

This report is part of the project *The Factbook on the Illicit Trade in Tobacco Products*. It focuses on Ireland, where the illicit trade in tobacco products has been an important concern since 2007–2008. According to unofficial estimates, 29.7% of total tobacco consumption was illicit in 2012, when Ireland ranked 3<sup>rd</sup> (after Latvia and Lithuania) among 22 European countries for illicit tobacco penetration (Euromonitor International 2013a). To tackle the ITTP, the Revenue Commissioners have launched the Revenue’s Strategy on Combating the Illicit Tobacco Trade (2011–2013), the aim of which is to deter people from buying illicit trade products and to reduce their availability. Given the close geographical (shared land border), social, economic and cultural connections, the report also focuses, where appropriate, on Northern Ireland, a part of the United Kingdom.

### WHAT CAN BE FOUND IN THIS REPORT?

This report is organised into three chapters:

- Chapter one deals with the **five drivers of the ITTP**: society and economy, the legal market, regulation, the crime environment and enforcement. ***The drivers are important areas whose structures may positively or negatively impact on the ITTP. To enable comparison with other country profiles, five key indicators have been selected for each driver.*** The data for the driver indicators come from comparable sources (last available years). When possible, the report provides the most up-to-date data from national sources.

- Chapter two focuses on the **four components of the ITTP**: demand, products, supply, *modus operandi* and geographical distribution.
- Chapter three identifies the **key factors of the ITTP in Ireland and frames the drivers in the components**, analysing how different elements of the drivers influence the components of the ITTP.

### THE FIVE DRIVERS

- **Society and economy:** Ireland is one of the last countries in Western Europe to become multicultural. From 1994 to 2007 Ireland experienced an economic boom that earned it the name of the “Celtic Tiger”. The global financial crisis severely affected the country, but Ireland showed great capacity for recovery. The effects of the crisis, however, are still apparent: Ireland has high unemployment and the largest public debt among the EU Member States. However, consumption expenditures have slightly increased.
- **Legal market:** Ireland has not been a cigarettes producer since 2006. Factories moved to Northern Ireland, owing to its lower production costs. The only remaining facility produces HRT. Ireland has the second highest cigarette prices in Europe. Tobacco consumption has declined, and the market has entered a downtrading trend, with smokers switching to cheaper products.

- **Regulation:** the tobacco market is highly regulated in Ireland, which was the first country in the world to ban smoking in all indoor places in 2004. Tax incidence is high. There is a high level of supply chain control and on tobacco consumption, as well as on tobacco advertising and promotion.
- **Crime environment:** Ireland has low crime levels. There are various organised crime groups and paramilitary groups operating within the country. The level of corruption is low. Drug use in the country is relatively high, if compared to other countries (6.3% for cannabis, 1.7% for cocaine and 0.7% for opioids). This signals that illicit distribution networks may provide opportunities for illicit traffic, from drugs to illicit tobacco.
- **Enforcement:** Ireland has efficient law enforcement with an average number of police officers and low rates of judges and prison population. The Government is taking specific actions against the illicit trade in tobacco, and there is a medium–high level of anti–ITTP action.

## 8 THE FOUR COMPONENTS OF THE ITTP

- **The demand:** the main causes of the demand for illicit tobacco are the low prices in comparison to the price of legal product and its availability. Illicit cigarettes cost half the legal price (or slightly more). Consumers are mainly working–class males between 18 and 39 years old or under–age people.
- **The supply:** the supply of illicit tobacco is influenced by its high profitability, with relatively low risks of detection and conviction. There is a wide variety of actors involved in ITTP, such as serious organised crime groups, based in both Ireland and Northern Ireland, foreign–based groups, opportunistic groups, and individual bootleggers.
- **The products:** the Revenue Commissioners report official estimates of the illicit tobacco market. KPMG Star Report provides a further assessment of the illicit market. In addition, there are various unofficial estimates. The main illicit products are illicit whites (according to seizures and interviews with experts) and contraband cigarettes (according to Empty Pack Survey data). Counterfeit cigarettes are not widespread and have a low incidence.

- **Modus operandi and geographical distribution:** the *modus operandi* of the illicit tobacco trade varies according to the type of trade, the destination, and the level of controls. In Ireland, ports are crucial for the ITTP, but smugglers also use air transport, small vehicle transport, and postal transport. The consumption of non–domestic tobacco varies among the different areas of the country.

## FRAMING THE COMPONENTS IN THE DRIVERS

### The five key factors of the ITTP

The report identifies five key factors of the ITTP in Ireland. They are fundamental determinants of the illicit trade and affect all its components. Hereafter, four subsections analyse how the five drivers impact on the key factors and in turn the components of the ITTP. The key factors are:

- **Accessibility:** the price of illicit tobacco, and particularly its relative price compared to legal products, is a crucial factor in determining the scope and prevalence of the ITTP.
- **Availability:** the diffusion and accessibility of illicit tobacco products has an important impact on the ITTP.
- **Profitability:** the ITTP is an extremely profitable activity owing to the high income that it offers compared with the operational costs.
- **Risk:** the threat of *detection/accusation/conviction* and the sanctions imposable impact on the diffusion of the ITTP.
- **Opportunity:** the ITTP exploits different opportunities in society, the market, the crime environment, and the law enforcement system.

This study analyses the complex interactions among the drivers, the key factors and the components of the ITTP. The following figures synthesise the main interactions, highlighting the multifaceted nature of the ITTP in Ireland.

Figure 1. The interaction between the demand for illicit tobacco and the five drivers  
 Source: Transcrime elaboration

negative effect (increases the ITTP)      positive effect (decreases the ITTP)



## The demand for illicit tobacco and the drivers

The main factors affecting the demand are the **accessibility** and the **availability** of illicit tobacco (Figure 1).

**Society and economy.** In 2008–2009, the global financial crisis provoked major economic difficulties for Ireland. Nevertheless, household expenditure slightly increased. Expenditure on cigarettes increased as well, but consumers switched to cheaper products (downtrading). The high price of legal cigarettes and the low price of illegal ones may induce lower income groups to switch to illicit tobacco in order to maintain their habits.

**Legal market.** Ireland has the second highest cigarette prices among the European countries. Tobacco consumers are changing their habits and shifting to cheaper products, such as HRT. This trend may also include illicit tobacco, which is widely available in Ireland.

**Regulation.** Tax incidence on tobacco products in Ireland is high. This may affect the demand for cheaper illicit tobacco. Furthermore, the proposed introduction of plain packaging may reduce consumers' capacity to spot counterfeits as well as the differentiation between genuine and counterfeit products. This may increase the demand for illicit tobacco.

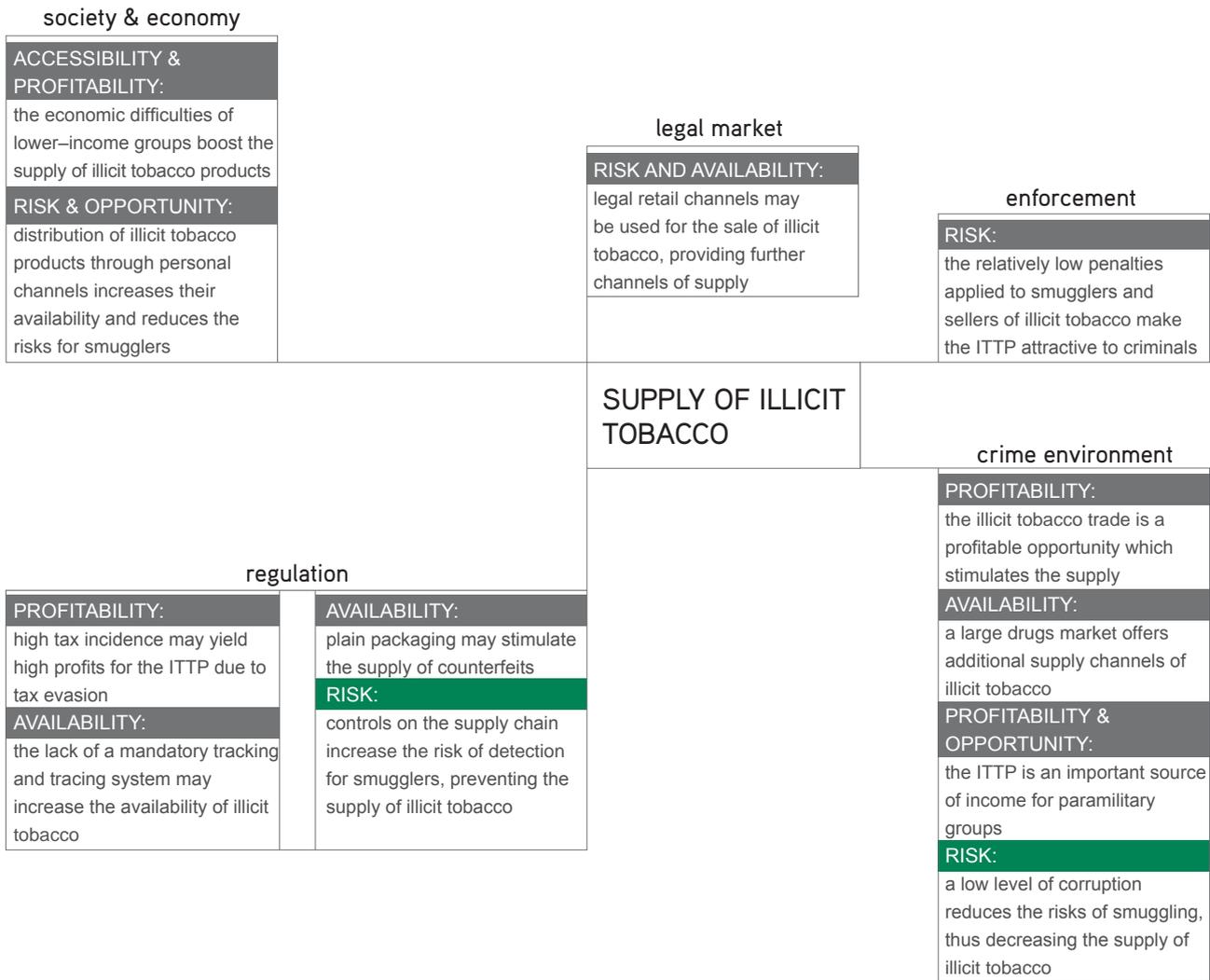
**Crime environment.** Ireland has relatively high levels of drug consumption and a large drugs market. The annual prevalence of cannabis (6.3%), cocaine (1.7%) and opioids (0.7%) is high if compared with other countries. A high demand for illicit commodities, such as illicit substances and drugs, may increase the availability of smuggled tobacco.

**Enforcement.** The criminal penalties against the ITTP appear to be mild in Ireland. Furthermore, there are no fines for the purchase/possession of illicit tobacco and no public awareness campaigns funded by the Government. These factors may prevent the reduction of consumption of illicit tobacco.

Figure 2. The interaction between the supply of illicit tobacco and the five drivers

Source: Transcrime elaboration

negative effect (increases the ITTP)	positive effect (decreases the ITTP)
---	---



10

## The supply of illicit tobacco and the drivers

**Risk, profitability and availability** are important factors in the supply of illicit tobacco (Figure 2).

**Society and economy.** Economic difficulties and the crisis may provide incentives for participation in the ITTP. Illicit cigarettes can be easily purchased in street markets or through personal channels, and this may reduce the risks for smugglers.

**Legal market.** Illicit tobacco can be available in certain pubs, street markets, willing retailers and from street or door-to-door dealers. Ireland has the second highest cigarette prices among the European countries. As a consequence, the Irish market has entered a downtrading trend, with people switching to cheaper cigarettes and to HRT. The growing demand for HRT may increase the availability of illicit HRT in forthcoming years.

**Regulation.** High tax incidence, implementation of a display ban at all tobacco points of sale, and the lack of a tracking and tracing system may increase the availability of illicit tobacco. However, measures such as mandatory licensing for tobacco retailers and manufacturers and customer identification during tobacco sales transactions may decrease the availability of illicit tobacco and increase the risks for smugglers. The proposed introduction of plain packaging, potentially in 2014, may increase the availability of smuggled tobacco products.

**Crime environment.** Ireland has low levels of corruption and a relatively limited presence of organised crime activity. This may reduce opportunities to smuggle tobacco and increase the likelihood of detection/accusation/conviction of potential smugglers. Conversely, paramilitary groups are involved in ITTP and the existence of consolidated smuggling routes as well as of a large drugs market may positively affect the supply side of the illicit tobacco trade.

Figure 3. The interaction between the products and the five drivers  
 Source: Transcrime elaboration



**Enforcement.** In Ireland, criminal law seems to have a limited deterrent effect. In a serious case of ITTP, the suspects may face a fine of up to €126,970 (or a maximum of three times the evaded duty) or a term of imprisonment not exceeding five years, or both. Furthermore, there is no minimum fine, and the fines imposed in practice are low compared with the maximum imposable fines.

### The products and the drivers

The main factors determining the development and diffusion of different types of products are **opportunity** and **risk** (Figure 3).

**Society and economy.** Social, cultural and economic factors affect the types of illicit products consumed by smokers. For example, HRT is a growing product due to its cheaper price. This may increase the supply of illicit HRT.

**Legal market.** HRT consumption has increased, and smugglers seem to adapt to this growing demand by increasing the trade of HRT.

**Regulation.** The absence of a national tracking and tracing system may favour different types of ITTP. This loophole can make it more difficult to spot counterfeit products. Further, the introduction of plain packaging may stimulate the diffusion of counterfeit products.

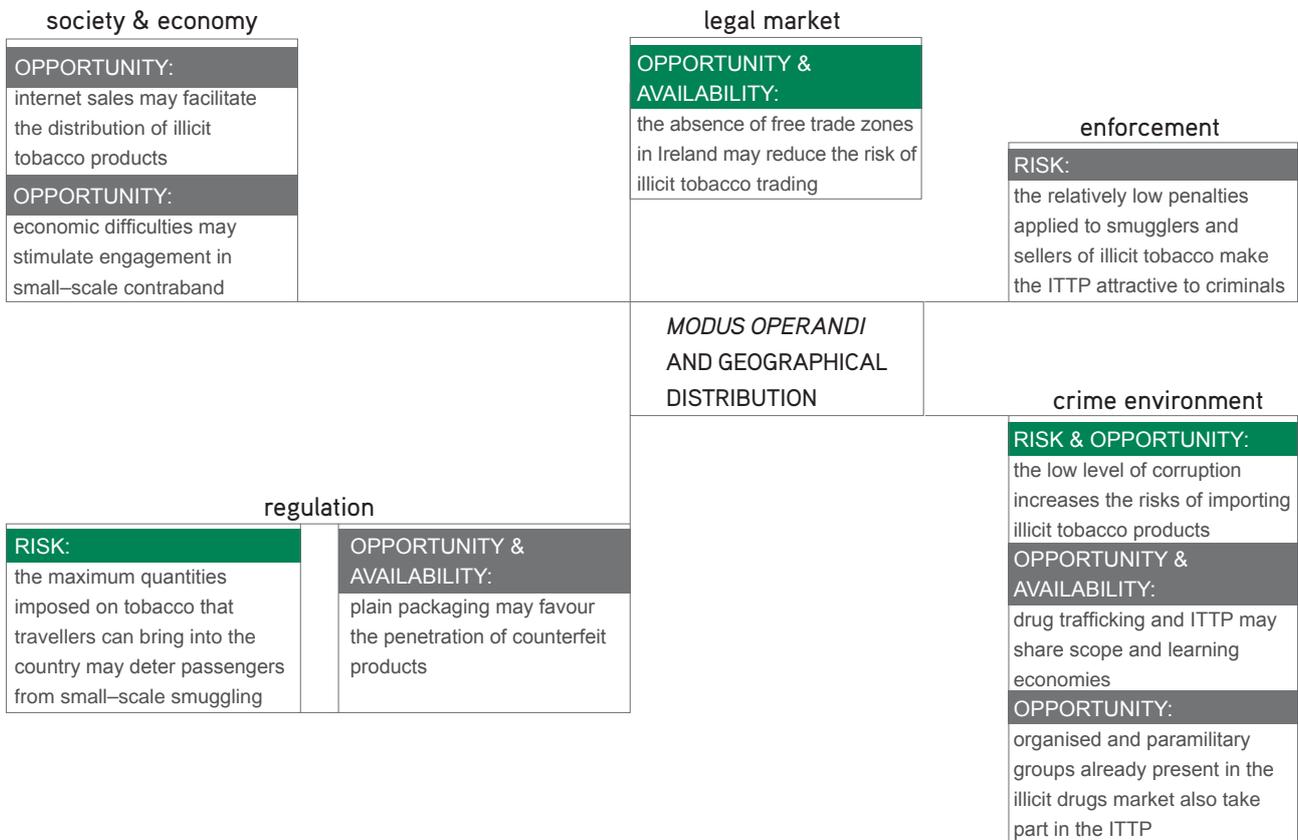
**Crime environment.** Contexts of the informal economy, like street markets, facilitate the sale of illicit tobacco products. Street markets are a feature in Ireland, and it is difficult to control the activities of all street retailers.

**Enforcement.** There are no formal international cooperation agreements with other countries. However, the authorities of the Republic of Ireland and Northern Ireland are working closely to fight the illicit trade.

Figure 4. The interaction between the *modus operandi* and geographical distribution of the ITTP and the five drivers

Source: Transcrime elaboration

negative effect (increases the ITTP)
positive effect (decreases the ITTP)



### The *modus operandi* and geographical distribution and the drivers

**Opportunity** and **risk** play a crucial role in influencing the *modus operandi* and the geographical distribution of the ITTP (Figure 4).

**Society and economy.** People in Ireland have started using the Internet to buy cheaper tobacco products. The websites are often registered abroad and not subject to Irish regulation. High levels of unemployment and the financial crisis have stimulated small-scale smuggling.

**Legal market.** Ireland has no Free Trade Zones. The Shannon Free Trade Zone is just a government owned developed company for a region.

**Regulation.** The presence of rules and restrictions on the personal transportation of tobacco products in Ireland may deter travellers from illegal imports, small-scale smuggling, and bootlegging. Further, the proposed introduction of plain packaging may favour the penetration of counterfeit products.

**Crime environment.** Smugglers may import illicit tobacco products through the same channels as drugs. Various actors participate in the ITTP, such as occasional smugglers, professional bootleggers, Irish and foreign criminal organisations, and paramilitary groups.

**Enforcement.** In Ireland, new forms of ITTP have emerged in recent years and made new products available. Only the three major Irish ports are staffed by law enforcement and have detection devices available. This may create new opportunities for smugglers.

### Conclusions

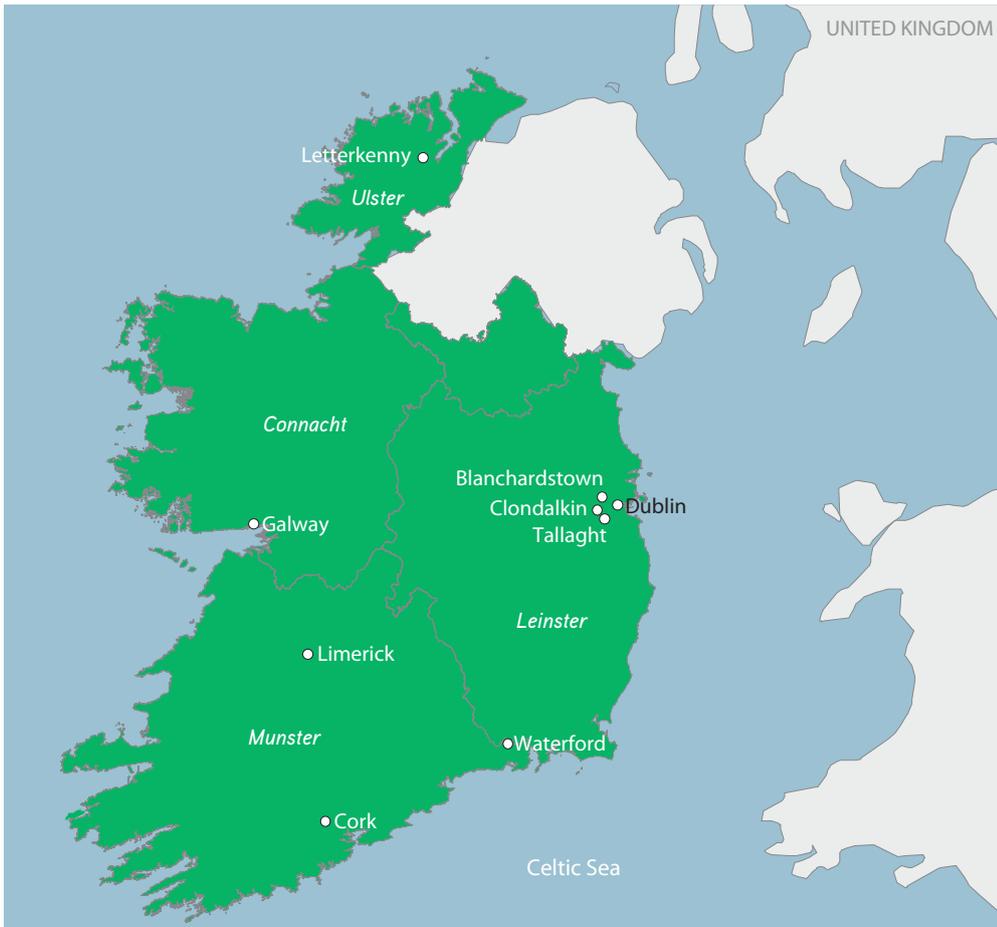
The Revenue Commissioners provide official estimates of ITTP in Ireland. Another source is the KPMG Star Report, which estimates the ITTP penetration in all the EU countries. Further, there are also unofficial estimates, which furnish different figures. Despite discrepancies, the illicit tobacco trade in Ireland appears to be high if compared with other European countries. According to various sources, the ITTP consists mainly of contraband products and illicit whites.

The results of the study show the need for more data and research. Required in particular is investigation of the demand for illicit products and the types of products. First, there is no research on the consumers of illicit tobacco, and this makes it difficult to determine what drives the demand for cheap tobacco. Further, there is no agreement on the most widespread types of illicit tobacco, and there are difficulties in distinguishing between non-domestic legal and illegal cigarettes. Furthermore, additional research is needed to assess the impact of new policy measures, such as plain packaging.

The ITTP is a complex problem, not limited to an issue of law enforcement and criminal justice policy alone. According to the Revenue Commissioners, government measures halted the growth of the ITTP in 2009 and 2011. However, other sources report an increase in the ITTP in recent years. Additional preventive measures, such as a national public awareness campaign and a mandatory tracking and tracing system for all manufacturers, may be necessary. Effective action against the ITTP requires comprehensive strategies including criminal law, administrative sanctions, and other indirect measures aimed at reducing crime opportunities.

*The evolution of the project showed that countries have very different situations in relation to the available data on the ITTP. In some cases, the quality of the available data is low and there are no official, regularly updated, data. Inevitably, this may affect the quality and reliability of the results. In these cases, institutions, businesses and other stakeholders concerned by the ITTP should consider how to improve the data collection on illicit tobacco. This will result in an improvement in the knowledge of the ITTP and, in turn, in better tobacco control policies, since quite often the impact of specific policy measures upon crime may be overlooked due to the lack of reliable data.*

*Following the completion of the first phase of the project focused on collecting facts and data through the country profiles, Transcrime will perform a comparative analysis of the selected countries. This will provide additional insights in the complexity of the ITTP and allow for the elaboration of policy recommendations.*



14

**Location:**

Ireland is an island in the North–Western Europe. It is the third largest island in Europe and it is surrounded by the Irish Sea. To the East of Ireland, there is the island of Great Britain. Politically, Ireland is divided between the Republic of Ireland and Northern Ireland (which is formally part of the United Kingdom). The Republic of Ireland is divided in four regions and in twenty–six traditional counties.

**Population:** 4,576,317 (2011)

**Male:** 2,290,447 (50.05%)

**Female:** 2,285,870 (49.95%)

**Growth Annual Rate:** 0.28% (2011)

**Age Structure:** (0–14) 21.33%; (15–64) 66.77%; (65+) 11.90%

**Fertility Rate:** 2.05 children born/woman (2011)

**Life expectancy at birth (years):** 80.5 (2011)

**GDP:** \$ 217,274,951,000 (2011)

**GDP growth:** -0.7% (2011)

**Inflation consumer price:** 2.6% (2011)

**Income level:** High