Estimates of the Extent of Money Laundering in and through Australia

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by
John Walker Consulting Services
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About the Author

John Walker B.Sc. (Econ) L.S.E.

John Walker’s early career involved the development of systems analysis techniques for evaluating technologically innovative programmes such as the Harrier jump-jet and the Concorde airliner. In the early 1970s he introduced similar techniques to the study of urban and regional planning policy, developing a number of innovative methods to assist regional transport planning and economic development.

Studies of the links between regional economic well-being and social issues led to the study of trends and patterns in crime, and he worked for fifteen years with the Australian Institute of Criminology. At the Institute, he developed new sources of data, including the techniques of crime victims surveys, and introduced new forms of analysis linking traditional criminology to other areas of social science, such as demography and economics. The growing database and the insights generated by the data led to forecasting techniques that are now used by policy makers to plan effective forms of crime prevention and control, and measure their effectiveness and implementation costs.

In 1992, his report on the Costs of Crime and Justice in Australia and his call for more study of crimes against businesses (which led to the first International Survey of Crimes against Businesses, conducted initially in Australia, the Netherlands and the U.K.), were both influential in attracting increased government interest to the major problems of fraud, drug trafficking and money laundering.

More recently, Mr Walker left the Institute in November 1994 and is now working as a consultant, with a wide range of International, Federal and State government agencies amongst his clients.
Money Laundering in Australia

Note from the Director

In the last decade, both at the Commonwealth and State levels, Australia has passed laws and dedicated new law enforcement resources to the issue of money laundering. AUSTRAC was established in 1989 as part of that new effort. Its role is to impute anti-money laundering covenants into the financial sector and to monitor for money laundering in that sector. It serves all relevant State and federal law enforcement agencies.

In 1991 the National Crime Authority undertook a comprehensive study of the typologies of money laundering and briefly considered the problems associated with measuring the extent of money laundering. AUSTRAC is continuing that assessment work and in particular has commissioned this research into the extent of money laundering in Australia.

There has never been an attempt to define a way to quantify money laundering in Australia. Until now, there does not appear to have been an accepted science or methodology on how to go about it.

The G7 Financial Action Task Force against money laundering to which Australia subscribes, is also looking at ways to quantify money laundering.

This paper by John Walker now published, is timely and an excellent first step towards quantifying money laundering in Australia. It will assist to focus the issue both for Government policy purposes and for law enforcement agencies in their own jurisdictions.

I have been pleased to have AUSTRAC support this work and I am pleased with the ideas that John Walker has set out in the report.

Bill Coad
Director AUSTRAC
Money Laundering in Australia
Money Laundering is believed to be a multi-billion dollar business in Australia. But there is more than a whiff of palaeontology about the study of money laundering. Like dinosaurs, we know that money launderers have existed on this planet in the past, and that there is a good chance that some of their descendants still roam the earth. Mostly, however, we cannot expect to find a complete, living breathing specimen because they are secretive by nature, only leaving behind skeletons and footprints in the sands that time and tides wash away. Research takes the form of a dig for bone fragments that will tell us something about the size, nature and numbers of the beasts. From time to time we uncover a fragment of tooth, next a fragment of tail bone, and Eureka! - we have both ends of the animal, and live in hope of finding the intervening parts of the skeleton. But more often than not we find only more teeth - have we discovered the remains of a herd of peaceful, herbivorous monodonts or the dental records of an actual specimen of the beast we search for - the rapacious monilaundrasaur?

While I embarked upon this project hoping at least to put a substantial amount of flesh on the bones of the animal, or even, like Steven Speilberg, actually create a working model of the beast, like most palaeontologists I have only been lucky enough to dig up a few scattered clues to its size and shape, its habitat and its lifestyle. So, like the palaeontologist, I have tried to speculate intelligently on the basis of these few bone fragments. The process involves a great deal of lateral thinking, and the juxtaposition of a variety of possibly unconnected facts, to create what might be a plausible scenario.

If what I came up with in the end seems plausible, then I've probably done a good job, because others can dig for more and better clues in the areas that seem to provide promise, and eventually we may get to know the full story of money laundering.

Estimating the extent and nature of money laundering is important because efforts to combat it are costly and need to be properly targeted and in proportion to the real size of the problem. I am by no means the first to study the subject of money laundering, but I do seem to have been among the first to venture seriously into its overall quantification. On broaching the subject with knowledgeable people, they would often pat me kindly on the shoulder, look sadly into my eyes and earnestly wish me the very best of good luck - like the Romans' salute to those about to die in the lions' dens. Readers of this Report will now be the lions and may choose to tear me apart, but even lions can sympathise with those who are to become their supper. I tried most of all to provide a methodology which does not rely on a single strand of evidence, which can be repeated over time to monitor change (and hence determine the success or failure of prevention and control policies), and which integrates the police, financial and other evidence into an overarching framework which can genuinely assist policy makers in a most difficult arena.
I would like to thank AUSTRAC for their confidence in giving me this research project. I know they were not expecting me to come up with a dollar figure accurate to three decimal places with ninety five per cent confidence, but I hope they are not disappointed with the end product! I would also like to thank the numerous individuals who have assisted me with suggestions on methodologies, access to data, comments on drafts and just encouragement when the going got tough. Those include Neil Jensen, Glen Horton, Peter Duffy, Bruce Swanton, Glen Wahlert, Hugh Porter, Uma Rao, Arie Freiburg, Monika Henderson, Doug Greaves and Michael Levi.

Please Consider!

John Walker.
September 1995.

Finally, I would like to thank my wife, Karan, for her efforts in re-typing this manuscript ready for re-publication on the World Wide Web after the original was lost in a computer crash!

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Executive Summary

This study has looked at the scarce data available to measure money laundering, and assembled a number of estimates of the extent of money laundering in and through Australia. Between $1000 and $4500 million of hot money is believed to be generated in Australia and laundered, either in Australia or sent overseas. Perhaps the most likely figure is around $3500 million. Under any assumption, the greatest components of this quantum are sourced by fraudulent offences followed by the drugs trade - virtually nothing else matters.

The study began with a review of official statistics, and found them mostly unhelpful. If the measurement of the extent of money laundering is seen as a continuing need for policy assessment and development, then there is a need for considerable improvement in the provision of appropriate data on the estimated and proven proceeds of crime and on the prevalence of laundering in a range of different criminal environments.

The study followed up with a survey of expert opinion, including operational police from specialist squads, police statisticians and crime researchers. This survey produced a range of estimates for the extent of the proceeds of crime, and for the likelihood of these proceeds being laundered. While there was considerable variation between these expert estimates, there were some areas of consensus. Some respondents described their estimates as “reasonable confident based on personal knowledge”, however most were, at best, only “an educated guess”. Operational police took a particularly cautious view of their own estimates, and most only addressed their own area of expertise, reflecting an understandably narrower focus than that of the researcher respondents. It is arguable, however, that the lack of hard data which made this study so difficult also makes it impossible to expect police officers to see the “big picture”, particularly in relation to sophisticated crime such as money laundering. As our databases on sophisticated crimes such as money laundering improve, one might hope for more confident responses to such a survey, and an increasingly “problem-oriented” approach to policing sophisticated crime as the implications of the data are incorporated into police training.

The effects this money laundering has on the Australian economy cannot be assessed accurately with the information available. Economic models area capable of tracing the multiplier effects of money taken from one sector of the economy and spent in another sector, but there is little systematic data on how laundered money is spent. When illicitly gained money is spent on lavish real estate there is probably a net loss to the economy, but where it is turned into legitimate businesses the net effects can be quite positive to the economy. The unfair competition that such money introduces to an industry is, however, potentially disastrous to legitimate operators in the industry. When money is brought into Australia from overseas for laundering, one might conclude that from a purely economic view the effect on the
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Australian economy is an entirely positive one, however it also competes unfairly with legitimate operators, and has the potential to encourage corruption of public officials and business structures in Australia.

It is of interest that, if these estimates are accurate, then the legal processes which result in seizures of the proceeds of crime are currently recouping no more than one per cent of the quantity of money being laundered.

Further refinement of the estimates produced in this report should go hand in hand with international collaborative efforts to quantify money laundering. The clearest area of need is for estimates of the extent of money being brought into Australia for laundering, which cannot be known without better information on the proceeds of crime and money laundering in other countries. Another area of greyness is the extent to which money is expatriated from Australia for laundering, and this cannot be clarified without better information on the routes taken by hot money leaving Australia. Australia should encourage other countries to conduct exercises of this kind - particularly our regular trading partners and those countries regarded as tax havens, drug sources or laundering centres. This would facilitate international econometric modelling exercises aimed at generating enhanced information on the likely extent of flows of hot money around the world, but more particularly it would provide consistent data on flows of hot money into and out of Australia.
1. Introduction - Defining Money Laundering

Money laundering has been defined as

- the process by which illicit source moneys are introduced into an economy and used for legitimate purposes.\(^1\)

The process has been divided into three phases, which have been described as follows:\(^2\)

- **Placement** - the physical disposal of the bulk cash profits that are the result of criminal activity;
- **Layering** - the piling on of layers of complex financial transactions (e.g. wire transfer) to separate the proceeds from their illicit sources;
- **Integration** - the provision of legitimate looking explanations for the appearance of wealth by providing investments in the legitimate economy.

The term "illicit source moneys" in the definition presented above implies that only money which is the "proceeds of crime" can be laundered. Not all crimes are committed with the specific purpose of creating wealth for the criminal. Frauds and drug trafficking come readily to mind, but large amounts of money are sometimes obtained through other means including kidnapping, robbery, extortion, contract killing, smuggling, and large scale burglary and theft. The term "money laundering" can therefore be applied to the proceeds of any sort of crime, so long as income accrues to the offender and some laundering process takes place. To be rigorous in our quest for an estimate of the extent of money laundering, we have to consider all types of crime.

Not all the proceeds of crime are laundered - it would be stretching anyone’s understanding of money laundering if we included the relatively small amounts of money obtained by petty thieves and spent as one would spend a normal income, even though these relatively small individual amounts probably add up to a very considerable sum. Although this process fits the definition above, since the source money is clearly “illicit” and it is being “introduced into the economy and used for legitimate purposes”. It is hard to describe the process as “laundering”. Money laundering involves, at some point, a conversion process - often elaborate - making it appear that the money has a legitimate source, so that it raises no suspicions when it is finally turned into apparently legitimate wealth. Small amounts of money, spent on everyday purchases, have little capacity to raise suspicions of illegitimacy. Implicitly, the concept of money laundering embraces only the part of the proceeds of crime that is “invested” - i.e. set aside in a form in which it can be re-liquidated later, not the amounts that are used up in current expenditure. The amount of money that is being laundered is therefore less than the total proceeds of crime - and probably considerably less. Levi and Osofski\(^3\) pointed out that “there is no evidence that offenders have high

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savings ratios. Rather, they are likely to be party goers who spend the money as they go along, though their assessable benefit from crime might be high, little of that may be realisable for confiscation purposes.” This may only apply, however, to the less sophisticated offenders, and there have been many instances where investigations have uncovered large amounts of realisable assets, and numerous cases where the offenders have spent the money not on high living but on legal costs to avoid justice.

There is another grey area involving Tax Evasion. Even money legitimately obtained can become the subject of money laundering when, for example, it is disposed of in such a way as to evade the lawful taxation it should be subjected to. In this case, even though originally the money was legitimately obtained, if at some stage it is hidden from the Taxation authorities by a conversion process or pretence, then an offence of tax evasion is being committed and the act may itself constitute an act of money laundering. The amount of money being laundered is, in this case, logically equal to the amount of tax being evaded rather than the total amount being hidden, since that is the extent of the criminality. So long as we define tax evasion as the crime, and the amount of tax being evaded as the proceeds of the crime, our definition holds firm despite the appearance of greyness.

By this definition also, money laundering in Australia is not restricted to the proceeds of crimes which take place in Australia; it can involve the proceeds of crimes committed elsewhere, being laundered in Australia. The Organisation of Economic Cooperation and Development has estimated that the annual figure for the laundering of drug money alone exceeds $1100 billion globally.4 Equally, the definition includes the proceeds of crimes in Australia which are sent overseas for laundering. There are thus three components to money laundering in Australia: - in this Report, we shall refer to them as “internal ML”, where proceeds of crimes in Australia are laundered in Australia, “incoming ML”, where proceeds of crime overseas is brought to Australia for laundering, and “outgoing ML”, where proceeds of crime in Australia are sent overseas for laundering (See Figure 1).

The basic purpose of this Report is to try to estimate how much money laundering costs the Australian economy each year. But we hope in the process to find out how significant each of the different types of crime are to the total amount of money being laundered, and we will further try to quantify all three types of money laundering, and discuss the effects they have - both negative and positive - on the Australian economy.

It will not be an easy job, because there are so many unknowns. It is the essence of money laundering to keep the activity secret. Like burglars, the money launderer’s principal interests are in getting away with the loot without being seen. But while the burglar usually leaves behind clear evidence of a crime, the money launderer usually leaves behind a “money trail” which is often intricate, but is designed to look completely innocent. Furthermore, it is difficult in many cases to distinguish between the crime itself and the money laundering effort which follows. Frauds, for example, often require the use of complex money trails which serve the dual purposes of separating the money from its rightful owners (the crime) and squirreling it away in apparently legitimate places for future use by the offender (the laundering process).

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4 quoted in a paper presented by Albert Pacey, head of the British National Criminal Intelligence Service (NCIS) to the second NCIS International Conference on Organised Crime, May 1995. The U.K. share was estimated to be more than $5.5 billion. On a population pro-rata basis assuming comparability with the U.K., Australia’s share might be around $1.7 billion.
It is perhaps more accurate to compare the money launderer to the “fence” of stolen goods, rather than to the burglar. Just as goods stolen in burglaries and robberies can be fairly readily fenced through “For Sale” ads in newspapers, no-questions-asked second-hand shops or “fell off the back of a truck” sales in pubs and clubs, money earned through crime can be laundered through no-questions-asked financial transactions. The effect in each case is to make the ownership of the proceeds of crime appear legitimate. But while people usually do report to police when they have been victimised by crime, they rarely report to police if they have been lucky enough to buy a cheap television from someone they met at a pub. Unfortunately, incidents like these are often just the beginning and the end of the same crime. While official documents and statistics will perhaps record the criminal incident, there is a distinct lack of information on the subsequent transactions which provide the offender with his rewards.

Figure 1. Money Laundering Flows involving the Australian Economy

Nevertheless, the Report describes a number of different possible approaches, including a "top-down" approach commencing with estimates of total costs of crime and estimating what proportions of these costs could be laundered, and a number of "bottom-up" approach commencing with data on the extent of proven money laundering and estimating what proportion this might be of the total. The Report also looks at ways of tracing the effects of money laundering on the Australian economy.
2. Counting Money Laundering - Why are Official Statistics Unhelpful?

Considering that the subject matter

- [a] is a serious crime, associated with offences which impose very significant costs on the Australian community,
- [b] of necessity involves very substantial and illegal financial transactions,
- [c] often involves getting money and/or goods surreptitiously and illegally in or out of the country,
- [d] is potentially a significant loss to the Australian Taxation system,
- [e] must involve the corruption of at least some members of the professions of law and accountancy, and
- [f] impose considerable costs on all those government agencies and private businesses obliged, under the various anti-laundering Acts of Parliament, to monitor clients and their transactions,

one would imagine that data would be avidly collected by all agencies concerned. These would definitely include:

- the various Police services, who should be keenly interested in monitoring their own success at bringing serious offenders to justice as an important performance indicator;
- the curious Directors of Public Prosecutions, who should be equally keen to monitor their success at ensuring offenders are convicted and adequately sentenced;
- the National Crime Authority, whose mission is to counteract organised criminal activity and reduce its impact on the Australian community;
- the Australian Customs Service, whose job it is protect Australia’s borders and who are the first and last line of defence against transnational crime;
- the Australian Taxation Office, whose job it is to ensure that earnings in Australia - including illegal earnings are properly taxed;
- the Law Societies, the National Institute of Accountants and the various other bodies that protect the integrity of these professions;
- the Australian Securities Commission, the Australian Bankers Association and other financial peak bodies, whose interests include the health and credibility of the Australian finance industries; and
- the Australian Bureau of Statistics, which is responsible for compiling statistics on important trends in Australian society, including its economy.

Unfortunately, none of these agencies compile comprehensive statistics on the extent of money laundering in and through Australia per se; most compile no statistics at all on money laundering. Until recently, money laundering has rarely been treated as crime in its own right, but, like receiving, has usually been regarded as an aftermath to a crime - most often a fraud or a drug crime. Just as where the detection of a receiving operation can lead back to the detection of the thieves and burglars responsible for the original crimes, case studies sometimes reveal frauds and drug crimes that only come to light because an attempt at money laundering is noticed. By definition, an instance of money laundering must indicate the existence of a prior crime, and it is the prior crime which will be entered into statistical tabulations which can be monitored over time to assess trends. Accepting that it is often extremely difficult to estimate the value of a fraud of drug crime, it may be reasonable that the investigating agencies are reluctant to further estimate what part of the proceeds of the crime has been laundered.

Nevertheless, it is clearly accepted that money laundering per se is problem of great significance to Australia. The Commonwealth Government, State and Territory Governments, financial institutions and
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even individuals are put to great expense to combat it, without knowing the extent of the problem. Nor are we able to monitor whether it is a growing problem which requires greater efforts to control of a diminishing problem due to the success of efforts being made already. In an age of economic rationalism, it appears inconsistent that we spend so much time and effort addressing a problem, without knowing whether the outcomes are worth it.

Consider the following sample of relevant Annual Reports:

**Australian Federal Police, 1993-94:**

The Index of this Annual Report refers to a single mention of money laundering on page 15, where it is stated that one AFP investigation resulted in an offender receiving a sentence of 15 years for “conspiring to import 10 tonnes of cannabis resin and money laundering”. The Report’s Appendix 3 provides the figure of $496.19 million for the value of total fraud matters on hand at 30 June 1994, but does not provide an estimated value of drug offences on hand. Fraud matters values at a total of $130.34 million were completed during the year 1993-94. All offences dealt with by the A.F.P. during the year totalled $617.11 million, of which $515.38 million involved bankruptcies. While these figures are helpful in providing insights to the sheer magnitude of the potential for money laundering, they do not really help us to zoom in on the “real” figure.

**Commonwealth Director of Public Prosecutions, 1993-94:**

In this Annual Report, the Index again refers to a case study - that of Chun and Bipati Pty Ltd, in which it was alleged that $16.5 million of the proceeds of heroin dealing were laundered through accounts in Hong Kong, of which $23 million found its way to Australia, where it was used to buy real estate. The company pleaded guilty to offences under the Proceeds of Crime Act 1987, and the defendant was fined $98,000 and stripped of all property other than the residential home. Chapter 6 reveals that the DPP recovered approximately $22.8 million in criminal assets in conjunction with other Commonwealth agencies, most of which was under the Proceeds of Crime Act, 1987. In addition, property to a value of $19.6 million was under restraining orders under the same Act at 30 June 1994. Again, while these figures provide insights, they do not really help us to zoom in on the “real” figure.

**National Crime Authority, 1993-94:**

This Annual Report does not mention money laundering in either the Index or Contents pages. A section of the Chairperson’s Report explains NCA activities in connection with the Financial Action Task Force on Money Laundering. While the Report again concentrates heavily on presenting case studies, statistics presented in the text and a summary table state that, as a result of NCA and combined operations:

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- the Commonwealth Proceeds of Crime Act was used to recoup $94 million from offenders during the year, (included in this appears to be $9 million from the Chun and Bipati case mentioned by the Commonwealth D.P.P.)
- assets to the value of $5.4 million were restrained,
- income tax assessments to the value of approximately $2 million were raised as a result of information provided to the Australian Tax Office,
- amended Tobacco Licence fees were issued amounting to approximately $20 million,
- $30 million in proceeds of heroin trafficking were recovered by the U.S.A. and Hong Kong governments,
- $60 million in proceeds of a foreign exchange fraud were recovered by the Bank of China in Australia and the U.S.A.

Case studies involving money laundering included Matter 12, which focussed on “the Australian end of an international narcotics dealing and money laundering organisation”, with attempts to extradite a person from Pakistan on a number of charges involving money laundering. The NCA also “assisted French authorities in a trial of another person for money laundering offences”. Matter 15 also involved laundering associated with narcotics. Hong Kong, Vanuatu and the Philippines were involved in evidence gathering. Matter 19 involved illegal gambling as the source of laundered money. General Investigations H (tobacco licence fees), L (provision of money laundering services to criminals), M (tax evasion), N, O and Q (all involving narcotics) and P (business activities) all involved alleged money laundering activities. But again, the Report only hints at the size of the problem with snippets of information mostly based on proven offences.

AUSTRAC, 1993-94

The Australian Transactions Reports and Analysis Centre (AUSTRAC) Annual Report contains numerous references to money laundering, mostly explaining how its activities provide a check on money laundering activities and how AUSTRAC assists in the deterrence and detection of tax evasion and criminal activity. A section describes international efforts against money laundering including the Financial Action Task Force and the United Nations. The purpose of AUSTRAC’s monitoring work is, it says, “to endeavour to keep the financial sector less attractive to potential money laundering”.

Table 3c of the Report shows that 798 (19.2%) of the 4160 suspect transaction reports received in 1993 involved suspected money laundering. The report indicates how these activities assisted various investigations by the N.C.A. and by the Australian Taxation Office to retrieve the proceeds of crime. No dollar figures are given in the Report. Other AUSTRAC Reports (see later) do, however, go into further detail including amounts of money involved in suspect transactions.

To conclude this section headed “Why are Official Statistics Unhelpful?”, we can say that there are NO official statistics on money laundering. There are data on individual cases, but these are of necessity only the proven tip of the iceberg, and owing to the multiplicity of agencies involved in their identification, investigation and prosecution, and the time taken to bring cases to fruition, the published data overlap, by agency and over time, to a degree which makes virtually any form of analysis extremely difficult. Monitoring money laundering is not the primary focus of any agency, although it comes close to being the primary function of AUSTRAC. AUSTRAC, however, suffers from lack of feedback from the

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agencies it feeds data to. Not that it would be easy to monitor money laundering even with the very best feedback from those agencies, for the reasons mentioned above. Official statistics only relate to proven offences, they are confused by the multiplicity of agencies involved and the delays in processing allegations through the courts to finality, and they are problematic, in their estimation of the amounts actually involved in laundering operations. The estimation of the extent of money laundering must therefore rely more on reading the more oblique messages we can piece together from other sources.

3. The Quantitative Connection between the Proceeds of Crime and Money Laundering.

The above discussion of what constitutes money laundering raises the issue of the proceeds of crime - that is, the financial benefits obtained by the criminal. Clearly, if one excludes incoming ML - i.e. the laundering of "hot" money from outside Australia, - the total amount of money being laundered in Australia or sent overseas for laundering cannot exceed the total proceeds of crime in Australia. While that sounds like a very firm potential foundation for an estimate of money laundering, unfortunately we do not have good estimates of the total proceeds of crime in Australia. An earlier article\(^9\) assembled some estimates of the total costs of crimes in Australia, but these include the very significant costs imposed on victims and upon the community generally, as well as the proceeds or benefits obtained by the criminal. There are also data on the known proceeds of crime, which are frequently presented in police statistical reports. Both sets of figures can be broken down into the different types of offence, so that an understanding can be given of the contributions made to money laundering. Total costs are an overestimate of the proceeds of crime, while known proceeds are an underestimate because of the extent of unrecorded crime. The "real" figure for proceeds of crime therefore lies somewhere in between the two. But if we can narrow this down to a reasonably credible estimate of total proceeds of crime, we can then make some assessment of what proportion of that income would be laundered.

Figure 2. Costs, Proceeds and Money Laundering

The basic concept can perhaps best be described in a graphical form. For each specific type of crime we define five measures:

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TC - The Total Community Costs of the Crimes - i.e. what crime costs the community
TP - The Total Proceeds of the Crimes - i.e. what the criminals gain from crime
KP - The Known Proceeds of Crimes - i.e. the part of total proceeds of crime which comes to official notice
TM - Total Money Laundering - i.e. what is laundered to disguise the fact that it is the proceeds of crime
KM - Known Money Laundering - i.e. the part of total money laundering which comes to official notice

These quantities have obvious logical relationships between them. Total proceeds of crime cannot exceed total costs of crime. Total money laundering cannot exceed total proceeds of crime. Known quantities of either proceeds of crime or money laundering cannot exceed the totals of these variables. Clearly, only KP and KM are known quantities. What can be guessed at is the proportion that these known figures are of the real totals. Thus, in KP we have a lower bound for TP, which is itself an upper bound for TM. KM is a lower bound for TM. If we can quantify at least some of these variables, then we have a chance of pinning money laundering to a definite range, and identifying which types of crime contribute most to the total. If we can do this, we have a basis for priority setting in preventing and investigating money laundering.

Figure 3. Key quantities relating Costs of Crime, Proceeds of Crime and Money Laundering
4. A First Stab at Quantifying Money Laundering in Australia

Table 1 describes a theoretical approach linking money laundering to estimates of the proceeds of crime committed in Australia, which themselves are seen as a proportion of the total costs of crime. One can guess, for example, that most violent offences other than robbery/extortion do not benefit the offender financially, while most property offences (particularly where there is evidence of large scale crimes) and drug trafficking offences do benefit the offender financially. A similar assessment is made of the proportion of these proceeds which is laundered, and this assessment is based loosely on the logic that crimes which generate large incomes to criminals will provide the incentive for money laundering, while those which tend to generate smaller amounts will not lead to money laundering.

Table 1. Summary of Estimates of Costs of Crime and Justice (as at 1992), with 'expert' assessments of the proceeds of crime accruing to the offender and the proportions being laundered.

<table>
<thead>
<tr>
<th>Major Category</th>
<th>Best Available Estimate of Total Costs</th>
<th>Proceeds of crime (% of Total Costs)</th>
<th>Proportion laundered (% of Proceeds)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homicide</td>
<td>Maximum $275 mill.</td>
<td>very small</td>
<td>small</td>
</tr>
<tr>
<td>Assaults, including Sexual Assaults</td>
<td>Minimum $331 mill.</td>
<td>very small</td>
<td>very small</td>
</tr>
<tr>
<td>Robbery &amp; Extortion</td>
<td>$93 mill.</td>
<td>considerable</td>
<td>small</td>
</tr>
<tr>
<td>Breaking and Entering</td>
<td>$893 mill.</td>
<td>considerable</td>
<td>small</td>
</tr>
<tr>
<td>Fraud/forgery/false pretences</td>
<td>$6710 mill. - $13770 mill.</td>
<td>considerable</td>
<td>considerable</td>
</tr>
<tr>
<td>Theft/illegal use motor vehicle</td>
<td>$667 mill.</td>
<td>considerable</td>
<td>small</td>
</tr>
<tr>
<td>Shoplifting</td>
<td>$20 mill. - $1500 mill.</td>
<td>considerable</td>
<td>small</td>
</tr>
<tr>
<td>Other Theft</td>
<td>$545 mill.</td>
<td>considerable</td>
<td>small</td>
</tr>
<tr>
<td>Property Damage/Environmental</td>
<td>$525 mill. - $1645 mill.</td>
<td>very small</td>
<td>small</td>
</tr>
<tr>
<td>Drug Offences</td>
<td>$1200 mill.</td>
<td>considerable</td>
<td>considerable</td>
</tr>
<tr>
<td>Total Crime</td>
<td>$11259 mill. - $20719 mill.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source of data: Walker, 1992 op. cit.

The majority of Homicides do not benefit the offender financially. The estimates of Total Costs quoted in the Table include health and hospital costs, costs resulting from loss of employability, costs of time lost from work and the costs imposed on victims’ families and friends, and while these costs to society of homicides are great, the proceeds of these crimes are usually zero. Only such crimes as contract killings and homicides committed in order to benefit from insurance or inheritance would clearly benefit the offender financially. These would be rare, so we may assume only a “very small” proportion of the costs of homicides can be regarded as the proceeds of crime. We may surmise that some of those offenders who do commit homicides for profit may earn enough from the crime to make it worth laundering. We may argue, however, that few such offences in Australia are committed by highly paid professional killers with the knowledge and the contacts to launder money, so the proportion of the proceeds of homicide which is laundered would be “small”.

We can use similar logic to each of the other crime types listed in Table 1. Most assaults are not committed for gain. (Most of those which are committed for gain are classified as robberies.) The proceeds of assaults are therefore likely to be very small, and the likelihood of the proceeds being laundered are also small. While robberies may, in total, be very costly to the community, and may return a large portion of the costs to the offender, the face-to-face nature of robbery ensures that most
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offences do not involve large amounts of money. Few robbery offences are likely to be significant enough that the proceeds require laundering.

Breaking and entering, motor vehicle theft, shoplifting and other theft follow similar patterns to robbery. While the proceeds amass to a considerable sum, most offences in these categories involve too little money to require money laundering - particularly when one considers that the black market value of stolen goods is usually far below their true value. Levi and Osofski (op. cit.) suggest that it would be a "generous assumption" to believe that "goods stolen from burglaries and non-vehicle thefts ... obtain one third of their value - it is often closer to one tenth". There are significant exceptions, however, where organised gangs are involved, so one would not expect a complete absence of money laundering in connection with such crimes.

Property damage and environmental offences are rarely committed for profit, so proceeds would be a very small part of the costs of the crimes to society. Exceptions might include the smuggling of native fauna and flora. One would expect only the smuggling offences to involve any element of money laundering.

Frauds and drug offences are, of course, the types of crime most readily associated with money laundering, simply because of the sophistication required for the crimes to be committed and the large amounts of money involved. The proceeds are known to be considerable, but because of the nature of the crimes themselves, estimates of the proceeds of crime are extremely difficult. As Table 1 shows, the best informed estimates of the extent of fraud in Australia ranged from $6.7 to $13.8 billion, and it depended very much on how much undetected fraud one believes to exist. With such large amounts in proceeds from crime, the likelihood of laundering must also be considerable, although again according to Levi, the perpetrators are likely to spend a considerable proportion on high living and enjoying the immediate rewards of their crimes rather than laundering it away as an investment.

We need to remember that there are different scales of crime in these categories. The great majority of people involved in drug distribution offences probably contribute little to the quantum of money laundering; on the other hand, the leaders of large-scale drug distribution networks almost certainly have the skills and high-level contacts to launder money successfully. Similarly, many frauds require nothing more than a knowledge of the weaknesses of government welfare payment schemes or credit card security measures, and produce only enough money to add spice to a modest lifestyle; on the other hand, some offenders are sufficiently sophisticated to set up the complex webs and smokescreens required by a major fraud which may involve million of dollars at one time. Such schemes often require major investment in business fronts simply to achieve the objectives of the fraud, and the line between the fraud itself and the subsequent money laundering becomes blurred. This scale of criminality often involves organised crime groups, and Australia is known to have been infiltrated by some of the well-known international groups although there seems to be little evidence of major home-grown organisations. It Italy, it was estimated that at least half of the estimated $US21.5 to $US24 billion total proceeds of crime in 1990 “can be attributed to organised crime”, including the Sicilian Mafia, the Camorra and the ‘Ndrangheta - organisations with known connections in Australia. The totality of Chinese Triad activities, based predominantly in Hong Kong, has been estimated at around $US210.2 billion per year, with fears of a progressive shift of operations from Hong Kong to Australia.

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10 See Rey, G., Introductory Presentation in Economia e Criminalita, Camera dei Deputati.
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and other countries as the colony reverts back to mainland Chinese control in 1997. The potential, clearly, exists for very significant amounts of money laundering both within and through Australia in these categories, but it will be very difficult to come up with a precise figure. In spite of these caveats, the logic of Table 1 is appealing, and lures us onwards. As an example of how we might estimate the extent of money laundering, consider the calculations in Table 2. If we could replace the "very small", "small" and "considerable" in Table 1 by "real" percentages, we would obtain quite a respectable estimate for money laundering by totalling the figures we get from each of the types of crime. In doing so, we comply with one of the very basic tests of a research methodology in that we break down the overall estimate into logically separate components, each of which can be separately tested for validity against the available evidence. In Table 2, we guesstimate the "very small" proportions as meaning one per cent, "small" means ten per cent, and "considerable" means eighty per cent, and we have our first estimate of the amount of money laundering based on crimes occurring in Australia. The estimate works out at between $5.24 billion and $9.88 billion, most of which is clearly the proceeds of frauds and drug offending.

Table 2. Theoretical Derivation of a Preliminary Estimate of the Extent of Money Laundering, based on crimes occurring in Australia.

<table>
<thead>
<tr>
<th>Major Category</th>
<th>Best Available Estimate of Current Costs</th>
<th>Proportion being laundered</th>
<th>Amount being laundered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homicide</td>
<td>Max $275 m.</td>
<td>X 1% X 10%</td>
<td>$0.275 m.</td>
</tr>
<tr>
<td>Assaults, including Sexual Assaults</td>
<td>Min $331 m.</td>
<td>X 1% X 1%</td>
<td>$0.0331 m.</td>
</tr>
<tr>
<td>Robbery &amp; Extortion</td>
<td>$93 m.</td>
<td>X 80% X 10%</td>
<td>$7.44 m.</td>
</tr>
<tr>
<td>Breaking and Entering</td>
<td>$893 m.</td>
<td>X 80% X 10%</td>
<td>$71.44 m.</td>
</tr>
<tr>
<td>Fraud/jorgery etc</td>
<td>$6710 m. - $13770 m.</td>
<td>X 80% X 80%</td>
<td>$4294 - 8812 m.</td>
</tr>
<tr>
<td>Theft/illegal use motor vehicle</td>
<td>$667 m.</td>
<td>X 80% X 10%</td>
<td>$53.36 m.</td>
</tr>
<tr>
<td>Shoplifting</td>
<td>$20 m. - $1500 m.</td>
<td>X 80% X 10%</td>
<td>$1.6 - 120 m.</td>
</tr>
<tr>
<td>Other Theft</td>
<td>$545 m.</td>
<td>X 80% X 10%</td>
<td>$43.6 m.</td>
</tr>
<tr>
<td>Prop. Dar. /Environment</td>
<td>$525 m. - $1645 m.</td>
<td>X 1% X 10%</td>
<td>$0.525 - 1.645 m.</td>
</tr>
<tr>
<td>Drug Offences</td>
<td>$1200 m.</td>
<td>X 80% X 80%</td>
<td>$768 m.</td>
</tr>
<tr>
<td>Total Crime</td>
<td>$11259 m. - $20719 m.</td>
<td></td>
<td>$5240 - 9878 m.</td>
</tr>
</tbody>
</table>

Source of basic data: Walker, 1992 op. cit.

This approach is of course rather crude, particularly if the proportions included in Table 2 are based on one person's "gut feel". A similar approach based on a Delphi technique can improve the credibility of the estimates. As part of this research project, a survey has been conducted of criminologists, police analysts and other acknowledged experts in the field, to obtain better figures for the proportions. By substituting these expert estimates for the simple 1%, 10% or 80% guesses used in Table 2, we can arrive at a respectable measure of what expert opinion believes is the true extent of money laundering.

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While it is only a very "soft" measure, there is so little hard evidence in this area that one despairs of finding a better approach. If this survey succeeds in providing credible estimates of the extent of money laundering, it can clearly be repeated in future years, so allowing us to monitor trends.

5. The Survey and Questionnaire

The survey tried to obtain up-to-date data on Known Proceeds of Crime (KP), and estimates of the ratio Total Money Laundering to Total Proceeds of Crime (TM/TP), for each type of offence. The Known Proceeds figure, KP, would give a lower bound for the Total Proceeds figure, TP, and hence a lower bound for the Total Money Laundering figure would be obtained by multiplying the KP figure by the ratio resulting from the survey responses. When compared with figures already available for the Total Costs of Crime (TC), indicators as to both the lower and upper bounds for total money laundering would be obtained. By disaggregating the separate types of offence, the relative contributions each offence makes to the total sum of money being laundered should be obtained.

The questionnaire\textsuperscript{12}, which was circulated by AUSTRAC to each of the State and Territory Police Services, each branch of the Australian Federal Police, and a number of independent researchers, was developed after consultation with staff of the Australian Bureau of Criminal Intelligence, the Victorian and West Australian Police statistical staff, and AUSTRAC’s Australian Federal Police liaison officer. An early draft of the questionnaire, asking for opinions on the relationships between total costs and proceeds, as well as between proceeds and laundering, was tried out in the offices of the Victoria Police and found to be too difficult to answer. The modifications suggested by the Victorians were then incorporated into a less ambitious version, which was then tried out on staff in the Statistical branch of the West Australian Police. After discussions with the W.A. Proceeds of Crime Squad and the Statisticians, a final questionnaire was assembled. It looks at the relationship between total proceeds of crime and the extent of money laundering in two distinct steps. It begins with asking for official estimates of the known proceeds of crime, in broad categories of offence types. The second step asks for a panel of respondents from the key crime squads to give their educated guesses of the proportion of the proceeds of crime which is laundered by offenders, particularly in their area of special expertise.

It was circulated by post to all Police Commissioners, with a covering letter from the Director of AUSTRAC, Mr Bill Coad, explaining the importance of the project and asking the Commissioners for their cooperation. It proposed that the Police Statisticians liaise with the Consultant to further the Questionnaire in each jurisdiction, and explained that it had been designed in the hope that the proceeds of crime data could be obtained directly from police records and that the “expert opinion” part should be circulated to key persons in the major crime squads and should only take them a few minutes to complete. Some Notes for Police Statisticians were included as part of the package. The Notes were designed to reassure the Statisticians that the Survey was not overly time-consuming, that it was intended as an exploratory tool, and that its aims were realistic. It reads as follows:

Notes for Police Statisticians:

\textsuperscript{12} See Appendix 1.
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As part of a study being conducted for the Australian Transactions Reports and Analysis Centre (AUSTRAC)** to determine the extent and nature of money laundering in Australia, your Commissioner has agreed to cooperate in the conduct of a survey of police officers. The Police Statistician in each jurisdiction is being asked to coordinate the distribution and completion of the attached Questionnaire. The questionnaire asks for estimates of the extent of the proceeds of crime and about the proportion of these crime proceeds that become the subject of money laundering. I fully realise that these latter questions cannot be answered with any real precision, but this part of the exercise is aimed at finding out what “informed opinion” believes is the extent of money laundering, and in which sectors of crime it is most evident.

Part A of the Questionnaire, dealing with Known Proceeds of Crime, should be completed from official statistics for your jurisdiction. A competed Part A should then be attached to Parts B and C of the Questionnaire, and circulated to a representative sample of officers in the key Branches of the Police Service: e.g. those involved in Major Crime, Homicide, Robbery, Fraud, Drug, and other specialised Squads, and those in other relevant areas such as Proceeds of Crime, Prosecutions, and Statistics/Research. I would suggest that a minimum of two officers from each area should be selected, but I would appreciate your advice on sample specifics in your jurisdiction.

I would ask you to encourage your respondents to answer as many questions as they feel they are able to, even if their opinion is not very firmly based! I have included opportunities to say how confident they are in their responses.

The Survey is obviously experimental, so I would appreciate your comments on any aspect. I have deliberately left a lot of room for you to modify the questionnaire, for example, to suit your offence groupings and to minimise the effort required to respond.

** Please contact Neil Jensen at AUSTRAC for confirmation of the authenticity of this research request. Tel. - 03 650 5451 or 02 950 0011, Fax. - 03 650 5493.

6. The Results of the Survey

In the event, a number of State and Territory Police agencies and individuals were able to provide considered responses. Several agencies replied that databases on the proceeds of crime, which are required for the purposes of Confiscation of Assets activities, are some months down the track, and that they would be in a better position to respond at a later date. Police officers’ responses were mostly at the “pure guess”/“educated guess” level. They mostly provided estimates only in their own area of work. This apparently cautious response may result from the natural tendency to avoid speculation in many areas of their work. The culture is, however, changing as police officers are increasingly being asked to operate in “problem-oriented” modes rather than being purely reactive. The individuals approached, including researchers in the Australian Bureau of Criminal Intelligence, the National Police Research Unit, the Queensland Criminal Justice Commission, and the Commonwealth Law Enforcement Board, all of whom are known to have wide-ranging knowledge of the criminal environment, tended to have a broader scope and expressed “reasonable confidence” based either on personal knowledge or on what they have heard others say.

6.1 Australian Federal Police Response to the Survey

The Australian Federal Police have primary responsibility for crimes against Commonwealth legislation, and particularly drug crimes and fraud. Full cooperation was given to the survey and copies of the questionnaire were quickly circulated to each of the State/Territory branches of the Australian Federal Police. The questionnaire which was circulated to A.F.P. officers was a slightly more complex draft compared to the one developed later for State and Territory Police circulation, and it contained questions calling for estimates of the total costs of crimes and the percentage of these that would be proceeds of crime. After discussions with the Victoria Police and West Australian Police, these questions were

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eventually dropped from the final draft circulated to State and Territory police services, in favour of the simpler question on known proceeds of crime. Nevertheless four substantive responses were received, and while they only addressed fraud and drug offences, they therefore contained additional data which could produce useful estimates of total proceeds of crime. The responses are summarised as follows:

Table 3. Summary of Australian Federal Police Responses to the Survey

<table>
<thead>
<tr>
<th></th>
<th>Estimate of Total Costs ($million)</th>
<th>% Proceeds</th>
<th>% Laundered</th>
<th>Implied ML Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Fraud</td>
<td>None Stated</td>
<td>90</td>
<td>90</td>
<td>1377*</td>
</tr>
<tr>
<td>Business Fraud</td>
<td>500-1000</td>
<td>90-75</td>
<td>90-75</td>
<td>281-810</td>
</tr>
<tr>
<td>Other Fraud</td>
<td>1000</td>
<td>75</td>
<td>75</td>
<td>560</td>
</tr>
<tr>
<td>Drug Trafficking</td>
<td>1500</td>
<td>75</td>
<td>75</td>
<td>844</td>
</tr>
<tr>
<td>Drug Manufacturing</td>
<td>500</td>
<td>75-90</td>
<td></td>
<td>280-338</td>
</tr>
</tbody>
</table>


The respondents' estimates of total costs of frauds around $2 billion to $2.5 billion, plus the Insurance Council of Australia's own estimate of $1.5 billion for insurance fraud, are somewhat lower than (in fact about half) the minimum estimates presented in the 1992 paper on Costs of Crime. There is anecdotal evidence to suggest that improved auditing of government agencies and businesses in the intervening years may have actually reduced the scope for fraud, so that these estimates are not inconsistent. The responses to the questions on “% Proceeds” generally support the author’s 80%” assumptions in Table 2. Applying these responses to the A.F.P. estimates of Total Costs results in a range of estimated total proceeds of fraud between $2655 and $3180 million per year. Applying the estimates of “% Laundered” to these figures suggests total money laundering of $2.218 to $2.747 billion for fraud.

The responses on drug offending are also commensurate with both the 1992 Cost estimates and the expectations reflected in Table 2, particularly when it is noted that there is a possible overlap or double-counting involved in the separation of drug manufacturing and drug trafficking. The proceeds of drug trafficking would be inflated by the costs paid to the manufacturers. The drug crime estimate is also consistent with, although a little lower than, that derived for Australia by pro-rataing Albert Pacey’s estimate of drug crime money laundered through the United Kingdom ($1.7 billion - See footnote to Section 2). Again, applying the estimates of % proceeds to the cost estimates, a figure of $1500 million per year is derived for annual proceeds of drug crimes, and applying the laundering percentages gives us a range of $1.124 to $1.182 billion for laundering money from drug crime.

Combining these two ranges of estimates for money laundering, and adding the author’s own preliminary estimates of between $178 million and $298 million for other crime types (See Table 2 - the numbers must be comparatively small, so we are not likely to introduce major error by doing so) we obtain an estimate of total money laundering of between $3.520 and $4.227 billion per year from these Australian Federal Police responses.

6.2 Other Police Responses to the Survey

Responses were received from the N.S.W. and Northern Territory Police. The Western Australian Police were also preparing responses, but due to pressures of other work these responses had not been completed.
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at the time of going to press with this report. Of these only the Northern Territory Police were able to give data on the estimated proceeds of crime in their jurisdiction, so for the purpose of generating estimates of the extent of money laundering it is necessary to use previously available estimates of the proceeds of crime in Australia. The following analyses use the Australian Federal Police estimates from Table 3 for the extent of proceeds of frauds and drug offences, and the author’s own guesstimates from Table 2 for other offence categories. (Note that because of the much larger scale of likely proceeds from fraud and drug offences, and errors introduced by using the author’s estimates for other crimes will be small).

Even though survey respondents were asked only to respond in relation to their own jurisdiction, none of the respondents expressed great confidence in their estimates of the percentage of proceeds which are laundered. The NSW responses indicated that their estimates of the percentage laundered were at best only “educated guesses”. The Northern Territory response indicated some confidence in certain areas, but their response clearly relates to the special circumstances of the Northern Territory and may not be applicable across the wider Australian scene. Table 4 lists the substantive responses and uses them to generate national estimates of money laundering based on estimates of proceeds of crime. Each response is used as if it were an attempt to estimate the percentage of laundering on the national level, not just the state/territory from which it was derived.

Note that in this Table, because no respondent gave estimates of the dollar values for the proceeds of crime, it is necessary to take account of the possible combinations of high and low estimates of money laundering probabilities being associated in their minds with broad and narrow concepts of the proceeds of crime. Ranges of estimates of national proceeds of crime were provided in the Australian Federal Police response for fraud and drug crimes, and the Police responses for percentages laundered can be applied to these proceeds figures to give implies estimates for money laundering in these categories. It is clear that, by comparison with these crime categories, the potential level of proceeds in other categories of crime is very small, and the author’s own guesstimates presented in Table 2 can be used in a similar fashion without fear of greatly biasing the overall picture.

Up to four different estimates of money laundering can then be derived for each crime category. Those who perceive that there are large amounts of unknown proceeds may envisage the majority of these proceeds being laundered, as might be the case if the money is gained by small numbers of sophisticated offenders, or they may envisage these proceeds rarely being laundered, as might be the case if the money is aggregated from many small-time offenders. Similarly, those who perceive that the “dark figure” of proceeds of crime is small may vary in their assessment of the proportion being laundered. A low figure for the amount of money being laundered can be derived by a combination of the low end of the estimates for proceeds of crime and the lowest of the estimates for the percentage laundered. A high figure can be obtained by matching the highest of the estimates. Intermediate figures can be obtained by combining mid-range estimates or by combining high-range estimates of proceeds with low-range estimates of laundering, or vice versa.

Table 4. Summary of State/Territory Police Responses to the Survey

<table>
<thead>
<tr>
<th>Crime Category/ Estimated Proceeds of Crime ($millions)**</th>
<th>State/Territory Police Estimates of % Laundered Respondent No.</th>
<th>Implied ML Estimates for Australia ($mill) *</th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th>Crime Description</th>
<th>NSW1</th>
<th>NSW2</th>
<th>NT</th>
<th>Min</th>
<th>Mid1</th>
<th>Mid2</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homicide Max $2.75m</td>
<td>10-20</td>
<td>0</td>
<td>0</td>
<td>0.003</td>
<td>0.275</td>
<td>0.275</td>
<td>0.55</td>
</tr>
<tr>
<td>Other against Person Min $3.31m</td>
<td>2-5</td>
<td>0</td>
<td>0</td>
<td>0.003</td>
<td>0.066</td>
<td>0.066</td>
<td>0.166</td>
</tr>
<tr>
<td>Robbery &amp; Extortion $74.4m</td>
<td>20-25</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>7.44</td>
<td>14.88</td>
<td>18.60</td>
</tr>
<tr>
<td>Breaking and Entering $714.4m</td>
<td>5-8</td>
<td>10</td>
<td>5</td>
<td>35.72</td>
<td>57.15</td>
<td>57.15</td>
<td>71.44</td>
</tr>
<tr>
<td>Insurance Fraud $1530m</td>
<td>8-15</td>
<td>100#</td>
<td>0</td>
<td>0</td>
<td>122.4</td>
<td>229.5</td>
<td>1530</td>
</tr>
<tr>
<td>Business Fraud $375 - $900m</td>
<td>10-15</td>
<td>100#</td>
<td>5</td>
<td>18.75</td>
<td>90</td>
<td>375</td>
<td>900</td>
</tr>
<tr>
<td>Fraud against Business</td>
<td>3-5</td>
<td>100#</td>
<td>5</td>
<td>37.5</td>
<td>250</td>
<td>500</td>
<td>750</td>
</tr>
<tr>
<td>Fraud on Public Sector</td>
<td>1-3</td>
<td>100#</td>
<td>5</td>
<td>37.5</td>
<td>250</td>
<td>500</td>
<td>750</td>
</tr>
<tr>
<td>Other Fraud</td>
<td>2-5</td>
<td>100#</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Motor Vehicle Thefts $533.6m</td>
<td>2-5</td>
<td>10</td>
<td>5</td>
<td>10.67</td>
<td>26.68</td>
<td>26.68</td>
<td>53.36</td>
</tr>
<tr>
<td>Stealing from Person</td>
<td>1-3</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>23.1</td>
<td>32.72</td>
<td>81.80</td>
</tr>
<tr>
<td>Stock Theft</td>
<td>8-15</td>
<td>75</td>
<td>0</td>
<td>0</td>
<td>23.1</td>
<td>32.72</td>
<td>81.80</td>
</tr>
<tr>
<td>Shoplifting</td>
<td>2-5</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Thefts</td>
<td>2-5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Arson/ Prop Dam Pollution/ Environm’t</td>
<td>5-8</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0.525</td>
<td>0.525</td>
<td>1.645</td>
</tr>
<tr>
<td>Import/Export Drugs</td>
<td>0-2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Manuf/Grow Drugs</td>
<td>15-25</td>
<td>25</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deal/Traffick Drugs</td>
<td>15-25</td>
<td>25</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total $5951 - $7661m</td>
<td></td>
<td></td>
<td></td>
<td>327.6</td>
<td>877.6</td>
<td>1537</td>
<td>3783</td>
</tr>
</tbody>
</table>

* ‘Min’ is calculated from the lowest of the estimates of proceeds of crime and the lowest of the estimates of % laundered. ‘Max’ is calculated from the highest of these two types of estimate. Where there is a range for the estimate of proceeds, Med1 and Med2 are generally calculated from the top of the proceeds range and the lowest % laundered, and vice versa. Where a single figure is given for proceeds, they are generally calculated from intermediate estimates of the % laundered.

** Estimates for the total proceeds of crime are based on the Australian Federal Police responses to the Survey (Table 3) for fraud and drug crimes, and on the author’s own guesstimates for other crimes (Table 2 of this Report).

# This respondent wrote “100% by definition” against each category of fraud, indicating clearly a belief that all of the proceeds of fraud is laundered.

The Table indicates a range of values for total money laundering in Australia, based on these Police perceptions, of between a third of a billion dollars and almost four bullion dollars. The mid-range of estimates, based upon more centralising readings of the data, lies between $877.6 million and $1537 million per year, and may be a more realistic interpretation of underlying consensus since the method of calculation of the wider range necessarily produces extreme values. These Police estimates of the percentages of fraud and drug proceeds which are laundered are considerably lower that the A.F.P. estimates presented earlier.

### 6.3 Individual Responses to the Survey

In addition to the responses from State and Territory police services, a number of responses were received from individual experts who had been approached to complete Part B of the Survey questionnaire - that part dealing with the proportion of proceeds likely to be laundered. Replies were obtained from individual expert in the Australian Bureau of Criminal Intelligence, the National Police Research Unit,
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the Queensland Criminal Justice Commission, and Commonwealth Law Enforcement Board, all of whom are known to have wide-ranging knowledge of the criminal environment. Their responses are summarised (anonymously) below.

Table 5. Summary of Individual Expert Responses to the Survey

<table>
<thead>
<tr>
<th>Crime Category/Estimated Proceeds of Crime</th>
<th>State/Territory Police Estimates of % Laundered</th>
<th>Implied ML Estimates for Australia ($mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respondent No.</td>
<td>Min</td>
</tr>
<tr>
<td>Homicide Max $2.75m</td>
<td>n/a 5 0.1 5 5 2.5</td>
<td>.003</td>
</tr>
<tr>
<td>Other against Person Min $3.31m</td>
<td>n/a 10 .1 5 5 2.5</td>
<td>.003</td>
</tr>
<tr>
<td>Robbery &amp; Extortion $74.4m</td>
<td>n/a n/a 60 n/a 30</td>
<td>.74 22.32 22.32 44.64</td>
</tr>
<tr>
<td>Breaking and Entering $714.4m</td>
<td>n/a n/a 2 70 n/a 10</td>
<td>14.29 71.44 71.44 500.1</td>
</tr>
<tr>
<td>Insurance Fraud $1530m</td>
<td>10 20 8 5 n/a 2.5</td>
<td>38.25 76.50 153.0 306.0</td>
</tr>
<tr>
<td>Business Fraud $375 - $900m</td>
<td>25 60 15 100 n/a 30</td>
<td>56.25 225.0 540.0 900.0</td>
</tr>
<tr>
<td>Fraud against Business</td>
<td>10 20 1 80 n/a 10</td>
<td>37.50 112.5 187.5 600.0</td>
</tr>
<tr>
<td>Fraud on Public Sector $750m</td>
<td>n/a 20 3 25 n/a 5</td>
<td>37.50 112.5 187.5 600.0</td>
</tr>
<tr>
<td>Other Fraud</td>
<td>n/a 70 15 10 n/a</td>
<td>37.50 112.5 187.5 600.0</td>
</tr>
<tr>
<td>Motor Vehicle Thefts $533.6m</td>
<td>5-10 n/a 5 90 n/a 35</td>
<td>26.68 53.36 186.8 480.2</td>
</tr>
<tr>
<td>Stealing from Person</td>
<td>n/a n/a .05 0 n/a 5</td>
<td>8.18 81.8 115.5 346.5</td>
</tr>
<tr>
<td>Stock Theft $462</td>
<td>n/a n/a .45 75 n/a 5</td>
<td>8.18 81.8 115.5 346.5</td>
</tr>
<tr>
<td>Shoplifting 1636m</td>
<td>n/a 1 .30 25 n/a 5</td>
<td>8.18 81.8 115.5 346.5</td>
</tr>
<tr>
<td>Other Thefts</td>
<td>n/a n/a .50 5 n/a 5</td>
<td>8.18 81.8 115.5 346.5</td>
</tr>
<tr>
<td>Arson/ Prop Dam</td>
<td>$5.21-16.45m</td>
<td>5-10 n/a 2.0 60 n/a 5</td>
</tr>
<tr>
<td>Pollution/Environm’t</td>
<td>n/a 10 0.5 50 n/a 2.5</td>
<td>.105 .525 1.645 8.225</td>
</tr>
<tr>
<td>Import/Export Drugs</td>
<td>50-70 70 30 100 70 75</td>
<td>300 750 1050 1350</td>
</tr>
<tr>
<td>Manuf/Grow Drugs $1500m</td>
<td>50-70 60 20 75 80 70</td>
<td>300 750 1050 1350</td>
</tr>
<tr>
<td>Deal/Traffic Drugs</td>
<td>50-70 60 10 90 20 40</td>
<td>300 750 1050 1350</td>
</tr>
<tr>
<td>Total $5951 - $7661m</td>
<td>402 1394 2328 4536</td>
<td></td>
</tr>
</tbody>
</table>

* ‘Min’ is calculated from the lowest of the estimates of proceeds of crime and the lowest of the estimates of % laundered. ‘Max’ is calculated from the highest of these two types of estimate. Where there is a range for the estimate of proceeds, Med1 and Med2 are generally calculated from the top of the proceeds range and the lowest % laundered, and vice versa. Where a single figure is given for proceeds, they are generally calculated from intermediate estimates of the % laundered.

** Estimates for the total proceeds of crime are based on the Australian Federal Police responses to the Survey (Table 3) for fraud and drug crimes, and on the author’s own guesstimates for other crimes (Table 2 of this Report).

Note that, in Table 5, similar aggregation techniques are used to those in the section of Police responses. Up to four different estimates of money laundering are derived for each crime category, to take account of the possible combinations of high and low estimates of money laundering probabilities being associated with broad and narrow concepts of the proceeds of crime. Note again that, for offences other than fraud and drug crimes, where no A.F.P. estimate of total proceeds of crime has been obtained from police sources, the author’s own guesstimate of total proceeds has been used from Total Costs figures and the proceeds percentages given in Table 2.
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The interpretation of these Survey responses has, therefore resulted in a range of individual estimates for the extent of money laundering between $402 million per year and $4536 million per year. Again, there may be good reason to believe that the true figure lies somewhere in a narrower range, between $1394 million and $2328 million per year, since the method of calculation of the wider range necessarily produces extreme values. It is important to remember that, because of the nature of the questions, these estimates are based on assessments of the extent of the proceeds of crime in Australia. They cannot logically take account of “incoming” money laundering - i.e. the laundering of the proceeds of crimes committed overseas, although they should include the proceeds of crimes committed in Australia and laundered overseas.

The Survey has therefore provided estimates from both police and non-police experts. They range from what looks like an improbably low third of a billion dollars to around $4 billion. The “most likely” ranges are between around $1 billion and around $2 billion. These ranges are considerably lower than those assembled by the author and presented in Table 2, which totalled between $5240 and $9878 million. The main difference is in the survey respondents’ assessment of the proceeds of fraud crimes, and this assessment is based on the response of the Australian Federal Police, which is considerably lower than that used in the 1992 Costs of Crime paper on which Table 2 is based. The 1992 Costs of Crime paper was unable to express much confidence in the estimates available at the time for fraud, which were particularly affected by the widely differing guesstimates of fraud in the public sector. There was a considerable uncertainty about the true figure then, and there has certainly been an all-out attack on fraud in the public sector since that time, so a lower figure is now credible. This still appears to be a key area of need for research, however, to determine the current extent of these types of crimes.

The next sections of this Report concentrate on assessments of other sources of data which ought in some way relate to money laundering, and which may therefore cast light on the validity of the estimates we have generated here.
The estimates of money laundering based on the Survey are based upon opinions - albeit educated opinions - of the extent of total proceeds of crime (TP) and the proportion which may be laundered (TM/TP). There are a number of ways in which the credibility of these estimates may be checked. As mentioned earlier, one of these is that we may assess our estimates of total proceeds of crime against figures for the known proceeds of crime (KP) - refer to the diagram in Figure 3. It would be expected, of course, that Total Proceeds is a considerably greater figure than Known Proceeds, since we are (painfully?) aware that, even now we are less than a hundred per cent successful in tracing criminal proceeds. In June 1993, the National Crime Authority held a National Proceeds of Crime Conference, to discuss the major issues of forfeiture and confiscation of the proceeds of crime. A Working Party Report\textsuperscript{13} presented an assembly of data on amounts restrained under various Commonwealth, State and Territory legislation over the period 1989 to February 1993. While this does not amount to a perfect measure of known proceeds of crime, because not all the proceeds of crime are placed under restraining orders, and because merely being under restraint is not proof of criminal origin, the numbers provide a useful bottom line and a check of our estimates.

**Figure 4. Restraining Orders made During Year\textsuperscript{14}**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>$11 million</td>
</tr>
<tr>
<td>1989-90</td>
<td>$39 million</td>
</tr>
<tr>
<td>1990-91</td>
<td>$21 million</td>
</tr>
<tr>
<td>1991-92</td>
<td>$36 million</td>
</tr>
<tr>
<td>1992-Feb 1993 (8 months only)</td>
<td>$14 million</td>
</tr>
</tbody>
</table>

Restraining Orders do not simply put a stop on the use of bank accounts and cash. The legislation allows for a wide range of property to be restrained including equipment believed to have been used to continue the alleged illegal activities, investments of various kinds made from the proceeds of crime, even if they are in the names of family members of the accused, and various forms of cash equivalents such as gold, solicitors’ trust funds and superannuation benefits. The value of the property restrained does not necessarily correlate with the extent of the proceeds of crime, or with the extent of money laundering. It would appear likely, however, that they are in the same ballpark. The types of property restrained under these orders were listed in the National Crimes Authority’s hearings in 1993\textsuperscript{15}, and are listed in Table 6.


\textsuperscript{14} Source of data: NCA (op. cit.) p98.

\textsuperscript{15} Source of data: NCA (op. cit.) p80.
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**Table 6. Types of property restrained**

<table>
<thead>
<tr>
<th>Tools of the Trade:</th>
<th>Cash &amp; Cash Equivalents:</th>
<th>Investments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft</td>
<td>Cash</td>
<td>Real Estate</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>Bank Accounts</td>
<td>Businesses</td>
</tr>
<tr>
<td>Ships, boats</td>
<td>Travellers Cheques</td>
<td>Antiques</td>
</tr>
<tr>
<td>Motor Cycles</td>
<td>Gold Coins</td>
<td>Farm Stock, Race Horses</td>
</tr>
<tr>
<td>Mobile Telephones</td>
<td>Shares</td>
<td>Jewellery, Gems</td>
</tr>
<tr>
<td>Machinery &amp; Equipment</td>
<td>Funds in Solicitors Accounts</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Negotiable Instruments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Superannuation Funds</td>
<td></td>
</tr>
</tbody>
</table>

In the Conference Report, there are no data accompanying this list of confiscated items which would help identify exactly what the offenders or suspects were spending the illicit funds on, but the above categorisations (mine) suggest that the principal final destinations for the proceeds of crime are real estate and businesses, antiques, farm stock and race horses, jewellery and gems. This information will prove useful when we turn to an assessment of the impacts of money laundering on the Australian economy.

These data suggest an annual amount ranging between $20 million and $40 million are known to be, or at least are strongly suspected of being, the proceeds of crime, and apparently some considerable proportion of it has been or is in the process of being laundered. This is, perhaps, an estimate of KP - Known Proceeds of Crime, at least for drug-related crime, and it is possibly an ultra-conservative estimate also of KM - Known Money Laundering.

The focus of the National Crime Authority is on organised crime - much of involves fraud and drug offences. Alternative and more recent data were presented by the Australian Bureau of Criminal Intelligence, in their 1994 Australian Illicit Drug Report\(^\text{16}\). They appear to suggest a 1994 figure of around $20 million restrained or confiscated - but this is specifically for drug offences alone.

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Table 7. Restrained and Forfeited Known/Suspected Proceeds of Drug Crime 1994:

<table>
<thead>
<tr>
<th></th>
<th>Restrained</th>
<th>Forfeited</th>
<th>PPO</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>0.23</td>
<td>1.298</td>
<td></td>
<td>1.528</td>
</tr>
<tr>
<td>Vic</td>
<td>1.418</td>
<td>1.614</td>
<td></td>
<td>3.032</td>
</tr>
<tr>
<td>Qld</td>
<td>0.941</td>
<td>0.031</td>
<td>0.303</td>
<td>1.275</td>
</tr>
<tr>
<td>W.A.</td>
<td>1.6</td>
<td></td>
<td></td>
<td>1.6</td>
</tr>
<tr>
<td>S.A.</td>
<td>3.8</td>
<td>0.327</td>
<td></td>
<td>4.127</td>
</tr>
<tr>
<td>Tas</td>
<td>0.026</td>
<td></td>
<td></td>
<td>0.026</td>
</tr>
<tr>
<td>N.T.</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>A.C.T./Cwlth.</td>
<td>8.267</td>
<td>0.769</td>
<td>0.303</td>
<td>9.036</td>
</tr>
<tr>
<td>Totals</td>
<td>16.282</td>
<td>4.039</td>
<td>0.303</td>
<td>19.096</td>
</tr>
</tbody>
</table>

The Report also listed areas of potential money laundering including:
- Using Postal Orders (false names)
- Telegraphic transfers
- Buying Real estate (using false names)
- Cash businesses (e.g. sex industry, concerts)
- Hospitality industries
- Horse racing, gambling, casinos (claiming fictitious winnings)
- Insurance
- Cash Carriers (out of the country into the Chinese underground banking system)
- Nominees
- Buying Luxury goods

While clearly of interest, these data at best show only measures of the proven extent of proceeds of crime. Even the most optimistic of observers would not claim that one hundred per cent of the proceeds of crime is pursued through the courts, restrained or forfeited. The interesting point here is that, if the estimates of total money laundering presented in the previous section are accurate, then only around one per cent is currently being recouped through the criminal justice system. Before jumping to conclusions, however, let us look at other ways in which the extent of money laundering can be gauged.

8. Estimates Based on Understatement of Income data.

In general, one can assume that criminals do not declare their income from crime to the taxation authorities. One could therefore measure the extent of money laundering by firstly estimating the total extent of understating of income, by individuals, unincorporated enterprises and private corporate trading enterprises, and then using estimates of the proportion of such undeclared income which is laundered. So, algebraically, if total income is understated by U ($million) and it is estimated that p% of this is laundered, then U multiplied by p estimates the total extent of money laundering.

Unfortunately, the same problems arise in estimating understatement of income as arise in estimating money laundering. While burglars do not try to hide the fact that a burglary has taken place, and it is comparatively easy to estimate the cost of such a crime, the essence of both money laundering and income tax evasion is that the offenders make tremendous efforts to avoid the detection of the crime - and the greater the amount of money involved, the greater the contrivances used to deceive.

John Walker Consulting Service
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Figure 5. Estimated Trends in Understatement of Income, Australia 1981-82 to 1993-94
(Australian Bureau of Statistics)

The Australian Bureau of Statistics uses taxation data to estimate Australia's annual gross domestic product, and uses procedures to adjust Australian Tax Office data for the extent of understatement. The basis of the estimates is described by the A.B.S. as "very dubious", and, while unwilling to be more specific, a spokesman described them as based on assumptions that a given proportion of income is undeclared in a given industry sector. They therefore rise and fall as these different sectors of the economy rise and fall, and may not accurately reflect changes in the criminal environment or the law enforcement environment. Nevertheless, as an indicator of potential for money laundering, they are of more than passing interest. While these adjustments are not published in the normal course of events, they have been made available for this study of money laundering and are presented below.

The estimates of total understated income show a fluctuating trend, peaking in 1984-5 at around $4 billion, falling to a low of around $3 billion in 1990-91, and rising steeply to $5 billion in 1993-94. The two components of these figures - understated income from "unincorporated enterprises" (small
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businesses and individuals) and from "Private Corporate Trading Enterprises" (larger businesses) - vary in their share of the total.

It is undoubtedly true that not all of the income hidden from the Australian tax authorities is laundered in any meaningful sense of the term. Again, one can assume that the larger the amount of money involved the more likely it is that laundering methods will be used, rather than the income being spent immediately on day-to-day consumption. If this is true, then a smaller proportion of the understated income of the smaller enterprises will be laundered than will be the case for the larger enterprises. The A.B.S. figures show an erratic relationship between the understatement of income of the smaller enterprises and the larger ones, with the smaller enterprises collectively contributing around three quarters of the total understated income in the early 1980s, falling to below two thirds in the mid-1980s, peaking again at 72% in 1990-91 and returning sharply to the two-thirds mark thereafter. Without knowledge of how the estimates are based, it is difficult to comment on their validity or on their relationship to money laundering. One would like to know, for example, to what extent the estimates are biased in picking up the well-documented tax-evasive habits of small contractors and failing to pick up the more complex schemes used (we occasionally discover) by the extremely wealthy entrepreneurs. Detailed analysis of financial, economic and crime trends, along with these time series data for tax evasion, might prove useful. Alternatively, in view of the Australian Bureau of Statistics’ evident lack of faith in their own figures, it may be appropriate for a more detailed study to be undertaken jointly by the Australian Taxation Office, the Australian Bureau of Statistics, the Finance sector industry, and those agencies with an interest in fraud and money laundering, to find a new and more satisfactory basis for estimation.

The most convincing assessment of these figures would perhaps be that they are not in violent contradiction to the estimates presented in Section 6. If one assumed that most understated income is laundered, then these estimates are rather greater than those presented in Section 6, suggesting a minimum of $2 billion (if only the larger enterprises launder their understated income) and a maximum of $5 billion. If, on the other hand, one argued that between a third and a half of understated income would be laundered, then the figures fall alongside those obtained from the survey. These estimates can perhaps be expected to be rather higher than those derived from the survey, since they might actually include some incoming money laundering. Money coming into the country for laundering could, if detected by the Australian Tax Office, be regarded as understated income, and it would then be included in the figures, inflating the estimates. Such possible convergence from completely separate sources of evidence would suggest that we might at least be in the right ball-park.

9. Estimates based on Reports of Suspect Financial Transactions

Another potential set of clues is found in data on suspect transactions. The problem with data of this sort is again that they do not measure money laundering directly or completely. Not all suspect transactions involve money laundering, some apparently suspect transactions turn out, on investigation, to be legitimate, and some suspect transactions are a very thin end of a very large wedge. Thin end of the wedge reports describe transactions which, although of minor consequence in themselves, lead investigators to illegitimate transactions of major proportions which may have escaped the “suspect transaction” monitoring system. For example, a suspect transaction report relating to an amount of under $10,000 may lead investigators to a multi-million dollar money laundering operation, and confidential information held by AUSTRAC shows numerous instances where this has been so. Furthermore, placing cash into an Australian cash agency is not the only
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option for money launderers, so we cannot expect suspect transaction data to measure the totality of money laundering.

Table 8. Suspect Transactions involving Money Laundering, January 1990 to March 1995
Numbers of Suspect Transactions and Dollar Amounts Involved.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>Report</td>
<td>138</td>
<td>59</td>
<td>35</td>
<td>63</td>
<td>20</td>
<td>176</td>
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<tr>
<td></td>
<td>Total $'000</td>
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<td>1100</td>
<td>879</td>
<td>1384</td>
<td>639</td>
<td>4590</td>
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<tr>
<td>Feb</td>
<td>Report</td>
<td>164</td>
<td>53</td>
<td>18</td>
<td>89</td>
<td>15</td>
<td>244</td>
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<tr>
<td></td>
<td>Total $'000</td>
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<td>35193</td>
<td>233</td>
<td>2077</td>
<td>234</td>
<td>7048</td>
</tr>
<tr>
<td>Mar</td>
<td>Report</td>
<td>137</td>
<td>90</td>
<td>39</td>
<td>87</td>
<td>26</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
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<td>3340</td>
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<td>1403</td>
<td>743</td>
<td>1867</td>
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<td>Apr</td>
<td>Report</td>
<td>80</td>
<td>64</td>
<td>44</td>
<td>84</td>
<td>27</td>
<td>-</td>
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<td></td>
<td>Total $'000</td>
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<td>63236</td>
<td>1498</td>
<td>2919</td>
<td>1058</td>
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<tr>
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<td>Report</td>
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<td>80</td>
<td>82</td>
<td>29</td>
<td>-</td>
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<td>Total $'000</td>
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<td>62551</td>
<td>1612</td>
<td>1424</td>
<td>765</td>
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<tr>
<td>Jun</td>
<td>Report</td>
<td>230</td>
<td>78</td>
<td>55</td>
<td>75</td>
<td>39</td>
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<td></td>
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<td>208152</td>
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<td>1775</td>
<td>2807</td>
<td>1085</td>
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<tr>
<td>Jul</td>
<td>Report</td>
<td>226</td>
<td>36</td>
<td>78</td>
<td>67</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
<td>6930</td>
<td>897</td>
<td>131170</td>
<td>1724</td>
<td>30655</td>
<td>-</td>
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<tr>
<td>Aug</td>
<td>Report</td>
<td>146</td>
<td>27</td>
<td>92</td>
<td>67</td>
<td>33</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
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<td>755</td>
<td>-</td>
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<tr>
<td>Sep</td>
<td>Report</td>
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<td>98</td>
<td>41</td>
<td>16</td>
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<td></td>
<td>Total $'000</td>
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<td>37983</td>
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<td>13962</td>
<td>374</td>
<td>-</td>
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<tr>
<td>Oct</td>
<td>Report</td>
<td>58</td>
<td>35</td>
<td>81</td>
<td>29</td>
<td>15</td>
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<td>1321</td>
<td>17209</td>
<td>1115</td>
<td>306</td>
<td>-</td>
</tr>
<tr>
<td>Nov</td>
<td>Report</td>
<td>69</td>
<td>42</td>
<td>54</td>
<td>26</td>
<td>22</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
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<td>4325</td>
<td>1776</td>
<td>609</td>
<td>1072</td>
<td>-</td>
</tr>
<tr>
<td>Dec</td>
<td>Report</td>
<td>58</td>
<td>27</td>
<td>97</td>
<td>25</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
<td>22952</td>
<td>782</td>
<td>3051</td>
<td>497</td>
<td>1531</td>
<td>-</td>
</tr>
<tr>
<td>Yearly Total</td>
<td>Report</td>
<td>1510</td>
<td>614</td>
<td>771</td>
<td>735</td>
<td>270</td>
<td>480</td>
</tr>
<tr>
<td></td>
<td>Total $'000</td>
<td>1531354</td>
<td>213237</td>
<td>166795</td>
<td>55608</td>
<td>39224</td>
<td>13506</td>
</tr>
</tbody>
</table>

Note: These figures relate only to the face value recorded on the Suspect Transaction reports. In more than one instance, a single report with a face value of under $10,000 has led to the uncovering of money laundering operations worth several millions of dollars.
Money Laundering in Australia

Nevertheless, it is again worthwhile looking at this type of data to ensure that they are commensurate with the estimates we have of money laundering, since there is clearly a connection even though the strength of that connection is difficult to measure. AUSTRAC has assembled data on suspect transactions through Banks, Credit Unions and other major financial institutions since 1990. Transactions which are believed to be suspicious on the grounds of money laundering, false names, social security or unemployment benefit frauds, tax evasion or “structuring” (i.e. splitting transactions so they fall below the reporting criteria) are required to be reported to AUSTRAC, along with the post code where the transaction took place, the amount of money involved and certain identifying information which enables follow-up action by the appropriate agencies. These data, stripped of their identifiers, can be analysed to see if they can indicate anything concerning the extent and nature of money laundering in Australia. The results are presented below.

Figure 6. Suspect Transaction reports

Table 8 shows the monthly numbers of suspect transactions notified to AUSTRAC between January 1990 and March 1995, and the face value dollar amounts involved. The Table shows considerable fluctuations, with very large figures in the first half of 1990 settling down to a more stable and lower level through to the middle of 1993, then falling to a new, lower, level for 1994. The year 1995 started with two months of high reporting levels. It is difficult to see a clear trend in these figures. The overall annual average face value amount involved is around $385 million, but this is distorted by the very high 1990 figures. Looking at the data on dollar amounts reported, however, a fairly clear downward trend is visible - even after the end of the 1990 period of high reporting levels. Calendar year totals decline monotonically. The trend is interspersed with occasional “spikes” (See accompanying graph) of large amounts, which clearly indicate the reporting of significant cases of suspected money laundering. In order to identify a representative annual figure it is necessary to select

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representative data from this five and a quarter year period, in which there were several inconsistent trends displayed and a number of very large transactions making the time series very “lumpy”. Arguably, in spite of the very high numbers of reports in early 1995, the most recent year is the most representative of what the future might hold, and there appear to be no convincing arguments to suggest that the last twelve months in the database are unrepresentative. On this basis, the annual face value total of suspect transactions reports involving money laundering is around $51.5 million. One could perhaps perform complex statistical analyses to identify trends and remove outlier data, but the comparatively short time period involved, the lumpiness of the data, and the knowledge that the early part of the series is affected by the counting of backlogged reports, make this exercise pointless. The simpler the approach the better.

AUSTRAC’s own analysis of these data\textsuperscript{17} explains the 1990 high level of reporting as the entering of a backlog into the database. The subsequent decline in face value dollar amounts has been interpreted as reflecting the success of the financial transactions reporting legislation in forcing money launderers to avoid the reporting agencies or choose more circuitous ways of getting their money into the legitimate economy. This interpretation suggests that launderers may have shifted outside the reporting system or increasingly attempted to avoid detection by “structuring” - i.e. dividing the amount into a number of smaller transactions, each under the compulsory reporting threshold. In one documented case of structuring in 1993, a total of 268 cash transactions, all under $10,000, were conducted in a twelve month period by the same group of offenders, with a combined value of millions of dollars. Loopholes offered both by non-bank cash dealers and by the $10,000 threshold are gradually being closed by changes in Australia’s reporting legislation.

AUSTRAC’s analysis provides further confirmation that this face value figure of $51.5 million is not a fair or complete estimate of total money laundering. The predominance of structuring, together with relatively minor fraud offences, such as social security or unemployment benefit fraud (See Table 9), and the absence of major corporate suspect transactions in the database indicates that the system is better at identifying non-corporate offenders. It is probable that suspicions are raised at banks and other financial institutions by persons who seem “out of place” handling large sums of money, whereas corporate entities which appear used to large transactions can get by unnoticed. Furthermore, corporate offenders have other means of transferring funds, which do not involve cash transactions via vigilant agencies. AUSTRAC’s analysis notes that

“While the legislation exists for the reporting of corporate crime (my emphasis) to AUSTRAC, it appears to be a little used tool. AUSTRAC may not immediately come to mind when someone wishes to report corporate crime. Informers may be more likely to report to either the Australian Securities Commission or the local police, if they report the crime at all.”

\textsuperscript{17} An Analysis of the Suspect Transaction Reports Received by AUSTRAC in 1993 Carroll S., 1994. (Confidential Report to AUSTRAC).
Estimates of money laundering based on “suspicion-based reporting” have been heavily criticised by research in the U.K. for missing corporate laundering activity.\footnote{Gold, M. And Levi, M., Money Laundering in the U.K. - An Appraisal of Suspicion-Based Reporting, Police Foundation, 1995.} Gold and Levi point out that:

“a variety of Serious Fraud Office cases ... demonstrate the ease with which large corporations can transfer vast funds overseas without arousing any suspicion of crime....”

This type of concern was identified by AUSTRAC at an early stage of its development. The Financial Transaction Reports Act has, since December 1992, required the reporting of all International Telegraphic Transfers, and AUSTRAC has successfully applied a software screening processes to those data to locate items of interest. These data considered in the next Section.

\textbf{Table 9. Suspect Transactions involving Money Laundering, April 1994 to March 1995, by Reasons for Suspicion}

<table>
<thead>
<tr>
<th>Reason for Suspicion</th>
<th>Reports</th>
<th>Total Face Value Amount ($'000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>False Name</td>
<td>7</td>
<td>194</td>
</tr>
<tr>
<td>Social Sec Fraud</td>
<td>9</td>
<td>112.97</td>
</tr>
<tr>
<td>Structuring</td>
<td>350</td>
<td>5369.51</td>
</tr>
<tr>
<td>Tax Evasion</td>
<td>31</td>
<td>1786.12</td>
</tr>
<tr>
<td>Unemployment Fraud</td>
<td>16</td>
<td>64.6</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>30547.22</td>
</tr>
<tr>
<td>None of These</td>
<td>301</td>
<td>13471.01</td>
</tr>
<tr>
<td>Total</td>
<td>688</td>
<td>51545.44</td>
</tr>
</tbody>
</table>

It seems clear, therefore, that even if all of the transactions reported to AUSTRAC as suspicious are in fact attempts at money laundering, the face value amounts indicated cannot provide an accurate estimate of the total amounts being laundered in Australia. Suspect reports are only part of the total picture. Before we leave this data, however, it is worth looking at the geographical information provided in the database, to see if it can tell us anything about the nature of money laundering in Australia. Table 10 and the subsequent discussion is based on the most recent data in the database, i.e. the period 1 April 1994 to 31 March 1995.
Table 10. Suspect Transactions involving Money Laundering, April 1994 to March 1995, by Postcode of Transactions

<table>
<thead>
<tr>
<th>State/Territory of Postcode</th>
<th>No. of Reports</th>
<th>Aggregate Face Value Amount ($)</th>
<th>Shares %</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.S.W.</td>
<td>292</td>
<td>$40,986,550</td>
<td>79.51%</td>
</tr>
<tr>
<td>A.C.T.</td>
<td>15</td>
<td>$176,570</td>
<td>0.34%</td>
</tr>
<tr>
<td>Victoria</td>
<td>201</td>
<td>$4,652,380</td>
<td>9.03%</td>
</tr>
<tr>
<td>Queensland</td>
<td>66</td>
<td>$1,522,340</td>
<td>2.95%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>61</td>
<td>$2,799,860</td>
<td>5.43%</td>
</tr>
<tr>
<td>Western Australia</td>
<td>39</td>
<td>$712,560</td>
<td>1.38%</td>
</tr>
<tr>
<td>Tasmania</td>
<td>11</td>
<td>$122,380</td>
<td>0.24%</td>
</tr>
<tr>
<td>Northern Territory</td>
<td>4</td>
<td>$140,000</td>
<td>0.27%</td>
</tr>
<tr>
<td>Totals</td>
<td>689</td>
<td>$51,112,640</td>
<td></td>
</tr>
</tbody>
</table>

Table 10 shows that suspect transactions initiated in New South Wales accounted for almost eighty per cent of the total funds identified in the reports. Whether this relates to the actual geography of suspect transactions, to Sydney’s pre-eminence in the geography of Australian and overseas financial transactions overall, to Sydney’s place as the principal port of Australia, to a greater vigilance of Sydney’s finance houses, or to the actual presence of AUSTRAC in the midst of the city, is not clear. The average suspect face value in Sydney was around $180,000, which is around three times greater than the average for any other region. One can only speculate at whether this geographical distribution in any way reflects the actual generation of illicit funds, or the actual distribution of money laundering as a whole. If data on proceeds of crime were available at the State level or at greater disaggregation, we could at least examine the comparisons. One might then be able to design and use better targeted weapons against the chain by which offenders can launder and then enjoy the proceeds of their crimes. But there seems to be little chance of this in the immediate future.

10. Estimates Based on Flows of Finance through Australian Banks and International Transfers

AUSTRAC has assembled data on International Funds Transfers, by country of origin/destination, for 1993 and 1994 in $A equivalents. While these figures cannot relate directly to “internal” money laundering, they may reflect some information about both the proceeds of Australian crime being sent overseas for laundering, and/or the proceeds of overseas crime being laundered in Australia. Analysing these figures, even at a superficial level, produces some interesting results, which are described in the Table and Figure below. The data give $A amounts for each year for flows into Australia from each country (inflows) and amounts flowing from Australia to each country (outflows).

One can compare the inflow and outflow data for each country to see whether there is a net inflow of funds from that country to Australia or a net outflow from Australia to that country. There is nothing intrinsically suspicious about a country having a large net inflow or a large outflow: - one would expect large net outflows of funds to those countries where we are net importers of goods and services, and one would expect large net inflows from those countries where we are net exporters of goods and services. However, when one looks at the list, ranked according to the size of the net flow
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(See Table 11 - note that the countries are identified only by their region), one readily finds that countries which are recognised as tax havens\footnote{See page 14 of An Analysis of the Suspect Transaction Report Received by AUSTRAC in 1993, Carroll S., 1994. (Confidential Report to AUSTRAC).} almost all have significant net inflows to Australia, while countries which are recognised as drug sources mostly have significant net outflows from Australia. This does not appear to be explainable by reference to the net exports of merchandise to these countries from Australia (See Figure 7).

Furthermore, when this phenomenon is mapped, the flows follow logical geographical paths. One finds a total net outflow of funds to South and Central American drug producing countries of around $15 million per year and a total net outflow of funds to South East Asian drug producing countries of around $640 million per year. This gives us, perhaps, an estimate of outgoing drug money totalling $655 which would be recouped by drug offenders in Australia. One also finds total net outflows to the known European tax havens and Asian drug transit/finance markets of approximately $3.1 billion and $2.4 billion respectively (i.e. a total outflow of $5.5 billion), and total net inflows from other tax haven countries in Europe and in the Caribbean of around $2.3 billion and $5.4 billion respectively (totalling $7.7 billion). Taking these as possible measures of the profits of fraud and drug crime, we may aggregate these figures together with the estimates of laundering from other offence types (from Table 2) to arrive at very tentative estimates ranging between $6.333 billion and $8.653 billion.
### Table 11. International Funds Transfers, Average of 1993 and 1994, $A Equivalents

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Incoming $A</td>
<td>Outgoing $A</td>
<td>Net Outflow $A</td>
<td>No. Incoming</td>
<td>No. Outgoing</td>
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<td>S. American Drug Source</td>
<td>1991455</td>
<td>409558</td>
<td>-1581897</td>
<td>127</td>
<td>141</td>
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<tr>
<td>S.E. Asian Drug Source</td>
<td>1957596</td>
<td>1810850</td>
<td>-146746</td>
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<td>133</td>
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<td>C. American Drug Source</td>
<td>75500</td>
<td>10276</td>
<td>-65225</td>
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</tr>
<tr>
<td>S. American Drug Source</td>
<td>67032</td>
<td>241463</td>
<td>174431</td>
<td>28</td>
<td>21</td>
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<tr>
<td>S.E. Asian Drug Source</td>
<td>17348</td>
<td>1920213</td>
<td>1902865</td>
<td>2</td>
<td>61</td>
</tr>
<tr>
<td>European Drug Source</td>
<td>25904163</td>
<td>33056133</td>
<td>7151970</td>
<td>1865</td>
<td>11898</td>
</tr>
<tr>
<td>S.E. Asian Drug Source</td>
<td>4057435</td>
<td>11404472</td>
<td>7347038</td>
<td>123</td>
<td>1303</td>
</tr>
<tr>
<td>S. American Drug Source</td>
<td>2114177</td>
<td>9474616</td>
<td>7360440</td>
<td>210</td>
<td>3394</td>
</tr>
<tr>
<td>S. American Drug Source</td>
<td>1214287</td>
<td>8749735</td>
<td>755448</td>
<td>70</td>
<td>653</td>
</tr>
<tr>
<td>Middle East Drug Source</td>
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<td>28483746</td>
<td>14439462</td>
<td>504</td>
<td>2245</td>
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<tr>
<td>S.E. Asian Drug Source</td>
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<td>65563267</td>
<td>45937815</td>
<td>636</td>
<td>8369</td>
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<tr>
<td>S.E. Asian Drug Source</td>
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<td>227282039</td>
<td>128915337</td>
<td>2927</td>
<td>56382</td>
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<tr>
<td>S.E. Asian Drug Source</td>
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<td>463555040</td>
<td>163363644</td>
<td>16523</td>
<td>36713</td>
</tr>
<tr>
<td>S.E. Asian Drug Source</td>
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<td>953138746</td>
<td>294173492</td>
<td>23167</td>
<td>22576</td>
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<td>S.E. Asian Drug Transit</td>
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<td>Caribbean Tax Haven</td>
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<td>-1295599155</td>
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<td>823</td>
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<td>235</td>
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<td>16656929</td>
<td>-246006586</td>
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<td>-31406098</td>
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<td>-6201774</td>
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<td>101</td>
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<td>1276</td>
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<td>-1558051</td>
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<td>Oceania Tax Haven</td>
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<td>-43478</td>
<td>3</td>
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<td>-9521</td>
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<td>1</td>
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<td>Africa Tax Haven</td>
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<td>141330</td>
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<td>638321</td>
<td>53</td>
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<td>2157116</td>
<td>807679</td>
<td>106</td>
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<td>Caribbean Tax Haven</td>
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<td>11240920</td>
<td>6741666</td>
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<td>25</td>
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<td>C. American Tax Haven</td>
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<td>21951142</td>
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<td>61</td>
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</tr>
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<td>6702047826</td>
<td>3129446022</td>
<td>42439</td>
<td>19939</td>
</tr>
</tbody>
</table>
It is important to note that this is all rather “circumstantial evidence”, and does not prove either the existence or the size of flows of hot money to and from Australia. Legitimate businesses and individuals in Australia are at liberty to do business with known drug-source countries and to take advantage of liberal tax regimes in known tax havens, so long as they observe the requirements of Australian law. The figures observed could have entirely legitimate explanations. Equally, however, some of the flow imbalances between Australia and countries which are not labelled drug sources or tax havens could in fact conceal flows of laundered money. Nevertheless, the hypothesis fits the data, and would be consistent with drug importations to Australia to the total value of $655 million per year and the circulation of between $5.5 billion and $7.7 billion via tax havens. The order of magnitude of the figures is on the high side compared to the figure derived earlier for estimates of money laundering. One can, however, speculate that the same mechanisms used by Australian-based launderers will be used by overseas launderers making use of Australia, so it could be expected that estimates derived in this way would include incoming money laundering as well as the locally-sourced variety. It is of interest in this regard that the inflows from the Caribbean and from the tax havens in Europe are in reasonable balance with the outflows to Hong Kong and Switzerland, and one could speculate that they form a circular money trail.
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Figure 8.
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If as much as $655 million per year is being paid for drug imports at wholesale prices, then taking account of losses due to seizures, which would reduce the quantity of drugs available for resale, and taking account of retail mark-ups, one would expect profits for Australian distributors of imported drugs to be of a similar order of magnitude. Levi’s point about the lifestyles of known drug dealers suggests that the sum likely to be available for laundering will be only a modest proportion of the total profits from drugs, but the lion’s share of this would come from the importation of drugs rather than local production, because those involved in international distribution are likely to be more sophisticated than mere party goers.

11. Effects on the Australian Economy

When money is illegally gained, it is transferred from the victim’s control to the control of the offender. In the case of burglary or shoplifting, the money stolen, or the monetary proceeds gained by selling the stolen goods, is transferred from the victim’s household or business to that of the offender.

In cases such as fraud, the victim may be a single person or a large group of shareholders, collective victims of a fraudulent transaction or set of transactions. In the case of victimless offences such as drug trafficking, the proceeds of the crime are transferred from willing buyers to eager sellers. A common thread, however, is that the use made of the money by the offender will probably be different to the use which would have been made of it by the victim or drug user, had the transfer not taken place.

Money laundering, by its very nature, involves investing money in valuable assets such as property, works of art, gemstones and so on. Those who willingly or unwillingly provided the launderer with the cash to invest almost certainly had other things to spend it on, such as normal daily outlays or the future "rainy day". Victims of, say, a superannuation fraud would probably have lost money that they intended for their old age, which would have eventually been spent on day-to-day living expenses and perhaps a few special treats such as holidays. The perpetrator of the fraud is exceedingly unlikely to spend the money in the same way. By contrast, the money might be spent on luxury real estate or other investments such as art works or jewellery. Thus the economy itself is changed when the proceeds of crime are laundered. Money which would have been spent on a given set of goods and services will instead be spent on a quite different set of goods and services. Prices for investments such as real estate may be inflated, because the money launderer's need to find a safe investment for his money over-rides his interest in paying a reasonable price.

Thus, crime and money laundering has three different types of effects upon the economy:
- firstly, there are the losses to the victims of crime;
- secondly, there are the gains made by the criminals;
- thirdly, there is what the U.S. military would probably call "collateral damage" to the national economy.

The flows of money and of goods and services in the national economy are described in complex spreadsheets known as Input-Output models20. The name derives from the fact that the economy is

20 There is a useful explanation of the Input-Output modelling technique in a number of Australian Bureau of Statistics publications, particularly Cat. No. 5237.0 Australian National Accounts, Input-Output Multipliers 1989-90 (pub. 1994), from which the data presented here are selected.
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made up of the interaction of a number of different types of industries, along with the labour force, consumers, imports and exports. The output of one industry can become an input to another industry, or it can be used up by consumers, or it can be exported. Consumers in turn input the labour which keeps industries working. The system of inputs and outputs together form the national economy.

Input-Output models show how much of the output of one industry is required to produce one unit of the output of another industry. If demand increases for the products of industry x, and industry x uses the products of industry y as inputs to its production process, then the model will show how much more of the products of industry y will be needed to produce that extra output of industry x. But if industry y is also required to increase its output to feed the needs of industry x, then all the industries which provide inputs to industry y will also have to increase their output; and so in response to an initial increase in the demand for the products of industry x, there is a ripple effect throughout the economy involving increased demand for other industries' products.

There is then a further stage, because many of the workers involved in all the industries affected by this ripple, will benefit through extra income as a result of the extra production, and they will spend this extra income on goods and services; thus successive waves of increased demand are set in motion. The totality of all these ripples through the economy is measured by a "multiplier". The mathematics of Input-Output models is quite complex and do not have a place in a report of this nature. However, it suffices to say that the multiplier measures the total increase in the economy due to a unit increase in demand in a given industry. Each industry has its own multiplier, or set of multipliers. If demand for a given industry's products increases by $1 million, one can quantify the spin-off effects in terms such as the dollar value of the total increase in output throughout the economy, the dollar value of the total increase in wages and salaries generated throughout the economy, and the total increase in numbers of persons employed throughout the economy. The Table below shows the calculated total responses in the Australian economy\(^{21}\) to an exogenous increase of $1 million in demand for the products of the industries in the left hand column.

Applying these multipliers to the above example of money laundering, it is clear that if a large sum of money is diverted from consumption expenditure to real estate investment, then two sets of "ripples" are set off throughout the economy. Those industries supplying goods and services to the superannuants will suffer a reduction of demand for their services, and this will ripple through their suppliers and their suppliers' suppliers, and so on. At the same time, the industries supplying goods and services to the launderer will experience an increase in demand, which will ripple through to their suppliers and so on. The economy is distorted. It is not necessarily disadvantaged by the distortion, because the positive ripples set up by the launderer's investments may have a greater effect than the negative ripples set up by the superannuants' misfortunes.

Without good data on how much money launderers have to invest or data on how they invest it, we can only speculate on how the economy might be affected. As a body of information is built up, our

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\(^{21}\) Based on the most recently published Input-Output Tables from the Australian Bureau of Statistics. The figures, unfortunately, relate to the year 1989-90, and may have changed since then due to the significant structural changes which have taken place in the Australian economy. It appears unlikely, however, that they could have changed sufficiently to alter the broad conclusions drawn in this paper.

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speculations may become more and more realistic and accurate. At this point in time, it would appear to be impossible to do better than to float a few ideas using hypothetical examples.

### Table 12. Input Output Multipliers, by Sector of Industry.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Output $million</th>
<th>Income $million</th>
<th>Imports $million</th>
<th>Employment # jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Agriculture</td>
<td>2.178</td>
<td>0.38</td>
<td>0.094</td>
<td>28</td>
</tr>
<tr>
<td>02 Forestry, fishing, hunting</td>
<td>2.485</td>
<td>0.646</td>
<td>0.128</td>
<td>26</td>
</tr>
<tr>
<td>03 Mining</td>
<td>2.136</td>
<td>0.428</td>
<td>0.114</td>
<td>15</td>
</tr>
<tr>
<td>04 Meat and milk products</td>
<td>3.008</td>
<td>0.511</td>
<td>0.097</td>
<td>29</td>
</tr>
<tr>
<td>05 Food products nec</td>
<td>2.926</td>
<td>0.588</td>
<td>0.137</td>
<td>27</td>
</tr>
<tr>
<td>06 Beverages, tobacco prod.</td>
<td>2.629</td>
<td>0.495</td>
<td>0.132</td>
<td>22</td>
</tr>
<tr>
<td>07 Textiles</td>
<td>2.778</td>
<td>0.582</td>
<td>0.239</td>
<td>26</td>
</tr>
<tr>
<td>08 Clothing and footwear</td>
<td>2.749</td>
<td>0.692</td>
<td>0.282</td>
<td>34</td>
</tr>
<tr>
<td>09 Wood, wood products nec</td>
<td>2.877</td>
<td>0.704</td>
<td>0.202</td>
<td>34</td>
</tr>
<tr>
<td>10 Paper, printing etc</td>
<td>2.595</td>
<td>0.646</td>
<td>0.226</td>
<td>27</td>
</tr>
<tr>
<td>11 Chemicals</td>
<td>2.597</td>
<td>0.512</td>
<td>0.243</td>
<td>21</td>
</tr>
<tr>
<td>12 Petroleum and coal products</td>
<td>2.438</td>
<td>0.339</td>
<td>0.239</td>
<td>12</td>
</tr>
<tr>
<td>13 Non-metallic mineral prod.</td>
<td>2.630</td>
<td>0.564</td>
<td>0.145</td>
<td>22</td>
</tr>
<tr>
<td>14 Basic metals and products</td>
<td>2.642</td>
<td>0.463</td>
<td>0.154</td>
<td>16</td>
</tr>
<tr>
<td>15 Fabricated metal products</td>
<td>2.911</td>
<td>0.639</td>
<td>0.189</td>
<td>27</td>
</tr>
<tr>
<td>16 Transport equipment</td>
<td>2.554</td>
<td>0.552</td>
<td>0.265</td>
<td>22</td>
</tr>
<tr>
<td>17 Machinery etc nec</td>
<td>2.649</td>
<td>0.631</td>
<td>0.252</td>
<td>26</td>
</tr>
<tr>
<td>18 Miscell. manufacturing</td>
<td>2.641</td>
<td>0.601</td>
<td>0.239</td>
<td>26</td>
</tr>
<tr>
<td>19 Electricity, gas and water</td>
<td>2.386</td>
<td>0.459</td>
<td>0.078</td>
<td>17</td>
</tr>
<tr>
<td>20 Construction</td>
<td>2.694</td>
<td>0.632</td>
<td>0.158</td>
<td>27</td>
</tr>
<tr>
<td>21 Wholesale and retail</td>
<td>2.656</td>
<td>0.772</td>
<td>0.105</td>
<td>35</td>
</tr>
<tr>
<td>22 Repairs</td>
<td>2.549</td>
<td>0.759</td>
<td>0.165</td>
<td>33</td>
</tr>
<tr>
<td>23 Transport, communication</td>
<td>2.463</td>
<td>0.638</td>
<td>0.128</td>
<td>27</td>
</tr>
<tr>
<td>24 Finance, property, etc</td>
<td>2.611</td>
<td>0.786</td>
<td>0.094</td>
<td>30</td>
</tr>
<tr>
<td>25 Ownership of dwelling</td>
<td>1.558</td>
<td>0.14</td>
<td>0.032</td>
<td>5</td>
</tr>
<tr>
<td>26 Public admin., Defence</td>
<td>3.233</td>
<td>0.951</td>
<td>0.194</td>
<td>36</td>
</tr>
<tr>
<td>27 Community services</td>
<td>2.983</td>
<td>1.159</td>
<td>0.124</td>
<td>42</td>
</tr>
<tr>
<td>28 Recreational etc services</td>
<td>2.762</td>
<td>0.747</td>
<td>0.131</td>
<td>36</td>
</tr>
</tbody>
</table>


Suppose one million dollars is transferred from relatively poor victims and laundered through real estate purchases. Suppose also that the victims respond by reducing their expenditure on, say, clothing and footwear. The Australian Bureau of Statistics Tables of Input-Output Multipliers suggest that, as a result of the loss of $1 million in demand for clothing and footwear, the economy will lose a total of $2.877 million in lost output, $692,000 in lost wages and salaries, and a total of 34 jobs - almost half of which would be from the clothing and footwear industry and half from the remainder of the economy. On the other hand, the $1 million increase in investment in real estate (the "Finance, Property" industry) would ripple through to an increase of $2.611 million in overall output, $786,000
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in extra wages and salaries, and an increase of 29 jobs, almost half of which being in the Finance & Property industry.

In this example, the net effect on the economy of a $1 million money laundering operation is a loss of $266,000 in total output, a gain of $94,000 in wages and salaries, and a net loss of five jobs. Imports of goods and services are also affected, with a total reduction of imports of $282,000 resulting from the reduction of demand for clothing and footwear, offset by an increase of $94,000 in imports resulting from the increase in demand for finance and property. On balance, one might regard this scenario to be marginally negative for the economy, but there are positive aspects including a reduction of imports. It is indisputable, however, that there has been a distortion throughout the Australian economy as a result of the laundering operation.

While there are no conclusive data on how the totality of laundered money is invested, it is likely that much of it is invested in dwelling properties. The multipliers for this sector of the economy are clearly the lowest of all industrial sectors, in terms of output, income, imports and employment. This means that, if $1 million of laundered money is invested in dwellings, there must be a net loss to the economy in terms of output, income and jobs, regardless of where the money would otherwise have been spent.

- The net loss of output would range from $578,000, if the money would otherwise have been spent in the mining industry, to $1,675,000 if the money would otherwise have been spent in the Public Administration and Defence sector.
- The net loss of income would range from a minimum of $199,000, if the money would otherwise have been spent in the Petrol and Coal sector, to a maximum of $1,019,000 if it came from the Community Services sector.
- Net Imports would fall least (by $46,000) if the money came from the Electricity, Gas and Water sector, and would fall most if it came from the Clothing and Footwear sector (by $250,000).
- Net Employment would fall by between 7 jobs (if the money came from the Petrol and Coal sector) and 42 jobs (if it came from the Community Services sector).

Let us take a mid-point of each of these ranges, just to obtain a ball-park estimate of potential effects on the economy. We obtain the following figures: - a net loss of $1.126 million of output, $609,000 of lost income, 25 lost jobs and $148,000 reduction in imports. It is important to remember that these estimates relate to the laundering of just $1 million. The total effect on the Australian economy would be estimated by multiplying these figures by whatever is the true estimate of total money laundering. If money laundering amounts to between $5 billion and $10 billion per year, then the scale of effects described above would be multiplied by between 5,000 and 10,000. That is, the economy would lose between $5.63 billion and $11.26 billion of output, between $3.05 billion and $6.09 billion of income, and between 125,000 and 250,000 jobs. The accompanying fall of between $0.74 billion and $1.48 billion of imports would probably be little consolation.

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22. This is calculated as follows: The output multiplier for dwellings (the sector with the lowest output multiplier) is 1.558 and for mining (which has the second lowest output multiplier) is 2.136. If $1 million is removed from mining, the total output loss is $2.136 million. If it is invested in dwellings, the total output gain is $1.558 million. The net change from a transfer from the mining industry to dwellings is therefore $(1.558-2.136) million; i.e. a loss of $0.578 million.
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While these types of analyses can be conducted to quantify the likely overall effects of money laundering on the economy, they ignore another aspect. This is the “bad money drives out good money” phenomenon. Money launderers will be very keen to purchase an asset such as a business or some real estate, because possession of the cash is potentially incriminating while possession of the business or the land enables them to build apparently legitimate wealth. In order to purchase the business or land, they need not be too discriminating in the price they pay. They will outbid other potential buyers with more realistic and honest reasons for buying, not caring if they pay more than the true worth of the purchase. This may drive up the purchase prices of equivalent businesses or parcels of real estate to unsustainable levels, so that only other crime-resourced purchasers can afford to buy. Furthermore, if the launderer buys and operates a business, while simultaneously conducting the criminal activities which generate additional funds, they may integrate these funds into the business, effectively subsidising the business - possible to the point where they drive out legitimate competitors. Finally, they may be tempted to ensure the success of their venture by corrupting public officials or other business colleagues. So, even when the overall effects on the economy are benign, or even positive, there may be significant adverse effects arising from the take-over of legitimate businesses by illegitimate operators.

12. The Effects of Overseas Money Laundering

The calculations made in Section 11 assume that the money was illegally obtained in Australia and is laundered within Australia. Different effects occur both where "hot" money from outside Australia is spent in the Australian economy and where the proceeds of crime in Australia are sent out of the country for laundering and investment. The multipliers in the Table above can also be used in these circumstances to estimate the effects on the Australian economy. In the case of money laundered overseas, the multiplier effect is simply the loss of the victims' purchasing power in Australia, so that if, for example, they would have spent the money on recreational services (industry number 28 in the Table above) there would have been an output multiplier of 2.762; i.e. the loss of output to the Australian economy of $1 million laundered overseas would be $2.762 million. Impacts on incomes, employment and imports can also be read from the Table.

When overseas money is laundered in Australia, losses such as those discussed in the previous paragraph are incurred in those countries - not in Australia. By contrast, the Australian economy benefits, not just by the initial amount brought into the country, but also by the multiplier effects. If, in fact, the money launderer brings $1 million into the country and spends it on recreational services, then Australian output will increase overall by $2.762 million because of the multiplier effects. Impacts on incomes, employment and imports can again be read from the Table.

A wide range of foreign countries were listed as having “significant money laundering activities” in a recent analysis by Ernesto Savona\(^\text{23}\), including Canada, the U.S.A., Aruba, Bolivia, Costa Rica, Mexico, Panama, Paraguay, the Netherlands, Switzerland, Cyprus, Israel, Lebanon, United Arab Emirates, Cote d’Ivoire, India, Pakistan, Hong Kong, Japan and Thailand, some of which have supposedly effective anti-money laundering legislation in place. Other countries which are not regarded as having a significant problem nevertheless all reported instances where attempts have been

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made, some successfully, to launder money through their institutions. These include Austria, Belgium, Denmark, France, Norway, Germany, Sweden, Turkey, Spain, Ghana, Kenya, South Africa, Zambia, and the Philippines. The report describes Australia as “coping with a diverse money laundering situation”. It says the Japanese Yakuza and Vietnamese gold smugglers are active in money laundering in Australia, as are the Hong Kong Triads and ethnic Chinese from Hong Kong and Singapore.

It would indeed be surprising if Australia was ignored by foreign money launderers. Legislation designed to identify “suspicious” transactions can, by definition, only work where there are grounds for suspicion. But where the crimes take place outside Australia it will never be obvious to financial institutions in Australia. Suspicions may be raised by the country of origin of the money, but, while this may be a reasonable guide in relation to drug producing countries, money originating from frauds may be sourced in a far wider range of countries and may be channelled through what appear to be perfectly respectable overseas businesses. Just as the bank clerk is more likely to identify as suspicious a person who doesn’t look respectable enough to have large amounts of legitimate funds, so will funds from a relatively poor country look less respectable than funds from a rich one - yet the potential for large scale crime is clearly greater in a rich country than in a poorer one. If the estimates we have seen in this report are realistic; then the potential proceeds from fraud and fraud-related offences considerable exceeds that from drug offending in a developed country like Australia, hence the potential proceeds of crime are greater in a rich country, yet it is difficult to see how any realistic impression of the extent of incoming money laundering can ever be conceivable while few countries are able to measure the extent of the proceeds of crime in their own territory.

The actual benefits of having money flowing into the country, turning a blind eye to the legitimacy of the funds’ origins, are fairly clear. The money is either invested directly into the economy, with obvious benefits, or if it is merely in transit through the country destined eventually for some other country’s economy, it will incur the usual transaction charges paid to the financial institutions it passes through and the taxes and fees paid to the government. Some countries are quite well aware that their economies are dependent upon the laundering of money in their financial institutions and are reluctant to impose legislation to control such activities. In particular, the erosion of bank confidentiality, seen by international crime prevention forums as essential to eliminate laundering through the legitimate banking systems of the world and hence make important international financial sectors that may be jeopardised” 24. In the section on country profiles, this report also says that, even though Australia’s laws “serve as a comprehensive model for the region and for the world” and our “comprehensive anti-money laundering legislation serves as a deterrent, it has not completely eradicated use of the country’s financial system by money launderers. Australia has been used as a money transfer point for traffickers moving U.S. profits back to Hong Kong as well as a country from which money is wired for final destination to secret European bank accounts.”

There are potential downsides even to the inflow of illicit funds from overseas. The first is the effect of the unfair competition on legitimate businesses. In developing countries, where in coming laundered money may be used to set up new businesses in sectors which were previously not viable, the downside may not be significant, because the businesses may contribute significantly to the economy even though they are foreign owned. In developed countries such as Australia, however, it would be rare for incoming hot money to avoid competing with local money. In these instances,

24 Savona, 1994 op. cit.
legitimate local businesses may very well be driven out by the effects of the incoming money, with a resulting loss of local control of trade to persons who are, effectively, undesirable aliens. A second downside is, again, the possible corruption of public officials and business structures.

13. Summary and Conclusions

Assembling all the estimates of the extent of money laundering is an interesting exercise, as it demonstrates the wide range of opinions held by those who are regarded as experts in the field. One can see how estimates may differ, particularly the extent to which an estimate may or may not include the “incoming” and “outgoing” components of money laundering. Estimates based on the potential proceeds of crime in Australia cannot take into account incoming money laundering. Those based purely on cases proven in the courts cannot include the “dark figure” of unknown money laundering. The Table below shows some of the estimates obtained, together with an assessment of what maybe included and what may be omitted.

At first sight, these figures may seem somewhat disparate and unreconcilable, but this is not really the case. When one considers what each estimate is likely to include and what it is likely to exclude, the picture becomes very much clearer. For example, estimates A, B and C - each based on different expert opinions of the likely extent and use made of the proceeds of crime - appear to be estimating the same quantity - i.e. the sum of money laundering based on crimes committed in Australia, regardless of whether the laundering takes place in Australia or overseas. One is tempted to discount the lower figure for estimates B and C, on the grounds that they are impossible low constructs from the original estimates. A range of between $1000 and $4500 million would appear to be a sensible interpretation of the information provided in these sets of estimates, with perhaps some confidence that the most likely figure is around $3500 million, since this figure lies within all three estimate ranges.

Estimate D appears to be looking at the same components as estimates A, B and C, and is comfortingly parallel in scale, but with a complication that it probable includes non-money laundering tax evasion. We have argued also that tax-related estimates will more readily identify the illicit income of small business than of the major players. An inexact overlapping of estimates A, B and C with estimates D is therefore as one would expect.

Estimate E cannot include the proceeds of fraud and drug crime in Australia laundered in Australia, and is based on a very loose interpretation of international money flows, but it may estimate the combined incoming and outgoing flows of hot money. The extent to which this estimate exceeds estimates A to D might represent the extent of incoming money laundering, and would, if accurate, indicate that this is extensive. However, not too much credibility should be placed in these figures - there needs to be a far more detailed analysis than has been possible here.

Table 13. Summary of Estimates Obtained by the Research

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Bottom of Range Estimate [$ million]</th>
<th>Top of Range Estimate [$ million]</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Description</th>
<th>Estimate</th>
<th>Upper Estimate</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>[A]. AFP estimates for Drug and Fraud crimes; otherwise Author’s estimates</td>
<td>3520</td>
<td>4227</td>
<td>From Section 6.1. Would include only “internal” and “outgoing” ML.</td>
</tr>
<tr>
<td>from Table 2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[B]. Individual Expert Opinion of probability of laundering, applied to</td>
<td>402</td>
<td>4536</td>
<td>From Section 6.3. Would include only “internal” and “outgoing” ML.</td>
</tr>
<tr>
<td>AFP estimates of Fraud/Drug proceeds, and Author’s estimates of proceeds</td>
<td></td>
<td></td>
<td>Mid-range estimates around 1400-2300.</td>
</tr>
<tr>
<td>of other crime from Table 2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[C]. Other Police Opinion of probability of laundering, applied to AFP</td>
<td>328</td>
<td>3783</td>
<td>From Section 6.2. Would include only “internal” and “outgoing” ML.</td>
</tr>
<tr>
<td>estimates of Fraud/Drug proceeds, and Author’s estimates of proceeds of</td>
<td></td>
<td></td>
<td>Mid-range estimates around 900-1500.</td>
</tr>
<tr>
<td>other crime from Table 2.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understatement of Income for Tax purposes.</td>
<td></td>
<td></td>
<td>Probable bias towards minor offences. May exclude “incoming” ML.</td>
</tr>
<tr>
<td>[E]. Interpretation of AUSTRAC data on International Flows of Funds.</td>
<td>6333</td>
<td>8653</td>
<td>From Section 10. Would include “outgoing” and “incoming” ML as well</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>as some “internal” ML.</td>
</tr>
<tr>
<td>[F]. AUSTRAC Suspect Transaction face values data</td>
<td>52</td>
<td>52</td>
<td>From Section 9. Should include “internal”, “outgoing” and “incoming”</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ML. Includes only face values of transactions in participating agencies.</td>
</tr>
<tr>
<td>[G]. Known/Suspected Proceeds of Crime data</td>
<td>20</td>
<td>40</td>
<td>From Section 7. Only proven offences.</td>
</tr>
</tbody>
</table>

Estimates F and G address only subsets of the overall picture - i.e. the face value of suspect transactions in participating cash agencies and assets know/suspected to be proceeds of crime. These can clearly only represent a small fraction of the total extent of money laundering and are, not surprisingly, much smaller than other estimates.

The overall picture is presented graphically in Figures 9 and 10. While not trying to be an exact representation of the various quantities involved, Figure 9 does give a reasonable impression of the relativities between the different estimates. The relative sizes of the estimates are roughly proportional to the size of the ellipses, “fuzziness” of the estimates is reflected in the shadings (with the darker, inner shades representing the lower of the estimates and the paler, outer shades representing the upper estimates), and the overlaps are reflected in the placement of the ellipses.

There is consistency across the different estimates if one chooses the following quanta. Firstly one concludes that between $1000 million and $4500 million of Australian proceeds of crime are laundered within Australia or sent overseas. Next one takes the International Finance-based estimates as showing the potential for incoming money laundering and for laundering of money through Australia. This suggests as much as $5500 million may be being sent out of Australia to overseas tax havens (some of which would be from Australian crime and some being from overseas crime laundering via Australia), and as much as $7700 million brought to Australia for laundering, but it is clear that better data are required before we can have any confidence in this area. Figure 10 tries to express these flows graphically in the context of the Australian and world economics.
Figure 9. Money Laundering Estimates derived from the Study

Legend [Area of ellipse is proportional to size of estimate. Overlaps suggest actual matching of funds]

- Suspect Transactions
- Proceeds of Crime Seizures
- Australian Federal Police estimates
- International Finance estimates
- Expert Criminologists' estimates
- Tax-based estimates
- Other Police estimates
There is no doubt that the estimates contained in this report cannot be used in isolation with absolute confidence. The methodology is one which appears to have converged on a credible figure for money laundering from the proceeds of crime in Australia, but it would be considerable enhanced if it could be matched with equivalent figures from other countries - particularly if international trade in hot money could be assessed. It is a methodology which is flexible enough to be repeated in other countries - even those which have very poor data on crime and on money flows may nevertheless find enough consensus amongst their experts. If the various countries in a trading group were to conduct similar exercises, their individual estimates could be assembled in a multinational model with some interesting and useful attributes. Like the input-output model of an economy, total inputs must equal total outputs and the estimates must balance. The sum of all individual flows of hot money traced from other countries to Australia must, be definition, be equal to the total hot money traced flowing into Australia. If each country in the group produced estimates of the potential extent of money laundering based on crime within its own borders, and some estimates of likely total inflows and outflows of hot money, the various estimates can be juxtaposed mathematically, and a set of mutually consistent estimates generated for each country in the group. If the measurement of the extent of money laundering is seen as an on-going need for policy assessment and development, it would appear that such international cooperative efforts are highly desirable. Not only would the analysis sharpen up surveillance efforts and legislative changes.
Appendix 1. Survey Questionnaire

Questionnaire - Part A Known Proceeds of Crime.

Some offences result in profit to the offender. Can you estimate the total annual "known proceeds of crime in your State/Territory for each of the following types of crime"? The most recently available annual data should be used. Where recent annual figures show erratic trends, a figure representative of the "average" year would be appreciated. If your database is based on a different offence classification, you can respond using your own classification if you prefer.

Question A1. Homicide
(includes Murder/Attempted Murder/Conspiracy to Murder/Manslaughter/ Manslaughter by driving.)
$ ................... ..........................?

Question A2. Other Offences Against the Person
(includes Assault, Sexual Assault, Sexual Offences (consent proscribed), Kidnapping/Abduction, Illtreat Children, Highjacking/endangering life, and Defamation/Libel.
$ ................... ..........................?

Question A3. Robbery and Extortion
(includes Armed Robbery/Other Robbery/Blackmail/Extortion.)
$ ................... ..........................?

Question A4. Breaking and Entering
(includes Unlawful Entry with Intent, etc)
$ ................... ..........................?

Question A5. Fraud and Misappropriation
Offences involving Fraud generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories of fraud, please amend the questionnaire to reflect your own categories.

A5[i] Insurance Fraud
$ ................... ..........................?

A5[ii] Business Fraud (i.e Frauds by business entrepreneurs):
$ ................... ..........................?

A5[iii] Fraud against Businesses (i.e Frauds by employees, suppliers, customers):
$ ................... ..........................?

A5[iv] Fraud on the public sector:
$ ................... ..........................?

A5[v] Other Fraudulent Offences:
$ ................... ..........................?

Question A6. Thefts
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Offences involving Theft generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories, please amend the questionnaire to reflect your own categories.

A6[i] Theft of Motor Vehicles, Boats, Aircraft etc
$.................. ..................?

A6[ii] Stealing from the Person
$.................. ..................?

A6[iii] Stock Theft (i.e. farm livestock)
$.................. ..................?

A6[iv] Shoplifting
$.................. ..................?

A6[v] Other Theft
$.................. ..................?

Question A7. Arson and other Property Damage
$.................. ..................?

Question A8. Pollution/Flora and Fauna/Other Environmental Offences
$.................. ..................?

Drug offences generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories, please amend the questionnaire to reflect your own categories.

A9[i] Import/Export Drug Offences
(includes Import/export of prohibited drugs including opium derivatives, cocaine & derivatives, other narcotics, cannabis, other illegal drugs.)
$.................. ..................?

A9[ii] Manufacture/Grow Drug Offences
(includes Manufacture/grow a range of prohibited drugs including opium & derivatives, cocaine & derivatives, other narcotics, cannabis.)
$.................. ..................?

A9[iii] Dealing/Trafficking Drug Offences
(includes Deal/traffick a range of prohibited drugs including opium derivatives, cocaine & derivatives, other narcotics, cannabis and other illegal drugs. Excludes Import/Export and Manufacture/Grow offences.)
$.................. ..................?

Questionnaire - Part B Money Laundering.
Some of the proceeds of crimes may become the subject of money laundering activities. For the following types of crime, can you estimate the percentage of the total "proceeds of crime" that is laundered so that it appears to have been legitimately obtained?

Question B1. Homicide
(includes Murder/Attempted Murder/Conspiracy to Murder/Manslaughter/Manslaughter by driving.)
☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B1a. How confident are you of this answer?
Reasonably confident based on personal knowledge .................. ☐
Reasonably confident based on what you've heard others say ..... ☐
Not very confident, an educated guess ................................. ☐
No confidence at all - pure guess ....................................... ☐

Question B2. Other Offences Against the Person
(includes Assault, Sexual Assault, Sexual Offences (consent proscribed), Kidnapping/Abduction, Illtreat Children, Highjacking/endangering life, and Defamation/Libel.
☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B2a. How confident are you of this answer?
[Responses categorised as before]

Question B3. Robbery and Extortion
(includes Armed Robbery/Other Robbery/Blackmail/Extortion.)
☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B3a. How confident are you of this answer?
[Responses categorised as before]

Question B4. Breaking and Entering
(includes Unlawful Entry with Intent, etc)
☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B4a. How confident are you of this answer?
[Responses categorised as before]

Question B5. Fraud and Misappropriation
Offences involving Fraud generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories of fraud, please amend the questionnaire to reflect your own categories.

Question B5[i] Insurance Fraud
☐ I really don't have a clue.
☐ My estimate is ................................................................. %
Money Laundering in Australia

Question B5[i]a. How confident are you of this answer?
[Responses categorised as before]

Question B5[ii] Business Fraud (i.e Frauds by business entrepreneurs):
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B5[iia]. How confident are you of this answer?
[Responses categorised as before]

Question B5[iii] Fraud against Businesses (i.e Frauds by employees, suppliers, customers):
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B5[iii]a. How confident are you of this answer?
[Responses categorised as before]

Question B5[iv] Fraud on the public sector:
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B5[iva]. How confident are you of this answer?
[Responses categorised as before]

Question B5[v] Other Fraudulent Offences:
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B5[v]a. How confident are you of this answer?
[Responses categorised as before]

Question B6. Thefts
Offences involving Theft generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories, please amend the questionnaire to reflect your own categories.

Question B6[i] Theft of Motor Vehicles, Boats, Aircraft etc
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B6[i]a. How confident are you of this answer?
[Responses categorised as before]

Question B6[ii] Stealing from the Person
☐ I really don't have a clue.
☐ My estimate is .......................................................... %

Question B6[ii]a. How confident are you of this answer?
Money Laundering in Australia

[Responses categorised as before]

Question B6[iii] Stock Theft (i.e. farm livestock)
☐ I really don't have a clue.
☐ My estimate is ......................................................... %

Question B6[iii]a. How confident are you of this answer?
[Responses categorised as before]

Question B6[iv] Shoplifting
☐ I really don't have a clue.
☐ My estimate is ............................................................ %

Question B6[iv]a. How confident are you of this answer?
[Responses categorised as before]

Question B6[v] Other Theft
☐ I really don't have a clue.
☐ My estimate is ............................................................ %

Question B6[v]a. How confident are you of this answer?
[Responses categorised as before]

Question B7. Arson and other Property Damage
☐ I really don't have a clue.
☐ My estimate is ............................................................ %

Question B7a. How confident are you of this answer?
[Responses categorised as before]

Question B8. Pollution/Flora and Fauna/Other Environmental Offences
☐ I really don't have a clue.
☐ My estimate is ............................................................ %

Question B8a. How confident are you of this answer?
[Responses categorised as before]

Drug offences generate large amounts of criminal proceeds, and it helps to break the category into different sub-classes. If your jurisdiction uses different categories, please amend the questionnaire to reflect your own categories.

Question B9[i] Import/Export Drug Offences
Money Laundering in Australia

(includes Import/export of prohibited drugs including opium derivatives, cocaine & derivatives, other narcotics, cannabis, other illegal drugs.)

☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B9[i]a. How confident are you of this answer?
[Responses categorised as before]

Question B9[ii] Manufacture/Grow Drug Offences
(includes Manufacture/grow a range of prohibited drugs including opium & derivatives, cocaine & derivatives, other narcotics, cannabis.)

☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B9[ii]a. How confident are you of this answer?
[Responses categorised as before]

Question B9[iii] Dealing/Trafficking Drug Offences
(includes Deal/traffick a range of prohibited drugs including opium derivatives, cocaine & derivatives, other narcotics, cannabis and other illegal drugs. Excludes Import/Export and Manufacture/Grow offences.)

☐ I really don't have a clue.
☐ My estimate is ................................................................. %

Question B9[iii]a. How confident are you of this answer?
[Responses categorised as before]

Questionnaire - Part C  Respondent Information

Question C1 - Your Organisation/Agency
State/Territory Police .............................................................. ☐
A.F.P. .................................................................................. ☐
Other Police Agency (incl. Common Police Services) ........... ☐
Other Justice Agency [e.g. DPP, NCA etc] ............................. ☐
Other Government Agency [e.g. Customs, Tax etc] .......... ☐
Non-Government Agency [e.g. Finance Sector etc] ............. ☐
University ........................................................................... ☐

Question C2.- State/Territory
NSW .................................................................................... ☐
Victoria .................................................................................. ☐
Queensland ......................................................................... ☐
West Australia ..................................................................... ☐
South Australia .................................................................... ☐
Tasmania ............................................................................... ☐
Northern Territory .................................................................. ☐
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Australian Capital Territory .................................................................

Question C3 - Your Age

Under 25 years .............................................................................
25 and under 50 years .................................................................
50 years and over ........................................................................

Question C4 - Your Area of Interest

Fraud Squad .................................................................
Drug Squad ........................................................................
Proceeds of Crime ..............................................................
Homicide ............................................................................
Robbery .............................................................................
Major Crime ........................................................................
Prosecutions ......................................................................
Statistics/Research ............................................................
Other (Please Specify) .............................................................