

TRANSCRIPT

LAW REFORM, ROAD AND COMMUNITY SAFETY COMMITTEE

Inquiry into drug law reform

Melbourne — 13 November 2017

Members

Mr Geoff Howard — Chair

Mr Bill Tilley — Deputy Chair

Mr Martin Dixon

Mr Mark Gepp

Ms Fiona Patten

Ms Natalie Suleyman

Mr Murray Thompson

Witnesses

Commander Bruce Hill, manager, organised crime (*via teleconference*), and

Detective Superintendent Matt Warren, coordinator, joint counterterrorism, Australian Federal Police.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — We are certainly interested to hear what you have to share with us today in regard to our inquiry into drugs and that broad issue of police enforcement in regard to drug matters. You would be aware that we have travelled this year to places like Canada to meet with the police there, as well as to Portugal and Britain's Scotland Yard to talk with them about what they are doing, and more recently to New Zealand. So we are getting a bit of a perception of what is happening internationally in terms of the drug issue, but we are certainly looking forward to having your input and for Matt to provide us with an overview.

I should just let you know of course that with a parliamentary inquiry the conversations are recorded Hansard, and a draft of the Hansard transcript will come back to you in the next couple of weeks for you to check that there are no particular errors of detail. Other than that, that will go onto the public record. Thank you for joining us this morning. It is great to have Matt here too. I will hand over to you, Bruce, first, will I, and then, Matt, are you adding in, or is Matt first?

Det. Supt WARREN — Bruce and I have organised. I think I will read the opening statement if that is good with the committee, and then we will move on from there.

Thank you very much for the opportunity to speak today at the hearing on drug law reform. Drug law reform covers a wide range of response types, including prohibition, decriminalisation and legislation. The Australian Federal Police will today be informing and taking questions on our response in combating the flow of crystal methamphetamine, otherwise known as ice, into Australia.

The proliferation, distribution and use of ice continues to be a significant challenge for Australian law enforcement agencies, with Australia the highest per-capita consumer of the drug in the world. In 2015 the government established the National Ice Taskforce, which was charged with providing recommendations on how to curb the increased usage of methamphetamines in Australia. This followed the finalisation of the national ice action strategy. The task force provided 38 recommendations to the Australian government. Of those, recommendation 27 proposed that commonwealth agencies strengthen their international engagement to disrupt the supply of methamphetamine to Australia.

To meet recommendation 27 the AFP released the international engagement methamphetamine disruption strategy on 19 September this year as part of a broader government-wide approach to the supply of and demand for ice. The strategy aims to enhance cooperation between Australian government agencies as well as regional and global partners, with a central focus on disrupting the supply of and reducing the demand for methamphetamine and its precursors in Australia. The strategy builds on the significant achievements that the AFP has made since 2015. These achievements have included improving transnational crime cooperation and intelligence exchange between Australia and international partners such as Thailand through Taskforce Storm, Cambodia through Strikeforce Dragon and China through Taskforce Blaze, which has stopped 13 tonnes of drugs and precursors, including six tonnes of methamphetamine, from reaching Australia.

The strategy looks to further build on current information-sharing measures, particularly with our international partners, to develop intelligence assessments, particularly looking at organised crime groups profiting from the methamphetamine trade. It looks for more opportunities to work closely with our international law enforcement counterparts and to develop joint operations, and it continues to grow the AFP's international capacity-building programs with our law enforcement partners to disrupt the production and trafficking of methamphetamine around the world.

This is a highly complex issue that requires strong and ongoing collaboration across government and across the domestic and international arenas. The strategy will ensure that the AFP is able to work with domestic and international law enforcement partners to stop international criminal organisations' imports of illicit drugs, including methamphetamines. Commander Hill and I will be very happy to answer any questions you may have.

The CHAIR — Thanks, Matt. You have mentioned three particular countries you have been working in to stem the flow of ice into the country. I suppose we are particularly interested in consumption across Victoria, but we can talk about it from your expertise point of view. Do you have a sense of what percentage might be coming in from outside the country and how much ice is locally produced in terms of consumption?

Det. Supt WARREN — It is fairly clear from what we have seen that the majority of ice, certainly that we see being seized at the border, is being produced internationally. From my experience we saw a bit of a trend

from precursor imports into Australia, particularly from China and India, around the 2010-type mark to actual seizures of ice itself, as opposed to the precursors — so probably a reduction in the amount being produced domestically and an increase in the amount that was being produced internationally and imported directly, simply because it was economically sensible for the criminal groups involved.

The CHAIR — The fact that you have mentioned those three countries, is that the area where you believe the majority of ice is being produced, or is it partly coming through those countries as part of the transport route?

Det. Supt WARREN — Certainly what we have seen internationally is that China is a major producer of methamphetamine. We saw a huge increase in production in the earlier part of the century — late 2007 through to now. China and other countries in the Mekong Delta have access to lawful manufacturing using a lot of chemicals, and chemical diversion is a significant issue in those countries. So certainly China was our early main focus, and some of the arrangements that we were able to secure in terms of joint operations through Taskforce Blaze have since been replicated in other countries — Thailand and Cambodia.

Cmdr HILL — I might add to that if that is all right.

The CHAIR — Certainly, Bruce.

Cmdr HILL — I am in a very good position because I have only just come out of China at the beginning of this year. My position was based in Beijing looking after the Asian countries particularly surrounding China. Just adding onto what Matt was saying, most clearly the time I was over there we were assessing that 70 per cent to 80 per cent of the ice coming into Australia was from China, and that was very much a big driver with the Chinese to actually set up Taskforce Blaze in November 2015. No other country has been able to do that, and that was a direct consequence of us being able to analyse our importations coming into this country and then sitting down with them and saying, ‘We need to work better to try and stop this’. They have been working very hard to try and stop it, and most certainly we have been very successful, as the seizures have indicated.

As a flow-on from Blaze we then set up Storm in Thailand with four agencies, and that has also been very successful. That is about 3 tonnes of precursors of ice. Cambodia is the new dragon that is going to raise its head as it gets more developed. We have got a very good relationship with the Cambodian police there, and they have set up a task force to look at ways to stop it coming into Australia and to stop it at its source.

Ms PATTEN — The numbers are quite startling, aren’t they — 6 tonnes being stopped. Do you have any idea what percentage the seizure is? I have read anecdotally or in reports that we guess that seizures account for about 10 per cent of the drugs that get across our border. Do you guys have any real data?

Det. Supt WARREN — It is pure guesswork. What we see is where there is a price spike. If you really have a massive impact on supply, then the price will go up. But what we have certainly seen consistently over the last few years is that despite the very high seizure rate, we are still seeing consistent demand and a drop in price, which tends to lead to the conclusion that there is a significant supply still reaching our shores. To put it in percentage terms I think it would be very, very difficult — and I do not know whether Bruce has got anything further to add to that. I think it would be safe to say that the problem is serious and continuing.

Cmdr HILL — I think the good indicator is the wastewater analysis that the ACIC is currently undertaking. They have got some preliminary figures. That project is destined for two years, and I think by the end of the two years we will be able to, for the first time in history, I think, have some kind of anecdotal evidence or information to suggest what the consumption rate of this country is. So it is a very good indicator for us. I agree with Matt: I do not think we have actually ever been able to quantify it.

Ms PATTEN — I think that is really interesting because in some ways that wastewater survey is contradicting the national household drug survey, because the national household drug survey is saying that methamphetamine use is actually in decline — or that the number of people using it is in decline. Possibly the problematic users are increasing, but the wastewater says there is an increase in finding methamphetamine in the water. So I am not quite sure how that works, and then, with your increased seizures of meth, how that relates to the fact that less people are using it.

Det. Supt WARREN — I do not know that that is necessarily the case, in fact. But once again I think it is very difficult. Certainly with the household surveys you are relying on people to be honest in their responses, which is always a challenge. I think the wastewater survey combined with the price versus the number of seizures we are making and the amount we are seizing, you can extrapolate some figures probably out of that.

Ms PATTEN — The demand is still there.

Det. Supt WARREN — Demand is still there, without question.

Mr DIXON — Matt, you said earlier that Australians are the highest per capita consumers of meth. Why is that? Is it because of availability, is it a cultural thing or is it a mix? What are the reasons?

Det. Supt WARREN — I think there are many and varied reasons for that. Ice is a particularly addictive drug. Certainly we have seen that evidenced both medically and anecdotally by law enforcement. We see people take up ice very quickly and become addicted to it probably more quickly than perhaps we saw during the nineties with ecstasy, which is another amphetamine-type substance but probably has a less addictive quality to it. It is very readily available, and the price, as we have seen, has been coming down. There is the cultural aspect that we see as well. There is a cultural acceptance in Australia of taking recreational drugs, and ice certainly fits into that bracket, without question.

The CHAIR — So that is different to other countries. I am surprised that in terms of price it would be different to a lot of other countries.

Det. Supt WARREN — I think geographically we are very close to Asia and certainly China, which, probably along with Mexico — and Bruce might have some better figures than me — is one of the largest producers of methamphetamine in the world, and of course Australians are prepared to pay for it. The pricepoint in Australia is generally much higher than in the rest of the world, so there is a lot of profit to be made by organised crime groups in funnelling meth to Australia. Of course the international trafficking routes from the Mekong Delta countries are well-established. Those countries have been source countries for heroin for a number of years. Legitimate trade has increased rapidly over the last 15 to 20 years with the manufacture of legitimate goods in Australia, so therefore we are seeing a lot more cargo coming into Australia, both air cargo and sea cargo, which makes it an attractive destination.

Mr DIXON — And the meth is smuggled in, basically, through that normal cargo; is that the main reason, or is it just coming through deserted coastlines?

Det. Supt WARREN — No, certainly what we have seen is that in the main it is coming through the legitimate cargo stream, but the methods of importation are as wide and varied as your imagination. Certainly Australian Border Force give a presentation on some of the methods of concealment. They are quite extraordinary.

Cmdr HILL — Can I just add to that too. For a lot of my career I have been involved in drug investigations, and I must say that this current period — I do not think Australia has ever been such a target. I think we have got to be very careful we do not just limit ourselves to ice, even though it is a very serious issue. We also have a serious issue with ecstasy and cocaine coming from those areas as well because of the price. The price in Australia at the moment is one of the highest in the world, and as you all appreciate, it is the pull factor.

Just going back to ice, one of the things that differentiates us in the market is that we import very high-quality — almost pure — ice. A lot of the Asian market, particularly South-East Asia, is lower quality at pill form, and the quantities of methamphetamine amphetamine is about 15 to 20 per cent. What we are importing into this country, whether it is by mail, cargo, boats, whatever — it is coming from everywhere — is normally up near to 80 to 90 per cent pure. So it is a different market, and that is why it is so dangerous to the community. It is a very addictive drug, and it is a very destructive drug to the body, as you all appreciate, so we are in a very separate zone for that.

Mr GEPP — Bruce's comments there lead me on to some of the other things that we have heard throughout the inquiry — things like pill testing, for example, at festivals. I know that we are probably talking about state jurisdictions here and policing and enforcing at music festivals et cetera. Does the AFP have any views around

those sorts of initiatives? What are you hearing from your international counterparts on that sort of front from a policy perspective?

Cmdr HILL — I think from a western environment perspective I am not too sure. I cannot comment on that. Most certainly the Asian environment is not going that way; they are going the other way. They are becoming stronger and more law-enforcement oriented. Again — I want to underline this, and I am sure you all appreciate this — we simply cannot arrest our way out of this situation. We are now focusing all our efforts on organised crime at the top end. We are trying to leave particularly the drug addicts and we are to a lesser extent not focusing on them. As a result of that our effort takes a lot of time, resources and complexity to go at the top end. Seventy to 80 per cent of the executive of the drug importing environment is offshore, and that is where a lot of our resources are. In saying that, I think the money and the effort that the government — both federal and state — put into prevention and rehabilitation is money well spent. That is where we need to put a lot of our effort, because this is most certainly not a law-enforcement sole effort. We have a role to play with the organised crime part, but the more we can put at that front end to stop the community taking drugs the better it is for all of us.

The CHAIR — Can I also just go back to the work that you have been doing with China, Thailand and Cambodia and so on. Do I understand that the local police, or the police at the Chinese end, are now being more cooperative? Is there more that needs to be done to improve their cooperation either by support or by information sharing? What is the opportunity to make some even more significant inroads into those markets?

Cmdr HILL — If you go back to the meth strategy that Minister Keenan released over in Perth probably a month or two ago, there are four pillars. One of the pillars is most certainly a better relationship with law enforcement. I believe Australia has an incredible relationship offshore. We are in 33 countries, and we are very well liked and have a wonderful integration with a number of agencies. So that is that multiplying effect. If you put one or two officers in another country, those agencies then start to help us deal with our drug problem, which is their drug problem as well. We are on a wonderful trajectory there, and these task forces are good indicators of the ability that we have got.

Probably the one which is important particularly for the inquiry is the political engagement — having that top-level engagement and the discussions about what we are doing and what they are doing to try and get a holistic view in relation to the drug problem. The more we can be out there and the more we can engage offshore the better it is for everybody. I am very happy to hear that the committee has gone and seen the activities of other countries, because the more you go and see what other people are doing and take the best fruit from them and put it into our system the better. I think Australia is in a very good place at the moment. We have a very serious drug problem, but I think we are combating it very well. Law enforcement has probably never been better coordinated in this country than it is today. We are well-connected both at the state and the federal level and are working off each other very well. As you all appreciate, there is always room for improvement, but today as I sit here we are in a very good place.

The CHAIR — In regard to the three countries you have named, I am a bit surprised that Burma, or Myanmar, and Vietnam have not been mentioned as places of concern, since they are all around the Mekong Delta area, or even India, as you did mention earlier. Is it to do with government effectiveness, or what are the issues that see those three countries as being the three targets?

Cmdr HILL — I think in relation to those three countries we were able to establish a classless concept. In saying that, that was my area of responsibility, so I can say hand on heart I have been to each of those countries that you have just mentioned where our liaison officers are positioned. We have excellent relationships with all those countries. They all have their idiosyncrasies and they have their ways of operating. Again we adjust our approach to the country that we are involved in.

Myanmar is most certainly one of the key countries we are looking into. We have been there for a long time. A lot of the production comes out of Myanmar. It is most certainly the feeder into South-East Asia, but as you all understand, it has a different dimension politically and operationally, so we have to treat that very differently. Vietnam is a very different beast again, but we have a person positioned in Hanoi and Ho Chi Minh, and we always receive excellent relationships from the Vietnamese. Maybe standing here talking about the task force is a bit of danger, because I think if you look across South-East Asia, in each of those countries we are positioned and are performing very well, if you look at what we are doing in each of those countries.

Det. Supt WARREN — If I could just add to that too, certainly the countries themselves are very focused on multilateral and bilateral cooperation across that sort of Mekong Delta region. Certainly in my experience in China the Chinese are very focused on reducing the flow of illicit drugs across the border into China. They have their own issues of course, similar to what we do, with drugs flowing into their country as well as their own production issues.

Picking up on what Bruce said, we are very focused on making sure we have the right arrangements in the right country. There are differing arrangements and we have had differing cooperation in terms of teams. We have had a very mature relationship in Vietnam with regional cooperation teams, so they are working together with those local police at that operational level as well. It is not a one-size-fits-all solution. It is also about, for us, leveraging off those other partnerships that are occurring in the region and not being seen to be coming in and telling them all what to do but also making use of their own arrangements.

Mr THOMPSON — Commander Hill, from your point of view, do you support the current allocation of resources in maintaining the war on drugs, or would you prefer to see a diversion of resources to harm reduction?

Cmdr HILL — I think it has been historical. The UN had the triangle, and demand reduction and supply reduction are very much pinnacle parts of the triangle, but the third arm on that triangle is law enforcement. It is the deterrent effect for the organised crime. As you all know, again, they are making a lot of money out of drugs, and if we are not here creating that deterrent, it will then be an open slather for them. We have had some wonderful successes this year taking out some really serious organised crime groups, particularly in Sydney, and that is a massive deterrent for the other groups operating. They were offshore operations, multilateral operations which were very difficult. But as the team Veda in August this year we took out approximately 1.8 tonnes of narcotics before it arrived in Australia and arrested 17 people, and some of those were some of the key organised crime figures in Sydney that had been operating for many years.

The answer to that is we most certainly have a very important role, but I think getting the balance between educating our young people and rehabilitating the people in the drug environment is also very important, and government has the ability to regulate those three. We most certainly need resources and effort, but we have just got to make sure it is balanced.

Mr THOMPSON — Put another way, you would strongly support maintaining the war on drugs?

Cmdr HILL — I think again it is a very difficult, complex problem, so saying no to that or yes to that — it is not as simple as that. As you appreciate, the more we put effort in and are successful then the more likely it is that the price goes up. Then it becomes more of an incentive to some. But we are being very successful in our arena of bringing some of the major organised crime people to justice, and that is our job. These people have to be shown that this is not the way to go, because otherwise you will have a breakdown in society. We are working very closely with our five eye partners and with our Asian partners, and across the platform we are having very big successes. Whether that is the answer, I do not know. Time will tell.

Mr GEPP — Can I just ask a question about the darknet? We often hear in terms of movement through the main cargo routes — air and sea — but of course the internet is now freely available to all and sundry. In terms of a distribution network, I imagine that it is growing at a fairly rapid rate. What sort of intelligence can you share on that and on the AFP's efforts in relation to the darknet?

Det. Supt WARREN — Certainly from a darknet perspective it is one of the many supply platforms and supply chains that we see — certainly not the main one. What it does is it provides a platform for people to connect with each other who have something to buy and something to sell. Going back to Commander Hill's earlier point, as an organisation we are directing as many of our resources as we can to the absolute pinnacle of organised crime. Generally speaking that is not who we are seeing on the darknet. Those people do not need to operate in the darknet. We are talking about hundreds of kilos of narcotics that they are moving, if not tonnes. Generally what we see in the darknet are people who are purchasing at the gram to 100 gram — or more.

Mr GEPP — So personal use.

Det. Supt WARREN — It probably tends to be more personal use. That is not to, by any stretch, downplay that as a problem, because it is a huge issue and those matters of course flow through the border and the ABF will seize them. It is certainly an issue for us.

Mr GEPP — Is that where we start to also get into some of the quality of the substances?

Det. Supt WARREN — Without question. It is like any purchase on the internet: you do not know what you are going to get until it arrives. But it is an area that the AFP is putting a lot of resources into because that darknet really causes us problems right across the whole spectrum of what we investigate, through counterterrorism, organised crime and child pornography. A whole raft of the serious issues that we are looking at are all facilitated either through the standard internet or through the darknet, which requires a different knowledge of the internet.

Ms PATTEN — Going back to looking at those three pillars of drug strategy, listening to you, Bruce, talking about busting organised crime, obviously until we reduce demand there is always going to be supply. That is the market. Does the AFP have any involvement in demand reduction policies? We saw in Portugal, for example, that by decriminalising use and possession of all drugs that that enabled them to do better demand reduction just by reducing that stigma. I am wondering if the AFP is working in that area.

Cmdr HILL — We did sit on some of the commonwealth government committees as a whole-of-government approach and provided our input there. As you would appreciate, Portugal is an exception. It has been very successful on what they have said to date. When you go back to the original adage of calling it the war on drugs, my view is the war on drugs is those three pillars working together to try and stop people from taking drugs and wanting to take drugs, because that is the end result. Removing the demand will remove all the problems for everybody, but that is an extremely difficult, complicated problem. In a perfect world you could do that, but we are not in a perfect world.

Ms PATTEN — Would you advocate for greater funding to that area, without reducing your funding of course?

Cmdr HILL — I think that did come out of the National Ice Taskforce. When they all did meet, and Ken Lay was the chair of that, I think the recommendations were quite solid coming out of that, which I was very heartened by. In the end we only ended up with one strategy or one recommendation, which is 27. Most, if not all, of the rest related to education and rehabilitation. We did not lose any funding but the funding going forward was for those other areas.

The CHAIR — I have got another one and then we will come back to Fiona. One of the issues we experienced when we went to Vancouver in particular was the issue of fentanyl coming into Vancouver and into North America being of great concern. It seems interesting, as you say, that meth is coming into Australia from Asia more than it is going to other countries but fentanyl is going to North America. Do we get any sense why, and do we see it as a threat to Australia?

Cmdr HILL — The answer to that is yes. Fentanyl has not really taken hold here. It is an extremely dangerous drug and is killing many people in North America and Canada. Particularly DEA and RCMP have shared their intelligence and what is going on there. We most certainly have got nothing like that at the moment. We are getting some seizures of fentanyl, but they are still small amounts and really we have not seen it in the market yet. It is a very dangerous drug if it does make it way in, and it is far more potent than anything we have got out there at the moment. I must say if you look back in history, remember the crack cocaine phenomena, particularly in America, consumed America in a lot of ways. We never really had crack cocaine take off in this market in Australia. I do not what the reason for that was, but with a bit of luck we can avoid the fentanyl phenomena because it is extremely dangerous and will kill many people.

Det. Supt WARREN — I suppose just to add to that, certainly in my position here I see all of the seizures that come in and the referrals, and in Victoria we really are not seeing many at all. Bruce would have a much better picture of the national situation, but certainly here in Victoria it is not. But we are highly aware of it, and it is something that we will try to step on really, really quickly if we see it starting — if we can of course.

The CHAIR — Partly the feedback in Vancouver was that they still thought China was a country where the fentanyl was coming from. Do we sense that between the North American police and the Chinese police they are perhaps having some success in tracing and seizing some of the fentanyl?

Cmdr HILL — Yes, my understanding is that is the case. The new head of DEA has just arrived in Australia, has a new liaison point here. I just met with him the other day, and he said they have been very successful in recent months with the Chinese, who are going to regulate and take more aggressive action in relation to fentanyl exportation. But it is an extremely difficult thing to do with the trade that goes between American and China. They are most certainly focused on it, and if the Chinese focus on something, they are normally very good at it.

Ms PATTEN — Can I follow on from that with regards to this, because what I think we saw in Canada initially was the counterfeit opioids that were laced with the fentanyl. So people were bringing in counterfeit OxyContin and using fentanyl to provide the same experience. Are we seeing counterfeit medications? Is that an emerging issue for the AFP or not particularly here?

Cmdr HILL — Not particularly. Again, it is a very high risk because there are a lot of counterfeit pharmaceuticals, particularly in China and other countries. But from our perspective we are normally looking at the illicit drugs rather than the licit drugs. I could not really give you any kind of expert view on that at this time. I can give you the expert view on the illicit market but not particularly on that one.

Mr THOMPSON — Commander Hill, in terms of limiting supply of drugs into Australia, how would you describe the strength of collaboration with other countries with whom Australia is engaged in fighting the importation of illicit drugs?

Cmdr HILL — Again, I would rate it as very high from my experience, and I have been offshore three times now. Australia is one of the countries that, for whatever reason — just the nature of who we are and the way we operate — we are well liked by other countries. We operate as a broker a lot of times between different agencies and we have a lot of good operational successes. Sitting here right now, I would put us up very high on the international stage.

The CHAIR — I think we are questioned out for the moment. Thank you very much for your time, Bruce.

Cmdr HILL — Thank you very much

The CHAIR — And thank you, Matt, for coming in in person.

Det. Supt WARREN — Thank you.

The CHAIR — Your contributions have been terrific. It has been useful to follow up on some of those issues which were raised in our international travels too.

Cmdr HILL — Very good. My pleasure.

Det. Supt WARREN — Thank you.

Witnesses withdrew.