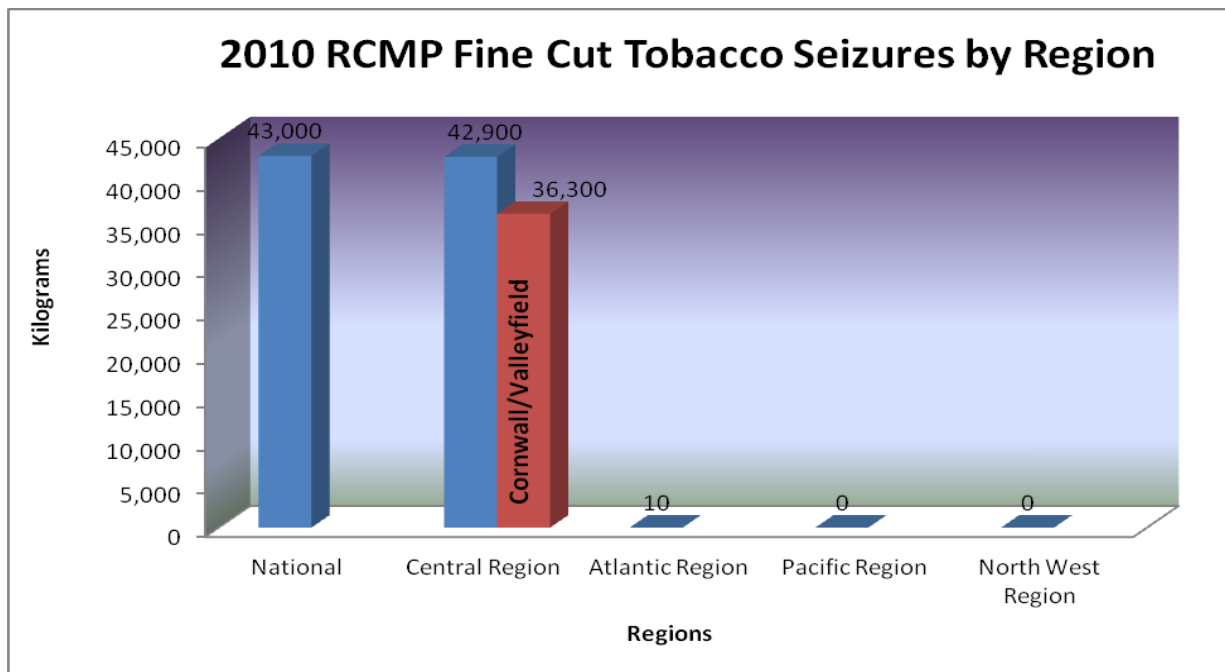
² Each carton and re-sealable bag contains 200 cigarettes.

From January to April 2011 (these four months fall under year three of the Strategy, the period covered by this report), approximately 297,000 cartons and re-sealable bags of cigarettes were seized, along with approximately 12,000 kilograms of fine-cut tobacco. Seizures during the same period in 2010 were approximately 277,500 cartons and re-sealable bags of cigarettes and approximately 21,000 kilograms of fine-cut tobacco.

The extent of the illicit tobacco trade varies greatly across the country. It is most prevalent in southeastern Ontario and southwestern Quebec. RCMP seizures of cigarettes in those two provinces account for 81% of the national total for 2010.

In particular, the vicinity of Valleyfield, Quebec, and Cornwall, Ontario, which was the centre of tobacco smuggling operations in Canada in the late 1980s and early 1990s, remains as a critical passageway for 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. The approximately 566,000 cartons and re-sealable bags of cigarettes and the approximately 36,000 kilograms of fine-cut tobacco seized in the Cornwall/Valleyfield region in 2010 represent 72% and 84%, 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 occurred in the Pacific Region.

Contraband tobacco costs Canadian taxpayers millions of dollars every year. It is estimated that the 2010 RCMP seizures of cigarettes and fine-cut tobacco alone represented approximately \$47 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. Given its geographic proximity to Asia, ports and cities within the province of British Columbia are commonly-used points-of-entry and conduits for the national distribution of counterfeit cigarettes. During a joint investigation in Vancouver in October 2010, the CBSA and the RCMP seized over 51,000 cartons of counterfeit cigarettes imitating various U.S. and Canadian brands.

The illicit trade in tobacco products continues to be a widespread criminal activity which poses a serious threat to public safety and the health of Canadians. The enforcement and prevention measures comprising the Contraband Tobacco Enforcement Strategy are necessary to mitigate the effects of this form of criminality.

REPORT ON PROGRESS: YEAR THREE

In this third year of the Contraband Tobacco Enforcement Strategy, the RCMP has continued to initiate new activities aimed at alleviating the threats caused by the tobacco market, along with building upon those implemented in the first two years of the Strategy. Each of the twenty-nine initiatives under the eight priority areas identified in the Strategy was successfully launched in the first two years of the mandate, with continued progress in all eight areas being made in the third year. Successes have included not only organized crime disruptions and significant contraband tobacco seizures, but also a strengthening of inter-agency cooperation, focused outreach, education, and awareness efforts, and new research initiatives aimed at increasing knowledge about the illicit tobacco trade.

It should be noted that the activities outlined herein 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

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 in some cases, internationally. These initiatives 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 and the engagement of stakeholders and potential informational sources—have been employed to share information and initiate investigations when appropriate.

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

Project CINDERFORD, an eighteen-month joint forces operation, is an example of a complex investigation that resulted in the disruption of an organized crime group operating internationally. This project – collaboratively investigated by the Ontario Provincial Police (OPP), RCMP, Cornwall Community Police Service (CCPS), Akwesasne Mohawk Police Service (AMPS) and CBSA – focused on the identification, disruption and takedown of individuals and organized crime groups involved in the trafficking and illegal importation and exportation of contraband tobacco, drugs and weapons in the Cornwall-area. The operation not only interrupted the flow of controlled substances and contraband goods, but also disrupted organized crime groups operating within eastern Ontario and western Quebec. At the conclusion of the investigation, 20 search warrants were executed in Cornwall, Stormont, Dundas and Glengarry, Akwesasne, Ottawa, Gatineau and Montreal, and 30 people were arrested, with warrants of arrest issued for 8 others, from Ontario, Quebec and New York State. In addition to approximately 8,750 cartons of contraband cigarettes, a variety of illegal goods were seized, including cocaine, ecstasy, marihuana and oxycodone, as well as 12 firearms (including pistols and two AK-47 automatic assault rifles), thousands of rounds of ammunition, vehicles, watercrafts, bullet proof vests and over \$75,000 in cash. Over 300 charges were laid against the individuals involved in these criminal organizations. Further, information obtained from the investigation was shared with police in the United States, resulting in the arrest of six people and the seizure of four vehicles and over \$100,000 by the Oswego Police Department in New York State. 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-TELEX, a seven-month joint investigation conducted by C&E in Nova Scotia, several other RCMP operational units in the province, and the Audit and Enforcement Unit of the Fuel and Tobacco Compliance Branch of Service Nova Scotia and Municipal Relations. In this case, a Halifax-based criminal organization, led by a known international drug trafficker, was trafficking large amounts of contraband tobacco and marihuana obtained from Quebec for resale in the Halifax Regional Municipality.

The May 2011 takedown of this organized crime group resulted in the arrest of five Halifax-area residents and the seizure of 3,500 cartons of contraband cigarettes, six vehicles and a kilogram of marihuana. The investigation significantly disrupted the activities of this criminal organization.

Between 2009 and 2011, the Montreal RCMP C&E unit conducted a two-year investigation named 'Project CASTELNAU', which targeted an organized crime group involved in the contraband tobacco trade. It was determined through the investigation that the criminal organization was supplied with illicit tobacco products by different manufacturers and distributors from Kahnawake and Akwesasne, which the group then resold or distributed to other areas, such as Maniwaki and Listuguj. Approximately 100 police officers collaborated in the execution of eight search warrants which resulted in the arrest of 6 people and the seizure of cocaine, firearms, 40 luxury vehicles – including Aston Martin, Porsche, Rolls Royce and Hummer – more than \$100,000 in cash and a suspected piece of tobacco machinery. Through the course of the investigation, 10,400 cartons of illegal cigarettes were also seized.

In March 2010, after receiving reliable information regarding contraband tobacco smuggling, the RCMP C&E unit in Prince Edward Island engaged in Project LYNCH, an operation which targeted two individuals who, in 2009, had been previously convicted of crimes pursuant to the *Excise Act, 2001* and the *PEI Provincial Tobacco Tax Act*. From March 2010 to April 2011, numerous investigative techniques were employed by the C&E investigators, including judicial authorizations and surveillance, which ultimately uncovered local suspects travelling to Kahnawake, Quebec, to purchase cigarettes for illegal resale in Prince Edward Island. As a result of the investigation, approximately 950 cartons of cigarettes and 6 vehicles were seized, 12 people were charged for *Criminal Code* offences and 3 people were charged for a *PEI Provincial Tobacco Tax Act* offence.

In November 2010, at the culmination of a significant investigation by the RCMP in the Estrie region of Quebec, ten search warrants were executed in relation to an organized crime group involved in the contraband tobacco trade. As a result of the operation, 13 people were arrested and 2050 cartons of illicit cigarettes, a kilogram of marihuana, a large quantity of counterfeit movies and computer software programs, 8 vehicles and \$22,000 in cash were seized.

In December 2010, the Cornwall Regional Task Force (RTF), with assistance from investigators with the Cornwall Combined Forces Special Enforcement Unit – Contraband Tobacco Initiative (CFSEU-CTI), executed search warrants at four waterfront properties in South Glengarry, Ontario. At one of the search locations, three contraband tobacco smugglers barricaded themselves inside the residence and had to be removed with the assistance of the RCMP Emergency Response Team and the RCMP Explosive Devices Unit. A total of 3,500 baggies of contraband cigarettes and approximately 25 pounds of marihuana were seized from these

locations, while seven individuals were arrested for a variety of offences pursuant to the *Excise Act, 2001*, the *Criminal Code* and the *Controlled Drugs and Substances Act*.

Also in December 2010, the Cornwall CFSEU-CTI conducted an investigation into a group of smugglers who were transporting contraband tobacco from a waterfront residence on the St. Lawrence Seaway to nearby rural locations. The operation led to the simultaneous execution of search warrants on three residences. Four individuals were subsequently arrested and charged, and 329 unmarked bags of illegal cigarettes, debt lists and ledgers, a sawed-off shotgun, 21 improperly-stored rifles, a vehicle and \$35,000 in cash were seized.

In February 2011, the RCMP Regina Border Integrity Section, in collaboration with CBSA and with the assistance of Saskatchewan Finance, began Operation FALTO, an investigation into contraband tobacco originating from Akwesasne and being sold in and around Moose Jaw. Investigators involved in the operation undertook complex investigative methods, including the employment of three Dial Number Recorder Warrants and the execution of two Search Warrants on residential properties. The investigation resulted in the seizure of over 1000 cartons of contraband cigarettes, a fifth-wheel travel trailer, a firearm, marijuana and drug paraphernalia. Three individuals were subsequently arrested and charged for offences pursuant to the *Excise Act, 2001* and the *Saskatchewan Tobacco Tax Act*. The matter is still before the courts.

In March 2011, after receiving information concerning illegal activities related to cigarette smuggling, the RCMP Central St. Lawrence Valley Detachment, in collaboration with the Sûreté du Québec (SQ), made a major seizure of contraband tobacco, which was found in a 45-foot trailer when police officers intercepted the smugglers in the Saint-Anicet area. The seizure included approximately 30,000 unmarked bags of illegal cigarettes, a semi-tractor, a trailer and a vehicle used to transport tobacco products. The total value of the seizure is estimated at nearly \$825,000. Two individuals were arrested and were charged with offences pursuant to the *Excise Act, 2001* and *Quebec's Tobacco Tax Act*.

Overseas Smuggling

In partnership with the CBSA and Alberta Gaming and Liquor Commission (AGLC), Calgary C&E investigators disrupted an organized crime group that was smuggling cigarettes, not for legal resale in Canada, via Project KAUTERIZE. The investigation was launched as a result of seizures made by CBSA, over the course of approximately one year, of packages containing illegally-imported counterfeit and Vietnamese-brand cigarettes. Despite the CBSA-interception of over 80 shipments, totaling over 1,000 cartons of illegal cigarettes, the packages continued to be shipped and the amount of illicit cigarettes per shipment increased. In December 2010, a

suspect was identified and arrested, resulting in the subsequent execution of a search warrant and the seizure of approximately 300 cartons of illicit cigarettes.

In April 2009, CBSA officers shared information with the RCMP after intercepting a sea container at the Port of Vancouver which held unstamped and counterfeit cigarettes destined for Toronto. A subsequent two-year major investigation commenced as the CBSA, RCMP and numerous other Canadian and international agencies worked in partnership to identify the organization or individuals responsible and seize additional containers. During the course of the investigation, a total of 11 sea containers, sent from Asia to Canada, were intercepted and seized at ports in Vancouver and Toronto. These interceptions accounted for the seizure of 583,600 cartons of cigarettes and 6,270 kilograms of Phenyl-2-Propanone, more commonly known as P2P, a Schedule VI substance in the Controlled Drugs and Substances Act and key ingredient in the manufacture of methamphetamine and amphetamine. In October 2011, arrests and search warrants were executed simultaneously in both British Columbia and Ontario, which culminated in the arrest of eight individuals, and warrants of arrest issued for two additional individuals, all of whom allegedly belong to an Asian organized crime group. The success of this investigation is a result of the collaborative efforts between the Canada Revenue Agency (CRA), Environment Canada - Enforcement Branch, the Canadian Food Inspection Agency, Ontario Government, British Columbia Ministry of Finance - Investigations Unit, the Toronto Police Service, the People's Republic of China - Ministry of Public Security, the Hong Kong Police, Taiwan's National Police Agency, CBSA and RCMP C&E teams in both Toronto and Vancouver.

Ongoing Initiatives

The Central St. Lawrence Valley RCMP Detachment, located in Valleyfield, Quebec, experiences massive amounts of contraband tobacco moving through its policing area. The contraband is smuggled from the United States across the St. Lawrence Seaway to drop points along the Cornwall-Valleyfield corridor, at which point it is entered into the illegal tobacco market in Canada. In response, Central St. Lawrence Valley Detachment regularly conducts high intensity surge enforcement operations to target and enhance enforcement activity. During this ongoing initiative, C&E investigators from across the country participate in two-week enforcement operations at the Central St. Lawrence Valley Detachment. From November 2010 to April 2011, four of these high intensity surge operations were conducted by the Central St. Lawrence Valley Detachment, which resulted in the disruption of an organized crime group, the arrest of 29 individuals and the seizure of over 55,000 cartons/unmarked bags of illegal cigarettes, over 5,000 kilograms of fine cut tobacco, 20 vehicles and an AK-47 automatic assault rifle.

In support of efforts to enhance coordination and awareness with Public Prosecutions Service of Canada (PPSC), the C&E Program in New Brunswick developed and implemented a Legal Application Support Team (LAST). In addition to raising awareness of the C&E mandate, the new LAST investigators examine ways to include PPSC at the outset of an investigation, which enables early advice from, and cooperation with, the PPSC on C&E projects. The LAST initiative has been well-received with PPSC and has also helped to ensure the appropriate applications of federal law regarding the control of contraband tobacco.

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 CRA, the SQ, Service de police de la Ville 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, Ministère de la Santé et des Services Sociaux 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 benefitted 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. All operations are conducted under the direction and control of the law enforcement officers of the "host" country, assisted by the law enforcement officers of the "visiting" country. Future 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. SHIPRIDER has been used in the past between both countries as pilot projects in 2005 and 2007, and in security operations for the Vancouver 2010 Winter Olympics and G8/G20 Summits in Toronto. In 2011, two C&E investigators from the Central St. Lawrence Valley RCMP Detachment, and one from the Lacolle RCMP Detachment in Quebec, attended the specialized SHIPRIDER training in South Carolina, United States. The legislation required for SHIPRIDER to become fully operational was passed by the Canadian government in June 2012.

Summary

From May 2010 to April 2011, at least 13 organized crime groups of various levels of sophistication involved in contraband tobacco were disrupted, and over 1,200 charges related to the *Excise Act, 2001* were laid, as a result of RCMP investigations across the country. Further, from May 2008 to May 2011, over 4,200 charges related to the *Excise Act, 2001* were laid as a result of RCMP investigations.³ The success of these and other 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.*

Recognizing the need for strategic and tactical coordination of activities, 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

³ The number of *Excise Act, 2001* charges displays a significantly higher total than the charges provided on the previous two Progress Reports on the Contraband Tobacco Strategy. This new total is attributed to the mistaken exclusion of charges laid within regions which employ the services of an Agent for the Federal Crown, a private-sector lawyer who conducts prosecutions on behalf of Public Prosecution Service of Canada. (Agents for the Federal Crown are typically used in areas where Public Prosecution Service of Canada does not have a regional office or where it is impracticable or otherwise not cost-effective for cases to be handled by staff counsel.

Reference: <http://www.ppsc.gc.ca/eng/aaf-man/index.html>.)

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 and CBSA continue to collaborate on the clarifications of roles and responsibilities in relation to the enforcement of the Customs Act, as well as the development of joint strategies to guide the agencies' operations, both domestically and abroad.

The RCMP has also continued to work with the CRA in the development of a memorandum of understanding, which will facilitate the flow of information between the two agencies in the administration and enforcement of the *Excise Act, 2001*. Both organizations have been involved in the completion of a draft of the Information Sharing Framework, which has received approval from the CRA Director General of the Excise and GST/HST Rulings Directorate. Currently with the RCMP for final approvals, the Information Sharing Framework draft, which is the result of a great deal of work by both the CRA and the RCMP, is close to being finalized and implemented.

Divisional Tobacco Coordinator positions have been established and assigned in all provinces staffed with C&E members. Further, Unit Tobacco Coordinator positions, one for each individual C&E office, have been developed in most provinces. Divisional and Unit Tobacco Coordinators within those provinces meet to discuss Strategy implementation and reporting timelines and requirements.

By both maintaining past partnerships and developing new ones directed at combating contraband tobacco, the RCMP in all provinces have fostered effective information and intelligence sharing as well as focused target identification. In some provinces, as is detailed below, the RCMP has pursued the development of information sharing protocols even further, to better enable intelligence sharing within existing legislation, policies and procedures. This cooperation between federal and provincial law enforcement is a key element in conducting effective and efficient investigations, thereby disrupting criminal organizations.

Though the annual Canada-U.S. Tobacco Diversion Workshop has been advantageous to all those in attendance, the current fiscal environment has led to the event's postponement during this reporting period.

Eastern Canada

The RCMP in Newfoundland and Labrador has, in numerous ways, embraced the practice of information and intelligence sharing. Two members of the RCMP St. John's C&E Unit are seconded to the Royal Newfoundland Constabulary (RNC); these members work jointly with the

RNC in order to enhance information sharing and improve the identification of illicit tobacco targets. The RCMP's presence at Criminal Intelligence Service Newfoundland and Labrador meetings, as well as other *ad hoc* intelligence and partner gatherings, allows them to meet regularly with local representatives of the CBSA, the CRA, Canada Post, Parks Canada, Canadian Wildlife Service, Correctional Service of Canada, the Newfoundland and Labrador Department of Natural Resources, the Newfoundland Liquor Corporation, the Newfoundland and Labrador Department of Finance, the Newfoundland & Labrador Department of Environment and Conservation, Fisheries and Oceans Canada, Canadian Air Transport Security Authority, Newfoundland and Labrador Highway Enforcement, and the RNC, as well as the French Gendarmerie Nationale and the Gendarmerie Maritime of Saint-Pierre et Miquelon. The RCMP has also met with representatives of the private sector, including Bell Aliant Security Services, Marine Atlantic and private tobacco distributors. These meetings have led to the clarification of each agency's roles and responsibilities regarding illicit tobacco intelligence, information and enforcement, have facilitated cooperation along with the development of memoranda of understanding between various agencies and programs, and are a forum for the sharing of pertinent information.

As a participant in the newly developed Atlantic Provinces Tobacco Committee, a group which gathers biannually, the RCMP in New Brunswick, Prince Edward Island, Nova Scotia and Newfoundland and Labrador have met with representatives from CRA, Health Canada and the New Brunswick Department of Finance to discuss contraband tobacco issues and initiatives, as well as the impacts of contraband tobacco on all levels of government. Further, RCMP members in New Brunswick took part in intelligence meetings attended by numerous municipal police forces, including Saint John Police Force, Fredericton Police Force and Woodstock Police Service.

In Nova Scotia, the RCMP C&E Unit continues to participate in monthly intelligence meetings on the subject of 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.

To provide a streamlined and consistent delivery of the C&E mandate, the two RCMP C&E units in New Brunswick were restructured into a single unit, which is managed by a senior officer having oversight of the entire program in the province. Further, some C&E investigators have been integrated with the Pipeline/Convoy/Jetway Program – a national program to train and assist police officers on the detection of travelling criminals – in New Brunswick, which allows

for expedient specialized assistance during investigations into interdicted illicit tobacco loads from the Roving Traffic Unit and RCMP detachments.

Central Canada

The Cornwall RCMP Integrated Criminal Intelligence Section continues to chair 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 (CBP), Office of Border Patrol; the New York State Police; U.S. Immigration and Customs Enforcement (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 U.S. Coast Guard.

Being within the most active contraband tobacco smuggling region of Canada, a number of joint enforcement initiatives are centred in Cornwall, Ontario. Restored in January 2010, the Cornwall Regional Task Force brings together the RCMP, the OPP, the CCPS, the Ontario Ministry of Revenue and the CBSA to combat organized crime and its involvement in contraband tobacco and other forms of criminality. Further, in April 2010, the RCMP established the Combined Forces Special Enforcement Unit–Contraband Tobacco Initiative (CFSEU-CTI), which is also based in Cornwall. The CFSEU-CTI is specifically mandated to target organized crime involved in the manufacture and distribution of contraband tobacco. Operating in the Cornwall–Valleyfield corridor, the team includes resources from the RCMP, the OPP, CCPS and other interested law enforcement agencies, and is complemented by dedicated criminal analysis and community outreach resources.

The London C&E Unit established a joint intelligence group and hosts meetings every month to share information on current trends and intelligence regarding the contraband tobacco industry, as well as to discuss future joint forces operations. Within this Joint Intelligence Group, the RCMP has partnered with the Ontario Ministry of Health, the Ontario Ministry of Revenue, CBSA, CRA and OPP.

RCMP investigators with the Hamilton-Niagara and London C&E units continue to be integral participants of a Tobacco Working Group, comprised of the Ontario Flue-Cured Tobacco Growers' Marketing Board, the CRA and the Ontario Ministry of Revenue. The Working Group provides RCMP officers with invaluable insight into the control of raw-leaf tobacco, aspects of which are overseen by the Board. Further, investigators with the Ottawa C&E team hold regular meetings with Project ACCES, Ottawa Police Service, OPP, SQ, CBSA and CRA to share information and intelligence, and to develop a common and concerted approach to effectively tackling illicit tobacco in the region.

In Quebec, the Montreal C&E Unit maintains regular communication with the members of Project ACCES, CBSA, U.S. Alcohol, Tobacco, Firearms and Explosives (ATF) and the Kahnawake Peace Keepers to discuss operational files and trends regarding illicit tobacco. The Côte-Nord RCMP Detachment maintains monthly contraband tobacco intelligence meetings with the SQ.

Western Canada

During the reporting period, the RCMP in Alberta has attended 102 meetings with partner agencies, including CBSA, CRA and the Alberta Gaming and Liquor Commission, and 23 meetings with municipal police forces, intelligence units and Alberta Sheriff members, on the subject of illicit tobacco and intelligence sharing. In May 2010, Alberta RCMP C&E investigators attended the Cross Border Montana / Alberta Tobacco Workshop in Coutts, Alberta; representatives from CBSA, CRA, AGLC, U.S. ICE and U.S. CBP attended this annual initiative designed to discuss tobacco diversion trends and best practices.

In Manitoba, RCMP C&E investigators organized and hosted the North West Region Border Integrity Conference, which brought together American & Canadian enforcement and regulatory agencies to share information regarding the illicit tobacco trade. The RCMP in Manitoba continues to coordinate regular meetings with investigators from CBSA and Manitoba Finance. They have also developed a Tobacco Intelligence Team; members of the RCMP, CBSA and Manitoba Finance are situated in the same location in the Winnipeg C&E office, which allows for timely information-sharing between provincial partners.

RCMP Border Integrity investigators in Saskatchewan participate in quarterly intelligence meetings in Havre and Plentywood, Montana, which are also attended by representatives of U.S. CBP, U.S. Federal Bureau of Investigations (FBI), U.S. ATF, Saskatchewan Finance, Alberta Revenue, various municipal agencies and RCMP Integrated Intelligence Units; contraband tobacco issues and investigations are amongst the topics discussed. In November 2010, RCMP Border Integrity officers in the province were also present for the Project North Star Conference in Grand Forks, North Dakota, a meeting well-attended by numerous enforcement partners that featured discussions and presentations on cross-border contraband tobacco smuggling. In addition to a Memorandum of Understanding between the RCMP and Health Canada, which stipulates policy and information sharing procedures between both agencies, a comprehensive information sharing protocol – clearly setting agency responsibilities and information sharing policy – was developed between the Saskatchewan RCMP, CBSA, U.S. Coast Guard, U.S. CBP and U.S. ICE.

In British Columbia, the RCMP Border Integrity Intelligence Unit hosts 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. As with similar meetings held in other provinces across Canada, these meetings promote information-sharing, target identification and the coordination of responses to seizures and incoming information regarding the illicit tobacco market. In October 2010, the RCMP Divisional Tobacco Coordinator for British Columbia initiated new working relationships with the Ministry of Finance and a representative from Philips Morris International, with the goal of developing a presentation to assist with recognizing legitimate products versus counterfeit cigarettes. Law enforcement partners including CBSA, municipal police forces and other RCMP federal units have indicated an interest to attend such a much-needed presentation, which is currently in development.

Priority 3: Outreach

Initiatives:

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

As the Canadian contraband tobacco market continues to be dominated by tobacco products originating from Aboriginal communities in Central Canada and the adjacent state of New York, increased dialogue with these communities is crucial to the success of addressing the illicit tobacco trade. In recognition of same, the RCMP has continued to engage with First Nations communities in Quebec and Ontario, as well as with other First Nations communities across the country. For example, a Joint Investigative Team created between Cornwall and Akwesasne, to facilitate the development of common strategies, continues to operate successfully from the offices of the Akwesasne Mohawk Police Service (AMPS).

In partnership with the SQ, the Temiskaming First Nation Police and the Notre-Dame-du-Nord Band Council, investigators with the Abitibi-Témiscamingue-Nouveau-Québec RCMP Detachment, located in Rouyn-Noranda, developed a strategy to educate the community on illegal activity, including drugs and illicit tobacco, occurring on the reserve. Further, during meetings with First Nations Police Chiefs, the Quebec RCMP Aboriginal Policing Coordinator continues to speak about, and bring awareness to, contraband tobacco issues.

Though the administration of programs to address the harm of tobacco in Aboriginal communities is managed by Health Canada, the Saskatchewan RCMP Divisional Tobacco Coordinator, whenever needed, has liaised with provincial Health Canada representatives in order to assist in Aboriginal communities regarding tobacco issues. RCMP C&E investigators in Manitoba have maintained positive dialogue with the Grand Chief of the Assembly of Manitoba

Chiefs about the issue of illicit tobacco. The New Brunswick RCMP C&E program introduced the role of a coordinator who is responsible for working with First Nations regarding tobacco issues. In Newfoundland and Labrador, RCMP investigators take part in ongoing consultations about illicit tobacco with the Chief of the Miawpukek First Nations community.

In Alberta, C&E members visited three RCMP detachments located within First Nations communities in order to educate investigators about the illicit tobacco problem. Following a January 2011, tobacco seizure on the Montana First Nation in Hobbema, a committee was created to meet with the RCMP Divisional Aboriginal Policing Coordinator in order to determine the extent of illicit tobacco sales on First Nations reserves, develop strategies and make recommendations as required.

The RCMP has undertaken numerous other outreach initiatives across the country to educate private sector entities and partner agencies about the illicit tobacco trade and to encourage the reporting of suspicious activities:

- Investigators with the Toronto North C&E Unit attended the Ontario Korean Businessmen's Association Trade Show and were present at a kiosk relating to the illicit cigarette market. Police officers with Toronto North C&E have also conducted contraband tobacco presentations for the OPP, Barrie Police Service, the Ontario Ministry of Revenue Tobacco Enforcement Unit, the Ontario Convenience Store Association and the National Coalition Against Contraband Tobacco.
- In October 2010, the Cornwall CFSEU-CTI developed and staffed a new Crime Prevention Officer position, with the responsibility of presenting outreach and awareness campaigns to private businesses and community members regarding contraband tobacco.
- Investigators with the Kingston RCMP Proceeds of Crime Unit regularly meet with private sector employees in an effort to develop contacts and educate them on the negative effects of money laundering in support of criminal activities, including the contraband tobacco trade.
- Hamilton-Niagara RCMP investigators have met and established partnerships with the private sector in the United States and Canada who are involved in various aspects of the tobacco industry.
- In Quebec, the Saguenay RCMP met with members of the local Chamber of Commerce to discuss the contraband tobacco problem and the consequences on convenience stores and the local economy.
- The RCMP in Alberta continued to meet with four courier and transport companies throughout the province in order to educate employees about contraband tobacco

smuggling and shipping, how they might recognize such a shipment and the steps they should then take.

- The RCMP in Saskatchewan connected with courier and transport companies in the province regarding the potential for contraband tobacco to be shipped using their company's services. As a result of this initiative, information provided by a courier company led to an RCMP seizure of 213 cartons of cigarettes in May 2011.

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.*

Monitoring resource allocation for C&E units continues on an ongoing basis. At the National level, C&E Branch developed and manages resource tracking tools, including quarterly collection and analysis of investigator staffing levels and vacancies and secondments for each C&E unit, to accurately and consistently monitor resource allocation. At the provincial level, 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 G8 Summit in Muskoka and the G20 Summit in Toronto.

In aid of the second initiative in this area, assessing C&E program effectiveness, C&E Branch, in consultation with National Program Evaluation Services, is conducting an evaluation of the 2008 Contraband Tobacco Enforcement Strategy for the period of 2008–2011. This evaluation will focus on program goals with respect to four main areas: continued relevance, success, cost-effectiveness and design and delivery of the Strategy. It is anticipated that the feedback obtained through consultations with a variety of stakeholders will result in refined Strategy objectives.

The RCMP in Kingston created and staffed an Aboriginal Liaison Officer position for the detachment's policing area. This liaison officer has been working closely with the Chief of the Tyendinaga Police Service and the Band Council in order to strengthen partnerships and further open the lines of communication. In the Hamilton-Niagara region, investigators have established a positive working relationship and have strengthened communication with the Six Nations Police. A successful partnership between the Cornwall RTF and Central St. Lawrence Valley Detachment with AMPS in the Akwesasne Mohawk Territory has been maintained via the

Joint Investigative Team in which RCMP investigators work directly within the offices of the AMPS.

The RCMP in New Brunswick has created the role of a contraband tobacco coordinator to work with First Nations communities. In Quebec, the RCMP Aboriginal Policing Coordinator continues to meet and exchange information with First Nations police services and communities, consistently emphasizing the contraband tobacco trade. In Nova Scotia, C&E investigators conducted a presentation on contraband tobacco to citizens, council members and RCMP officers of a local First Nations community.

As previously mentioned, a committee was established in Alberta, in consultation and cooperation with the Alberta RCMP Divisional Aboriginal Policing Coordinator, to determine the scope of illicit tobacco sales on First Nations reserves, develop strategies, make recommendations and reduce Aboriginal criminal involvement and victimization with respect to illicit tobacco.

Priority 5: Impact Crime through Education and Awareness

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.*
- *Maximize the use of RCMP Internet and Intranet sites.*

Raising public awareness of the illicit tobacco trade, as well as the consequences of purchasing and possessing contraband tobacco products, is pivotal in reducing consumer demand for such products. Across the country, the RCMP has continued to have a positive impact on crime through education and awareness efforts during the third year of the Strategy.

For example, over a two month period, the RCMP Central St. Lawrence Valley Detachment Commander, together with the SQ, participated in public meetings with thirteen municipal mayors to heighten awareness of the public safety issues associated with the illicit tobacco trade. As a result of the meetings, the mayors had an opportunity to converse with police representatives regarding their constituents' fear about contraband tobacco smugglers

trespassing on their properties and the dangerous operation of vessels running at high speeds, without navigation lights, on the St. Lawrence Seaway.

Hamilton-Niagara RCMP investigators, in collaboration with the Ontario RCMP Tobacco Analyst and representatives of the Ontario Ministry of Revenue, developed a joint illicit tobacco presentation aimed at explaining the authorities that front-line officers can use to seize contraband tobacco. The presentation has been successfully delivered to numerous police officers of municipal police forces and the OPP.

Throughout the country, RCMP investigators have made education and awareness presentations to a variety of groups and partner agencies in order to heighten awareness about the public safety and health consequences⁴ of the illicit tobacco trade:

- In Windsor, Ontario, C&E officers partnered with local merchants, enforcement agencies, CBSA and the Ontario Ministry of Revenue to develop an awareness strategy. As part of the collaborative strategy, a C&E investigator attended a local mall for a week to work in an informational booth. The RCMP officer provided members of the community with pamphlets and leaflets about health and safety issues regarding the illicit tobacco trade, and was able to answer questions and discuss the issue the public.
- In Prince Edward Island, RCMP investigators delivered presentations on illicit tobacco to the PEI Tobacco Reduction Alliance. C&E members in the province also established a partnership with the RCMP Drug Awareness Coordinator for Prince Edward Island, who as a result speaks about contraband tobacco issues while engaging students and public interest groups on drug awareness initiatives.
- In Nova Scotia, C&E investigators have given numerous presentations to schools, other policing agencies, RCMP general duty police officers and a First Nations community regarding the contraband tobacco trade.
- Investigators with the Toronto East RCMP Detachment delivered presentations on the illicit tobacco trade to the Hamilton St. Joseph's Smoke-Free Initiative, as well as to attendees at a Halton Region Tobacco Control group seminar. As previously mentioned, Toronto North RCMP Detachment investigators conducted contraband tobacco presentations for the OPP, Barrie Police Service, the Ontario Ministry of Revenue Tobacco Enforcement Unit, the Ontario Convenience Store Association and the National Coalition Against Contraband Tobacco.

⁴ Health Canada studies have shown that the chemical substances found in the smoke from contraband cigarettes are the same as those found in the smoke of cigarettes that are legally sold in Canada. According to Health Canada, the potential risks to health from long-term exposure to contraband cigarette smoke are the same as for cigarettes sold legally in Canada.

- In Alberta, Calgary RCMP C&E investigators delivered a presentation on the illicit tobacco identification, investigations and seizure authorities to police officers with the Calgary Police Service.
- In Saskatchewan, Regina RCMP Border Integrity investigators have given presentations on illegal tobacco and the C&E mandate to the Regina City Police and the Moose Jaw Police Service, to 6 local RCMP Detachments and at RCMP operational orientation courses. Saskatoon Border Integrity investigators have visited 13 regional detachments to discuss contraband tobacco and have delivered 5 presentations to the Saskatoon Police Service (SPS), resulting in over 130 SPS members being trained in conducting contraband tobacco investigations. Further, the Regina Border Integrity unit, with the Saskatchewan Revenue Division - Enforcement Unit, conducted an illicit tobacco presentation at a RCMP Traffic Services provincial conference. The presentation provided information about the latest trends in the manufacture and distribution of contraband tobacco, with the goal of enabling traffic members to detect illicit tobacco during dedicated vehicle check stops.
- Investigators with the Cornwall CFSEU-CTI conducted a presentation about contraband tobacco enforcement and the role of the CFSEU-CTI team at the 2nd Bi-National Conference on Illicit Tobacco Trade, held in Toronto in February 2011.
- Investigators at the Côte-Nord RCMP Detachment in Quebec attended six kiosks at a local shopping mall in order to speak to and educate community members about contraband tobacco. Further, Gaspé RCMP Detachment police officers delivered a presentation about the RCMP's C&E mandate, including the commitment to tackle illicit tobacco smuggling, to several community members at Îles de la Madeleine.

The RCMP in Hamilton-Niagara developed and distributed a handbook for partner police agencies that detail how to identify contraband tobacco, as well as investigational and seizure authorities, and contact information for local RCMP investigators and other partners. A modified version of the handbook was also created and distributed for non-policing partners, such as courier companies, to better inform their employees about illicit tobacco and to provide them with contact information for contraband tobacco investigators. Further, Hamilton-Niagara C&E investigators, in partnership with the Ontario Ministry of Revenue, have also visited Niagara area storage unit rental sites (often used by smugglers to hold goods) in order to educate owners and employees about contraband tobacco and reporting suspicious activity.

The contraband tobacco situation in Canada has continued to be depicted on television. In November 2010, investigators with the Cornwall RTF assisted producers and reporters of *W5*, an investigative current affairs and documentary program produced and aired by CTV, regarding a story on the contraband tobacco trade within the region. The episode, which aired

on CTV in January 2011, effectively conveyed the illicit tobacco smuggling situation around Cornwall. In Nova Scotia, the RCMP worked with Crimestoppers to produce new public service announcements (PSA) regarding contraband tobacco. These PSAs were regularly aired, including during peak viewer occasions such as playoff hockey, which resulted in numerous tips being reported to the RCMP. A Crimestoppers PSA about illicit tobacco was aired in Lethbridge, Alberta, which also resulted in several tips being provided to each of Alberta's three RCMP C&E units. The Newfoundland and Labrador RCMP have been working with Crimestoppers in the province on producing and airing similar contraband tobacco PSAs. Calgary-area CBC, CTV and Global stations broadcasted a C&E news conference held at a local waste and refuge facility; C&E investigators spoke about the contraband tobacco situation while destroying seized illicit tobacco.

In Quebec, investigators with the Gaspésie-Îles-de-la-Madeleine RCMP Detachment had two articles detailing the legal and financial consequences of contraband tobacco, as well as the involvement of organized crime in the illicit tobacco trade, published in a local newspaper. As a result of collaborative efforts between Central St. Lawrence Valley Detachment investigators, the Quebec RCMP Communications unit and CBC Radio Canada, a brief report regarding contraband tobacco was broadcast on the CBC radio station. In addition, an article covering the problems and effects of contraband tobacco smuggling in the region were published in a Quebec RCMP journal for police officers.

Investigators with the Cornwall CFSEU-CTI have organized and chaired town hall meetings with community stakeholders to discuss the local contraband tobacco trade and the links between illicit tobacco smuggling and organized crime. In the spring of 2011, CFSEU-CTI and Cornwall RTF investigators participated in a consultative meeting, hosted by the OPP, with shoreline residents on the St. Lawrence Seaway about contraband tobacco issues in the community. Further, a co-op student recently hired by the CFSEU-CTI team will liaise with the local schools to teach students that the purchase of contraband tobacco facilitates organized crime. CFSEU-CTI investigators also continue to provide interviews to national and local media outlets.

RCMP C&E Branch has produced several internal newsletters, which have been distributed to every C&E unit across the country. A new RCMP contraband tobacco brochure, focusing on the links between organized crime and illicit tobacco products, has been developed by the C&E Branch with input obtained through consultations with Health Canada. In conjunction with the pamphlet, contraband tobacco display cases, showing samples of seized illicit tobacco packages, have been assembled and are being sent to the RCMP in all provinces for use during illicit tobacco presentations.

C&E Branch has also assisted the Cornwall CFSEU-CTI with the development of a billboard message campaign designed to educate the general population on the link between contraband tobacco and organized crime. Several billboards and posters were installed throughout the region and outreach efforts have been undertaken with local sport associations.

Strategic intelligence assessments on the contraband tobacco trade, which contain protected information, continue to be produced and published by the RCMP. Declassified versions of these specific reports have not been publicly released as the intelligence assessment would be incoherent without the inclusion of sensitive, classified information. CEB does make the statistical analysis of seizures contained within these intelligence assessments publically available on the RCMP internet website⁵. Also available on the website are pertinent research and evaluation reports about the contraband tobacco trade, including Contraband Tobacco Enforcement Strategy Progress Reports and the *Communities, Contraband and Conflict: Considering Restorative Responses to Repairing the Harms Implicit in Smuggling in the Akwesasne Mohawk Nation* report.⁶ Further, the C&E Program in New Brunswick, for example, provides declassified seizure reports, and other strategic reports regarding illicit tobacco, to their enforcement partners at the New Brunswick Department of Finance.

The National C&E Internet site continues to successfully promote contraband tobacco education and awareness by featuring updated reports and statistics, and highlighting initiatives such as the Contraband Tobacco Strategy. For the period from May 2010 to April 2011, over 19,000 visits were made to the site.

Other RCMP units throughout the country have also developed internal and public Internet sites to promote contraband tobacco awareness and information sharing. In Newfoundland and Labrador, C&E investigators, in consultation with the RCMP Media Liaison / Internal Communication Consultant, developed an internal website where RCMP officers can find information about the C&E program, seizure statistics and contraband tobacco. In British Columbia, the RCMP has continued to move forward with the creation of a public internet site focused on contraband and counterfeit tobacco; the website features a secure link for law enforcement to obtain information about legal authorities and proper procedures when dealing with contraband tobacco, as well as contact information for local C&E investigators. In Saskatchewan, a new link on the provincial RCMP's internal internet site provides useful information to police officers regarding the Contraband Tobacco Enforcement Strategy and conducting illicit tobacco investigations. RCMP detachments in the province are also provided

⁵ Statistical information from the strategic intelligence assessments can be found at <http://www.rcmp-grc.gc.ca/ce-da/tobac-tabac/stats-2011-eng.htm>.

⁶ These reports and other RCMP publications can be found at <http://www.rcmp-grc.gc.ca/pubs/index-eng.htm>.

with regular updates regarding contraband tobacco via the RCMP email system. In Alberta, a new RCMP Border Integrity internet site features information on the three C&E units in the province, as well as the priorities of the national tobacco strategy.

A number of other efforts have been made to educate the public and deter people from participating in, or supporting, the illicit tobacco trade. RCMP C&E investigators in Newfoundland and Labrador developed warning letters and pamphlets which are delivered to individuals identified through Canada Post mail seizures as being in contravention of the *Excise Act, 2001*. The pamphlets offer information about the laws and penalties resulting from contraband tobacco possession. In Manitoba, the RCMP has continued to provide informational pamphlets on illicit tobacco to licensed retailers in the province. In Saskatchewan, the RCMP has developed, and shared with provincial tobacco partners and RCMP detachments, notebook-sized cards, containing information on contraband tobacco along with contact numbers.

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).*

Recognizing that strengthened tobacco controls have an effect on the availability of illicit tobacco, the RCMP has continued to contribute to the development of a protocol aimed at eliminating the illicit trade in tobacco products under the World Health Organization's Framework Convention on Tobacco Control, an international public health treaty ratified by approximately 170 countries. The RCMP is also working with the interdepartmental government community to identify shortcomings and vulnerabilities in Canada's legislative and regulatory framework with respect to the illicit tobacco trade.

After assessing the viability of additional amendments intended to enhance the government's ability to reduce the impact of the illicit tobacco trade, RCMP investigators in Prince Edward Island met with and assisted the province in drafting the new Tobacco Tax Act legislation, which is now in force. Amongst other changes, this new legislation was amended to reflect a large increase in fines - amounting to five times the actual tax rate - resulting in the largest provincially-levied fines for illicit tobacco possession amongst all Atlantic provinces.

Priority 7: Conducting Research

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 continues to be a challenge due to the complexity of the illicit tobacco 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 investigators with the Hamilton-Niagara and London C&E units are integral members of a Tobacco Working Group, comprised of the Ontario Flue-Cured Tobacco Growers' Marketing Board, the CRA and the Ontario Ministry of Revenue. The Working Group provides RCMP officers with invaluable insight into the control of raw-leaf tobacco, aspects of which are overseen by the Board. This collaboration has facilitated a better understanding of the means by which raw-leaf tobacco is potentially being diverted to the black market, thus enhancing RCMP investigators' knowledge-base and enforcement abilities. Further, the Tobacco Board added sampling requirements to their 2011 licensing regulations; as a result of this initiative, tobacco farmers must allow local Tobacco Board inspectors and/or government agencies to collect samples of their tobacco crop for testing purposes. The collected tobacco samples will be used to chemically characterize tobacco grown in Canada.

The Hamilton-Niagara RCMP Detachment has also 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. As part of another initiative aimed at increasing knowledge of the contraband tobacco trade, Cornwall CFSEU-CTI investigators have consulted with partner agencies regarding the creation of a public survey exercise; it is anticipated that results from the survey will assist in identifying gaps in enforcement strategy and assist in focusing efforts and communication initiatives regarding contraband tobacco investigations and outreach.

In November 2010, RCMP C&E investigators from Alberta, Manitoba, Ontario, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador, along with RCMP officers from C&E Branch in Ottawa, attended a tobacco conference in Toronto which was hosted by the Interprovincial Investigations Council. The conference provided a platform for professionals

from the law enforcement, policy, private and public health communities, including representatives from the United States and the European Union, to discuss contraband tobacco issues and increase knowledge about the illicit tobacco trade.

Over the past three years, the RCMP has participated in research projects undertaken by the Ontario Tobacco Research Unit at the University of Toronto and the Comprehensive School Health Research Group in Prince Edward Island. Within this reporting period, the RCMP has not had the opportunity to be involved in any new non-governmental research projects.

The RCMP has not developed any new metrics, but rather has relied upon traditional statistical and measurement methodologies based on the scope of tobacco seizures in order to gauge success in decreasing the availability of contraband tobacco. These statistical analyses are published and publically available on the RCMP website.⁷

Priority 8: Employee Selection and Development

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.*

In May 2010, the RCMP National Coordinator for the Contraband Tobacco Strategy began hosting national teleconferences, attended by all divisional coordinators, to review contraband tobacco trends and best practices. This sharing of information, which has continued via monthly teleconferences, enhances the skill set of all those involved in the implementation and management of the Strategy.

RCMP C&E units in each province are working to enhance the skills of their employees. C&E units in several provinces have reviewed investigators' current skill-sets and competencies and, as a result, initiated officer performance improvement plans aimed at targeting specific competencies, address individual weaknesses and plan future development to strengthen those competencies. Investigators in all provinces have successfully undertaken and completed a variety of training workshops and courses to enhance their skills. For example, in Alberta, C&E investigators have been trained in preparing affidavits for search warrants, as well as in conducting investigative interviews. In Prince Edward Island, C&E investigators have received

⁷ The statistical analyses can be located at <http://www.rcmp-grc.gc.ca/ce-da/tobac-tabac/stats-2011-eng.htm>.

training in surveillance, source development and management, and small craft operation. C&E investigators in Nova Scotia have recently been trained in preparing affidavits for Part VI (wiretap) judicial authorizations, surveillance, investigating proceeds of goods obtained by crime offences and undercover officer and cover team techniques; some Nova Scotia C&E investigators have obtained supervisor and management skill development and have attended a contraband tobacco expert witness workshop.

Both the Cornwall RTF and Central St. Lawrence Valley RCMP Detachment have implemented high intensity surge enforcement operations to provide development and leadership opportunities not only to their own investigators, but also to other RCMP C&E investigators who have traveled from across the country to participate in such operations. This initiative has successfully provided all participating investigators with a hands-on familiarization of the working methodology and partnership strategy required within the heart of Canada's illicit tobacco trade.

London C&E investigators, with the assistance of Ontario Ministry of Revenue inspectors, visited a tobacco farm in the Tillsonburg farming community to increase their understanding and awareness of tobacco industry production and practices, as well as to enhance their investigational capabilities. RCMP Toronto West Detachment police officers have been provided with the most recent version of the "Hamilton RCMP C&E Section *Excise Act, 2001* Enforcement Manual".

RCMP C&E units across the country have also identified and put forward resources to assist in increasing the cultural competency and awareness of C&E investigators. In Alberta, six C&E police officers have completed the RCMP Divisional Aboriginal perception training course, and other investigators within C&E have been identified for placement in future sessions of this course. In Prince Edward Island, all C&E investigators have completed the Aboriginal and First Nations Awareness online course. Further, members of the C&E unit are also encouraged to participate in RCMP Divisional cross-cultural awareness training, facilitated by the province's RCMP Aboriginal Policing Coordinator and a local Aboriginal community. In Nova Scotia, all C&E investigators have read a learning manual entitled *Kekina'muek: Learning about the Mi'kmaq of Nova Scotia*, which was released by The Confederacy of Mainland Mi'kmaq and provided to the C&E units by the province's RCMP Community Aboriginal Diversity Policing Services unit. C&E investigators with the Toronto North Detachment attended an Aboriginal law seminar to obtain a better understanding of the various aspects of legislation regarding Native rights and its impact on tobacco investigations.

CONCLUSION

This third 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 CINDERFORD, a joint forces operation which disrupted a drug, weapons and illicit tobacco distribution network involving an organized crime group operating internationally; the drafting of new provincial Tobacco Sales and Access Act legislation in Prince Edward Island with the assistance of the RCMP; the disruption of an Asian organized crime group with the seizure of 11 sea containers following the joint investigative efforts of the CBSA and RCMP; the airing of a contraband tobacco episode of the documentary television program *W5*; Project CASTELNAU, which resulted in the seizure of cocaine, firearms, 40 luxury vehicles, over \$100,000 in cash and over 10,000 cartons of illicit cigarettes; and the development of an extensive network of partners who work with the RCMP across the country to effectively combat organized crime and tackle the illicit contraband tobacco market in Canada.

Although a considerable amount of work has been completed in 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 implementation, enhancing current measures, cultivating new initiatives, sharing best practices, developing and reinforcing partnerships and establishing new strategic methods with the goal of reducing the contraband tobacco market. As such, C&E Branch, in consultation with RCMP National Program Evaluation Services, is conducting a review of the 2008 Contraband Tobacco Enforcement Strategy. The review will focus on program goals of success, design and delivery of the Strategy; it is anticipated to be completed by Fall 2012.