



THE COSTS OF SERIOUS AND ORGANISED CRIME IN AUSTRALIA 2013-14



CEO FOREWORD

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The relentless pursuit of illicit profit and power by serious and organised crime affects the Australian community in many ways. The impact is negative, the costs are high, and we all pay the price.

There are extreme and personal costs we cannot measure—lives ruined, families torn apart and communities devastated.

However, we can measure some of the financial costs of harms, preventative measures, and law enforcement responses to serious and organised crime.

By measuring these costs, we gain a better understanding of the scale and reach of serious and organised crime across our community and the associated financial impact.

This understanding informs decisions about policy and responses. It enables Australia to target resources to counter the greatest harms and emerging trends, to ensure serious and organised crime does not become entrenched in, and undermine the integrity of, our economy and community, government, criminal justice system and commercial enterprises.

This is the first attempt to break down the costs of serious and organised crime affecting Australia, and the resulting estimate is more than double our previous conservative figure.

Gaining a better understanding of the scale and financial impact of serious and organised crime informs our responses to stop it becoming entrenched.

However, this updated estimate still only reflects a proportion of the total cost of serious and organised crime. There are many elements we could not measure or only partially measure. This highlights the importance of government and business continuing to fill gaps in the existing data.

Our papers—the classified version, this public summary and the accompanying methodology paper—are the result of close collaboration with Commonwealth, state and territory law enforcement, other government agencies, the private sector, and leading academics. I would like to acknowledge researcher John Walker who developed and implemented the costing methodology and who co-authored the papers, with input from various other contributors. The Australian Crime Commission thanks the various contributors and will continue to work collaboratively to discover, understand and respond to serious and organised crime.



Chris Dawson APM
Chief Executive Officer
Australian Crime Commission

SERIOUS AND ORGANISED CRIME COST AUSTRALIA **\$36 BILLION IN 2013-14**

That is equal to:



24% of Australia's 2015 social security and welfare budget



6.3% added to the average cost of living



217 million baskets of groceries (at an average cost of \$167.45 per basket)



\$1561 from every man, woman and child in Australia



3 weeks pay (average for the entire work force)

WHAT IS SERIOUS AND ORGANISED CRIME?

Serious and organised crime is global, diversified and pervasive. It involves substantial planning and organisation. It uses sophisticated methods and techniques. Criminal entrepreneurs may bring in specialist facilitators and use stand-over tactics.

Serious and organised criminals are involved in a range of criminal activities and services, for example illicit drug activity, organised fraud, and crimes against the person such as human trafficking. Serious and organised criminal activity is supported and concealed through enablers such as money laundering, violence and corruption.

Around 70 per cent of Australia's serious and organised criminal threats are based offshore or have strong offshore links.

WHAT DOES SERIOUS AND ORGANISED CRIME COST AUSTRALIA?

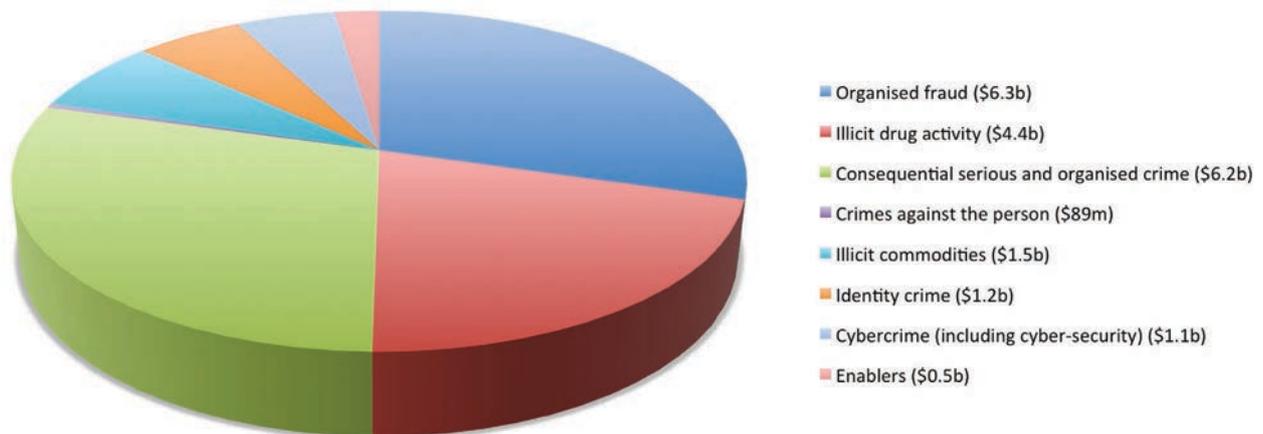
In 2013–14 the costs of serious and organised crime, and preventing and responding to it, include:

- **\$21 billion in serious and organised crime costs**—this includes crimes with a clear and direct link to serious and organised criminals, such as illicit drug trafficking and organised fraud. It also includes conventional crimes that generate funds to support serious and organised criminal enterprises and/or facilitate serious and organised criminal activities, such as burglaries to fund illicit drug purchases.
- **\$15 billion in prevention and response costs**—this includes government spending on law enforcement and criminal justice, and business and community costs, such as costs associated with securing homes and businesses.



SERIOUS AND ORGANISED CRIME COSTS \$21 BILLION

This includes the cost of serious and organised criminal activity (for example, organised fraud, illicit drug activity, identity crime) as well as the serious and organised component of conventional crimes.



Organised fraud | \$6.3 billion

Organised fraud is an increasing concern. Serious and organised crime targets Australia's stable economy, investor share purchases, significant superannuation investments and our taxation system. This directly affects targeted individuals as well as the financial, insurance and superannuation sectors, with flow-on impacts across the economy including increased fees and taxes, and losses to government revenue.

Serious fraud compromises our national revenue base. It can distort economic calculations, lead to anti-competitive business behaviour and undermine confidence in the administration of Australia's tax laws. The whole community feels the ripple effect of reduced revenue for government-funded services, infrastructure, transport, health and education. The personal costs include the harm caused to personal credit ratings, identity and privacy.

Illicit drug activity | \$4.4 billion

This includes money lost to the economy through international payments for illicit drug importations. It also covers costs associated with the health impacts of illicit drug use, including injury, treatment costs, lost output of drug users while in treatment, and deaths.

The impact of illicit drug abuse from conventional crimes committed by illicit drug users (such as burglaries, robberies, assaults, domestic violence) is included in *Consequential serious and organised crime*. The criminal justice systems, and therefore Australian taxpayers, bear a significant proportion of the costs of illicit drug crime, and this cost is included in *Prevention and response costs*.

Consequential serious and organised crime | \$6.2 billion

These are conventional crimes committed as a consequence of serious and organised crime. This includes crimes that generate funds to support involvement in serious and organised crime related activities (in particular crimes undertaken to finance illicit drug purchases) and crimes that are a result of involvement in serious and organised crime related activities (for example, violence, sexual assaults or burglaries committed by those using illicit drugs). It also includes conventional crimes committed by organised crime groups (for example, organised shop theft) or crimes committed to facilitate serious and organised criminal activities (for example, the use of violence to intimidate businesses).

Illicit commodities | \$1.5 billion

This includes money lost to the Australian economy through offshore purchasing of illicit goods and through evading paying duties on imports. Illicit markets involve criminal activities such as trafficking illicit firearms, purchasing and selling illegal tobacco, illegal fishing, and elements of illegal logging and intellectual property crime.

As not all illicit commodities could be measured and some could only be partially measured, this is an under-estimation. Illegally traded wildlife and wildlife products are examples of crimes that are difficult to measure.

Identity crime | \$1.2 billion

Identity crime, although under-reported, is now among the most prevalent and constantly changing crime types. It is one of the most pervasive crimes in Australia due to criminal exploitation of technology and our increased reliance on personal identity information for online services.

Serious and organised crime sells stolen and false identities and identity information as an illicit commodity, and also uses identity crime to enable other criminal activity. Misuse of personal information is at the heart of identity crime. This affects all sectors of the Australian community, with direct costs as well as significant indirect financial impacts such as reputational damage and emotional and psychological harm.

Cybercrime | \$1.1 billion

Cybercrime is a fast-developing serious and organised crime threat. For example, malware and ransomware—which can cause significant disruptions to individuals, business and government—constantly present new opportunities for serious and organised crime. While there is a direct cost to victims of cybercrime, almost everyone in the community also pays for preventive measures such as cyber-security software, which may exceed the costs of victimisation.

It is challenging to measure these costs with certainty, due to varied definitions of cybercrime and technology-enabled crime, as well as limited data collection. As a result, this cost is considered to be an under-estimate.

Enablers | \$0.5 billion (\$500 million)

Enablers, such as money laundering, corruption and violence assist almost all serious and organised crimes. However, it is difficult to assess the financial impact of such enabling criminal activity. This is due to the need to avoid double counting and the fact that specific data is often not available when these offences are secondary to the major criminal activity.

What has been measured here are the financial resources available to serious and organised crime, which represent another significant, but not previously recognised, enabler. This includes assets hidden that can be liquidated to fund further criminal activity. Costs associated with money laundering are broad ranging, but to avoid double counting the profits made by serious and organised crime through other specific crime types, the cost measured here is the commission charged by money launderers. As a result, this cost is a partial estimate.

Crimes against the person | \$0.089 billion (\$89 million)

These crimes include maritime people smuggling, human trafficking and organised child sex offending. The financial impacts of these offences are difficult to measure. This estimated cost does not include the social, health and welfare costs to victims who suffer physical and mental health impacts of physical abuse, sexual abuse and assault, nor work-related physical injuries resulting from employment in high-risk settings or hazardous workplaces. As a result, this cost is a partial estimate of the losses to the Australian economy associated with crimes against the person.

PREVENTION AND RESPONSE COSTS **\$15 BILLION**

These are estimated annual costs to government, the private sector and the community in anticipating, preventing and responding to serious and organised crime.

Examples include:

- Australian Government agencies | **\$4.0 billion**
- law enforcement | **\$3.3 billion**
- security industry | **\$2.4 billion**
- financial and insurance sector | **\$2.3 billion**
- general community | **\$2.2 billion**
- criminal justice system, courts and corrective services | **\$0.766 billion (\$766 million).**

HOW WE MEASURED THE COST

The Australian Crime Commission previously estimated the cost of serious and organised crime at \$15 billion a year. This conservative figure was based on the estimate that serious and organised crime cost between one to two per cent of national gross domestic product (GDP), and was determined by applying international studies to the Australian context. However, this did not provide insights into criminal market trends or the actual impacts of serious and organised crime.

Our new methodology demonstrates the value of bringing together the expertise of economists, statisticians, criminologists, researchers and intelligence analysts, and drawing on a wide range of unclassified and classified data sources.

This approach builds on existing cost estimate methodologies, including models used by the Australian Institute of Criminology and international agencies such as the United Nations Office on Drugs and Crime, the European Commission, the International Monetary Fund, and the World Bank. Gaps in the data required some expert assumptions and extrapolations.

Our estimate involved costing the hidden markets and illicit activities of serious and organised crime. This is extremely difficult and requires use of sensitive data and information as well as estimations and extrapolations. The lack of common standards for recording data and measuring some types of criminal activity, both domestically and internationally, also affected our estimate.

Our estimate also involved analysing the serious and organised crime component of the crimes covered in the Australian Institute of Criminology report, *Counting the Costs of Crime in Australia: A 2011 estimate*, determining the number of different types of crime that are reported officially, estimating the number of crimes that are undetected or unreported, calculating unit costs for the direct financial and non-financial impacts of various crimes, and determining the proportion of these costs that can be attributed to serious and organised crime. We also took into account the fact that the losses associated with serious and organised crime are generally higher than those of conventional crime. Confiscated proceeds of crime have also been subtracted from the overall costs.

COSTS NOT INCLUDED IN THIS ESTIMATE

A range of serious and organised crime costs could not be included due to lack of data or difficulty extracting data.

In particular, this estimate does not include trade-price manipulation and associated money laundering. It also does not include crime in the sports gambling sector, where US\$140 billion is estimated to be laundered globally each year. Ecological harm resulting from environmental crime is also very difficult to quantify, and no reliable estimates are currently available.

Additional research is needed to increase confidence levels for future estimations of these crimes. Including the costs of these and other crime types will increase future estimates.

FUTURE INSIGHTS

Providing an insight into the costs of serious and organised crime is an extremely difficult but important task. As data collection improves we will be able to gain better insights into the financial impact and the overall harm of the serious and organised crime. This improved granularity will better inform strategies, decision making and our understanding of the multifaceted impact of serious and organised crime on individuals, the community, government, the criminal justice system as well as the private sector.

BUILDING THE PICTURE OF SERIOUS AND ORGANISED CRIME

This paper complements findings in our biennial classified *Organised Crime Threat Assessment* and the public version, *Organised Crime in Australia*, our annual classified *National Criminal Target Report* and the Australian Institute of Criminology's *Counting the Costs of Crime in Australia: A 2011 estimate*.

SUMMARY BREAKDOWN OF SERIOUS AND ORGANISED CRIME COSTS 2013–14

SERIOUS AND ORGANISED CRIME COSTS*		
Crime type	Estimated cost	Commentary
Organised fraud** <ul style="list-style-type: none"> ■ revenue and tax evasion ■ superannuation fraud ■ card and financial transaction fraud 	\$6.3 billion	Likely under-estimation. Refers to money lost to the Australian economy, and government support for victims based on estimations of the size of the illicit activity and the percentage of serious and organised crime involvement.
Illicit drugs	\$4.4 billion	Takes into account health impacts, money lost to the economy through international payments made for illicit importations, and estimates of the size of the illicit drug markets and lost productivity output of drug users.
Illicit commodities** <ul style="list-style-type: none"> ■ intellectual property ■ firearm trafficking ■ illegal fishing ■ illegal logging ■ illegal tobacco 	\$1.5 billion	Likely under-estimation. Refers to money lost to the Australian economy, based on estimations of the size of the illicit market and of the percentage of serious and organised crime involvement. Partial costs are provided for these offences.
Identity crime	\$1.2 billion	Includes direct financial losses and indirect costs such as reputational, emotional and psychological impacts.

* Total figures in the paper have been rounded to the nearest billion and may vary slightly from the table totals. Costs are based on estimated percentages of serious and organised crime involvement.

** Individual costs are not broken down for these crime types because the data was either provided as commercial in-confidence, or its release would prejudice law enforcement activity and/or data is classified.

SERIOUS AND ORGANISED CRIME COSTS*		
Crime type	Estimated cost	Commentary
Cybercrime	\$1.1 billion	Under-estimate. Includes elements of the cost of cybercrime affecting one sector only and estimated expenditure on general defence against cybercrime (e.g. antivirus, patching, ISP clean up and end-user clean up for both individuals and organisations). These costs are difficult to obtain due to commercial sensitivities, but as intelligence partnerships progress, we anticipate these costs will increase to reflect the full environment.
Crimes against the person	\$0.089 billion	Under-estimate. These costs reflect estimates of money lost to the legitimate economy, and do not account for social, health and welfare costs for victims.
Enablers of serious and organised crime** <ul style="list-style-type: none"> ■ laundering of criminal proceeds ■ financial resources 	\$0.5 billion	Likely under-estimation. Based on estimates derived from known activities combined with intelligence holdings. The laundering of criminal proceeds reflects profits made by money launderers, rather than the amount laundered out of the legitimate economy. Financial resources are a calculation of the money accessible to serious and organised crime groups, which can be used to the detriment of the legitimate economy.

* Total figures in the paper have been rounded to the nearest billion and may vary slightly from the table totals. Costs are based on estimated percentages of serious and organised crime involvement.

** Individual costs are not broken down for these crime types because the data was either provided as commercial in-confidence, or its release would prejudice law enforcement activity and/or data is classified.

CONSEQUENTIAL SERIOUS AND ORGANISED CRIME COSTS*

Crime type	Estimated cost	Commentary
Murder/manslaughter	\$0.145 billion	Based on recorded crimes and crime victimisation survey data only. The cost for each crime type is calculated according to the estimated percentage of serious and organised crime involvement.
Driving causing death	\$0.074 billion	
Attempted murder	\$0.179 billion	
Assault	\$0.211 billion	
Sexual assault	\$0.007 billion	
Robbery	\$0.095 billion	
Burglary	\$1.005 billion	
Vehicle theft	\$0.303 billion	
Theft from vehicles	\$0.004 billion	
Shop theft	\$0.066 billion	
Other theft	\$0.049 billion	
Criminal damage	\$0.470 billion	
Arson	\$0.218 billion	
Conventional fraud***	\$3.366 billion	

* Total figures in the paper have been rounded to the nearest billion and may vary slightly from the table totals. Costs are based on estimated percentages of serious and organised crime involvement.

*** Conventional fraud includes technology enabled fraud but excludes payment card fraud, identity fraud, frauds involving corruption, and revenue and superannuation fraud.

PREVENTION AND RESPONSE COSTS*

Cost Type	Estimated cost	Commentary
Australian Government agencies	\$4.0 billion	Includes serious and organised crime component of Commonwealth agencies such as the Australian Crime Commission, Australian Transaction Reports and Analysis Centre, Australian Securities and Investments Commission, Australian Prudential Regulation Authority, Australian Commission for Law Enforcement Integrity, and the Department of Immigration and Border Protection.
Law enforcement	\$3.3 billion	Costs are an estimate of Commonwealth, state and territory law enforcement expenditure in response to serious and organised crime.
Security industry	\$2.4 billion	Possible over estimation. Costs are an estimate of serious and organised crime component of the hardware, electrics and personnel costs attributed to the security industry.
Finance and insurance sector	\$2.3 billion	Under-estimate. Proportion of serious and organised crime costs to one sector of the finance industry combined with insurance sector costs.
General community	\$2.2 billion	Includes indirect costs such as those associated with personal security, (i.e. locks/alarms and time spent securing premises), combined with the serious and organised crime component of dealing with victims of crime (for example, violence against women, child protection), as well as time spent by volunteers for a community or welfare group providing services to victims of crime.
Criminal justice system	\$0.8 billion	Costs across the criminal justice system in response to serious and organised crime includes Attorney-General, prosecutions, courts and prisons costs.

* Total figures in the paper have been rounded to the nearest billion and may vary slightly from the table totals.

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WHERE TO GO FOR MORE INFORMATION

Everyone can play a role in responding to organised criminal activity in Australia by reporting suspicious activity to your local police or calling Crime Stoppers on 1800 333 000.

For more information visit www.crimecommission.gov.au

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