

# Royal Canadian Mounted Police

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# Contraband Tobacco Enforcement Strategy Progress Report

## For the Period May 2008 - May 2009

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## Message from the Commissioner, RCMP

Dear Reader,

One year has passed since the Minister of Public Safety and the RCMP Deputy Commissioner for Federal Policing released the Contraband Tobacco Enforcement Strategy in May 2008. I am now pleased to make available the first annual progress report outlining the achievements to May 2009 and the progress toward attaining the Strategy's strategic goal of reducing the availability of, and the demand for, contraband tobacco.

While adjustments are continually required to increase our effectiveness in addressing the illicit tobacco problem in Canada, the efforts of the past year have produced successes. As well, they demonstrate the RCMP's commitment to addressing the threat to public safety and economic integrity associated



with organized criminal activity in the distribution of contraband tobacco.

The RCMP will continue to work with its partners and stakeholders to build on the lessons learned during the past year, aiming for even greater progress in the future.

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

## I. Executive Summary

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The illicit trade in tobacco products continues to be a serious threat to public safety and the health of Canadians. The scope of the problem is immense: in 2008, the RCMP seized approximately 965,000 cartons and resealable bags of cigarettes nationwide, along with 69,000 kilograms of fine-cut tobacco and 18,000 kilograms of raw tobacco leaf. The illicit tobacco market continues to attract organized crime, undermining Canadians' expectations of safe communities and economic integrity.

The prevalence of illicit tobacco varies significantly from one region of Canada to another. Quebec and Ontario 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. Central Canada is also the primary source of illicit tobacco products found throughout the rest of the country.

In light of the extraordinary growth in the illicit tobacco market over the past few years, it has become increasingly evident that enhanced measures are required to mitigate the effects of this form of criminality. In May of 2008, the Minister of Public Safety launched the RCMP's Contraband Tobacco Enforcement Strategy, which set out eight priorities for its objective of reducing the availability of, and decreasing the demand for, contraband tobacco nationwide while supporting government health objectives.

After three years, the RCMP will conduct a comprehensive review of the Strategy to confirm that its priorities reflect the current contraband tobacco environment. Additionally, annual reports, of which this is the first, will be published to provide updates on the RCMP's progress and any strategic adjustments that may be required.

During the first year of the Strategy, each of its eight priorities has been launched:

- **Disrupt organized crime and the supply chain** - The RCMP, working with a range of partners, has undertaken several enforcement operations, from minor, short-term operations to major, projectstyle investigations using sophisticated techniques. Overall, these efforts have achieved significant success in disrupting illegal tobacco-related activity.
- **Coordination, collaboration, and partnership development** - Across Canada, and to some extent across the border into the United States, the RCMP has developed extensive partnerships in combatting contraband tobacco, enabling it to share information and improve target identification. In addition, some RCMP units have colocated with their law enforcement partners in order to leverage resources and share strategies.
- **Outreach** - The RCMP has encountered various levels of engagement with First Nations communities, ranging from full cooperation (in some cases, successful investigations have been carried out with the help of First Nations police services) to the refusal to accept that contraband tobacco is an illicit activity.
- **Effective use and allocation of resources** - Maintaining adequate human

resource levels are particularly challenging in today's policing environment. In most provinces, the RCMP is experiencing operational pressures and resource-related challenges. These challenges affect overall resource allocation levels to the Customs and Excise Program (which oversees the Contraband Tobacco Enforcement Strategy) and, hence, the Program's productivity.

- **Impact crime through education and awareness** - Education and awareness are key components of the Strategy. Presentations to interest groups, media interviews, and supporting television public service announcements are examples of the initiatives that have been undertaken in this area.
- **Contribute to the development of legislative and regulatory tools** - Experience has demonstrated that strengthening tobacco controls can significantly reduce the profitability of the illicit tobacco trade. The RCMP has been working with an interdepartmental government community to identify shortcomings and vulnerabilities within Canada's existing legislative and regulatory frameworks.
- **Conducting research** - The RCMP collaborated in a project of the Ontario Tobacco Research Unit at the University of Toronto designed to increase knowledge of the illicit tobacco trade. RCMP representatives also participated in a conference that brought together professionals from the law enforcement, policy, and public health communities to discuss issues related to contraband tobacco.
- **Employee selection and development** - Throughout the year, the RCMP has provided training and awareness opportunities to its investigators to ensure that they have the tools to effectively perform their duties. Examples include the on-line Customs and Excise Basic Course, the Customs and Excise Advanced Course, high-intensity enforcement situational awareness, and a host of divisional and regional workshops and awareness sessions.

The RCMP recognizes that adjustments to the Strategy may be required, and will periodically review and reflect on the effectiveness of the measures put in place across the country.

## II. Introduction



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This report outlines the progress that has been made on the RCMP's Contraband Tobacco Enforcement Strategy since it was released in May 2008. It presents an overview of new and ongoing initiatives undertaken to reduce the threat of the current illicit tobacco market.

Many factors contribute to the continuation of Canada's illegal tobacco market, including smokers' motivation to find lower cost options to satisfy their addiction, low public appreciation for the consequences of the illegal tobacco market, ease of access to illegal tobacco products, and the illicit manufacturing and sale of tobacco products.

As context for the progress report, the remainder of this introductory section provides some background information on the role of the RCMP's Customs and Excise (C&E) Program, the history and scope of the contraband tobacco situation in Canada, and the origins of the Strategy.

### The C&E Program

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 and
- the manufacture, distribution or possession of contraband products, including tobacco and spirits.

With respect to the illicit tobacco market, the RCMP is responsible for the enforcement of the Excise Act, 2001, which governs the manufacture, movement, sale, and possession of tobacco products.

The overall goal of the C&E Program is to protect Canadians and the economic integrity of Canada from both trans-national and domestic criminality. Reducing the availability and decreasing the demand for contraband tobacco are key components to achieving this outcome.

## 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 both raise needed revenue and deter individuals from taking up or continuing smoking. During that period, contraband tobacco seizures reached new heights, primarily because the licensed Canadian manufacturers were exporting products free of duty to the United States, which were then smuggled back into Canada - primarily through First Nations Communities in Central Canada - and sold on the black market at discounted prices. The RCMP was committed to investigating this illegal activity at its source, as illustrated by the July 2008 negotiated settlements involving Imperial Tobacco Canada Limited and Rothmans, Benson & Hedges. This landmark agreement set a combined total of \$1.15 billion in fines and civil restitution to be paid by the companies over 15 years.

Historically the contraband tobacco environment was based primarily on the diversion of legally manufactured products; today it is driven largely by illegal manufacturing.

After a period of significant decreases, 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 manufacturing, distributing and selling contraband tobacco products is markedly different, however. Whereas historically it was based primarily on the diversion of legally manufactured products, today it is driven largely by illegal manufacturing, although it also features, to a lesser degree, the illegal importation of counterfeit cigarettes which arrive in Canada via marine containers, as well as other forms of illicit tobacco products. The majority of illegal tobacco manufacturing in the country occurs in Central Canada. In many cases, organized crime networks exploit Aboriginal communities and the politically sensitive relationship between those communities and the different levels of government and enforcement agencies. According to the Criminal Intelligence Service Canada 2008 Provincial Threat Assessments, of approximately 900 organized crime groups identified nationally, 100 were involved in the illicit tobacco trade. Notably, 78 of these groups were also active in other forms of criminality.

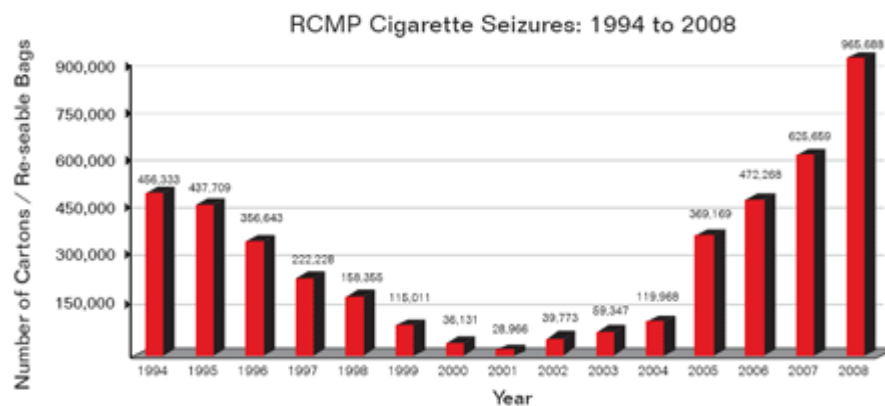


Diagram 1

Click on image to enlarge

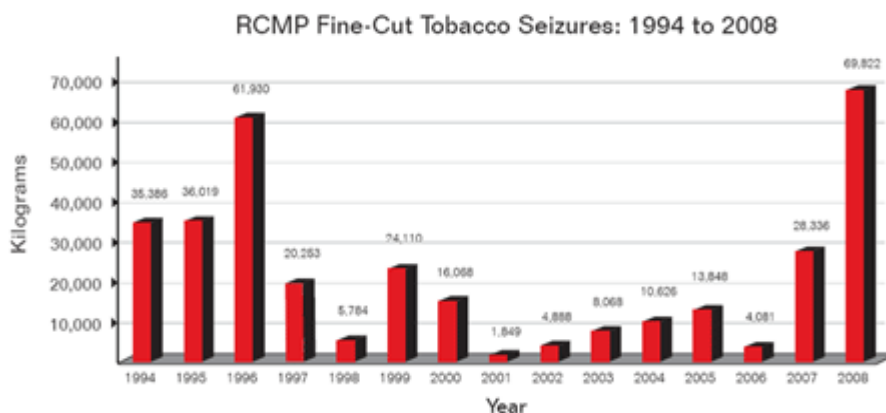


Diagram 2

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The RCMP estimates that the number of unlicensed manufacturers in Aboriginal territories in Canada fluctuates between 25 and 45. On the U.S. portion of the Akwesasne Mohawk territory, the number of unlicensed manufacturers that supply the Canadian market fluctuates between 6 and 12. It must be strongly emphasized that this is not a reflection on all citizens living in Aboriginal communities, the vast majority of whom are law abiding and desire nothing more than a safe and peaceful community.

Of the 900 organized crime groups identified nationally, 100 were involved in the illicit tobacco trade.

### Scope of the Problem

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The contraband seizures made by the RCMP in 2008 represent a record high, surpassing the previous record set in 2007<sup>1</sup>. 2008 seizures include approximately:

- 965,000 cartons and resealable bags of cigarettes (an increase of 54% from 2007);
- 69,000 kilograms of fine-cut tobacco (an increase of 146%); and
- 18,000 kilograms of raw tobacco leaf (an increase of 49%).

From January to October 2009, an estimated 800,000 cartons and resealable bags of cigarettes were seized, along with 30,000 kilograms of fine-cut tobacco. Seizures during the same period in 2008 netted approximately 765,000 cartons and resealable bags of cigarettes and 66,000 kilograms of fine-cut tobacco.

The illicit tobacco environment varies greatly across the country. It is most rampant in southeastern Ontario and southwestern Quebec, with RCMP seizures of cigarettes in those two provinces accounting for 85% of the national total. The Cornwall region, which was the centre of smuggling operations in the late 1980s and early 1990s, remains an acute focal point for illegal tobacco activity; the estimated 368,000 cartons and resealable bags as well as the 29,000 kilograms of fine-cut tobacco seized there in 2008 represent 38% and 42%, respectively, of the national seizure totals.

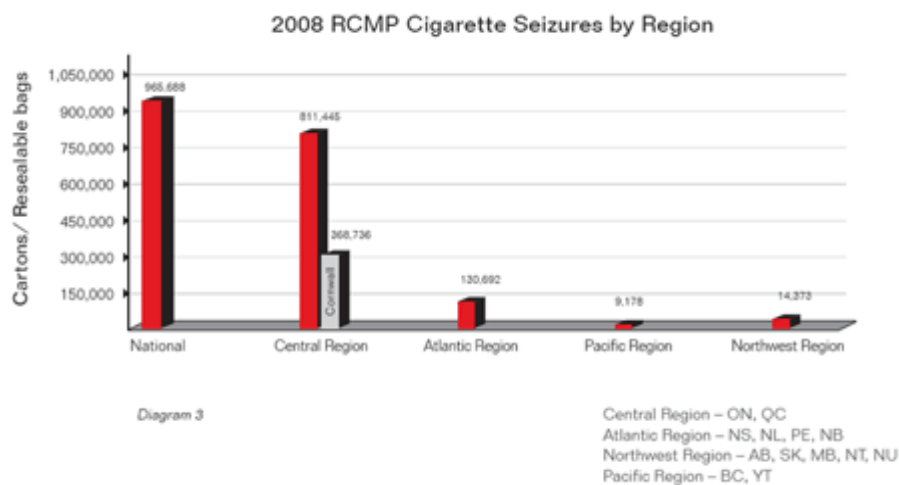
The illicit tobacco markets in the Atlantic and Northwest regions are almost entirely supplied by criminal networks sourcing their supply from First Nations reserves in Ontario, Quebec and New York State. Seizures of contraband tobacco products originating from these reserves have also been gaining prominence in the Pacific Region.

According to GfK Research Dynamics, illicit trade in 2008 represented 32.7% of the market share, compared with 22% in 2007.

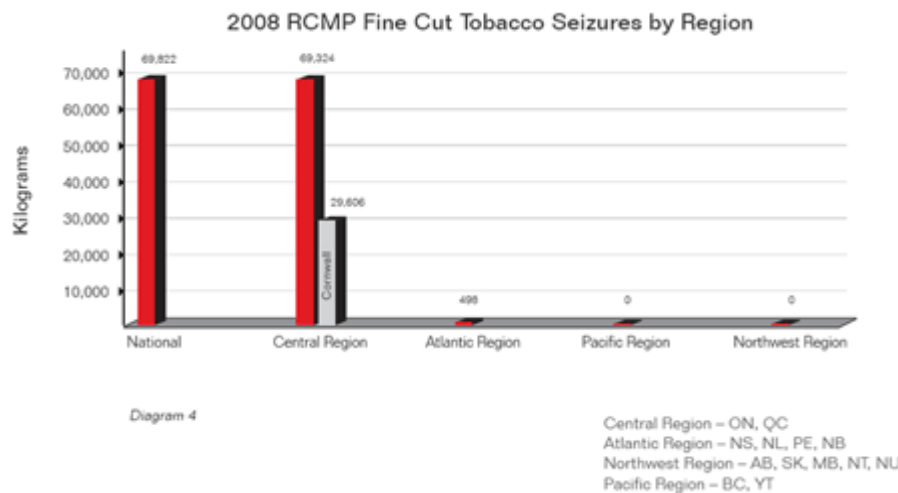
It is estimated that the 2008 RCMP seizures of cigarettes and fine-cut tobacco represented approximately \$55 million in lost provincial and federal taxes. This number includes the federal excise duty, an average of provincial tobacco taxes, an average of the provincial sales taxes, and the federal GST.

A recent study conducted by GfK Research Dynamics on the usage of illicit cigarettes in Canada showed that, based on purchases made in the previous seven days at the time of the study, in 2008, illicit trade represented 32.7% of the market share, compared with 22% in 2007<sup>2</sup>. The study also found that the total number of illicit cigarettes used in 2008 was estimated at 13 billion, representing approximately \$2.4 billion in lost tobacco taxes.

The trade in counterfeit tobacco products, while much smaller than that in other forms of illicit tobacco, is nonetheless substantial. In 2008 the RCMP and the Canada Border Services Agency (CBSA) seized a total of approximately 88,000 cartons of counterfeit cigarettes during two joint investigations. (Because the counterfeit tobacco products detected entering Canada are manufactured off-shore and counterfeit networks tend to be international organizations, investigations are commonly a joint effort between the RCMP and the CBSA.)



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## The Strategy

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The RCMP developed its 2008 Contraband Tobacco Enforcement Strategy to address the increasing criminality associated with the illegal manufacture, distribution, sale and possession of illicit tobacco products<sup>3</sup>. The Strategy was developed by the C&E Branch pursuant to research and extensive consultations with more than 70 individuals and groups representing government agencies, non-governmental organizations, industry, community leaders and law enforcement. 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.

The Strategy called for these priorities, supported by a set of 29 specific initiatives, to be rolled out over three years.

### III. Report on Progress: Year One

This section of the report describes ongoing RCMP activities - some new, some already under way before the launch of the Strategy - aimed at reducing the threat from the current illicit tobacco market. It is not designed to be an allinclusive collection of data or list of initiatives, but rather a means to show what progress has been made toward reducing the availability of, and decreasing the demand for, contraband tobacco. It will also serve as a baseline from which progress in subsequent years will be measured.

The Strategy identified eight priority areas for achieving the ultimate objective of reducing the threat from illicit tobacco, together with a series of initiatives for supporting each one. Each priority has been launched during the first year of the mandate.

## 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 and the Courts to ensure the appropriate application of federal law controlling contraband tobacco.

The illicit tobacco market has grown significantly since 2001. It is dominated by criminal organizations, which are motivated by the lure of large profits and relatively low risks. Enforcement actions must be directed at increasing the risks associated with contraband tobacco activities through the dismantling of illegal manufacturing facilities, disrupting distribution supply lines, apprehending key figures and seizing the proceeds of crime.

To achieve this goal, the RCMP in all ten provinces has undertaken varying levels of joint targeting initiatives with domestic, and in some cases international, law enforcement partners and other stakeholders. In some areas, a formalized intelligence-gathering process has been put in place to share information and initiate investigations when appropriate.

Over 740 charges related to the Excise Act, 2001 were laid against approximately 650 individuals in 2008.

Since April 2008, 25 organized crime groups of various levels of sophistication involved in contraband tobacco were disrupted as a result of RCMP investigations across the country. Some of the investigations were initiated prior to the release of the Strategy; their continuation, completion and results, however, are in keeping with the objectives and the views contained in the Strategy. Over 740 charges related to the Excise Act, 2001 were laid against approximately 650 individuals in 2008 and more than 560 vehicles and two boats were seized.

One example of an organized crime investigation involving illicit tobacco is Project Chateau, which was undertaken by the RCMP C&E unit in Quebec City in conjunction with the Sûreté du Québec, the municipal police services of Quebec City and of Lévis, and the Wendake First Nations Police Service. This investigation revealed that members of an outlaw motorcycle gang in Quebec City “pulled the strings” of a local cigarette smuggling ring. The ring was split into two separate cells, one for the north shore of Quebec City and one for the south shore. Each cell was responsible for obtaining illegal tobacco products and delivering them to affiliated distributors in the area. As a result of this investigation, 22 individuals were arrested, including two members of the Quebec City Hells Angels. Goods seized as a result of Project Chateau include:

- 298 cases of contraband tobacco
- 14 vehicles, including two that had been reported stolen and a luxury sports car
- 6 handguns and 3 rifles
- approximately \$75,000 in cash
- 20,000 methamphetamine pills, as well as cocaine, cannabis resin and marijuana.

The success of this project demonstrates that intelligence-led investigations, strengthened by formalized partnerships, can indeed disrupt organized crime groups and

reduce the availability of contraband tobacco.

The RCMP's C&E Program in Quebec is also strengthening its participation in Project ACCES, a joint task force lead by the Sûreté du Québec that was developed to combat illicit activities such as the manufacture and distribution of contraband tobacco. C&E Program staff from various regions in the province are assigned to this initiative.

Another high-profile initiative that benefited from working closely with other enforcement partners was SHIPRIDER, an integrated cross-border maritime law enforcement operation (ICMLEO) involving intelligence-led marine patrols and surveillance operations to target and disrupt criminal organizations. Piloted in August and September of 2007 in the central St. Lawrence Seaway, SHIPRIDER served as a validation of the ICMLEO concept, allowing RCMP and U.S. Coast Guard vessels to work together on both sides of the border without the limitations ordinarily pertaining to international boundaries. Canada and the United States recently signed a framework agreement to govern further ICMLEOs. Implementation of ICMLEOs along the Canada - U.S. border will facilitate crossborder 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.

During these surge enforcement operations, the price for contraband tobacco dramatically increased-from approximately \$170 per case to upwards of \$300 per case.

The benefits of intelligence-led policing are also being felt at the primary level of interdiction enforcement activities when particular geographic areas are targeted as conduits for the movement of contraband tobacco. In 2008 and 2009, the RCMP Cornwall Detachment coordinated three highintensity enforcement projects in the Cornwall area; C&E investigators were temporarily re-deployed from across the country in support of these initiatives. In addition to the RCMP, the operation involved officers from:

- Canada Border Services Agency
- Combined Forces Special Enforcement Unit
- Integrated Criminal Intelligence Section
- Cornwall Community Police Service
- Ontario Provincial Police
- OPP Organized Crime Enforcement Team
- Ontario Ministry of Revenue Special Investigations Branch
- Akwesasne Mohawk Police Service.

The combined results included charges being laid against approximately 96 individuals, as well as the seizure of:

- 90 vehicles
- 105,000 cartons and resealable bags of cigarettes
- 4,300 kilograms of fine-cut tobacco
- Approximately \$260,000 U.S.

During these surge enforcement operations, the price for contraband tobacco dramatically increased-from approximately \$170 per case to upwards of \$300 per case. This rise reflects the impact of enforcement on the economics of supply and demand and shows that short-term operations such as these, complemented by interagency partnerships, are effective in disrupting the supply chain.

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

### Initiatives:

- Pursue the establishment of a national committee comprising 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 informationsharing protocol 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 with its partners, the RCMP has engaged in various efforts with a wide range of public, private sector and nongovernmental entities having a common interest in the illicit tobacco trade. For example, the RCMP plays an active role on the Government Task Force on Illicit Tobacco Products, which is composed of representatives from Public Safety (Chair), the RCMP, Finance Canada, the Canada Revenue Agency, the CBSA, Indian & Northern Affairs Canada, and Health Canada. The Task Force has the mandate of identifying additional policy, program or legislative measures that will disrupt and reduce the trade in contraband tobacco.

The RCMP has also developed extensive partnerships in all provinces to combat contraband tobacco; such cooperation enhances informationsharing and improves target identification. While some of these partnerships work on an informal, ad hoc basis, several divisions have established more structured relationships for coordinating operational responses. For example, the RCMP Provincial Tobacco Enforcement Team in British Columbia has been hosting regular intelligence meetings with representatives from CBSA, the B.C. Ministry of Finance, and other internal RCMP partners, such as Aboriginal policing, the Asian Probe Team, and the Vancouver Ports Unit. The meetings allow law enforcement agencies to compare, share and corroborate information regarding the illicit tobacco market.

In Cornwall, weekly intelligence meetings to discuss criminal activities, including contraband tobacco, are held between the following organizations:

- RCMP
- U.S. Customs and Border Protection, Office of Border Patrol and Office of Field Operations
- New York State Police
- U.S. Immigration and Customs Enforcement
- Canada Border Services Agency
- Canadian Security Intelligence Service
- Ontario Provincial Police
- Sûreté du Québec
- Kahnawake Peacekeepers
- Ontario Ministry of Revenue
- Akwesasne Mohawk Police Service
- Cornwall City Police
- Criminal Intelligence Service Ontario
- St. Regis Mohawk Tribal Police
- Canada Revenue Agency

- U.S. Coast Guard.

In another example of collaboration, the RCMP has co-located intelligence resources with enforcement partners. In particular, the RCMP in Montreal has assigned a full-time tobacco analyst to Project ACCES. The analyst is responsible for collecting and sharing information pertaining to contraband tobacco with all agencies involved. Similarly, in Manitoba, C&E Program resources are co-located with the Red River Integrated Border Enforcement Team, an integrated team involving both U.S. and Canadian law enforcement agencies.

The benefits of information-sharing cannot be overstated. It is a key element in conducting effective and efficient investigations, and can have a significant impact in disrupting criminal organizations. Several RCMP divisions regularly share information with key partners at various levels of complexity, and some are pursuing the development of information-sharing protocols to better enable intelligence-sharing within existing legislation, policies and procedures. For instance, discussions regarding such a protocol are underway between the RCMP in Montreal and the Kahnawake Peacekeepers.

In Manitoba, C&E Program resources are co-located with the Red River Integrated Border Enforcement Team, an integrated team involving both U.S. and Canadian law enforcement agencies.

Another case in point is the ongoing commitment by Canadian and U.S. agencies, including the RCMP, to address the growing illicit tobacco market and its cross-border flow by regularly uniting participants from both countries to discuss these issues during the joint Canada-U.S. Tobacco Diversion Workshop. This annual event is the result of successful coordination efforts by the RCMP, the CBSA, the Canada Revenue Agency, the U.S. Alcohol Tobacco Firearms Agency, and the U.S. Tobacco Tax and Trade Bureau. The workshop, held most recently in April 2008, brings together members of Canadian and American law enforcement and regulatory agencies who have an interest in some aspect of the illicit tobacco market-smuggling, counterfeiting, theft, or other illegal activities. The participants from both countries share best practices, learn innovative investigational techniques, and trade information, all within a learning environment. The next workshop is scheduled for September 2009.

### Priority 3: Outreach



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#### Initiatives:

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

The Canadian contraband tobacco market is dominated by tobacco products originating in Aboriginal communities in Central Canada and the adjacent New York state. Progress in addressing the illicit tobacco trade will be limited unless there is an increase in dialogue with Aboriginal communities on issues associated with the contraband tobacco trade.

The RCMP has established various levels of engagement with First Nations communities in Quebec and Ontario, including cooperation on initiatives and enforcement actions in Cornwall and Kahnawake. However, other First Nations communities in Southern Ontario have expressed limited interest in engaging the RCMP on tobacco issues. Nevertheless, some of these communities were receptive

to joint enforcement initiatives related to other criminal activities, such as drug trafficking and human smuggling. The RCMP in Quebec and Ontario, as well as the C&E Branch in Ottawa, continue to seek opportunities to open and increase dialogue with Aboriginal governments.

In another aspect of outreach, the RCMP is seeking opportunities to discuss the relevant issues with private sector entities connected to the tobacco industry. Several initiatives have been undertaken across the country to educate the private sector about the scope and nature of the illicit trade and to seek support in reporting suspicious activities. For example:

- The RCMP in New Brunswick visited convenience stores and other tobacco outlets, informing and educating owners and operators about the illicit distribution of contraband tobacco.
- The RCMP Hamilton-Niagara Detachment has developed a handbook designed for non-policing partners who may encounter contraband tobacco, such as courier companies. The handbook provides advice on how to identify illegal products and report suspicious activities.
- The RCMP in Alberta has met with several courier and transport companies throughout the province in order to educate the employees about contraband tobacco.

#### **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.

In most provinces, the RCMP is experiencing operational pressures and resourcing challenges that affect resource allocation levels within C&E units. Senior managers in those provinces are aware of this challenge and are taking steps to address the situation. For example, the RCMP in New Brunswick has reorganized its resources to better address the challenges posed by organized crime in relation to contraband tobacco. Specifically, two C&E units have been restructured into a single unit led by a senior RCMP member who oversees the entire C&E Program in the province, providing a streamlined and consistent delivery of the C&E mandate. This change has been positively received by unit investigators, support staff, clients and partners.

Starting in 2008, the RCMP Cornwall Detachment coordinated three High Intensity Enforcement Projects in the Cornwall area to disrupt the contraband tobacco supply chain. Resources were temporarily deployed from RCMP C&E sections from across Canada in support of this operation and to provide field training for these investigators.

Furthermore, the RCMP C&E Branch has developed and implemented an evaluation framework, approved in February 2008, to assess the effectiveness of the C&E Program and the degree to which it is meeting both Government of Canada and RCMP priorities. Between September 2008 and February 2009, unit visits and surveys were conducted. The evaluation report will be completed by August 2009; the RCMP will take steps to address the findings and recommendations it contains.

## 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.

In order to reduce consumer demand for contraband tobacco, it is essential to raise awareness of the tobacco black market and the consequences of purchasing and possessing contraband tobacco products. In recognition of this, the RCMP has been working with Crime Stoppers in Nova Scotia, Prince Edward Island and Alberta. A collaborative effort is also under way with radio and television networks to develop a public service announcement on the illicit tobacco trade.

Producing and publishing declassified versions of RCMP strategic intelligence assessments on contraband tobacco is another example of the efforts to educate and raise awareness. Since 2006, declassified versions of the Federal Tobacco Control Strategy reports have been available on the RCMP website; subsequent reports will also be posted. In addition, the information on the contraband tobacco market found on the C&E Program's Internet site was updated in 2008 to reflect the current situation. Since April 2008, there have been 10,605 visits to the site.

There is some evidence that public awareness is increasing. For example, an article in the Quebec City newspaper *Le soleil* about Project Chateau begins, "The purchase of contraband cigarettes has always seemed inoffensive -- a simple stretch of the law to save a few bucks.

But now the Royal Canadian Mounted Police (RCMP) is warning the population: this lucrative market finances the activities of criminal organizations.<sup>4</sup> There is also a need to increase awareness of the nature and extent of the illicit tobacco trade among key government and enforcement decision-makers. Educational initiatives undertaken in this area include:

"This lucrative market finances the activities of criminal organizations."  
- *Le soleil*

- A meeting between the Officer in Charge of Montreal C&E and the Association of Chiefs of Police for the Province of Quebec to discuss contraband tobacco issues, and
- Presentations on the Strategy given in 2008 by the C&E Branch in Ottawa at the Senior Revenue Officials Conference and the Annual Interprovincial Investigations Committee meeting.

## 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.

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.

For example, through the Department of Finance, the RCMP contributed to recent changes in the Excise Act, 2001. These changes, which received Royal Assent on June 18, 2008, involved the prohibition of tobacco manufacturing equipment (section 32.1). In addition, following the creation of the Government Task Force on Illicit Tobacco Products, the RCMP, in conjunction with the interdepartmental government community, provided input to the Task Force on ways to enhance the government's ability to reduce the impact of the illicit trade.

The RCMP is also contributing to the development of an illicit trade protocol under the World Health Organization Framework Convention on Tobacco Control (FCTC). The FCTC is an international public health treaty, ratified by approximately 160 countries, designed to control tobacco demand and consumption. It was ratified by Canada in 2004 and came into force in 2005. Article 15 of the FCTC recognizes that the elimination of all forms of illicit trade in tobacco products is an essential component of global tobacco control. In July 2007, the parties to the FCTC decided to establish an intergovernmental negotiating body to draft and negotiate a protocol for combating the illicit tobacco trade, which would build upon and complement the provisions of Article 15 to establish stronger international standards. The RCMP C&E Branch was part of the Canadian delegation involved in the development of this protocol and participated at three negotiating sessions (February 2008, October 2008 and June 2009). The RCMP provided input in the areas of offences, liability, sanctions, search and seizure, special investigative techniques, joint investigations, and cooperation. The protocol is expected to be completed in 2010.

## Priority 7: Conducting Research

  
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### Initiatives:

- Collaborate with the interdepartmental community, 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 contraband market and the availability of contraband tobacco.

Estimating the size of Canada's contraband tobacco market has always been a challenge because of the complexity of the environment and the lack of data. Limited research has been conducted on the demographics of contraband users and the effectiveness of anti-contraband measures. Efforts to address these deficiencies have been undertaken by the RCMP.

In 2008, the RCMP participated in a research project undertaken by the Ontario Tobacco

Estimating the size of

Research Unit at the University of Toronto aimed at developing better practices in anti-contraband measures. The RCMP provided declassified information and data to the research group and participated in a round table with nongovernmental organizations, researchers and law enforcement representatives to review and discuss the results of the research.

Canada's contraband tobacco market has always been a challenge.

In February 2009, representatives from the RCMP attended a conference hosted by the Department of Health Behavior at the Roswell Park Cancer Institute of the University of Buffalo. The conference provided a platform for professionals from the law enforcement, policy, and public health communities to discuss and debate the issue of contraband tobacco. The goal was to generate a report that included suggestions for addressing the problem. Law enforcement representatives from the United States and Canada discussed current law enforcement strategies, including their limitations, and identified roadblocks to shutting down this criminal activity. Topics discussed at the conference also included taking action to change current laws, creating a strong dialogue with First Nations communities, and strengthening licensing and public relations efforts.

## 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.

Between September 2008 and February 2009, the Director of the C&E Branch completed field visits to each RCMP Division where C&E Unit offices are located. Each visit included meetings with investigators and support employees during which the importance of the Strategy and the illicit tobacco situation was highlighted. In a similar vein, representatives of the C&E Branch attended a variety of workshops at the divisional and regional levels, such as the Atlantic Region C&E Program-Oriented Work Planning Meeting (POWPM), the "C" Division (Quebec) POWPM, and the Northwest Region Border Integrity POWPM. In each case, illicit tobacco was a significant topic.

In addition to field visits, the RCMP has provided dedicated training for C&E investigators to ensure they effectively perform their duties. In 2008, the RCMP sent five investigators and three criminal analysts to the U.S. Alcohol, Tobacco, Firearms and Explosives Agency Tobacco Diversion Training in order to expand their knowledge on contraband tobacco issues. In July 2008, the online C&E Basic Course was updated and as of May 2009, approximately 230 investigators and employees had completed the course. The C&E Advanced Course was delivered in Ottawa in February 2009, with 30 candidates from across Canada participating. In addition, representatives from the C&E Branch provided an overview of contraband tobacco issues during three sessions of the Organized Crime Course.

The RCMP in Alberta, in partnership with the Alberta Gaming and Liquor Commission, has developed a front-line investigators' educational training DVD which was shared with other C&E units.



## IV. Conclusion

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This first report on the progress of the RCMP 2008 Contraband Tobacco Enforcement Strategy demonstrates that the RCMP has developed or sustained a multitude of initiatives aimed at addressing the issue of illicit tobacco in Canada. While the illicit tobacco environment varies greatly from one region to another, the effects of these initiatives extend across the country.

Some of the more high-profile activities of the past year include the surge operations conducted in Cornwall, Ontario; the disruption of a major contraband tobacco distribution network involving the Hells Angels outlaw motorcycle gang; 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 enforcement actions resulted in public interest and media coverage, contributing to an increased awareness of the illegality surrounding contraband tobacco on the part of consumers as well as distributors and manufacturers. Increasingly, the contraband tobacco industry has been exposed as a significant public safety issue. Finally, to some extent, the Strategy has been a catalyst that has generated many discussions on contraband tobacco issues with partners and stakeholders.

The RCMP recognizes that there remains considerable ground to cover in implementing the Strategy and reducing the impact of illicit tobacco on Canadian society. Continuing to build on these initial successes will contribute to enhanced public safety and economic integrity throughout Canada. To that end, the RCMP will continue to assess the effectiveness of new and existing measures and initiatives, making modifications as appropriate; share best practices that have been identified; and continue to engage partners and stakeholders in exploring new and innovative ways to advance the initiatives set out in the Strategy.

The RCMP is committed to making continued progress in reducing the contraband tobacco market, and is confident that the momentum created by the activities undertaken in this first year of the Strategy will contribute to further successes in the next year and beyond.

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<sup>1</sup>The 2008 and 2009 statistics quoted in this report are based upon information reported and available at the time it was written.

<sup>2</sup>GfK Research Dynamics, [Illegal Tobacco Sales: A Crisis for Canadians](#), National study conducted for the Canadian Tobacco Manufacturer's Council, 2008.

<sup>3</sup> The Strategy is available [online](#).

<sup>4</sup> Nadia Ross, "Une alliance lucrative," Le soleil, 13 March 2009. Translated by Elizabeth d'Anjou.