

2011 COUNTERING CONTRABAND

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CONTRABAND TRAFFIC: Current Status

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Work History

- 15 years of law enforcement experience
- Criminal Investigator for ATF since August 2002
- Worked over 200 investigations involving all types of diversion
 - ◆ Cigarettes
 - ◆ Counterfeit cigarettes
 - ◆ Counterfeit excise tax stamps
 - ◆ Tobacco and alcohol
 - ◆ Illegal manufactures of cigarettes

ATF's Mission Regarding Tobacco Diversion

- To disrupt and eliminate criminal and terrorist organizations who traffic in contraband cigarettes
- To conduct financial investigations in conjunction with criminal investigations to seize all assets derived from trafficking in contraband cigarettes
- To safeguard all legal licensed manufacturers who follow all applicable rules related to the manufacture and sale of cigarettes
- To assist in international state and local investigation and use ATF resources in order to thoroughly investigate and prosecute cigarette trafficking investigations.

Challenges For Law Enforcement

- Corrupt Manufacturers
- MSA Escrow Fraud
- Low tax state to high tax states
- Native American Reservations used to divert
- Counterfeit Cigarettes and state tax stamps
- Hijackings/Organized Crime/Terrorism

Current Trends in Diversion

- Two main area of discussion:
 1. Unlicensed Cigarette Manufacturers
 2. Diversion of cigarettes from low tax states and Native American Reservations to areas with high cigarette excise taxes

1. Unlicensed Cigarette Manufacturers.

- In New York there are over 10 federally unlicensed manufacturers
 - ◆ All located on Native American Reservation
 - ◆ The Akwesasne/St. Regis/Mohawk Reservation
 - ◆ All on the US Side of reservation

Problems regarding unlicensed manufacturers.

- Cost the Canadian and United States Governments Millions of dollars a month in excise tax
- No money paid in the the MSA. So we are stuck paying the bill for health related issues
- No regulations
- Counterfeit of major brands and other 4th tier products

WHITE TIPS-LIGHTS



3/3/2011

BROWN TIPS-FULL FLAVOR



Surgeon General's WARNING:
Smoking Causes Lung Cancer
Heart Disease, Emphysema, and
May Complicate Pregnancy.

3/3/2011

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Bad health Issues



2. Diversion of untaxed cigarettes from Native American Reservations and states with low cigarette taxes to areas with high cigarette excise taxes.

- New York
- Illinois
- Michigan
- Canada

ENFORCEMENT ACTIONS

- ◆ PACT ACT
- ◆ New laws enacted by The Seneca Nation of Indians:
 - ★ All cigarettes must be stamped with the Seneca Nation Import/export Stamp.
 - ★ Illegal to sell more than 49 cartons of cigarettes in one transaction.
- ◆ Other methods used by Law Enforcement

INTERDICTION.



12/28/2004

Diversion of low tax cigarettes to states and areas with high tax

- SOURCE STATES
- South Carolina
- North Carolina
- Kentucky
- FTZ's/CBW's

Smugglers destination





3/3/2011

THE END.

