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EXECUTIVE SUMMARY

Facilitating over \$790 billion worth of commerce annually between Canada, Mexico and the United States (US) and accelerating since the 1994 implementation of the North American Free Trade Agreement (NAFTA), trans-border commercial truck traffic is expected to double, and in some cases quadruple, by 2020 on NAFTA trade corridors. (U)

The size and scope of this industry provides opportunity for organized crime groups to capitalize on its vulnerabilities and criminal transportation specialists have created a niche in the movement of illicit goods by commercial transport truck. (A)

KEY FINDINGS

- Criminals are operating within a rapidly expanding trucking industry that is challenging to regulate and includes cross border movement of goods (U)
- The financial success achieved by some criminal trucking specialists provide them the means to exert more influence on the legitimate industry, representing a high threat level. (A)
- The owner/operator segment of the trucking industry is presently the most exploited by criminal organizations. The vulnerability of drivers and the ease with which trucking companies can be formed, incorporated and become operational are contributing factors that make the trucking industry particularly attractive to organized crime groups. (A)
- Cocaine is the most common illicit commodity intercepted in commercial trucks entering Canada at the border and marihuana is the dominant illicit commodity intercepted in commercial trucks domestically. (B)
- Criminal transportation specialist groups are held responsible for illicit cargo that has been lost, stolen or seized, often resulting in violent consequences. Missing illicit cargo provides leverage for further exploitation in which the drivers are drawn further into the criminal activity. (A)
- A harsher economic reality created by changes in the trucking industry will provide more opportunities for organized crime groups to co-opt smaller companies and their drivers. (A)

INTRODUCTION

Criminal exploitation of commercial trucking is recognized by law enforcement as a significant factor in the movement of illicit commodities. This report examines organized crime in the commercial trucking industry and represents the first time the RCMP National Criminal Intelligence Program has isolated and assessed this aspect of illicit commodity distribution from a national perspective. (U)

The trucking industry in Canada employs over 400,000 people and Statistics Canada identifies truck driving as one of the leading occupations among males in this country. Benefitting from what a 2001 Canada Transport Act Review describes as "The multitude of jurisdictional influences on different aspects of the trucking sector create a risk of fragmented regulatory oversight," organized crime groups own and operate trucking companies in relative autonomy without close government or industry scrutiny. Operating within a complex industry that is challenging to regulate and an overwhelming volume of cross border goods give these criminals considerable advantage over border inspectors and law enforcement. (A)

PURPOSE

This assessment provides insight on the influence of organized crime in the trucking industry. Understanding how organized crime uses transportation and orchestrates the transport of illicit commodities will aid in identifying opportunities for disruption of these criminal enterprises. (A)



THE TRUCKING INDUSTRY IN CANADA

The trucking industry is the backbone of commercial transportation in Canada, providing flexible, time sensitive services vital to the success of North America's economy. The industry is dominated by small for-hire carriers and independent owner/operators whose primary role is to haul freight for others. Owning and operating their own trucks gives owner/operators a greater level of flexibility in terms of routing, driving hours, layover times etc., in comparison to other for-hire carriers that employ drivers to operate trucks belonging to the company. Private trucking is performed by those companies who manufacture and distribute their own goods. (U)

The trucking industry moves over 70 percent of goods into Canada from the US. It is the largest venue for trade in North America representing \$790 billion worth of commerce annually between Canada, Mexico and the US. Accelerating since the 1994 implementation of NAFTA, trans-border truck traffic is expected to double, and in some cases quadruple, by 2020 on NAFTA trade corridors. Few domestic transportation facilities or corridors are expected to grow as quickly as at border crossings over the next 20 years.¹ (U)

Industry and governments place a premium on efficiency and minimizing impediments to the flow of trade. This requires law enforcement to balance decision making and priority setting with respect to how much governments will support interdiction efforts that may create slow downs in transborder commercial transportation. (U)

NATIONAL/REGIONAL OVERVIEWS

Criminal activity related to trucking is present in every region. Marihuana is the most intercepted commodity in commercial trucks domestically.⁵ Pipeline/Convoy program seizures include illicit tobacco, marihuana, cash, cocaine, ephedrine, MDMA⁶ (Ecstasy) and illegal migrants. Risk of interdiction is primarily at the border, inspection stations and truck stops. Drivers are most vulnerable to criminal threat or interference at load or unload points, warehouses, cargo lots, truck stops and roadside rest stops. (A)

The trucking industry is a network of interdependent relationships between local, provincial and federal governments, a diversity of regulatory bodies and transportation and trucking associations. Criminal groups conceal their illicit activities through layers of company ownerships, name changes, transfers and closures. The complexity by which the transfer of goods are arranged, often through a number of shipping, receiving and transport companies, further confuses efforts to clearly assess at which point criminal activity is actually occurring. Some companies, formed for the sole purpose of transporting illicit goods, exploit legitimate transactions or move the same cargo back and forth between distribution points. (U)

Atlantic Region (Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick)

Only one percent of border traffic crosses at points in Atlantic Canada and there are just under 3,000 owner/operator trucking companies operating in this region. (U)

s.15(1)

s.16(1)

Central Region (Ontario, Quebec)

Almost three quarters of truck traffic that crosses the Canada-US border passes through border points in Ontario (ON) and Quebec (QC). There are close to 31,500 owner/operators in the region. Most commercial trucking companies have distribution operations in the Brampton and Mississauga areas in Ontario. (U)

Most of the criminal groups examined have companies based in these cities. Illicit tobacco and tobacco products are interdicted at Canada-US border points in QC and ON. Cocaine is the most significant illicit commodity entering Canada by commercial truck, by value and in numbers of seizures.

Northwest Region (Manitoba, Saskatchewan, Alberta, Northwest Territories, Nunavut)

There are close to 13,000 owner/operators in the Prairie Region and slightly less than 10 percent of the Canada-US cross border traffic passes here. (U)

Pacific Region (British Columbia, Yukon Territory)

Approximately 10 percent of the traffic transiting the Canada-US border is in BC and there are close to 7,400 owner/operators in the region. (U)

BC is a major source region for marihuana, which remains the top domestically produced illicit drug in Canada, comprising approximately 75 percent of all drug seizures in 2008.ⁱⁱ (B)

The majority of Canadian-produced marihuana is bound for the US market.ⁱⁱⁱ (B)

Cocaine enters BC in multi-million dollar quantities and is seized from CMVs at the border or in transit to other regions across Canada.

TRENDS IN TRUCKING

Environmental concerns, congestion, security considerations, safety and efficiency benchmarks will continue to affect the trucking industry. Controversy on both sides of the border about the impact of the "security trumps trade" response to terrorism includes special interest groups and members of the US Congress lobbying for leaner processing at the borders. (U)

NAFTA supports a Pan-North American perspective on commerce and inter-modal, international transportation issues. The concept of a single continental market, fueled by anticipated efficiencies from aligned regulations, transportation processes and infrastructure is creating a more integrated and collaborative approach to trade within North America. The North America's Super Corridor Coalition (NASCO), founded in 1994⁷ and the North American Inland Port Network,⁸ are examples of the types of associations advancing a streamlined intra-continental transportation network. (U)

Paralleling efforts at aligning trade routing within North America are security regulations such as the Western Hemisphere Travel Initiative. This initiative requires travellers including American and Canadian citizens to have a passport, passport card or enhanced driver's licence or enrollment in a trusted traveler program such as NEXUS and SENTRI (for frequent travellers to Canada and Mexico respectively) or FAST (for commercial drivers) for return to the US from Canada or Mexico. Stolen or fraudulently acquired FAST passes within commercial trucking demonstrate the vulnerability of these measures to organized crime. (U)

Financial arrangements recently enacted by the Canadian government may lead to a two-tiered system for trucking in Canada with larger more financially secure companies operating at the border and smaller companies dedicated to domestic trucking. Industry experts and officials speculate the resultant "level of sophistication required to run a trucking company will keep some players out of the market"^{iv} which may challenge the ability of smaller owner/operators to remain in business. (U)

This will pressure criminal transportation specialist groups, currently most present within the owner/operator segment of the Canadian trucking industry, to adapt to a more streamlined environment requiring new criminal approaches at the border. These approaches will include finding ways to infiltrate and compromise larger trucking companies. (A)

s.15(1)

s.16(1)

ORGANIZED CRIME

Numerous criminal groups are involved in the transportation of illicit goods including, cocaine, marihuana, tobacco, MDMA (Ecstasy) and currency across Canada and into the US. Transportation is a point of vulnerability for any criminal enterprise and some organized crime groups prefer to operate with these specialists. Operating independently as middle men or brokers, services are provided across crime groups. Groups or individuals who have a direct role in transportation may be members of an emerging or low level organized crime group or are providing the service for a more sophisticated group. (A)

Responsibility for large quantities of illicit goods indicates a level of trust or a strong business arrangement. Loads are often guaranteed, sometimes with money provided up front by the transporters. Criminal transportation specialist groups are held responsible for illicit cargo that has been lost, stolen or seized. For illicit cargo that is missing the transporter is expected to provide compensation or risk harsh consequences, including extortion and violence. Violence associated to lost cargo include beatings, kidnapping and murder. Transport specialist groups that are capable of financing illicit loads themselves avoid some of these repercussions.

Discipline is usually meted out from within the transportation group at the behest of the larger criminal organization or to deal with internal disputes. Loads stolen or seized from drivers provide leverage for further exploitation by crime groups often resulting in an indentured arrangement in which the driver is drawn further into the criminal activity and required to move illicit commodities at no cost, to fulfill the debt. (A)

The criminal market sustains numerous criminal transportation specialist groups operating independently. An open market dictates that no one group has exclusive jurisdiction over a particular corridor, a specific commodity type, or an alignment with a larger organized crime group. Some of these entrepreneurial criminals have operated successfully over an extended period of time, expanding their client base, building an infrastructure of networks and trucking companies, and strengthening influence over drivers, including recruitment. For the most part, these criminals remain transport specialists, accumulating considerable profits, but not diversifying into other criminal activities. (A)

Moving large amounts of cash may be the pinnacle of success for these criminal organizations, demonstrating a high level of trust and elevated status. A lost load of drugs or other illicit commodity is easier to absorb than a loss of cash, which represents the profits from an organized crime group's activities. Customized compartments built into tractor trailers are used to conceal other contraband yet "increasingly sophisticated compartments are often used to conceal cash

Truck stops and warehouses provide opportunities for criminal exchanges or approaches. Areas where drivers congregate serve as a meeting place and significant point of contact. Warehousing is significant to criminal activity reliant on transportation. Illicit goods such as stolen metal, auto parts or large caches of illicit drugs that are accumulated for distribution require warehousing. Personnel associated to warehouses, truck stops and cargo yards are vulnerable to intimidation and coercion particularly by wealthy criminal groups. (A)

On the periphery of these criminal operations and inconsistent with the lifestyle and economic status of an independent operator are truck drivers with access to criminal lawyers. In some instances drivers involved in separate seizures were represented by the same lawyer. (A)

These criminal specialists are loosely connected and operating in three general arrangements. (U)

1. Drivers approached individually to deliver illicit goods in single service requests. They may own or operate their own trucking company, be employed by a large company that is unaware of the illicit activity of its driver, or be employed as a driver for a company owned by a criminal transportation specialist group. (U)

Characterized by less dense patterns of interaction and looser relationships, these drivers are in the periphery of the core group. Individuals on the periphery are more vulnerable to law enforcement and in the majority of investigations, the driver is commonly subject to interdiction. Should a member from the periphery be compromised, "they can simply be discarded and new members recruited for the outer reaches of the network."ⁱⁱⁱ (U)

2. Owner/operators who create companies or eventually migrate their legitimate companies to a core activity of transportation of contraband and possibly engaging a few trusted associates as drivers. (U)
3. Facilitators or brokers, connected to multiple drivers, and owner/operators, exert their influence to arrange shipments through these connections for larger organized crime groups. (U)

Examining transportation specialists groups from a social networking perspective may provide greater insight into their vulnerabilities. A social network analysis could demonstrate a level of strategic cooperation that reveals the presence of a network of networks or "super-network."ⁱⁱⁱ (U)

s.13(1)(a)

s.15(1)

s.16(1)

DRIVERS/OWNER OPERATORS

There are approximately 734,000 trucks registered in Canada, and nearly half of these are for-hire carriers or owner/operators. The industry estimates that 375,000 new drivers will be needed in the next decade in order to meet demands. According to Canada's most recent Labour Force Survey, the average full-time truck driver earns \$858 a week. (U)

Payments made for the transportation of illicit commodities by criminal groups are a relatively small cost of doing business but present a significant incentive for drivers in consideration of their wages. A driver paid \$28,000 to transport \$12 million worth of cocaine from California to Montreal, QC shows the risks borne by these drivers is out of proportion to the fee they receive. In addition to the appeal of the availability of drivers at a relatively inexpensive rate, transporting large quantities by CMV is the most efficient means of moving contraband across the land border.¹⁰ (U)

OUTLOOK

The US has refused full cross border access for international shipments to Mexican truck drivers and companies as required by NAFTA. Outside of a two year Demonstration Project¹¹ terminated by the US Government in March 2009, Mexican truckers do not have the same level of access to US transportation markets as do Canadians. It is expected that this dispute will be resolved in favour of Mexico allowing Mexican trucking companies to play a larger role in the movement of goods within the US. Opening US trade routing to Mexican trucking companies will increase the level of competition for movement of goods through the US. (U)

Mexican drug trafficking groups through a successful expansion of their criminal operations are gaining ground in the cocaine trade further north¹² and potentially into Canada. Marihuana, like cocaine, is typically carried by commercial transport truck with seizures at both the Canada-US and the Mexico-US borders. Canadian marihuana has higher profit margins than Mexican marihuana and the small percentage of marihuana seized in the US that is Canadian grown represents a large market share for Canadian criminals. A two tiered trucking system in Canada and the resolution of the Mexican-US trucking dispute could create conditions for a turf war among production groups over criminal market share. Canadian drivers could be affected by this realignment of criminal activity and put in direct competition with Mexican criminal groups. (A)

Global expansion of trade is increasing pressure on coastal ports and creating more interest in inland port systems. Several large multi-modal facilities are planned, or under construction, for central Canada, including the Global Transportation Hub in Regina, SK, CentrePort facility in Winnipeg, AB and others in AB, with completion projected into the next decade. These large multi-modal facilities with high volume capacity warehouses represent the changing face of trade for North America and will displace some criminal operations in Canada particularly at the ports, as cargo processing and distribution centres move to inland ports. (A)

The owner/operator segment is the most exploited portion of the Canadian trucking industry by criminal organizations. Increased competition and expectations in adherence to security and environmental requirements places more pressure on smaller companies and their drivers striving for economic viability, and "...whatever scenario is adapted by the continent's next generation of truckers, the freewheeling era of cross-border trucking, along with the energetic family firms that drove it, is fading into history."^{ix} (U)

This is an enriched opportunity for organized crime to offer financial incentives to supplement flagging incomes. If larger companies are all that remains in terms of cross border movement of trade, then criminal groups will find new ways in which to exploit these businesses. (A)

s.13(1)(a)

s.15(1)

s.16(1)

CONCLUSION

Criminal groups wishing to exploit the trucking industry can take advantage of over 37,000 trucks crossing the Canada-US border every day, or approximately one truck every 2.5 seconds. Trucking will continue to expand as road transport growth has consistently outpaced rail, sea and air transport in continental trade.⁸ NAFTA and associated initiatives are bringing major changes to the way in which trade will be managed within North America. Shifts in the economy, political attitudes, and international relations, coupled with an expectation of efficient and inexpensive service, have been pressuring trucking in the legitimate market and also impact the criminal world. Opportunities to disrupt criminal groups involved in trucking and anticipating criminal trends both require attention to evolving trade arrangements and other influences on the trucking industry. (A)

As a criminal group expands the scope of its activities that rely on transportation, the importance of shipping is magnified requiring innovation, extended infrastructure or external specialists. Outsourcing transportation to criminal specialists represents an evolution in the capacity of a crime group and may be an indicator of an expansion of organized crime in Canada, positioning itself to more efficiently deliver goods to the lucrative US market. (A)

Continued proliferation of illicit trucking companies will facilitate further entrenchment of organized crime into the industry. As criminal transportation specialists increase profits and gain greater control over their networks, the scope of their influence will extend to other vulnerable segments of the trucking business. (A)

Competition may create a realignment at the border, with Mexican criminals moving cocaine north and Canadians moving marihuana and cash south into the US. Investigating Mexican criminals involved in moving illicit commodity into Canada through the US will require collaborative efforts with Canadian law enforcement partners in the US and Mexico, presenting more investigative challenges. (A)

The National Pipeline/Convoy program is instrumental to understanding the domestic movement of contraband. Despite the multijurisdictional and often international implications of this type of interdiction, resultant investigations are dealt with at the divisional level. (A)

Increased interdiction of commercial trucks presents short term inconvenience for organized crime, forcing a shift to other modes, such as aircraft, boat or movement of more frequent, smaller loads. More frequent transfers of contraband in smaller amounts, concealed in private vehicles and rentals will potentially increase the significance of warehousing. Despite its susceptibility to shifts in the economy, and the ability of organized crime groups to use other forms of transportation, the trucking industry will continue to play a dominant role in the operations of organized crime. (A)