

ILLICIT COMMODITIES

DRUG MARKET SUMMARY

The Australian illicit drug market remains highly lucrative, with growing demand for a wide variety of substances. Poly-drug use¹⁸ remains a feature of the market, with some serious and organised crime groups capitalising on the demand for multiple drug types by importing, cultivating, manufacturing and/or trafficking several drug types simultaneously. These enterprises may also extend their activities to include illegal tobacco imports and firearms. Serious and organised crime plays a fundamental role in the manufacture, cultivation, importation and distribution of illicit drugs in Australia.¹⁹

The Australian illicit drug market is best seen as a component of the global market. The internet and darknet have enabled the rapid expansion of the global drug market, with users able to access drugs, information about availability and purity of new drugs, and manufacturing manuals online. This has meant that trends in drug use observed in Europe, Canada and the United States (those markets most similar to the Australian market) are now very quickly replicated in Australia. Fentanyl usage has been widely reported as an emerging trend overseas and has been recently observed in Australia. Increased cocaine supply and use in the United States is predicted and may have flow-on effects in Australia.

The National Wastewater Drug Monitoring Program (NWDMP) recently implemented in Australia provides a data source additional to traditional collection methods to better understand the current picture of drug usage within the Australian community. The findings of the NWDMP in combination with the assessment of drug markets drawn from the ACIC's *Illicit Drug Data Report* provide an informed picture of drug use in Australia.

Cannabis remains the most commonly used illicit drug in Australia. However, the ACIC assesses that the methylamphetamine market poses the highest level of risk to Australia. Since the decline in heroin use in the early 2000s, the Australian drug market has generally been poly-drug, stimulant-based. This has been most evident in recent years, with the rising use of methylamphetamine, particularly crystal methylamphetamine (ice). China continues to be a major embarkation point for methylamphetamine imported into Australia, with Canada and South-East Asia also noted as key embarkation points.

METHYLAMPHETAMINE

Australian urban and rural environments are affected by methylamphetamine use and associated harms. Wastewater analysis confirms methylamphetamine as the illicit drug consumed at highest levels tested across all regions in Australia.²⁰ Comparable levels of consumption were identified between regional and capital cities in Australia, with the exception of South Australia, where the state capital recorded higher levels. Western Australia recorded the highest consumption levels, with both regional and capital sites exceeding the national average.

¹⁸ Poly-drug use refers to the use of two or more illicit drugs in combination to achieve a particular effect.

¹⁹ This report is not intended to provide a comprehensive picture of Australian illicit drug markets. Detailed overviews of each of the Australian illicit drug markets can be found in the ACIC's *Illicit Drug Data Report*.

²⁰ Wastewater analysis undertaken as part of the NWDMP does not test for cannabis consumption apart from the synthetic cannabinoids JWH-073 and JWH-018.

The market in Australia has traditionally been supplied by domestically produced methylamphetamine; however, in the last few years there has been an increase in importations of finished product, to the extent that imported product has now overtaken the amount of product from domestic manufacture. The use and distribution of methylamphetamine in Australia (particularly crystal methylamphetamine) has grown rapidly in the last seven years. Since 2013, crystal methylamphetamine has been the dominant form.

CASE STUDY: LARGE-SCALE IMPORTATION OF METHYLAMPHETAMINE

In March 2017, a joint operation by the AFP and the Australian Border Force (ABF) resulted in the seizure of 540 kilograms of methylamphetamine concealed within 396 bottles labelled as protein powder. The street value of the seizure is estimated at approximately A\$324 million. Eight people were arrested, with subsequent search warrants executed in Western Sydney locating an additional five kilograms of methylamphetamine, small amounts of cocaine and ecstasy, five firearms, ammunition and a further A\$35,000 in cash.

Serious and organised crime groups are deeply entrenched in the importation, manufacture and distribution of methylamphetamine in Australia, with two-thirds of targets on the National Criminal Target List reportedly involved in the sale and distribution of methylamphetamine and/or its precursors. These figures include members of OMCs as well as domestic and transnational serious and organised crime groups. Many groups that previously operated in isolation now work collaboratively to access broader distribution networks and ultimately maximise profits. Serious and organised crime groups also seek access to legitimate industry to enhance or conceal their activities. The transport sector, licensed premises, the security industry and the chemical industry are targets for infiltration and exploitation by participants in the methylamphetamine market.

PRECURSOR CHEMICALS

Precursor chemicals are essential for illicit drug production. Every gram of drug manufactured or reconstituted in Australia relies on the diversion of a precursor, pre-precursor, reagent or solvent from legitimate distribution channels within Australia, or the illegal importation of these products. The strong demand for illicit drugs and the significant profits to be made from the sale of precursor chemicals have made this a profitable enterprise in itself. The most prevalent and sought-after precursor chemicals include those used in the manufacture of:

- methylamphetamine—such as ephedrine, pseudoephedrine and phenyl-2-propanone (P2P)
- 3,4-methylenedioxyamphetamine (MDA) and 3,4-methylenedioxymethamphetamine (MDMA)—such as helional, safrole and 3,4-methylenedioxyphenyl-2-propanone (MDP2P)
- gamma-hydroxybutyrate (GHB)—such as gamma-butyrolactone (GBL) and 1,4-butanediol (1,4-BD)
- lysergic acid diethylamide (LSD)—such as ergometrine and ergotamine
- substances used in the reconstitution of steroids into injectable forms—such as benzyl alcohol and benzyl benzoate.

The largest proportion of the market is composed of precursors for the manufacture of methylamphetamine, which remains the predominant drug produced in clandestine laboratories detected nationally. Since 2014–15, there has been an increase observed in importations of finished product (methylamphetamine) and a decrease in the number of detected importations of precursors. More recently, however, the size and sophistication of amphetamine-type stimulant laboratories has increased, as has the size of detected precursor importations. This trend may be indicative of a change in precursor importation and diversion methodologies. Residential areas remain the primary location for clandestine laboratories in Australia, with the residual contamination arising from illicit drug manufacture presenting a serious risk to the community and the environment. Clandestine laboratories remain an ongoing threat in rural and regional centres.

Precursor chemicals can be diverted from a range of sources, including the legitimate chemical industry, the transportation and logistics industry, medical facilities and pharmacies. Serious and organised crime groups have attempted to infiltrate these industries. They may also establish companies to give the appearance of legitimacy to precursor importations. Serious and organised crime groups are very resilient and adaptable to shifts in precursor availability, employing ‘cooks’²¹ who can create precursors, such as ephedrine, in clandestine laboratories or who are able to develop new manufacturing methods which do not require access to controlled chemicals.

COCAINE

The majority of the world’s cocaine is produced in Peru, Bolivia and Colombia. Cocaine is imported into Australia by a diverse range of transnational organised crime groups.

In comparison to markets in North America and parts of Europe the cocaine market in Australia is lucrative but small. In Australia, cocaine use tends to be concentrated in the eastern seaboard states, where there appears to be greater availability. The findings of the NWDMP confirm cocaine consumption in capital city sites in New South Wales to be well above the national averages. Consumption is typically higher in capital city sites, with many regional sites showing minimal levels of cocaine consumption. User surveys such as the *Illicit Drug Reporting System* and the *Ecstasy and Related Drugs Reporting System* also indicate varying degrees of cocaine availability in all states and territories.

There were several large detections of cocaine in late 2016, indicating a possible expansion of the market. These detections, and another significant seizure in early 2017, all involved the use of sea vessels. As outlined in the case study below, the total weight of the seizures was 3.3 tonnes. Significantly, the seized cocaine was transported on vessels originating from North, South and Central America and China, emphasising the international diversity of the cocaine threat to Australia.

²¹ ‘Cook’ is a term used to describe a person who manufactures amphetamine-type stimulants.

CASE STUDY: ATTEMPTED LARGE IMPORTATIONS OF COCAINE ON BOARD SEA VESSELS

- In August 2016, a joint operation between the ABF, the AFP, the United States Homeland Security Investigations, the New Zealand Customs Service and the Canada Border Services Agency resulted in the seizure of approximately **95 kilograms of cocaine** from a cruise ship in Sydney.
- On 12 December 2016, a commercial vessel was intercepted; approximately **186 kilograms of cocaine** was seized from the vessel.
- An international multi-agency operation involving the AFP, the ABF and New South Wales Police Force resulted in the seizure on 25 December 2016 of approximately **500 kilograms** of cocaine in New South Wales, and an earlier seizure in March 2016 of more than **600 kilograms** of cocaine in Tahiti which was allegedly destined for Australia.
- In February 2017, an AFP investigation supported by the New Zealand Customs Service, the Organised Financial Crime Agency of New Zealand, the Fijian Transnational Crime Unit, French Polynesian authorities and the ABF resulted in the seizure of more than **1.4 tonnes of cocaine** on board a yacht.

Between 2013 and 2015, Colombia experienced the two largest single-year coca cultivation increases ever recorded. As a result, it is predicted that in 2017 the United States will very likely experience the highest cocaine supply and use levels in a decade. It is possible that these high yields may account for the large detection of cocaine in Australia in 2016, and that Australia may see a growth in cocaine supply and a corresponding increase in the domestic market for cocaine in Australia.

MDMA

Wastewater analysis indicates MDMA consumption levels are relatively low across the country, with minimal differences identified between regional and capital city sites. In recent times, however, there has been an increase in MDMA production, most notably in the Netherlands, Belgium and Germany. This has had a flow-on effect felt across the world, with some large importations detected in Australia. Although importation remains the primary source of supply to the Australian market, some manufacture does occur domestically. While the number of MDMA laboratories detected nationally remains low, there was a sixfold increase in detections, from three MDMA laboratories detected in 2013–14 to 18 in 2014–15.

MDMA is also commonly known as 'ecstasy', although not all drugs sold as ecstasy in Australia actually contain MDMA. Forensic analysis of ecstasy tablets, capsules, powder and crystals reveals that some contain a mix of MDMA and other drugs such as methylamphetamine, or contain a mix of licit and illicit substances with no MDMA. There have also been instances where no illicit substances have been detected. Genuine MDMA remains a highly desirable drug for users, and is often incorrectly perceived as a 'safe' alternative to other stimulants. There is potential for a large and lucrative market for MDMA to re-develop in Australia, driven by a strong user base.

CANNABIS

Cannabis is the most commonly used illicit drug in Australia. Almost all cannabis consumed in Australia is cultivated domestically, with the majority of border detections being of cannabis seed. Cannabis cultivation occurs in all Australian states and territories, and includes indoor hydroponic cultivation as well as outdoor 'bush' cultivation. Recent user surveys rate cannabis as 'very easy' to obtain, with hydroponic cannabis viewed as having high potency and bush cannabis as having medium potency.

Serious and organised crime groups are well established in the Australian cannabis market, which is robust and profitable. There is considerable diversity in the size and sophistication of cannabis cultivation in Australia, from small-scale cultivation for personal use through to large indoor hydroponic or outdoor crops. In many cases, those involved in indoor hydroponic cultivation are assisted by professional facilitators in the real estate industry and electrical trades. Association with the hydroponics industry provides criminals with easy access to equipment and fertilisers.

The crop cycle for hydroponic cannabis crops is short, making cannabis a popular choice for groups seeking to raise revenue quickly. Serious and organised crime groups are increasingly using cannabis cultivation as part of their business model, setting up multiple crop houses simultaneously to generate funds to reinvest into other criminal activities including the importation of methylamphetamine.

HEROIN

The majority of the world's illicit opium poppy cultivation occurs in South-East Asia, South-West Asia and South America. Afghanistan, in South-West Asia, is the leading cultivator and producer of opium globally. Drug profiling data indicates the majority of analysed heroin seizures in Australia originate from South-East Asia, with fluctuating supply originating in South-West Asia. Serious and organised crime is entrenched in the market, and a range of groups are involved in the importation and distribution of heroin in Australia.

There are inconsistent indicators of change occurring in the heroin market at present. The number and weight of border detections of heroin decreased in 2015–16, but there were also several short-term spikes in overdoses in some states throughout 2016. It is unclear if these were due to the natural ebb and flow of the market, or to longer-term change. It is possible that changes in the market may also be attributable to opioid users moving between pharmaceutical opioids and heroin, due to the similar effects, and to the tendency for users to switch between commodities depending on availability.

ILLICIT PHARMACEUTICALS

The illicit pharmaceutical opioid market is inextricably linked to the heroin market because of the similarities in the effects of these substances on the user. Pharmaceuticals commonly misused include opioid-based pain relief medications, opioid substitution therapies, benzodiazepines and codeine. The synthetic opioid fentanyl is an emerging drug of choice globally. Fentanyl, carfentanil and other potent illicit pharmaceuticals such as W-18 have been detected in Australia and are available on the darknet. The strength of pharmaceutical opioids such as fentanyl—estimated to be 80–100 times more potent than morphine—presents significant health risks if misused.

CASE STUDY: USE OF INTERNATIONAL MAIL STREAM TO IMPORT ILLICIT PHARMACEUTICALS

The Australian Border Force have seized more than 50 packages of fentanyl in the past five years, the majority of which have been imported into Australia through the international mail stream. Importation of the drug W-18 via the international airmail system has also been detected in recent years. W-18 is claimed to have been responsible for overdoses among users who believed they were taking fentanyl.

A key source of illicit pharmaceuticals continues to be diversion from legitimate medical use. This causes significant financial cost to the government when drugs diverted are also subsidised on the Pharmaceutical Benefits Scheme.²² Anecdotal evidence suggests the use of illicit pharmaceuticals is high in rural and remote communities, where access to illicit drugs may be limited. Recent findings of the NWDMP indicate consumption of both fentanyl and oxycodone is higher in most regional sites than in capital city sites. Fentanyl use was particularly high in regional sites in New South Wales, South Australia, Queensland and Western Australia. Data collection on fentanyl consumption in Adelaide indicates consumption has been relatively constant over a four-year period (2013–16), with the exception of a spike in 2015. It is unclear whether these results are indicative of misuse of pharmaceuticals in regional areas or reflect prescribing habits of medical professionals. Organised crime involvement in fentanyl distribution is currently unknown.

TRYPTAMINES

Tryptamines are hallucinogenic substances that act on the central nervous system, distorting mood, thought and perception. In Australia, the most commonly used tryptamines remain lysergic acid diethylamide (LSD), psilocybin-containing mushrooms ('magic mushrooms') and dimethyltryptamine (DMT). Recent years have also seen the emergence of a range of hallucinogenic substances that mimic the effect of these substances; these are known as new psychoactive substances (NPS) and are discussed in the next section.

Tryptamine users are active on social media, contributing to forums and websites to share experiences and to source substances. Commentary on social media can range from basic chatter to detailed instructions on use, dosage and side effects. Tryptamine use has long been associated with spiritual and/or religious rituals, and regular users have forums dedicated to promoting it.

LSD is predominantly self-sourced over the internet. Similarly, psilocybin-containing mushrooms are generally obtained for personal use or supplied in close circles. The internet continues to have a role in both supply and promotion of tryptamine use.

²² The Pharmaceutical Benefits Scheme is a federally funded government program that subsidises the cost of a broad range of medicines.

NEW PSYCHOACTIVE SUBSTANCES

New psychoactive substances²³ are synthetically created substances that have a similar chemical structure to an illicit drug, or mimic its effects. Often referred to as ‘legal’ alternatives²⁴ to illicit substances, NPS comprise a range of substances, including stimulants, hallucinogens, anaesthetics and cannabimimetics, also known as synthetic cannabinoids. Illegal synthetic drugs and cannabinoids have previously been detected for sale as ‘legal highs’ at retail outlets under various product names.

There continues to be an increasing range of NPS manufactured and distributed internationally. At the end of 2015, the United Nations Office on Drugs and Crime reported 644 different substances in the global market.

NPS have been available in the Australian market since the mid-2000s and have increased in availability and popularity in recent years. The NPS market is highly reactive, appearing to increase and decrease in response to changes in other drug markets. The darknet is used extensively as a medium for sales of NPS, as well as for information sharing and social commentary on these substances.

Survey data indicates the use of synthetic cannabinoids dropped from 16 per cent in 2013 to 4 per cent in 2016. It is believed the decline in use of synthetic cannabinoids is related to users’ negative reports about both the high and the comedown following use of the substances.

Although detection methods for measuring the cannabinoids JWH-018 and JWH-073 were included in the NWDMP, neither compound was detected in any of the analysed samples. Detections of methylone and mephedrone were measured through the parent compound; while the substances were detected at a series of sites across the country, the level of consumption was considered low. Historical data on methylone and mephedrone detections in Adelaide indicates consumption of both these substances has steadily declined over the last six years. These findings corroborate the assessment that the NPS market—composed of some potentially lethal substances—is very small relative to the more traditional drug markets.

ANAESTHETICS

The two anaesthetics most commonly diverted for illicit use in Australia are ketamine hydrochloride (ketamine) and gamma-hydroxybutyrate (GHB), also known as ‘fantasy’, ‘juice’, ‘lucy’ or ‘G’. Both substances have well-established, albeit small, niche markets, primarily consisting of users based in capital cities along the eastern seaboard. There are indications drug users seeking alternatives to MDMA may turn to anaesthetics during periods of reduced MDMA availability.

23 NPS are also known as novel substances, novel psychotropic substances, emerging psychoactive substances, analogues, mimetics, legal highs, new synthetics, synthetics, herbal highs or designer drugs. The term does not necessarily refer to a new invention, as many NPS may have been synthesised years or decades ago, but rather that they have recently emerged on the market.

24 Use of the term ‘legal’ may not reflect the true legal status of these substances under Australian law.

Legitimately used as a medical or veterinary anaesthetic, ketamine is also used illicitly for its sedative and hallucinogenic effect. It is frequently detected as an adulterant in tablets sold as ecstasy. Serious and organised crime has not been identified as playing a key role in the ketamine market in Australia. Ketamine tends to be diverted or imported into the Australian illicit market in relatively small quantities, reflecting personal use or small-scale distribution.

GHB is a powerful central nervous system depressant readily manufactured from its precursors, gamma-butyrolactone (GBL) and 1,4-butanediol (1,4-BD). GBL and 1,4-BD have legitimate uses as solvents in industrial chemical processes, including in the production of polymers. If ingested, both GBL and 1,4-BD metabolise into GHB in the body. The effects of GHB vary greatly depending on the dose, and even a very small increase in dose can lead to overdose.

There are elements of organised crime present in the Australian GHB, GBL and 1,4-BD markets, with some transnational organised crime groups implicated in importations into Australia and other groups being involved in domestic manufacture and trafficking. The level of sophistication required to operate in this market is quite low, given the ease with which GBL and 1,4-BD can be diverted from legitimate supplies.

PERFORMANCE AND IMAGE ENHANCING DRUGS

The performance and image enhancing drugs (PIEDs) market in Australia is growing rapidly, consisting of users from an increasingly diverse demographic using a wide range of substances. One of the key drivers of the market is a strong youth culture that is focused on achieving a muscular and athletic physical appearance, particularly prevalent among young men.

The use of PIEDs has also been associated with violent behaviour, particularly among young men using PIEDs in conjunction with alcohol and/or other illicit drugs. This has influenced legislative changes in several jurisdictions, resulting in increased penalties for the unlawful possession of steroids.

Serious and organised crime groups are involved in the importation, manufacture and distribution of PIEDs in Australia. However, individuals also import PIEDs for personal use or for supply to friends and acquaintances. A significant number of PIEDs have been detected in the mail. There have been multiple detections of large commercial clandestine PIEDs laboratories in recent years. These laboratories often involve the reconstitution of powdered steroids into an injectable form.

ILLICIT TOBACCO

Serious and organised crime remains entrenched in the illegal tobacco market, both through the illegal importation of tobacco products and through the local production of illegal tobacco. Source countries for illicit tobacco include the United Arab Emirates, Malaysia, Indonesia and Singapore.

Between October 2015 and December 2016, the ABF Tobacco Strike Team seized more than 22 tonnes of tobacco and 52 million cigarettes. These figures include the discovery of 18 million sticks of 'Napoli' brand cigarettes in a container arriving from China on 3 December 2016. The street value of this discovery is estimated at more than A\$5 million with the total amount of duty evaded estimated at A\$11 million. A further five million illegal cigarettes and one tonne of loose leaf tobacco were detected by ABF officials at the International Mail Centre in January 2017.

The local production of illegal tobacco is an enduring problem. The Australian Taxation Office (ATO), in collaboration with law enforcement partners, continues to make significant seizures across several jurisdictions. In March 2017, an illegal tobacco crop worth more than A\$11 million was discovered in New South Wales. This seizure followed similar searches in Victoria and New South Wales in late 2016 and early 2017 netting illegal tobacco with a potential excise value greater than A\$10 million. This highlights the significant profits to be made from the illegal tobacco market in Australia.

ILLICIT FIREARMS

The use and distribution of illegal firearms poses a serious threat and safety concern to the Australian community. Firearms are used by a wide range of criminals to protect their interests, for intimidation through the threat of harm, or to commit acts of physical violence. Reporting indicates several serious and organised crime groups are involved in trafficking firearms. No single group dominates the sale and supply of illicit firearms to the Australian market.

The extent of the illegal firearm market in Australia remains difficult to estimate. The ACIC conservatively estimates there are approximately 260,000 firearms in the domestic illicit market, including 250,000 long-arms and 10,000 handguns. Historically, diversion of firearms to the illicit market was primarily through the grey market.²⁵ Recent trends in diversion methods include theft, domestic manufacture, and illegal importation.

The ACIC Firearm Trace Program (FTP) data for 2015–2016 revealed theft as the primary diversion method, accounting for 8.5 per cent of firearms traced.²⁶ Firearm theft is often not contemporaneous with detection and could have occurred years before the firearm was actually located. Regional or isolated locations are particularly vulnerable to firearm theft, such as hobby farms characterised by long periods of absence or safe storage areas located away from main dwellings. The sophisticated and organised theft of firearms from licensed dealers is rare, but can greatly increase the number of illegal firearms in the illicit market, as indicated by the theft of 130 handguns from a well-established firearms dealer in Western Australia in March 2017.

25 The grey market consists of illegally held long-arms that were not registered or surrendered under the 1996 *National Firearms Agreement*.

26 The ACIC Firearm Trace Program provides a national picture of illicit firearms located by law enforcement agencies. Since submissions of trace requests by law enforcement to the FTP are voluntary, FTP statistics do not reflect the total number of illicit firearms located in Australia.

Domestic manufacture of illicit firearms, including single-shot pen guns and handguns, key ring guns and submachine guns, is an enduring issue. As technology develops, increased attempts to produce reliable illicit firearms have been observed. The online environment provides a source of firearm manufacturing plans, CNC²⁷ and 3D software, and techniques shared by users intent on manufacturing illicit firearms. The reliability and cost-effectiveness of 3D manufactured firearms fails to match those of factory-produced firearms.

The scale of importation of illegal firearms and components into Australia is difficult to define. FTP data for 2004–2016 indicates approximately 7 per cent of all diverted handguns were illegally imported. In 2015–2016, one per cent of all firearms traced by the FTP related to illegal importations.

Australian border detections of undeclared firearms, parts and accessories have remained stable over the last three years. The majority of undeclared firearms imports are attributed to opportunistic individual importers rather than serious and organised crime groups. Importation occurs primarily through the international mail stream, with post parcel lockers providing a further level of anonymity. Members of a New South Wales syndicate were recently convicted of importing over 130 semiautomatic handguns and firearm parts into Australia through the mail stream in 2012, and the majority of these handguns are yet to be recovered by law enforcement. Encrypted websites within the darknet that provide online platforms for the purchase of illicit commodities including firearms are likely to continue to be exploited.

27 Computer Numerical Control.

ILLICIT FIREARMS IN AUSTRALIA



While Australia has some of the **strongest firearm controls in the world**, illicit firearms remain a **desirable commodity** and **enabler for criminal activity**.

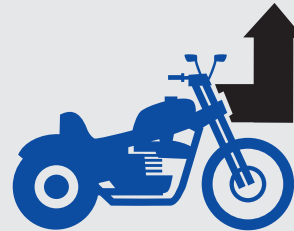
There are more than
250,000 long-arms



and **10,000** handguns



in the illicit market.



An **increasing number** of organised crime groups, including outlaw motorcycle gangs, are **trafficking illicit firearms**.



*One illegal firearm
in our community
is one too many.*

Chris Dawson, former ACIC CEO



Firearms enable **organised crime groups** to be **more lethal** in their activities.

2004–2016 ACIC received



6,874
requests for
domestic
firearm traces.



ACIC holds more than

1.8 million

historical records of firearms transactions.

There are more than
2.89 million
legally registered firearms
in Australia and approximately

816,000
firearm licences.

