

## **FIGHTING ORGANISED CRIME IN AN ERA OF FINANCIAL AUSTERITY**

**The John Harris Memorial Lecture, delivered by Sir Paul Stephenson QPM, Commissioner of Police of the Metropolis, on 12 July 2010**

It is an honour to join you here and to be asked to give this address in memory of John Harris in front of such a distinguished and informed audience.

Police chiefs across the country are currently spending a great deal of their time, as indeed I am, debating very real and difficult financial pressures on the service.

But I want to explore a challenge that has been with us for some considerable time. One that I don't believe we have adequately addressed in the past and that may now be tougher to tackle given the financial position we face. **How should the police service confront an increasingly understood and serious organised crime threat to our country?**

A challenge that sits alongside an enduring and severe threat to national security from terrorism, at a time when we are less than two years away from delivering the Olympics, the largest staged event on the globe.

The world has experienced enormous and unprecedented technological progress in recent years, the rate of which shows no sign of slowing down.

Adding to the more traditional threats posed by serious organised crime, we are now confronted by new crimes and new theatres of operation.

Crimes such as e-crime and identity theft are becoming more prevalent and better organised and we are also seeing developments in the way some old crimes are committed, such as counterfeiting and paedophilia.

Improved communications, new technologies and international mobility provide criminals with an additional dimension and facility to their activity, helping them to mask their identities, avoid detection and escape justice, as well as the ability to protect and hide the proceeds of their criminality.

Other pressures continue to grow: more mobile national communities, increased migration, new global markets, the creation of cyberspace, an international dimension that links the local to the global and increasing sophistication by criminal enterprises.

But I want to highlight to you this evening what I see as the three major concerns around the challenge of organised crime:

**Firstly**, it severely undermines our economy as well as threatening our safety and security, stealing money and savings from citizens at a time when they can least afford it and are least able to endure it.

**Secondly**, organised crime causes serious harm to people and communities, physically and emotionally - creating misery and deprivation - and at its worst unravelling the fragile social fabric that holds some of our neighbourhoods together.

**And thirdly, and this is the crux of this evenings lecture...**

**those specialist resources devoted by the police service to addressing this threat are unco-ordinated and, in effect, inadequate and have been for many years.**

It is important that I stress that I am talking about the gap that exists outwith the effective operational remit of the Serious and Organised Crime Agency (SOCA) - a gap located within policing and police forces.

Let me just expand on each of these three challenges before I try to offer up some suggestions on possible ways forward.

Firstly, the economic and associated costs.

Most organised criminals have one thing in common; they are in it for the money.

In 2004, Home Office reporting estimated the total cost of economic and social harm to the UK by organised crime at between £20-£40 billion every year. I think it reasonable to consider this to be a conservative estimate that can only have increased with the passage of time.

It breaks down like this: every year class A drug use in England alone costs the Exchequer at least £15billion in social and economic cost. The value of the UK cannabis wholesale market equates to £1 billion, the cost of people smuggling has been estimated at £1.4 billion and trafficking for sexual exploitation £1billion.

A 2006 study by the Office of Fair Trading reported that mass marketing scams caused losses to UK consumers of up to £3.5 billion every year. Fraud including tax and benefit fraud and counterfeit payment cards is estimated to cost £8 billion, and intellectual property crime £1billion.

Metal theft costs the economy a third of a billion and there is an economic cost running into millions from the blackmail, extortions, abductions and kidnaps that occur every year. And of course, we have the bill for armed robberies, including cash in transit and artifice burglaries. I could go on, but I might start to sound a little like the Chancellor giving his budget statement!

But let me put this £40billion economic cost into context.

£18.5 billion was the total budget for policing of the 43 forces of England and Wales last year.

And for a mere £3.6 billion, you can run the Metropolitan Police Service for a year - although perhaps less in future years given the financial challenges we face!

And of course, if we were able to wipe out organised crime tomorrow, the country could pay back our national debt in four years without doing anything else. But now I'm definitely starting to sound like the Chancellor!

But he will be interested, because the total figure of recovered assets from cash seizures, confiscations and other asset recovery methods was just £154m last year, a mere 3.85% of the £40 billion cost to the economy I referred to earlier.

Organised crime costs the country dearly - it is, in effect, a surcharge on every item we buy in every store in the country.

It is sometimes said that organised crime and, in particular, fraud, is a 'victimless crime'; but in reality its effects are felt by us all. It reduces the money available to government, distorts the readout on the economy and affects the ability of legitimate businesses to retain market share, leading to higher prices for everyone. A 2009 survey found that crime cost the average business over £10,000 annually and that 44% of businesses had been the victim of crime in the last year.

Let me give you a recent practical example of the economic cost.

Two weeks ago, the Met's Police Central E-crime Unit (PECU) arrested two London teenagers.

The arrests resulted from an eight month investigation into the establishment and running of an £8 million global internet forum of 8000 members.

This forum promoted and facilitated the electronic theft of personal information, credit and debit card fraud, the buying and selling of passports and pin numbers and the exchange of malicious computer programmes and tutorials showing how to commit these offences.

We recovered more than 65000 'compromised' credit card numbers, which could have resulted in the theft of £7.9m.

New crimes and new methods are offering up new opportunities for even the youngest of criminals to exploit large numbers of people simultaneously.

We are living in an era where international crime can be orchestrated and organised from a laptop in a teenager's bedroom.

And through new technologies and organisation, individuals and organised crime groups are able, more than ever before, to impact disproportionately on the well being and security of our country.

But what this means, of course, is that there should be a high return on investment for any police resources effectively deployed to tackling organised crime.

The Police Central E-Crime Unit (PECU), who are investigating this global internet forum, just one of the many investigations they are involved in, consists of thirty five police officers supported by 7 police staff, costing just 3.75m per year.

Let me give you one further example of return on investment by looking at one part of the Metropolitan Police Service's Specialist Crime Directorate. The Serious and Organised Crime command encompasses the flying squad who investigate all armed commercial robberies across London, a kidnap and investigations unit who deal with kidnapping for ransom, extortion and blackmail, a world renowned hostage and crisis negotiation unit and several proactive syndicates that are responsible for tackling the most sophisticated and dangerous networks operating in London and beyond, predominantly gun and drug trafficking and those engaged in serious violence.

This command has just fewer than five hundred police officers supported by a hundred support staff and costs the tax payer just under £38m per year.

Now what return on investment does London get for that money? Last year, they removed 85 firearms from criminal circulation, arrested 1,195 criminals leading to 2,769 years imprisonment. They disrupted just under 200 organised crime groups, seized £13.7m in cash and assets and achieved a detection rate of 42% for commercial robbery. Combining economic and harm measures, this looks to represent a good return on investment. Put simply, they deliver value for money.

Now I want to move on to highlight to you my second major concern - the effects of organised crime on individuals and families.

Organised crime does not operate in some sort of vacuum or 'virtual space'. It is felt and experienced by ordinary people up and down the land, in cities and in the quietest and most picturesque hamlets.

It is at the local level that criminal markets exist, where violence and the exercise of control takes place, where perpetrators live, find their support, carry on their businesses, access their kit, hide their proceeds and launder them. And where organised criminals become the role models and mentors of our next generation.

Yes, the impact can be most pronounced in our most deprived and vulnerable urban communities but - be under no illusion - its reach incorporates the rural and the affluent.

When internet burglars enter your home, they don't kick the door down, nor do they care where you live; but their intrusion into your life can be equally devastating.

Paedophiles do not need to stand outside the school gates - they spend their time on-line in chat rooms.

Organised criminal networks can have global reach, but the effect of their criminality is played out daily on our streets and in our homes.

And there is a significant consequential impact and cost on all public services, including education, health and social services.

This local impact represents the end of a continuum that can start on another continent.

And there is a complex array of criminal relationships and transactions that have allowed events on another continent to ultimately lead to this tragedy in one of our local communities.

Someone has produced, processed and transported heroin in bulk across continents to the UK, passing it on to middle market suppliers who then pass to a network of street dealers.

A local market is supported by local crime gangs involved in violence to enforce debts and protect 'turf'.

A weapon has been procured and then smuggled in to the country, leading to its use ending tragically in an innocent person being killed.

I think of young Agnes who, in April this year, went with her friends to a local take away in East London but never returned home - she was hit by a bullet - a young life lost. This is the human tragedy at its most raw.

I've given you a flavour of the scale of economic cost to the nation of organised crime and the extent of harm to individuals and our livelihoods.

Let me now highlight to you my very real professional concern about the threat from organised crime.

**- the co-ordination of the police service capability to deal with it and win.**

Since the early 19th century criminals have been warned about the '*long arm of the law*', an expression we hold dear, the suggestion that if you persist in breaking the law "*we will get to you in the end*". The popular view that the police have an extended reach.

Do we?

Regrettably, in recent times, some criminals are learning that the reach of criminal justice does not always extend that far and in many ways does not include them and will often be restricted by artificial and self imposed police boundaries. They have learnt that if they become sufficiently organised and sophisticated - and by definition they often are - then our reach is no greater than our ambition, and our ambition has been less than it should have been in recent years.

As a consequence, they pose the greatest risk.

Does policing or organised criminality have the upper hand presently?

This has remained for me an open question since I was asked to examine the matter on behalf of the Association of Chief Police Officers (ACPO) in the summer of 2003 and make recommendations.

I said then, and I still believe now, that the public take for granted that the targeting of organised crime is a priority for the police. The reality is not always, and not enough.

I concluded then that '*significant elements of the threat to the United Kingdom were not being addressed in a meaningful and co-ordinated way*' and that there was insufficient and inconsistent co-ordination between forces.

In that report I made 21 recommendations including the creation of a National Organised Crime Strategy to provide clear strategic direction; a national co-ordinating and tasking group to provide oversight of organisations tasked with combating organised crime; a National Organised Crime Unit bringing together intelligence gathering and investigative agencies, the development of meaningful performance framework for forces, and development of the concept of strategic police forces, capable of addressing organised crime.

So what has been achieved since?

We have collaborated and we have experimented successfully with lead force models, such as those that exist for fraud and e-crime, beginning to develop shared services and assets.

The concept of a National Organised Crime Unit developed into the Serious Organised Crime Agency (SOCA), which prioritises the extreme top end of the serious and international crime threat with Interpol, Europol and partner countries through its dedicated network of international posts. SOCA also focuses on the most serious levels of Class A drug trafficking, organised immigration crime and trafficking in firearms.

Nationally, we also have an Organised Crime Partnership Board, regional intelligence units (RIUs) and regional asset recovery teams (RARTs)

Alongside this, we have developed Organised Crime Group Mapping and created an index of the most dangerous and harmful organised criminals in the United Kingdom (UK).

And for the first time, we have a joined up detailed picture of the threat, risk and harm of serious and organised crime in the country. This picture is not perfect, but it is good progress.

We have also established a national co-ordinator's office for serious and organised crime within the Association of Chief Police Officers (ACPO), although this remains embryonic in terms of its authority at this time.

These are examples of impressive collaboration achieving a level of efficiencies and mutual benefits.

The East Midlands Serious and Organised crime unit recently took on an organised crime group based within two traveller sites in Cambridgeshire. The group was involved in a

series of ATM cash machine attacks throughout seven counties, using stolen high powered cars and various methods to enter the cash machines, including drilling equipment and oxy-acetylene. Both members of the public and police officers were subject to violence and threats of violence when confronting the group.

The group committed 55 burglaries in seven counties and stole almost a £1m of goods. The total loss including damage and disruption to business was estimated to be in excess of £3m as business premises were forced to close within communities owing to the level of damage caused at the scenes.

A covert investigation into this group over a period of 9 months resulted in three arrests and sentences of 9 years imprisonment. Perhaps I should save commenting on sentencing policy for another lecture!

Earlier this year, under Operation Frant, the Met's Specialist Crime Directorate made the largest single police seizure of heroin with a street value of £30m, resulting in four gang members being sentenced to 81 years imprisonment. The scale and complexity of this operation illustrates the points that I have made about the type of capability needed to tackle organised crime.

A protracted surveillance operation of a known heroin trafficking gang led to connections between a UK safe house and addresses in Holland. During the surveillance operation, officers discovered thirteen boxes of heroin being transferred to a vehicle in the United Kingdom.

A detailed reactive operation followed, uncovering a large scale conspiracy to traffic drugs into the UK from Holland. Collaboration with the Serious and Organised Crime Agency and Dutch colleagues led to the gathering and exchange of evidence and the identification of eight additional gang members who were prosecuted under Dutch law.

And there are other examples of success across the country that illustrates what can be done with commitment, resources and expertise.

But before we pat ourselves on the back, **here is the rub ...**

**The specialist resources devoted by the police service to addressing the threat from organised crime remains unco-ordinated, which is unsurprising given the continuing absence of a coherent delivery structure.**

The latest mapping data from all UK law enforcement agencies - including the Serious Organised Crime Agency (SOCA), indicates that there are approximately 6,000 organised crime groups active in the UK with an estimated 38,000 individuals operating within them.

By definition, they are engaged in '*continuing serious criminal activities for substantial profit*' and some are extraordinarily good at it. Our mapping indicates that there are nearly 500 organised crime groups with known assets of over £1m and 68 groups with assets of £10m or more. I'll leave you to do the maths, but to assist, I make it roughly £2billion worth of assets shared between those organised criminal groups we are aware of.

Yet, we also know that the police service is actively targeting in an operationally meaningful way just 11% of these 6000 organised crime groups. Better than it was seven years ago but hardly remarkable progress.

Compounding this, the service currently has no organised crime strategy, no established national tasking process and no meaningful performance measures.

This is the reality facing us at this time.

Worryingly, despite the substantial growth in the police service over the past ten years, we have, I believe, failed to invest in this area of policing to the extent that we needed to.

We now have an intelligence structure for organised crime in place -and that is real success - but we lack an integrated operational response for tackling it.

We know that it is capability and capacity to deliver responsiveness and targeted operational activity across the country that is so critical to tackling organised crime - the nature of this fight is such that you have to go after your opponent, with every available resource at your disposal, every option feasible and with a commitment that knows no regional, national or international boundaries.

Against this requirement I posed the question in 2003 - "is the current structure of policing appropriate and fit for purpose in the 21st century?" - recommending the development of the 'strategic force' concept. This was a direction of travel towards a rationalisation of the existing police forces down to a smaller number of larger strategic forces with sufficient size and capability to take on the serious challenge of organised crime.

Supported by a number of senior colleagues within ACPO, Denis O'Connor from Her Majesty's Inspectorate of Constabulary (HMIC), further conducted a large scale audit of police force capacity and capability culminating in his 2005 report 'Closing the Gap', in which he made hard hitting recommendations, including the creation of strategic forces.

However, the subsequent attempt to restructure policing was unsuccessful for various reasons, and the current Home Secretary has made it clear that police force mergers will not be allowed to happen unless they are voluntary and supported by local communities.

I would certainly agree that whatever the future holds, the support of citizens must be central to our cherished tradition in this country of 'policing by consent'. And let me make it clear, I can understand why, at this moment in time, government has settled on this course, and why it is focusing on other priorities, such as improving local accountability, reducing bureaucracy, freeing up policing from central control and of course addressing issues of declining finances.

However, accepting the new landscape that is emerging for policing, I would like to see us being bolder than we have been in the past in terms of finding alternative ways forward for bridging this capability gap. The solution has to be more comprehensive than simply collaboration.



Denis O'Connor's 'closing the gap' report described the changes in policing needed as '*major development in capability... not only to the structure, but the whole configuration of policing at this level*'. The same report suggested that collaboration as a solution to this challenge would at best be '*complex, slow and of limited impact*'

- and so it has proved to be in the five years since.

So if collaboration is too limited an option, and significant rationalisation of the number of police forces is not on the cards, at least in the short to the medium term, what else is there?

There are various potential considerations:

- perhaps, an *FBI type national crime force* that investigates and proactively targets organised criminals across the country;
- or maybe a national '*lead force model*' such as we have for e-crime and fraud;
- or indeed, a *regional lead force model along the lines of the developing police counter terrorism structure co-ordinated nationally*;
- and lastly, a model that might build upon a regional lead force model, a *national federated model* with national co-ordination and direction when necessary.

Let me touch on each in turn.

First, a national FBI. It always sounds attractive - and television has a marvellous way of glamorising cops and law enforcement officials with cool jackets - but superficially attractive or not, my conversations with police chiefs from around the world reinforce my view that this would not solve the problem - it would not close the gap.

Tackling organised crime must be a shared police problem. The response to it needs to take place at all levels - from the local beat officer onwards and across agencies.

We shouldn't forget that the history of many such national bodies is that they run the danger of becoming dislocated from the local scene and from local law enforcement. The 9/11 Commission Report which reviewed the role of the FBI in the lead up to the 9/11 terrorist attacks at the World Trade Centre summed it up like this:

*'Responsibility for domestic intelligence gathering on terrorism was vested solely in the FBI, yet ... key FBI personnel shared very little information with the National Security Council and the rest of the national security community. As a consequence, one of the critical working relationships in the counterterrorism effort was broken'*. (page 358 of 9/11 Commissioner Report)

Perhaps for terrorism, in the United Kingdom, read serious organised crime.

Now to the second option, a *lead force model* which is effectively a national serious crime force working under the ambit of a single large police force. There are only a few forces in the country capable of undertaking such a responsibility and of course the same argument

about dislocation applies: such a force would not be able to easily link the local to the national and international. Current financial constraints also make this option unrealistic.

A third option, a *lead regional force model*, envisages one force within what might loosely be described as a region, leading on behalf of a group of smaller neighbouring forces. In the absence of the somewhat more dramatic model we discussed years ago of creating a smaller number of strategic forces, this consideration has merit and is, to an extent, happening in some parts of the country already. But it does pose challenges around accountability structures and command and control.

And lastly, what I referred to earlier as a *national federated model*. The current National Co-ordinator of Terrorist Investigations (NCTI) undertakes national co-ordination of regional hubs alongside the Security Service and with the full agreement of Chief Constables. This has taken considerable time and effort to develop.

Whilst recognising the significant differences between terrorism and organised crime, a similar model for organised crime might link the local responsibilities of a local Chief Constable with a regional capability under a national strategy and co-ordinator; someone who could have the authority to maintain strategic oversight of operations and operational deployments, deliver a command and control capability when needed, including the ability to move assets to the problem, and engage with other law enforcement agencies across the spectrum of organised criminality.

A national co-ordinator post currently exists within ACPO, but without a clearly defined mandate or national traction. I wonder if now is the time for police chiefs to put aside parochialism and for us to agree that a national co-ordinator could be empowered to have direction in certain defined circumstances and oversight of the current and future regional structures. And we might need a mature debate about where such a nationally co-ordinating role might sit, whether it best fits within the police service or as part of a re-defined Serious and Organised Crime Agency (SOCA) - some might say, a logical extension to SOCA that I and colleagues were perhaps flirting with seven years ago.

Crucially, taking account of the challenge of counter terrorist resources nationally and those available for tackling organised crime, such a model might provide opportunities for some enhanced interoperability and co-operation between these two specialist areas to share some functionality and capability, particularly around back office functions.

That said, we must be very careful not to undermine our counter terrorist capability at a time of continuing severe threat to national security, in addition to acknowledged financial pressures and the fast approaching challenge of the Olympics. It would be unacceptable to build an improved organised crime response at the expense of an effective counter terrorist capability or even local neighbourhood policing.

However, the creation of a national Co-ordinator alone would not provide the necessary infrastructure to deliver the change that is required. There are two other elements that would assist a national co-ordinator to deliver.

First, the creation of a government strategy for organised crime. I am aware that work is underway on this, but let me be clear about what I think is required from this document.

It must not just be a collection of fine words and generic statements. It must provide clarity of purpose; a framework that engages not only law enforcement at all levels, but all government departments that can contribute to the tackling of organised crime, and, importantly, public sector partners and our communities. It must frame the problem of organised crime and response to it within a structure of economy, risk and harm.

Secondly, the need for a comprehensive understanding of the picture of organised crime and the ways in which it threatens our society. As I have already said, I cannot foresee the creation of 'new' resources to tackle organised crime and certainly not to the level we have been able to invest in and build our national police counter terrorism capability. Accepting this situation, it seems to me that it is an absolute requirement for law enforcement to be able to accurately describe the threat posed by organised crime, understand our coverage of that threat, and identify how and where we can make the most effective, and importantly, efficient interventions. We have finite resource in both our covert intelligence gathering capability, and in our operational teams – we must, therefore, be certain that they are being used against the right target at the right time.

It would seem that an achievable solution exists for this particular aspect in the project to create the Organised Crime Co-ordination centre (OCCC). This sits within the programme of work being developed by the Organised Crime Partnership Board, and is a joint effort between collective law enforcement agencies including colleagues from both Scotland and Northern Ireland, the Home Office and others. We need one picture, and this range of partnership is promising.

So I am asking the question tonight whether now might be the time for the creation of a nationally co-ordinated federated structure for tackling organised crime, whether this is led from within the police service or as part of an extended remit for the Serious and Organised Crime Agency (SOCA).

I began this lecture by highlighting three major concerns. I said that organised crime severely undermines our economy, but with a potentially high return on investment of effective police resources. I also touched on the serious and widespread harm to citizens.

Our new coalition government has positively signalled their commitment to the fight against organised crime by its inclusion within the Prime Minister's National Security Council and the Home Secretary's monthly ministerial meeting.

But on its own, this will not create the necessary coherence and co-ordination that is required. Seven years ago, I believed that our capabilities and structures to address this issue were inadequate - not fit for purpose. Despite many improvements in policing since that time, our progress in tackling organised crime has simply not been good enough.

Nationally, our report card might read 'disappointing, could do better'. In these times of diminishing financial resources, I wonder how many Chief Constables across the country are going to be able and willing to balance the very proper desire and requirement for local community policing, with the challenge of maintaining at least existing capability to deal with the high end but often less obvious demands of serious organised crime. And is the situation about to get even more complex? Will the new accountability and governance

model for police forces, incorporating locally elected local individuals, lead to the unintended consequence of further eroding existing limited organised crime capability?

I am not going to extend this lecture to debate the merits or otherwise of locally elected individuals, other than to repeat my previous public comments that my principal concern will remain the maintenance of operational independence and the ability of chief officers to manage their forces. I've been pleased to hear positive Ministerial commitments in relation to this. However, in addition to this, Government will need to ensure they grapple with the fact that standing on a ticket of addressing organised crime will not necessarily be seen as a vote winner.

If we are to avoid these difficulties and create a level of capability in policing that is warranted by the scale of the problem: £40billion of economic and cost, 38000 organised criminals and 6000 crime groups, we now need to address the clear challenges presented in this lecture with a vigour, determination and creativity that has not been the hallmark of this debate in the past. A solution is long overdue.