

### **NDLERF RESEARCH SUMMARY SERIES.**

### **THE ILLICIT DRUG TRADE IN THE UNITED KINGDOM**

#### **Matrix Knowledge Group, Home Office On-line Report (2007).**

<http://www.matrixknowledge.co.uk/wp-content/uploads/drug-trafficking-report.pdf>

Plain English summary and implications for police prepared by Roger Nicholas.

#### **Aims and Methodology**

The researchers aimed to create a better understanding of how high level drug dealers operate in the United Kingdom, and the functioning of illicit drug markets. The research involved interviews with 222 individuals in prison who were convicted of a serious drug-related offence. In order to understand drug markets from a broad perspective, the researchers drew on tools from the disciplines of business analysis, economics and social network analysis. In considering the findings of the research it is important to bear in mind that the research was conducted with drug dealers who had been caught as opposed to those who had not.

#### **Key findings:**

- The authors found that: demand for illicit drugs in the UK is high and stable; there has been a decline in prices over time (to which competition contributed); and law enforcement activity does impact on price.
- Cocaine and heroin dealers tended to specialise in the sale of these drugs. The mark-ups along the supply chain from production to street-level were 15,800% for cocaine and 16,800% for heroin. Despite these profits, cash flow was a problem for many drug dealing enterprises.
- The illicit market in that country is fragmented and those involved, even at high levels, only have a partial overview of the whole market.
- More than three quarters of dealers began dealing through contacts with friends and family, which implies that drug dealing spreads contagiously from existing dealers to new dealers. The level of entry into the drug market was largely determined by the level of the contact person that they entered through. Trust was a critical factor in dealers choosing who to work with, which meant that dealers tended to work with close friends, family or those that had been in prison (which appeared to increase credibility).
- There were few barriers to individuals entering the market as sellers because the availability of credit meant that access to capital was not a barrier and no particular skills were required. About a fifth of dealers were sole traders and four-fifths of the enterprises were small or medium sized.
- Increases in drug dealer's profits came primarily via increased sales, rather than via reducing their costs. This is because profit margins were very high and operating costs relatively low.

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- Dealers readily passed increased costs onto buyers and a large proportion of the profit ultimately entered the legitimate economy locally and abroad. Money laundering activities tended to be relatively unsophisticated, often involving family or friends or by using bank accounts.
- The transportation of drugs was a critical link in drug dealing enterprises and contacts within the transport industry were highly prized.
- Most dealers sought to grow their businesses, and this growth was dependent on sourcing alternative sources of supply (as opposed to increasing demand). Opportunities to grow businesses usually came about through chance meetings, although ethnic ties, selling to friends, having contacts in legitimate businesses and meeting contacts in prison were also used for this purpose.
- A large proportion of dealers at all levels used actual, or threats of, violence to protect their customer base. They were also very concerned about the risk of informants.
- The dealers viewed imprisonment either as an occupational hazard or an unlikely risk. Larger enterprises were generally able to be handed over to employees or colleagues when imprisonment occurred and imprisonment was at times seen as an opportunity to grow drug businesses. In all, imprisonment did not loom large as a potential problem for most dealers. By stark contrast, most dealers were very concerned about asset seizures. This risk was mitigated by the establishment of legitimate businesses and by ensuring that cash and drugs were not stored together.
- Employees of drug enterprises who perform unskilled roles (for example drug runners and storer) were typically paid very small proportions of both the transaction revenue (less than 1%) and profit levels (less than 5%).

## Implications for policing

This research was conducted in the UK rather than Australia, therefore caution is needed in considering its transferability to the Australian context.

If law enforcement agencies are to reduce the supply of illicit drugs, it is fundamentally important to understand how drug markets operate, and specifically, the ways in which successful drug dealers are able to grow their businesses. Focussing on and addressing the factors that enable dealers to expand their businesses is a key way in which the supply of drugs can be reduced.

There appear to be minimal barriers to dealers entering the market. The fact that initiation into drug dealing often spreads contagiously between friends, peer groups and family members, and as a result of chance meetings, points to opportunities for the use of informants to infiltrate drug selling organisations.

While they are critically important, workers performing unskilled roles in drug trafficking organisations (such as runners and storer) are generally poorly paid and highly exposed to the risk of very long prison sentences. This may give rise to an opportunity to highlight to those who are at risk of pursuing these activities, the mismatch between the level of risk and the minimal rewards associated with their activities.

It is evident that drug dealers encounter a range of difficulties in undertaking their business. These include accessing suitable employees, the transportation and storage, of drugs, the risk of informants and other law enforcement activities, and competition from other dealers. This means that the dealers are constantly factoring a range of matters into their risk management strategies in order to decide whether each drug deal should proceed. An important role for law enforcement, therefore, is to increase the difficulties and doubts that drug dealers experience in relation to their activities. Indeed, it is conceivable that focussing on understanding, and then directly influencing, the factors that create difficulties or doubts in the minds of drug dealers would be at least as effective a supply reduction strategy, as focussing on the seizure of drugs. This is arguably a fertile area for the use of informants and for further research with drug dealers. Closer collaboration with the transport industry is also likely to be valuable in this regard.

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This study clearly highlighted that, for a large proportion of dealers, prison was not considered a serious deterrent to their involvement in the illicit drugs trade. Indeed, it was rare for dealers who worked with employees or other colleagues, to report that their enterprises ceased operations following their arrest. This contrasts starkly with the perceptions of the dealers in relation to asset seizure processes. The risks associated with asset confiscation were regarded by many dealers as being a major disincentive to involvement in the drugs trade and a major impediment to their activities. This could also provide an insight into the relative emphasis that should be given to asset seizure activities in the Australian context.

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