

The logo for the National Drug Law Enforcement Research Fund (NDLERF) is a 3x3 grid of squares. The top row consists of three blue squares. The middle row consists of a white square, a grey square, and a blue square. The bottom row consists of a blue square, a white square, and a blue square. The text 'NDLERF' is positioned to the right of the grid, with 'NDLE' in white and 'RF' in yellow.

NDLERF

**The impact of social networks and  
not-for-profit illicit drug dealing on  
illicit drug markets in Australia**

A discussion paper

Prepared by Roger Nicholas, Senior Research Officer,  
National Drug Law Enforcement Research Fund

# TABLE OF CONTENTS

Executive Summary .....	2
1. Introduction.....	8
2. What do we know about the nature of retail drug dealing?.....	9
2.1 The social nature of drug dealing.....	9
2.2 Evidence concerning low-level drug distribution from the United Kingdom.....	15
2.3 Summary.....	17
3. What are some of the factors that could be contributing to the current patterns of illicit drug distribution?.....	18
3.1 Changes in the profile of illicit drug use.....	18
3.2 The demographic influences of Generation Y.....	18
3.3 The perceptions of drug sellers/users .....	19
4. Conclusion and implications for law enforcement .....	23
5. References.....	25

## EXECUTIVE SUMMARY

In order to reduce the supply of illicit drugs to the Australian community, it is important for law enforcement to have a comprehensive understanding of the functioning of all levels of the supply and demand sides of the market. This paper focuses on some of the characteristics of, and dynamics at play in, the lowest level of the drug market—the end user, retail, or ‘street market’ level.

The illicit drug markets in Australia are often regarded as fiercely competitive, profit-driven ‘dog-eat-dog’ enterprises dominated by criminal groups. From this perspective, the participants in the markets come together only briefly to conduct their profit-motivated transactions. While this may describe some of the upper levels of the market, a rather different picture emerges when examining the limited amount of research that has been conducted concerning the lowest level of the retail illicit drug market. At this level of the market, the research clearly demonstrates that social networks become far more important to the distribution of illicit drugs.

Another important factor that warrants consideration is the motivations that lie behind many of these retail level transactions. What little evidence there is available suggests that many of these transactions are not profit driven, but driven by primarily social factors. In other words, the motivation of much of this low level drug distribution is to accumulate social capital, rather than financial capital. Despite the importance of this final link in the distribution chain, very little research has been conducted in Australia to better understand its dynamics.

A range of Australian research projects have asked illicit drug users where they obtain their drugs from. Most illicit drug user respondents to the Illicit Drug Reporting System, the Ecstasy and Related Drugs Reporting System, and other studies which have focused on specific drugs (such as ecstasy and cocaine), report that they are most likely to obtain their drugs from friends, rather than from someone they identify as being a ‘dealer’ (the perceived difference between friends who supply drugs and ‘dealers’ is discussed in further detail later). They are also highly likely to obtain their drugs in their own home, in the home of a friend, or in the home of a dealer. When drug transactions take place in these kinds of locations, it generally implies a level of trust between participants. This contrasts with the relatively anonymous transactions that take place between individuals in public or ‘street’ settings. Given that a very large proportion of these drug-related transactions appear to take place in private environments such as houses, this low level of dealing might most accurately be thought of as ‘lounge room level’ drug dealing, rather than ‘street level’ drug dealing.

The extent to which social networks form the basis of low level drug distribution appears to vary between drugs (and in all probability between locations). After examining the available research in this area, it is possible to make some observations regarding the apparent role of social networks in the provision of different types of drugs, as well as the extent to which financial profit motivates these transactions. At the lower retail level of drug retailing, social networks appear to:

- account for the majority of ecstasy-related transactions, a large proportion of which are carried out on a not-for-profit basis;
- make up a large proportion of methamphetamine transactions, with profit being a more prominent feature of these transactions (even if only to fund the supplier's use);
- make up a large proportion of the cannabis market;
- make up a large proportion of the cocaine market (in which the gifting of cocaine is an important dynamic) and in which profit is a significant motivator for suppliers (although in reality, few low level retail suppliers appear to make much profit and tend to experience the adverse consequences of excessive cocaine use);
- make an important contribution to the distribution of pharmaceutical drugs—however, this varies between locations and between different types of pharmaceuticals;
- be an important conduit for the distribution of LSD, ketamine and GHB; and
- be less important in the distribution of heroin where drug dependence can mitigate against trust even among friends.

In sum, illicit drug users appear to be more likely to purchase their drugs from friends rather than from individuals who the illicit drug users identify as being 'dealers'. Illicit drug users themselves appear to make a clear distinction between obtaining drugs from 'dealers' and obtaining drugs from 'friends' (who are clearly also 'dealers' but not regarded as such by the users). Illicit drug users who would never consider going to a 'drug dealer' are often content to purchase their drugs from friends, or friends of friends. Given that, as a result of the drug transaction, both 'dealers' and 'friends' are acting as dealers, it is interesting to speculate as to why users regard them so differently. It is possible that this distinction is made in terms of the level of profit made by the supplier, the number of transactions made, the amount of time and effort put into dealing, and whether it is a principal or supplementary source of income.

These networks or retail matrices involved in procuring drugs near the point of consumption seem to protect the majority of young drug takers from direct negotiations with people they regard as 'real drug dealers'. In this way, because a distance exists between suppliers and users and because the intermediaries are friends, or friends of friends, the supplier is considered to be part of the 'straight' world and not part of the world of dealers. Equally, the friends who supply drugs in this way probably do not consider themselves as 'real drug dealers'. They simply see their role as socially facilitative, or as assisting friends and acquaintances.

In the absence of any focused Australian research in this area, this paper speculates on some potential dynamics which underpin the emergence of social networks and not-for-profit drug supply in illicit drug markets. Four possible factors are described.

## 1. Changes in the profile of illicit drug use.

Drugs with a high addiction potential such as heroin are apparently more likely than drugs such as ecstasy to be sold in open markets. Open markets are those in which drugs are traded by people who are probably not known to each other and often operate in public places. This is the so-called drug 'street market' phenomenon. Open market consumers are more likely to be drug dependent, to purchase illegal drugs in small amounts frequently, and more likely to support their drug purchases with property crime or sex work. Closed markets, on the other hand, are those in which drugs are largely traded among people who are well known to each other and the transactions generally take place in homes or other private environments. A high level of trust is necessary for the buyers and sellers to meet in these private settings. Thus, closed markets tend to have more of a social orientation, and probably place less emphasis on cash profits.

Between 1991 and 2004, Australia saw an increase in psycho-stimulant drug use (in particular ecstasy use) and a decline in heroin use. In 2004, after cannabis, ecstasy was the most commonly used illicit drug in Australia. In that year, sixteen times more Australians used ecstasy than used heroin. The change towards the use of drugs such as ecstasy, and the tendency for these drugs to be sold in closed markets, could be one factor shaping retail illicit drug markets.

## 2. The demographic characteristics of Generation Y.

A further issue that warrants consideration is the demographic characteristics of the current cohort of Australians among whom illicit drug use is most prevalent, the 18–29 year olds. This cohort fits into the age group of young people known as Generation Y (the Yers). The Yers are a very well researched cohort of young people (albeit that much of this research is carried out by marketers and those seeking to retain their services in employment settings).

One of the most prominent features of the Yers is the central importance of social networks in their lives. While relying on social networks is not a new phenomenon, it is an outstanding feature of this cohort of young people, and Yers expect to be committed to their specific group of friends well beyond young adulthood. Given that so many Yers have experienced familial breakdown and breakdowns in their own intimate relationships, their friendship groups have, in many cases, come to be regarded as more permanent social structures than their families. Indeed, one author suggested that the Yers tend to be totally anchored to their friendship groups, and that even their sexual relationships are no threat to these groups. In fact, there appears to be a sense of scepticism about the durability of sexual relationships, which contrasts starkly with the optimism about friendship networks. It has been suggested that understanding the emphasis that Generation Yers place on their friendship groups is the key to understanding their attitudes on many other issues. It is therefore plausible that this too is a dynamic that could be influencing the current friendship-based pattern of distribution of illicit drugs among this cohort.

### **3. The ways in which illicit drug users and suppliers perceive themselves and the implications of illicit drug supply.**

A further issue that warrants consideration is the perceptions that illicit sellers and users have of themselves. There are three aspects to this. The first of these is the extent to which drug sellers accurately perceive the seriousness of their actions in terms of the potential legal consequences. The second is the dichotomy of perception between friends who sell or supply drugs, and 'proper dealers.' The third is the way in which purchasing drugs from friends sufficiently distances illicit drug users from 'proper dealers', to enable them to maintain their own sense of respectability and security. Each of these is discussed in turn.

Recent evidence suggests that many illicit drug users, in particular users of ecstasy, have a very poor understanding of the legal implications of possessing these drugs, particularly for sale. Their lack of knowledge spans such issues as: the quantity of ecstasy that qualifies as 'supply' in accordance with relevant legislation; whether the quantity is measured in grams, or the number of tablets; whether the amount of MDMA in tablets contributes to the seriousness of the offence; the outcomes of being convicted for the supply of ecstasy; and whether there is any difference in the penalties associated with being caught in possession of ecstasy that was for their personal use, compared with being caught with ecstasy that was intended to be used by others.

Other research has indicated that less experienced cocaine dealers, in particular, also do not understand the potential (legal and other) consequences of their activities.

Consequently, one issue that warrants further examination is whether there is a cohort of low level illicit drug suppliers who are making decisions about carrying out these activities in the absence of any real understanding about the legal implications. Perhaps there is the mistaken belief that if little or no profit is being made from supply transactions, then this acts to mitigate the seriousness of the offence.

Equally, as was been discussed earlier, there appears to be a dichotomy of perception on the behalf of users concerning for-profit and not-for-profit drug (or 'petrol money' profit) sellers. Despite the fact that friends who supply drugs are committing the offence of supply, in the eyes of the end consumer the fact that the seller is not making a significant profit from the transaction in all probability casts the supplier in a much more positive light.

Finally, there is evidence from the United Kingdom that the act of purchasing drugs from friends as opposed to 'dealers' is a key way in which illicit drug users maintain their self perceptions of being responsible and respectable. It would have to be observed that there is a large cohort of users of psycho-stimulant (and other illicit drug) users and suppliers who are unknown to police, and who *do* live otherwise legally responsible and respectable lives. The perceived gap between existing users and 'dealers' could, therefore, be one factor that maintains the demand for illicit drugs.

If these potential dynamics are borne out in future research, then it would appear that an important prerequisite to interrupt the supply of illicit drugs is to change the perceptions of those selling drugs about the seriousness of their actions.

#### **4. The law enforcement sector's perceptions of the functioning of the illicit drug markets.**

This issue has been researched in relation to ecstasy markets in Queensland. This research highlighted an important disparity in perceptions between law enforcement officials and ecstasy users concerning the nature of ecstasy markets. What was specifically at issue in this study were differences in perceptions concerning whether these markets are predominantly open or closed.

In this Queensland research, law enforcement officials tended to be of the view that ecstasy is sold predominantly in open markets. They were also of the belief that it was usual for a small number of dealers to sell large quantities of ecstasy to people who were not necessarily known to them; for example, at nightclubs or dance venues. By contrast, ecstasy users were of the view that the market is considerably more closed, that the drug transactions were far more likely to take place in private locations and among people who were very well known to each other.

The authors suggested that law enforcement may be focusing on the more overt transactions (which represent the minority of overall transactions), and do not (or believe that they cannot) actively enforce the law in relation to the covert *majority* of transactions. These authors also argued that existing operational systems in the law enforcement sector (as well as the health sector) are still oriented towards more open illegal drug markets dominated by heroin, and to a lesser extent cannabis. This contrasts starkly with how illicit drug users say they obtain their drugs, which is predominantly from friends.

Arguably too, the law enforcement sector may be viewing illicit drug markets in Australia as being dominated by profit-motivated transactions carried out between strangers, the sole purpose of which is the exchange of drugs for money. There is no denying that the profit motive dominates the upper echelons of the illicit drug market. Indeed, even at the retail level, profit still represents an important dynamic. Nevertheless, conceptualising illicit drug markets as being solely profit driven, substantially over-simplifies the range of dynamics that are at play.

#### **Conclusion and implications for police**

The key finding of this paper is the need for a greater understanding of the dynamics at play at the lowest level of the illicit drug markets, particularly the psycho-stimulant markets. This understanding is important for a spectrum of supply reduction/market regulation/demand reduction/harm reduction reasons. It is difficult for the law enforcement sector to effectively impact on illicit drug markets without fully appreciating how they operate. It is entirely possible that this understanding could lead to a major paradigm shift in law enforcement approaches to illicit drug markets in Australia.

There is a further, and perhaps more pressing, need to gain a better understanding of the lowest level of drug retailing in Australia. There are preliminary national indications of a decrease in the use of crystalline methamphetamine ('Ice') that is apparently associated with a *reduction in demand*. This is occurring at the same time as a trend towards an increase in the use of heroin that is apparently associated with an *increase in supply*. To put this into context, on the one hand there is a 'ready-made' peer-driven drug distribution system (about which little is known) that at the moment is probably predominantly being used for the distribution of psycho-stimulants. On the other hand, there appears to be a supply-driven increase in heroin use. There are also projections of a very substantial increase in the production of heroin in southern Afghanistan, which has not yet entered the international drug distribution pipeline. The use (and particularly the injection) of heroin is probably not popular among the groups who are the central focus of this paper. The key issue, however, is that both heroin and certain forms of methamphetamine are able to be smoked. This route of administration can enhance the attractiveness of drugs because it obviates the need to inject them. In a situation of increased heroin supply, and a well established distribution system, heroin could be introduced into a whole new cohort of users initially via smoking. This is clearly an issue that requires close monitoring.

The implementation of these strategies to address this level of the illicit drug market do, however, need to be undertaken with great care so as to avoid unintended consequences.

If, for example, as seems likely, there has been a change in the nature of illicit drug distribution, towards the utilisation of closed markets, then in the context of recent policing efforts to reduce open street drug markets this could be regarded as a success. Consequently, any law enforcement efforts that resulted in a return to open street markets would be inconsistent with this policing objective. Equally, if the majority of illicit drug users are currently being protected from the less savoury aspects of the illicit drug markets (and potentially from access to for-profit dealers who have access to a wider variety of drugs) by having others purchase their drugs on their behalf, then this could be reducing the harm associated with their use. This is also a situation that could be inadvertently reversed.

Nevertheless, in the absence of a clear understanding of the functioning of these markets, it is difficult to develop effective policing strategies. The research that would provide an insight into the dynamics at play in this part of the illicit drug market need not be expensive. It is possible that this could be achieved, for example, by the inclusion of additional supply-side questions to the existing national data collections, the Illicit Drug Reporting System and the Ecstasy and related Drugs Reporting System. There is already a precedent for this occurring. A series of questions was added to the 2004 Ecstasy and related Drugs Reporting System data collection in Queensland, which helped provide an important insight into the retail-level functioning of these drugs in that jurisdiction. This is one preliminary step that the NDLERF Board of Management may wish to consider, and in all probability it need not occur on an annual basis.



# 1. INTRODUCTION

This paper focuses on some of the dynamics at play in the lowest level of illicit drug retailing in Australia. It is not the purpose of this paper to fully document the functioning of these illicit drug markets. Rather, the aim is to point out some changes that appear to have occurred in the markets in recent years and to highlight some potential gaps in the knowledge base of the law enforcement sector concerning the functioning of these markets.

The trafficking and retail sale of illicit drugs is, by definition, an illegal activity. The structure of illicit drug markets is often conceptualised as pyramidal, with a relatively small number of importers or producers of drugs at the top who sell their drugs to intermediaries, who on-sell them in ever decreasing quantities (perhaps involving some cutting of the drugs) until ultimately the drugs are sold at the retail level to consumers. The extent to which the supply pyramids are taller or flatter, and have longer or shorter supply chains, probably varies between different drugs and depends upon the modus operandi of the individuals and organisations involved in this trade. Some drugs such as cocaine, for example, appear to have very short, flat supply chains (Shearer, Johnston, Kaye, Dillon, & Collins, 2005).

Given that the supply of illicit drugs is illegal and can attract severe sanctions, it is reasonable to assume that, for the trade to occur,, there needs to be some combination of three factors present. The first of these is some form of motivation which, in the view of the offender, outweighs the severity of the sanctions which are likely to be imposed in the event of being apprehended for this offence. The second condition is a perception that the likelihood of being apprehended is such that the risk of involvement in the activities is considered reasonable. The third is a perception that the trafficking behaviour has become normalised and is not seen as criminal activity at all, or at least not an action with serious consequences.

The most obvious motivation for trafficking and selling drugs is financial gain. This is clearly an important motivation for a large proportion of the (particularly upper level) supply chain. The major focus of this paper is the extent to which this profit motivation applies equally to all levels of the retail drug markets and to all drugs. Specifically, what is at issue are the motivations and dynamics that sit behind the transactions that occur at the lowest or retail level of the supply chain of illicit drugs in Australia. Without a good understanding of the motivations and modus operandi of all levels of the supply chain, it is very difficult for the law enforcement sector to effectively target its efforts.

## 2. WHAT DO WE KNOW ABOUT THE NATURE OF RETAIL DRUG DEALING?

Arguably, retail level drug dealing has historically been viewed as a relatively simple and anonymous supply/demand transaction in which one party has a supply of drugs and the other has money, access to credit from the provider, or is able to provide some other form of consideration. This pattern of transaction may have predominated at the retail level of the illicit drug market historically (and indeed it is still an important feature of some contemporary drug markets). There is, however, increasing evidence that other factors are also at play. Specifically, viewing the retail-level illicit drug market as being made up of simple, anonymous and totally financially-motivated transactions fails to appreciate the important role of the social context in which these transactions often occur, and the fact that a significant proportion of these lower-level transactions appear to be motivated by factors other than just financial gain.

In short, illicit drug users are generally more likely to purchase their drugs from friends rather than from individuals who the illicit drug users identify as being 'dealers'. As will become evident, illicit drug users themselves make a clear distinction between obtaining drugs from 'dealers' and obtaining drugs from 'friends' (who are clearly also dealers but not regarded as such by the users). Given that, as a result of the drug transaction, both 'dealers' and 'supplier friends' are acting as dealers, it is interesting to speculate as to why users regard them so differently. Fowler, Kinner and Krenske (2007) suggested that this distinction is generally made in terms of the level of profit made by the supplier, the number of transactions made, the amount of time and effort put into dealing, and whether it is a principal or supplementary source of income.

In this way, it appears that the sale of illicit drugs only comes to be regarded as 'dealing' or have negative connotations, when some threshold is reached in terms of profitability and the extent to which the seller commits to selling drugs as an occupation. All other drug sales are, as will be discussed later, seen as more of a socially-based interaction in which, in many cases, the seller makes little or no profit.

### 2.1 The social nature of drug dealing

The extent to which social influences impact on the retail illicit drug market appears to vary between substances. For this reason, the patterns of purchases of different illicit drugs in Australia are considered separately. In addition, evidence from the United Kingdom is considered.

#### 2.1.1 Ecstasy

The Ecstasy and related Drugs Reporting System (EDRS) reported that 84% of regular Australian ecstasy users had obtained ecstasy from friends in the preceding six months on at least one occasion. Fifty percent also obtained ecstasy on at least one occasion from dealers who were known to them (as opposed to friends) and 35% obtained the drug from acquaintances. Only 18% of regular ecstasy users obtained this from a dealer who was not known to them. Equally, a friend's home was the most common site at which ecstasy was obtained during the last six months with 65% of respondents having obtained their drugs at

such a location. A further 32% obtained drugs in their own home (which suggests either a socially-based transaction or a drug home-delivery service), 43% had obtained ecstasy at a nightclub (which may or may not have been pre-arranged), and 36% obtained the drug from a dealer's home (Dunn et al., 2007).

The 2004 National Drug Strategy Household Survey (Australian Institute of Health and Welfare, AIHW, 2005) found that 72% of recent ecstasy users typically obtained this drug from a friend or acquaintance. This compares with 22% who obtained their ecstasy from a dealer.

Consistent with this, Fowler et al. (2007) reported that in Queensland 89% of ecstasy users would first contact a friend or acquaintance in order to source ecstasy, and 96% sourced their first ecstasy tablet from a person previously known to them. Further, 72% first obtained ecstasy from a friend.

These authors reported that this:

*... emphasises the importance of social networks for consumers wanting to source ecstasy. Most ecstasy transactions occur in private locations with known persons or are pre-arranged with known persons if occurring in public locations (p 134).*

Fowler et al. (2007) interviewed both users and suppliers (who were also predominantly users) of ecstasy. There were few differences between the profile of users and user/suppliers. Interestingly however, the suppliers were significantly *less likely* than users to have been arrested for any reason in the preceding year (although there were no differences in the arrest rates between the two groups for drug-related offences). This finding suggests that compared with regular users of ecstasy, suppliers are no more likely to be known to the police as dealers, and are *less likely* than the using-only group to have had recent contact with the police. As would be expected, suppliers were six times more likely to report that they had engaged in drug dealing for cash profit in the last month. Nevertheless, when the two groups were compared on the basis of the number of tablets that they usually bought, suppliers usually bought a median five tablets at a time, whereas users usually bought a median of two tablets. This suggests that suppliers were, for the most part, only purchasing their drugs for one or at most two other people and were most unlikely to be making much, if any, profit. As the authors pointed out, one possible explanation for this selling activity is that it is not usually or predominantly motivated by profit. While some of those involved in this retailing do make a profit, this often amounts to no more than \$1–2 per pill and is essentially considered to be 'petrol money'.

In their examination of raves and dance parties in Perth, Lenton and Davidson (1999) described three patterns of drug supply activities that occur among attendees of those venues (although not necessarily *at* those venues). These were: distribution, clearing and dealing. The most predominant of these was *distribution*, which involved purchasing and passing on drugs to less well connected friends, and/or facilitating a group purchase. The distributor usually made no cash profit on the transaction (although they may have got cheaper or free drugs) and *all of those* to whom the distributor passed on the drugs were friends. One factor mentioned by those involved in this activity was the level of social capital that they gained by being involved in this activity. The next most prominent pattern of supply activity was *clearance*, which involved selling small amounts of drugs that were 'excess stock' to the supplier. This activity was carried out as a favour to a primary supplier. The drugs were usually sold on to other friends or more casual acquaintances, but never to strangers. Those involved in this activity may have also made a small profit and/or

been provided with free drugs; however, deriving social capital was also mentioned as an important motivation to this pattern of supply. The least prevalent pattern of drug supply involved dealing that was predominantly motivated by profit. Friendship links were not particularly relevant to this pattern of selling and this was more of a simple, anonymous supply/demand transaction.

As far as the ecstasy market is concerned, Fowler et al. (2007) reported that while moving into retail level ecstasy supply is relatively easy, advancing into middle level supply is rather more difficult. One factor that contributes to this difficulty is the requirement to secure sufficient finance to fund the larger-scale drug purchases. In addition, the authors reported that the increased profit margins that are available at higher levels of the supply chain means that dealers attempting to move into this activity are also likely to encounter fierce competition as well as the less savoury activities associated with others attempting to maintain their market share. In addition, they reported that the involvement of organised crime groups at this level also means that establishing connections with high level distributors may be difficult for most ecstasy users, given their social background. In this regard, it was reported to the researchers that there is little evidence that well-educated middle class users have entered that market and tried to move up the supply chain. Progression into mid-level supply is more likely to be mediated by high-level suppliers who approach certain individuals and groom them for promotion. This may involve providing larger amounts of ecstasy on credit to those with reliable reputations who are able to on-sell it. This facilitates the expansion of supply enterprises for high-level distributors. In this way, there appears to be a kind of 'glass ceiling' which prevents small-scale ecstasy dealers from moving up the supply chain.

As is evident, social networks are critically important to the distribution of ecstasy and a very substantial proportion of the total retail-level distribution of ecstasy is likely to be on a not-for-profit basis. Existing policing intelligence practices are most unlikely to be of use in detecting these ecstasy suppliers, because, in all probability, they are not known to the police, and have no criminal background.

### **2.1.2 Methamphetamine**

Social networks are also important as far as methamphetamine dealing is concerned. McKetin, McLaren and Kelly (2005) conducted an examination of the Sydney methamphetamine market. They reported that 91% of methamphetamine users indicated that their main supplier was a close friend or acquaintance. In this study, the income obtained from dealing methamphetamine was found to be a far more important motivating factor than was the case with ecstasy dealing in the previously described studies. Interestingly, the retail level dealers reported that they did not seek out new customers to support or grow their businesses. In fact, it was more often the case that they could not, or did not wish to, meet the demands of their customers. The researchers reported that retail-level dealers needed to have a good rapport with prospective customers and that acquiring customers tended to occur with little effort, and largely through word of mouth (in particular, referral from other customers). This is clearly indicative of a drug market that was at the time, experiencing rising demand pressure. Indeed, in this study, 85% of methamphetamine dealers indicated that half or more of the people they knew well were using the drug. The researchers found that retail-level dealers often needed to manage the number of people to whom they sold drugs. This was either because they did not want to become more heavily involved in dealing, or because they feared that having too many customers would increase the risk of police detection or being apprehended with a large

quantity of drugs. Indeed, some retailers did not accept extra customers and preferred to restrict their dealing to a group of customers they knew and trusted. In general, the profit from dealing methamphetamine use was not substantially in excess of that which was required to support the dealers' drug use. The profits from dealing could, however, be highly lucrative if the dealer was selling larger quantities.

Similarly, Dunn et al. (2007), reporting on the findings of the 2006 (national) Ecstasy and related Drugs Reporting System, stated that friends were the most common source of powder methamphetamine (speed). Sixty-four percent of recent speed users (who commented on this issue) obtained their drug in this way and 53% did so from a friend's home. The authors also reported that base methamphetamine was most commonly purchased from friends with 68% of respondents having done so, and this was most commonly from friend's homes (in 56% of cases). Friends were also the major source of crystalline methamphetamine (Ice) among these recent users of the drug, with 51% of users obtaining the drug from this source and in 44% of instances the transaction took place in a friend's home.

O'Brien et al. (2007) also reported that in the Illicit Drug Reporting System sample, speed was most commonly purchased from friends (45%), followed closely by purchases from known dealers at 44%. Base methamphetamine purchases were most commonly made from known dealers (50%) followed by purchases from friends (45%). Ice was most commonly purchased from friends (45%) followed by dealers (44%). As is evident, this research demonstrated little difference in the proportion of methamphetamine that was purchased from dealers, versus friends. Nevertheless, for all types of methamphetamine, just under half of all purchases were from friends.

The 2004 National Drug Strategy Household Survey (AIHW, 2005) reported that almost 70% of recent methamphetamine users typically obtained this drug from friends or acquaintances, compared with 22.7% who usually obtained this drug from a dealer.

It is clear that social networks are also critically important to the distribution of methamphetamine, although there was more evidence of lower level dealers making a profit from the transaction (even if this was only to fund their own drug use).

### **2.1.3 Cannabis**

O'Brien et al. (2007) reported that among their sample of illicit drug users, 54% had obtained hydroponically grown cannabis from friends in the preceding six months and 7% had received cannabis as a gift from a friend. By contrast, 36% had obtained hydroponically grown cannabis from a known dealer and 15% had purchased cannabis from a street dealer and 6% from an unknown dealer. Similarly, they reported that 55% had obtained bush grown cannabis from a friend and a further 7% had been provided with bush cannabis as a gift by a friend. Twenty-five percent had obtained bush cannabis from a known dealer and 12% had obtained their cannabis from a street dealer. Martin, Copeland and Swift (2005, as cited in Copeland, 2007) reported that 94% of 14–19 year old cannabis users obtained their cannabis from friends or acquaintances. The 2004 National Drug Strategy Household Survey (Australian Institute of Health and Welfare, 2005) also reported that 69.4% of recent cannabis users obtained the drug from friends or acquaintances.

In this way, social networks are also a very important mechanism through which cannabis is supplied.

### 2.1.4 Cocaine

The 2004 National Drug Strategy Household Survey (AIHW, 2005) found that 71.5% of recent cocaine users usually obtained their cocaine from friends or acquaintances. This compares with 18% who usually obtained their cocaine from dealers.

Shearer et al. (2005) conducted a study of the cocaine markets in Sydney and Melbourne. They reported that in Melbourne approximately 71% of the most recent cocaine purchases were probably from friends or family and 41% of purchases in Sydney were from family or friends. (In this regard it should be noted that when the totals for purchases from mobile dealers, home-based dealers and street dealers are combined, it indicates that 56% of the most recent Sydney cocaine purchases were from dealers.) In summarising this issue, they reported:

*Most cocaine dealing in both cities, was done with friendship groups or among established dealing relationships. In Sydney the relationships were longer established, perhaps reflecting a more mature or established market. The importance of social networks is apparent in the details of how participants were first introduced to the person they had most recently purchased cocaine from, with over half of both samples reporting having done so through friends and/or family (p 22).*

Dunn et al. (2007) reported that, from a national perspective, cocaine is also usually sourced from friends with 44% of recent cocaine users obtaining their drugs in this way, compared with 30% from known dealers. These authors reported that in their study 31% of their sample who had used cocaine in the preceding six months obtained cocaine as a gift, and another 31% had purchased the drug from a friend. This compared with 39% who had purchased the drug from a dealer who was known to them and 25% from a street dealer.

Shearer et al. (2005) reported that cocaine supply was not highly profitable at the retail or even upper retail levels. They found that the profits were highest for those who were closest to the importation point and also for those involved in breaking down grams and ounces into caps for injection. The authors reported that this was:

*... amply illustrated by the fact that most dealers 'kept their day jobs' often in low level trades and hospitality jobs. An analysis of price and returns on sales indicated that even long-established upper retail and middle level dealers with reliable supply contacts and customers willing to pay for premium grade cocaine, made only modest returns considering the substantial penalties that small quantities of cocaine can attract (p 57).*

The cocaine dealers interviewed by Shearer et al. (2005) reported higher levels of cocaine use and cocaine-related problems than non-dealing users, which was probably facilitated by their easy access to quality cocaine. They found that several former large-scale dealers had substantially cut back their involvement in the cocaine market due to health and other personal problems. They reported that this unanticipated risk of cocaine dealing was similar to that described in the United States by Waldorf, Murphy and Lauderback (1994). Both studies found that while dealers started dealing for a mix of social and financial reasons, they were often adversely affected by relatively high levels of physical, psychological and social problems associated with their own cocaine use.

In sum, social groups play an important role in the distribution of cocaine in Australia. Lower level cocaine dealing does not appear to be a particularly profitable activity and seems to be associated with high levels of problems caused by the cocaine suppliers' excessive use of the drug. Also interesting is the finding of Dunn et al. (2007) that almost one-third of recent cocaine users had obtained the drug as a gift.

### **2.1.5 Pharmaceutical drugs**

Social groups also appear to be very important so far as the supply and distribution of pharmaceutical drugs is concerned. This was highlighted in research conducted in three Australian jurisdictions: the Northern Territory (O'Rielly, Leibrick, Huxtable & Chenhall, 2007), Victoria (Smith, Miller, O'Keefe & Fry, 2007) and Tasmania (Bruno, 2007).

O'Rielly et al. (2007) reported that in the Northern Territory the major feature of the illicit pharmaceutical market (in particular that for morphine) was that of highly organised groups of friends and acquaintances swapping and trading drugs with each other. The researchers found little evidence of the involvement of organised criminal groups in this trade, largely because there was no real capacity for these groups to provide pharmaceutical drugs more cheaply than they could be provided by the existing socially-connected groups.

Similarly, Smith et al. (2007) reported that in Victoria, while the most common source of benzodiazepines in the study was from doctors (as a result of either genuine [80%] or fake [16%] medical conditions), 87% of respondents reported that they also received these drugs as a gift from friends, and 22% reported that this was their usual source of the drug. In their examination of the opioid market, the researchers found that 68% of users had obtained opioid drugs from doctors on the basis of real (62%) or fake (6%) symptoms; however, 63% of opioid users had received opioids as a gift and, for the overwhelming majority of this group, this was their main source of the drug. In addition, 44% of morphine users, 42% of buprenorphine users, 41% of methadone syrup users and 33% of physeptone users reported that they obtained the drugs from friends.

Bruno (2007) found that Tasmanian illicit pharmaceutical drug users, too, obtained the majority of their benzodiazepines from prescriptions (52%), compared with swapping drugs (11%), gifts (9%) and purchases from friends (9%). In the preceding six months 65% of the respondents had on at least one occasion obtained benzodiazepines as a gift, which is slightly more than had received them on at least one occasion via a prescription (64%). A further 37% had purchased benzodiazepines from friends on at least one occasion.

Bruno (2007) reported that Tasmanian illicit pharmaceutical drug users used a variety of means to obtain pharmaceutical opiates. Morphine was predominantly purchased from a drug dealer and less commonly from friends, and a small minority obtained the drugs as gifts from friends or through trades for other drugs. The patterns of obtaining physeptone were very similar to those associated with morphine. These patterns differed significantly, however, from those that were associated with methadone syrup. The clear majority of those who had accessed this drug did so via a legitimate treatment program. The next most common pathway to access the drug was via purchasing the drug from a friend or receiving it as a gift. A much smaller proportion reported accessing the drug from a dealer.

At the national level, 41.8% of recent non-medical users of tranquilisers were found to have obtained them from friends or acquaintances. Fifty-eight percent of recent steroid users obtained these drugs from similar sources (AIHW, 2005). The AIHW (2005) also reported that 54% of recent methadone users had obtained this methadone from friends or family.

The trading and gifting of pharmaceutical drugs among friends is also an important dynamic in the distribution of these drugs. Interestingly, however, this varies between locations and between different types of pharmaceuticals. An important factor in this regard appears to be the extent to which the drugs can be obtained legitimately from doctors (albeit with fake symptoms), and the extent of the illicit market for heroin in different jurisdictions.

### **2.1.6 Heroin**

O'Brien et al. (2007) found that 33% of those who had purchased heroin in the preceding six months bought their heroin from a friend and a further 4% received heroin as a gift from a friend. A greater proportion (57%) had purchased heroin from a dealer who was known to them, and 26% purchased heroin from a street dealer. The National Drug Strategy Household Survey (AIHW, 2005) also found that 63.5% of recent users had obtained their heroin from a dealer.

Although there is not a great deal of evidence to draw upon in this regard in Australia, at first glance, friendship groups appear to be less central to the distribution of heroin. This is consistent with the findings of Fowler et al. (2007) who reported that drugs with a high addictive potential (such as heroin) are more likely to be sold in open, as opposed to closed, markets. This issue is discussed in more detail later.

### **2.1.7 Other drugs**

Dunn et al. (2007) also reported that friends were the most frequent source of ketamine with 55% obtaining their drugs from this source. Equally, friends were the most common source of Gamma Hydroxybutyrate (GHB) with 53% obtaining the drug from this source. Friends were also the most common source of LSD with 67% obtaining the drug from this source. Equally, the 2004 National Drug Strategy Household Survey (AIHW, 2005) reported that 58% of recent users of LSD obtained the drug from a friend or acquaintance. This compares with 21.5% who obtained their drugs from a dealer.

## **2.2 Evidence concerning low-level drug distribution from the United Kingdom**

This issue has been researched in some depth in the United Kingdom. Parker (2000) examined the results of a range of research conducted among young illicit drug users in that country, to find out more about how they obtain their drugs. He sought to answer three questions that are highly relevant to the current paper (inter alia). Specifically:

- How do young adult non-dependent drug users, who are largely conforming, non-delinquent citizens, and in college, in training or employed, comfortably and easily obtain drugs from an illegal drug market?
- What is occurring close to the point of drug consumption that accounts for the millions of young people who breach relevant legislation by possessing controlled substances?
- How have hundreds of thousands of otherwise law abiding young citizens become engaged in illegally supplying drugs such as ecstasy, which carry the potential penalty of up to five years imprisonment?

As Parker (2000) noted, the high level of ecstasy use in the United Kingdom is clearly dependent on an elaborate and effective system of drug supply. Like the Australian



situation, he reported that friendship networks are a very important part of the acquisition of illicit drugs. Indeed, he found that purchasing drugs from friends (as opposed to those identified as 'real dealers') is a key way in which the illicit drug users maintain their self-perceptions of being responsible and respectable.

To illustrate this point, Parker (2000) described the response from one young man who, when he was asked where he got his cannabis and amphetamines from, was adamant: "Depends, friends, normally if I can, if not I'll send a friend to a dealer." When asked if he had ever been to a dealer himself, the young man responded "No. I've never been to a dealer." (Emphasis in original text.) As Parker (2000) noted:

*Somehow in this discourse, friends, and friends of friends who supply drugs are recast positively because they're 'OK'. They sometimes also supply free drugs. In addition, they have to take risks and so deserve little bones of either 1/8 of cannabis, a wrap of amphetamines, or an ecstasy pill, for their endeavours. There is also a very blurred line between who is a dealer and who is a customer. ... when asked if they'd ever 'sorted' other people requiring drugs, many agreed they'd been on both sides of the transaction.*

*"Yes for friends." [For profit?] "No, probably they just give me enough for a few spliffs for getting it for them." [How often?]. "Once in a while. Just when they can't get it themselves, say once in every one or two months or something." (Male occasional user.)*

*[Like you being the middle man you mean?] "Yes." [Which drugs?] "Trips, pot, speed, tablets." [For profit?] "No, just for my mates." [Cost price?] "No, the lad who I got them off, he'll have made a profit." [But you didn't?] "No." [Who were you selling to?] "My mates and my cousin." [Strangers?] "No." (p 65).*

As Parker (2000) pointed out, these networks or chains involved in procuring drugs near the point of consumption overtly protect the majority of young drug takers from direct negotiations with people they regard as 'real drug dealers'. In this way, because a distance exists between suppliers and users and because the intermediaries are friends, or friends of friends, the deliverer is considered to be part of the straight world and not a 'dodgy dealer'. Since there are so many real low-level dealers and user-dealers in local communities who live ordinary lives and can be approached relatively safely, the supply level is sustained. He argued that none of those who were supplying drugs in this way considered themselves as real drug dealers. They simply saw their role as facilitative, or as assisting friends and acquaintances.

*"... the reality is that most recreational drug users, including clubbers, are wary of buying drugs from strangers and getting too close to heavy duty characters... around 20% of clubbers interviewed, were freely provided with their drugs by friends, partners and relatives. Moreover, of the 70% or so who paid for their drugs, only a minority – around 10% obtained their drugs from unknown dealers and security/bar staff." (p 70).*

Parker (2000) concluded that young adult non-dependent drug users:

*...play the key role in drugs distribution near the point of consumption. The desire to maintain safety in a potentially hazardous environment and to minimise the likelihood of receiving 'dodgy' drugs from 'dodgy' characters, continues to shape transactions. The informal friends of friends chain continues to dominate (p 75).*

*For the vast majority of recreational experimenters and users, uncomfortable with obtaining drugs from real dealers, informal but complex social arrangements have developed where drugs are obtained for free, from shared purchases, and most of all from relatives, friends and friends of friends (p 76).*

*These processes have facilitated the growing normalisation of recreational drug use, since so many young people become de jure surrogate low level drug dealers. On the other hand, these processes have put distance between 'conventional' young users and the more subterranean, sub-cultural and criminal worlds of those operating the local drugs market (p.77).*

### 2.3 Summary

In summary, based on this evidence from Australia and the United Kingdom, social networks play a very important role in the distribution of drugs. A key factor in this appears to be the tendency for those who supply drugs in this context to not be seen as 'drug dealers'. At first glance, and without the benefit of focused research in this area, the role of social networks in the provision of drugs at the lower retail level appears to:

- make up a very large proportion of ecstasy transactions, a large proportion of which are carried out on a not-for-profit basis;
- make up at least half (and probably more) of methamphetamine transactions, with profit being a more prominent feature of the transaction (even if only to fund the supplier's use);
- make up a large proportion of the cannabis market;
- make up a large proportion of the cocaine market, where the gifting of cocaine is an important dynamic and with profit being a significant motivator for suppliers (although, in reality, few retail suppliers appear to make much profit and tend to experience the adverse consequences of excessive cocaine use);
- make up an important contribution to the distribution of pharmaceutical drugs; however, this varies between locations and between different types of pharmaceuticals;
- be an important conduit for the distribution of LSD, ketamine and GHB; and
- be less important in the distribution of heroin.

Little is known, in the Australian context, about the dynamics of the supply of drugs among social networks and of drug transactions that are carried out on a not-for-profit basis. Given the proportion of transactions that occur under these circumstances, this is clearly an issue which warrants further research attention. In the meantime, however, it is possible to speculate on some factors which could be contributing to the proliferation of this pattern of drug dealing. These are discussed below.

### **3. WHAT ARE SOME OF THE FACTORS THAT COULD BE CONTRIBUTING TO THE CURRENT PATTERNS OF ILLICIT DRUG DISTRIBUTION?**

There are a number of factors which warrant consideration in this regard. Some possible influences include: current patterns of illicit drug use; the impact of the demographic characteristics of Generation Y; the self perceptions of those involved in drug dealing (including having a limited understanding of the potential legal implications of low level dealing); and the ways in which the law enforcement sector views the functioning of the illicit drug market and the resultant intelligence gathering strategies. Each of these is discussed in turn.

#### **3.1 Changes in the profile of illicit drug use.**

Between 1991 and 2004, Australia experienced an increase in psycho-stimulant drug use (especially ecstasy use) and a decline in heroin use. Between 1991 and 2004, among Australians aged 14 years and over: heroin use declined from 0.4% of the population to 0.2%; methamphetamine use increased from 2.6% of the population to 3.2%; ecstasy use increased from 1.1% to 3.4%; and cocaine use increased from 0.7% to 1.0% (AIHW, 2007). As Fowler et al. (2007) suggested, drugs with high addiction potential such as heroin are more likely than drugs such as ecstasy to be sold in open markets. In 2004, after cannabis, ecstasy was the most commonly used illicit drug in Australia (AIHW, 2007) and, in that year, sixteen times more Australians used ecstasy compared with heroin. The change towards drugs such as ecstasy with less addiction potential could be associated with the trend towards illicit drug markets becoming more closed in nature, rather than open.

#### **3.2 The demographic influences of Generation Y.**

The Australian Institute of Health and Welfare (AIHW, 2005) reported that in 2004 illicit drug use was most prevalent among those aged between 18 and 29 years. One aspect which may warrant further consideration in relation to its impact on the illicit drug market is the demographic characteristics of people in this age group. Those who are in this age group, at which drug use is most prevalent, are commonly referred to as 'Generation Y' and were born approximately between 1980 and 1994 (meaning that they are now between 13 and 27 years of age) (McCrinkle, 2007). While the Generation Y title is a generalisation and should not be applied too literally, the research which has been conducted into this cohort does provide some insights into their attitudes and goals. These characteristics may warrant further research in relation to their influences on the nature of illicit drug retailing in Australia.

As McCrinkle (2007) reported, Generation Y (Yers) are a product of their times, which have been characterised by 15 years of economic growth, political stability, rapid technological change, fast moving careers, changing family structures and massive social shifts. They are the world's first global generation and are the most educated, entertained, materially endowed, and entrepreneurial, yet supported and protected, generation in history. Importantly, as Saulwick and Muller (2006) pointed out, the Yers have come too late to experience the severe economic restructuring brought about by globalisation and the information revolution. This appears to have contributed to a sense of invincibility where

work and the future are concerned.

Another critically important characteristic of Generation Y, in the context of this paper, *is their uniquely strong level of commitment to their friendship groups*. As Huntly (2006) highlighted, Yers are an intensely tribal group. While young people's reliance on friendship groups is not a new phenomenon, the Yers expect to be committed to their specific friends well beyond young adulthood. Huntly (2006) cited Mackay (2000) who noted that the Yers tend to be totally anchored to their friendship groups and that even their sexual relationships are no threat to these groups. Indeed, there is a sense of scepticism about the durability of sexual relationships, which contrasts starkly with optimism about friendship networks. As Huntly (2006) stated, "The message is clear—friendship trumps romance every time" (p 28). There is an expectation that their friends will stick by them no matter what. Indeed Huntly (2006) reported that for the Yers:

*... friends are like families, only better. They provide an escape from parental dramas and expectations. They are the first people you call when you are in trouble (p 25).*

In a sense, to the Yers, friends are the family that they get to choose (Huntly, 2006). Further:

*... Generation Y's emphasis on friendships above all other kinds of relationships is a defining element of that generation's mindset. In an insecure world of break-ups and sexual drama, putting faith in a broader network of friends is a far safer bet than simply relying on your family or a relationship (p 39).*

*They make a commitment to their friends that they wouldn't dream of making to a job, a company, a brand, a political party or even a sexual partner ... Understanding the emphasis that Gen Yers place on their friendship group is the key to understanding their attitudes on so many other issues—family, marriage, sex, relationships, work, consumerism and the future (Huntly, p 40).*

As Saulwick and Muller (2006) argued, there is a high level of awareness among the Yers that drugs are easy to access. They also reported that, consistent with their approach to a number of issues, the Yers' approach to illicit drugs was a highly pragmatic one, rather than a moral one. In this way, the Yers are likely to weigh up the evidence concerning the practical pros and cons of drug use, in terms of how this fits in with their broader lifestyle. This contrasts with an approach linked to a moral view of illicit drugs or their use.

There is no suggestion that the trading and free provision of drugs among friendship is confined to the Generation Yers. Nevertheless, the strength and the degree of importance placed upon friendship groups (to the exclusion of virtually all others) is a unique characteristic of this group. Increasing their social capital is of critical importance to this cohort, which perhaps provides an insight into the extent to which a significant proportion of illicit drugs are provided to friends at no or minimal profit. It is thus highly plausible that this attitude to social networks is a factor in shaping the dynamics of the illicit drug market.

### **3.3 The perceptions of drug sellers/users**

There are at least three aspects of the perceptions of participants in illicit drug markets that warrant further consideration as far as their potential impact on illicit drug markets are concerned. The first of these is the extent to which they accurately perceive the seriousness of their actions in terms of the potential legal consequences. The second is the dichotomy

of perception between friends who sell or supply drugs, and ‘proper dealers’. The third is the way in which purchasing drugs from friends sufficiently distances illicit drug users from ‘real dealers’, to enable them to maintain their own sense of respectability.

Each of these is considered in turn.

### ***3.3.1 Understanding of drug laws and the perceptions of legal consequences of possession and sale.***

For the first time, in 2006, participants in the national Ecstasy and Related Drugs Reporting System (EDRS) (Dunn et al. 2007) were asked about their beliefs concerning the legal implications of the possession and supply of ecstasy. As the authors reported, 65% of the national sample of ecstasy users reported that they did not know the quantity of ecstasy that qualified as ‘supply’ in accordance with relevant legislation. Of the remaining 34% who claimed that they did know, 7% believed that the quantity is measured in grams, while 94% believed that the quantity is measured in tablet numbers (in reality most jurisdictions have weight-based limits). Three-quarters believed that to be charged with supply, the substance could be tablets sold as ecstasy, regardless of the actual amount of MDMA in the product; 5% believed that the product had to be pure MDMA in order to be charged; and 17% responded that they did not know the factors that would lead them to be charged with supply.

Only slightly more than half of the Dunn et al. (2007) national sample reported that they knew the outcomes of being convicted for supply of ecstasy. Of those who reported that they knew the outcomes of being convicted for supplying ecstasy, 77% reported that the outcome would be a prison sentence; 38% reported that it would result in a fine; 16% reported that they would be required to perform community service; and 13% reported that the outcome would be a caution. Participants were also asked whether there was any difference between being caught in possession of ecstasy that was for their personal use, and being caught with ecstasy that was intended to be used by others. Over half (52%) believed that there was no difference.

It appears that, generally, ecstasy users have a very poor level of understanding about the potential legal impacts of their possession of the drug. As a result, many ecstasy suppliers may be making decisions about their possession of the drug in the absence of any real understanding about the legal implications of this activity. It may well be the case that other illicit drug suppliers are similarly misinformed, perhaps believing that drug supply offences are subject to diversion programs.

As well as having a poor understanding of the legal consequences of ecstasy possession, Fowler et al. (2007) noted in relation to Queensland ecstasy markets:

*Consumers appear relatively unconcerned about participating in the supply of ecstasy at the retail level. This is largely related to the normalisation process associated with ecstasy use (p 129).*

The authors cited a law enforcement officer who participated in their study who reported that “... the youth and people who are dealing in this sort of stuff (ecstasy) don’t see it as a criminal drug” (p.129). They reported that instead of seeing the process of obtaining ecstasy for others as a criminal offence, it is viewed as an efficient use of time which permits consumers and higher level suppliers to interact less often and more discreetly.

Shearer et al. (2005) came to similar conclusions in relation to many cocaine dealers in Sydney and Melbourne. They reported that many, particularly younger, drug suppliers did not understand the potential (legal and other) consequences of their activities. On the other hand, more mature dealers understood the potential consequences, but managed the risk through carefully restricting their customer base.

In this way, another potential dynamic which may be shaping retail-level illicit drug markets (at least as far as ecstasy and cocaine are concerned) is a lack of understanding about the potential legal implications of possessing and selling these drugs. If these findings are borne out in future research, then it would appear that an important strategy to impact upon the supply of illicit drugs is to change the perceptions of those selling drugs about the seriousness of their actions.

### ***3.3.2 The dichotomy of perception between friends who sell or supply drugs, and 'proper dealers'***

Equally, as has been discussed elsewhere in this paper, there appears to be a dichotomy of perception concerning for-profit and not-for-profit drug (or 'petrol money' profit) sellers. Despite the fact that friends who supply drugs are committing the offence of supply, in the eyes of the end consumer the fact that the seller is not making a significant profit from the transaction appears to give the transaction an aura of respectability.

### ***3.3.3 Maintaining the distance between illicit drug users and 'real dealers'.***

As was mentioned earlier, Parker (2000) found that when illicit drugs are purchased from friends (as opposed to those identified as 'real dealers') this creates a significant distance between most illicit drug users and what might be termed the 'dark' or 'dodgy' component of the illicit drug market. This in turn enables illicit drug users to maintain their self-perceptions of being responsible and respectable. It would have to be observed that many illicit drug users do live otherwise respectable and responsible lives and many illicit drug users and their suppliers are unknown to police. This dynamic could well be another factor impacting upon the functioning of the illicit drug market in Australia.

### ***3.3.4 The law enforcement sector's perceptions of the nature of drug markets and law enforcement intelligence structures.***

An issue of note that was highlighted by Fowler et al. (2007) was the disparity in perceptions between law enforcement officials and ecstasy users concerning the nature of ecstasy markets. It is possible that a similar disparity exists in relation to the markets for other drugs. What was specifically at issue in the Fowler et al. (2007) study was whether ecstasy markets are predominantly open or closed. Open markets are those in which drugs are traded by people who are probably not known to each other and transactions often take place in public places (such as in the street, in nightclubs and at rave parties). As the authors reported:

*Open markets are characterised by transactions in public places, such as specific street corners or parks. Often these transactions involve strangers (i.e. consumers purchasing from unknown suppliers). This type of market is more common for drugs with high dependence potential, such as heroin and crack cocaine. Open market consumers are typically dependent, purchase illegal drugs in small amounts, frequently, and often support their drug purchase with property crime or sex work (citing Edmunds, Hough & Urquía, 2006 and Maher, 1997, p 174).*

The view that heroin is predominantly sold in open markets was supported by Mouzos, Hind, Smith and Adams (2007). They reported that among their national sample of police detainees, heroin was almost twice as likely as any other drug to be purchased in an open setting, such as a street, or an alleyway. On the other hand, cannabis, methamphetamine, cocaine and ecstasy were more likely to be purchased from a house or flat.

Closed markets, on the other hand, are those in which drugs are largely traded among people who are well known to each other and the transactions generally take place in homes or other private environments. A high level of trust is necessary for the buyers and sellers to meet in these private settings. Thus, closed markets tend to have more of a social orientation (with less emphasis on cash profits). Fowler et al. (2007) noted:

*In a closed market, such as the ecstasy market, suppliers consciously keep market transactions out of the public view and as a general rule try to provide a quality product. (Dorn, Oette & White, 1998). There are, however, as in any market, naïve consumers and unscrupulous suppliers (p 175).*

Importantly, in their research, Fowler et al. (2007) found that law enforcement officials tended to be of the view that ecstasy is predominantly sold in open markets. They were also of the belief that it was usual for a small number of dealers to sell large quantities of ecstasy to people who were not necessarily known to them at the nightclubs and other venues. By contrast, the ecstasy users themselves were of the view that the market is considerably more closed, that the drug transactions were far more likely to take place in private locations and among people who were very well known to each other. The authors suggested that law enforcement may be focusing on the more overt transactions (which represent the minority of overall transactions), which diverts resources from addressing the covert majority of transactions. Naturally, open market transactions are, by their nature, easier to detect.

Fowler et al. (2007) also argued that existing intelligence and other operational systems in the law enforcement sector (as well as the health sector) are still oriented towards more open illegal drug markets dominated by heroin, and to a lesser extent cannabis. This contrasts with how illicit drug users say they obtain their drugs, which is predominantly from friends and in closed market settings.

Arguably, too, the law enforcement sector may be viewing profit as the predominant motivation across all levels of illicit drug markets in Australia. There is no denying that the profit motive dominates the upper echelons of the illicit drug market. Indeed, at the retail level, profit still represents an important dynamic in the illicit drug market. It is, however, problematic to regard all market segments to be solely motivated in this way.

## 4. CONCLUSION AND IMPLICATIONS FOR LAW ENFORCEMENT

There is little doubt that friendship structures play an important role in the low level distribution of illicit drugs in Australia. The dynamics that impact upon different levels of the illicit drug market are not well understood. As has been demonstrated in this paper, with the possible exception of the heroin markets, the evidence suggests that the retail markets for illicit drugs are to a significant extent friendship-based. Making profits from the sale of illicit drugs is certainly a dynamic even at the lowest level of the market. In many instances, however, the transactions are motivated by a desire to amass social capital, rather than financial capital. In this way, the strong need felt by many generation Yers (and other age groups) to cement social relationships may be finding its expression in not-for-profit drug distribution. In reality, much of what is commonly called 'street-level drug dealing' in Australia might more accurately be described as 'lounge room level' dealing. This is because it is far more likely to take place in the home of one of the parties to the transaction, and involve people that are well known to each other.

The research suggests that it also appears to be common practice to give and receive gifts of illicit drugs. This is perhaps akin to the practice of bringing a bottle of alcohol when invited to a friend's house for a meal.

In the absence of focused research in this area, this paper has speculated on a number of factors which may be contributing to this pattern of retail-level drug dealing in Australia. Whether they are borne out in focused research on this topic remains to be seen.

In order to reduce the supply of illicit drugs to the Australian community in ways that do not increase harm, it is essential to have a thorough understanding of all levels of the illicit drug markets, not just those which are driven by financial gain. In this regard, there is a significant need for more research in this area. This research need not be expensive. As Fowler et al. (2007) pointed out, it is possible that this could be achieved by the inclusion of additional supply-side questions to the existing national data collections, the Illicit Drug Reporting System and the Ecstasy and related Drugs Reporting System. These researchers appended a series of questions to the 2004 Ecstasy and related Drugs Reporting System data collection in Queensland, which helped provide an important insight into the retail-level functioning of these drugs in that jurisdiction.

There is a further, and perhaps more pressing, need to gain a better understanding of the lowest level of drug retailing in Australia. The 2007 Illicit Drug Reporting System (Black, Stafford & Degenhardt, 2007) and the 2007 Ecstasy and Related Drugs Reporting System (Black, Stafford, Dunn & Degenhardt, 2007) highlighted a national trend towards a decrease in the use of all three forms of methamphetamine that is apparently associated with a reduction in demand. Black, Stafford and Degenhardt (2007) also highlighted an increase in the use of heroin that is apparently associated with an increase in supply. In considering the implications of this, it is important to be mindful that the IDRS is a sentinel data collection designed to determine drug use trends among a specific group of illicit drug users and cannot be considered to be representative of broad population trends in drug use.



Nevertheless, on the one hand, there is a 'ready-made' peer-driven drug distribution system (about which little is known) which at the moment is probably being used primarily for the distribution of psycho-stimulants. On the other hand, there appears to be a supply-driven increase in heroin use, at least among regular illicit drug users. There are also projections of very substantial increases in the production of heroin in southern Afghanistan, which have not yet entered the international drug distribution pipeline (International Narcotics Control Board, 2007). The use (and particularly the injection) of heroin is probably not popular among the groups which have been the main focus of this paper. This may, however, change and a key issue is that both heroin and certain forms of methamphetamine are able to be smoked. As McKetin et al. (2005) reported, the smoking of Ice is a problematic trend because it can introduce a whole new group of users to the drug who might otherwise be dissuaded from using it by the thought of having to inject it. In much the same way, in a situation of increased heroin supply, heroin use could be introduced into a whole new cohort of users initially via smoking. This is clearly an issue of significant concern that requires close monitoring.

A final issue that warrants consideration is the potential risks associated with disrupting the current low-level drug dealing arrangements in ways that lead to greater levels of harm. Specifically, there appears currently to be a significant degree of separation between end users of many illicit drugs and the criminal organisations responsible for their production, trafficking and upper-level distribution. This, to a large extent, probably insulates illicit drug users from some of the less savoury aspects of the drug trade, including access to multiple drug types, such as heroin. In other words, the question that arises is: If the existing group of low level 'friendly' intermediary suppliers were to suddenly disappear, then who would replace them?

In addition, if, as has been suggested in this paper, the open or street markets for drugs have to at least some extent be replaced by more closed markets, then this could be regarded as a success for law enforcement. Indeed, a major aim of recent drug law enforcement efforts has been to reduce the incidence of open street drug markets: (see, for example, Williams, White, Teece and Kitto [2001] in relation to Operation Mantle in South Australia). Reducing the supply of drugs from closed markets could, if this possibility is not taken into account, result in a return to more open markets with all of the potential implications of this for public amenity.

Despite these risks, at the very least, it is important for the law enforcement sector to understand more about the nature of such a substantial proportion of the illicit drug market in Australia. This would assist the law enforcement sector in its continuous reappraisal of its understanding of how drugs are distributed in this country.

## 5. REFERENCES

Australian Institute of Health and Welfare. (2005). *2004 National Drug Strategy Household Survey – Detailed Findings*. Canberra: Australian Institute of Health and Welfare.

Australian Institute of Health and Welfare. (2007). *Statistics on Drug Use in Australia 2006*. Canberra: Australian Institute of Health and Welfare.

Black, E., Stafford, J. & Degenhardt, L. (2007). *Drug Trends Bulletin October 2007*. Sydney: National Drug and Alcohol Research Centre.

Black, E., Stafford, J. Dunn, M. & Degenhardt, L. (2007). *Ecstasy and Related Drug Trends Bulletin, October 2007*. Sydney: National Drug and Alcohol Research Centre.

Copeland, J. (2007). Chapter 4. Cannabis. In J. Ross (Ed). *Illicit Drug Use in Australia: Epidemiology, Use, Patterns and Associated Harm (Second Edition)*. Sydney: National Drug and Alcohol Research Centre.

Bruno, R. (2007). *Benzodiazepine and Pharmacological Opioid Misuse and their Relationship to Crime. Tasmanian report. NDLERF Monograph Series No. 22*. Hobart: National Drug Law Enforcement Research Fund.

Dunn, M., Degenhardt, L., Campbell, G., George, J., Johnston, J., Kinner, S., Matthews, A., Newman, J., & White, M. (2007). *Findings from the Ecstasy and Related Drugs Reporting System. NDARC Monograph No. 61*. Sydney: National Drug and Alcohol Research Centre.

Huntly, R. (2006). *The World According to Y: Inside the New Adult Generation*. Crows Nest NSW: Allen & Unwin.

International Narcotics Control Board. (2007). *Report of the International Narcotics Control Board for 2006*. New York: United Nations.

Lenton, S., & Davidson, P. (1999). Raves, drugs, dealing and driving: qualitative data from a West Australian sample. *Drug and Alcohol Review*, 18,2. 153-161.

Mouzos, J., Hind, N., Smith, L., & Adams, K. (2007). *Drug Use Monitoring in Australia: 2006 Annual Report on Drug Use Among Police Detainees. Research and Public Policy Series No. 75*. Canberra: Australian Institute of Criminology.

McKetin, R., McLaren, J., & Kelly, E. (2005). *The Sydney Methamphetamine Market: Patterns of Supply, Use Personal Harms and Social Consequences*. NDLERF Monograph Series No. 13. Adelaide: Australasian Centre for Policing Research.

McCrindle, M. (2007). *From Builders & Boomers to Xers and Y's: A Social report on Generations X & Y*. Accessed on 10 October 2007 from: [http://www.mccrindle.com.au/wp\\_pdf/BuildersBoomers\\_X\\_Y.pdf](http://www.mccrindle.com.au/wp_pdf/BuildersBoomers_X_Y.pdf)

O'Brien, S., Black, E., Degenhardt, L., Roxburgh, A., Campbell, G., de Graaff, B., Fetherston, J., Jenkinson, R., Kinner, S., Moon, C., & White, N. (2007). *Australian Drug Trends (2006)*. NDARC Monograph No. 60. Sydney, National Drug and Alcohol Research Centre.

O'Rielly, B., Leibrick, F., Huxtable, D., & Chenhall, R. (2007). *Benzodiazepine and Pharmacological Opioid Misuse and their Relationship to Crime*. Northern Territory Report. NDLERF Monograph Series No. 24. Hobart: National Drug Law Enforcement Research Fund.

Parker, H. (2000). How young Britons obtain their drugs: Drugs transactions at the point of consumption. In M. Natarajan & M. Hough (Eds). *Illegal Drug Markets: From Research to Prevention Policy*. Crime Prevention Studies. Volume 11. New York: Criminal Justice Press.

Saulwick I. & Muller, D. (2006). *Fearless and Flexible: Views of Gen Y*. Accessed on 10 October 2007 from: [http://www.dsf.org.au/papers/189/SaulwickReport3\\_0.pdf](http://www.dsf.org.au/papers/189/SaulwickReport3_0.pdf)

Shearer, J., Johnston, J., Kaye, S., Dillon, P., & Collins, L. (2005). *Characteristics and Dynamics of Cocaine Supply and Demand in Sydney and Melbourne*. Adelaide: Australasian Centre for Policing Research.

Smith, B., Miller, P., O'Keefe, B., Fry, C. (2007). *Benzodiazepine and Pharmacological Opioid Misuse and their Relationship to Crime*. Victorian Report. NDLERF Monograph Series No. 23. Hobart: National Drug Law Enforcement Research Fund.

Stone, W. (2001). *Measuring Social Capital*. Research paper No. 24. Melbourne: Australian Institute Of family Studies.

Williams, P., White, P., Teece, M., and Kitto, R. (2001). Problem-Oriented Policing: Operation Mantle – A Case Study. *Trends and Issues in Criminal Justice*. No. 190. Canberra: Australian Institute of Criminology.

Produced by the

**NDLERF**

National Drug Law Enforcement Research Fund  
GPO Box 308, Hobart, Tasmania 7001

© Commonwealth of Australia 2008

ISBN: 978-0-9804654-0-2

ISSN: 1449-7476

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior written permission from the Commonwealth available from the National Drug Law Enforcement Research Fund. Requests and enquiries concerning reproduction and rights should be addressed to the National Drug Law Enforcement Research Fund, GPO Box 308, Hobart, Tasmania 7001.

Opinions expressed in this publication are those of the authors and do not necessarily represent those of the National Drug Law Enforcement Research Fund (NDLERF) Board of Management or the Australian Government Department of Health and Ageing.