

Cannabis cultivation in the Tilburg area

How much money is involved and where does it go?

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Introduction

In the Netherlands, cannabis cultivation is generally considered a serious and widespread illegal activity (Bovenkerk, 2001; Bovenkerk and Hogewind, 2003; Spapens *et al.*, 2007; Emmett and Boers 2008; Jansen 2012). The origins of the problem can be traced back to the early 1990s, when indoor cultivation methods were introduced that rendered cannabis of excellent quality (Boekhout van Solinge, 2008). Cannabis cultivation is an illegal activity with a low socio-criminal threshold: one hardly needs contacts in the criminal underworld to start a plantation. So-called grow shops provide all growing equipment and advice on how to set up a nursery openly. The shops also illegally sell secretly cuttings and buy up the harvests or at the least direct the growers to others who do so (Spapens *et al.*, 2007). Although a recent change in legislation increased restrictions on grow shops, many people have over the years gained experience in the cannabis ‘industry’ and new growers can easily find persons who are able to give advice on how to set up and operate a nursery.

An important question is how much ‘black’ money cannabis cultivation generates and how this impacts on society. In this chapter I address this question focusing on the Tilburg area in particular. Tilburg is a medium-sized town of about 195.000 inhabitants in the south of the Netherlands. A key source of information is an informer who, in April 2012, walked into a police station and gave extensive information on his own criminal organisation and on the cannabis network in the Tilburg area. His job had been to manage 10 – 15 cannabis nurseries, and this position allowed him to provide a unique insight in the cannabis network. Based on this information the authorities drew up a document

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titled ‘*Integrated call for action*’ to which I contributed as a scientific advisor (RIEC Zuidwest *et al.*, 2013; Noordanus, 2016).

Although one could argue that this is only a one person’s view, it does not happen often that insiders who hold a key position in a criminal group and who maintain many contacts in the criminal underworld decide to open up. In addition, the information was checked as thoroughly as possible, and was used as a starting point for an investigation of his criminal group as well as for a search operation for money hidden in cannabis cultivators’ homes. The informer had a photographic memory and was able to recall in great detail. One example is the information he gave about a shooting that took place in a cannabis nursery because the person who was assigned to guard it against thieves when the plants were almost ready to be harvested got nervous and fired his gun when he thought that someone was fumbling with the backdoor at night. No one was injured and neighbours never reported the incident to the police, but when officers visited the place they found bullet holes exactly where the informer had indicated. Generally, most of his other insights proved to be accurate or at least plausible when checked against information from other sources such as previous investigations and research.

This chapter starts with a brief history of cannabis cultivation in North Brabant. Next I address the investments and revenues associated with a cannabis nursery of 1.000 plants, followed by an estimate of the total revenues of cannabis cultivation in the Tilburg area. Then, I will focus on how the money is spent and invested in economic activities.

The history of cannabis cultivation in North Brabant

Although cannabis cultivation is an illegal activity in all Dutch regions, the problem has been more visible in the south than elsewhere. For almost a decade the police detect a disproportionately high number of nurseries in the southern provinces, and in North Brabant in particular. There is not a single explanation for this discrepancy, although the province has a long history of criminal activity. Since the beginning of the 1990s southern criminals started to focus on the production of synthetic drugs and cannabis (Spapens, 2016). As early as 1992, the police uncovered a nursery of 80.000 plants in the Tilburg area. In 1994, the Dutch police dismantled 323 nurseries, 31% of which were located in the south of the Netherlands (Weijenburg, 1996: 184–185). One of the practical explanation for the extent of cannabis cultivation in North Brabant might be

the fact that from 1995 – 2005 almost all investigative efforts were focused on synthetic drugs production (Spapens, 2006). The effect was that criminal groups involved in growing cannabis could operate almost with impunity. In 1998, police intelligence showed that all known organised crime groups in one of the three police regions in North Brabant had switched from ecstasy production to cannabis cultivation or combined the two activities (Gooren and Rebel, 1998).

For a long time, the police limited itself to dismantling cannabis nurseries upon receiving information and occasionally searched known hotspots such as trailer parks and economically weak neighbourhoods where many people increased their annual income by growing cannabis themselves or by providing space to criminal groups who installed the nurseries (Bovenkerk, 2001). It was clear that the number of plantations detected represented merely the tip of the iceberg. A police officer once told the present author that “if we flew on a cold night with a helicopter equipped with infrared sensors entire city neighbourhoods and also many parts of the countryside would light up like a Christmas tree because of the warmth of the lighting used in the plantations.” However, a suspicious infrared signature was (and is) insufficient cause for searching the premises and nowadays professional growers take better measures to prevent heat leaking from the plantations. Whilst going after the nurseries had some effect – particularly because growers who had installed one in social residence buildings could be evicted from their homes; something they feared very much – it hardly affected criminal structures. Furthermore, large-scale investigations of criminal groups proved to be inefficient, mainly because penalties were so low that illegal activities were hardly interrupted. According to a police officer, the ‘bosses’ simply kept running things from prison via messages to their wives or accomplices who had been released already.

The taskforce

Logically, all of this did not help to reduce the size of the cannabis industry. In 2011, the mayors of the five largest towns in North Brabant, together with the Minister of Safety and Justice and the King’s Commissioner of the Province of North Brabant decided to establish a ‘taskforce’ to rein in the problem. One of the reasons was that criminals increasingly challenged the authorities. In 2010, for instance the mayor of Helmond had to be put under 24-hour police protection because of severe threats related to the fact that the municipality had allowed a second coffee shop. The shop was also attacked twice with an explosive. In 2012 criminals set fire to the town hall of Waalre which was totally

destroyed. In several municipalities persons closely related to the criminal underworld succeeded in gaining political influence, mainly by sponsoring local political groups. Second, the cities of North Brabant continuously ‘scored’ negatively on the ‘Municipal safety index.’ Although the index was based on registered (petty) crime, further study revealed that these crimes were interwoven with organised crime and with cannabis cultivation in particular (Beke *et al.*, 2010).

The taskforce – first named ‘B5’ and later ‘Brabant Zeeland’ – was tasked with dismantling the criminal groups behind cannabis cultivation and trade; destroying underlying criminal structures, and the confiscation of illegally acquired assets. The taskforce started in 2012 and developed an integrated approach in which criminal investigation is combined with fiscal and administrative measures. A ‘confiscation team’ that was part of the Taskforce started to seize proceeds. From 2014 onwards, emphasis shifted back somewhat to traditional criminal investigation because the Ministry of Justice assigned 75 extra detectives to the taskforce. However, the public prosecution service – in the Netherlands public prosecutors formally manage criminal investigations on a day to day basis – remains a weak spot because of budget cuts and the fact that few public prosecutors are capable of handling large organised crime cases, and those who can are faced with extreme workloads and pressure.

To what extent the Taskforce has been effective is difficult to assess. Indeed, the Taskforce ‘dismantled’⁴⁵ criminal groups in 2015, but relatively few key figures have been arrested and convicted (Taskforce Brabant Zeeland, 2016). For a part this is the result of a policy that focuses on confiscating assets a person’s legitimate income cannot account for. If the suspect agrees to renounce the money and valuables voluntarily, he will not be subjected to further criminal investigation. Such an approach is efficient because it does not burden the criminal justice system but it is also criticised by lawyers who argue that the court must always review such a ‘deal.’ In addition, the Taskforce focused on grow shops and suppliers of cannabis cuttings, claiming that this intervention visibly increased scarcity (Taskforce Brabant Zeeland, 2016). However, it is clear that a cannabis network that has been able to develop and thrive for over a period of almost twenty years cannot be disrupted overnight. For the years to come cannabis cultivation will remain a key criminal activity in North Brabant.

Running a cannabis nursery: investments and revenues

This section addresses the question how much revenue a professional cannabis nursery brings in to the grower. Here we compare the official calculations drawn up by the confiscation bureau of the Ministry of Justice with those of the informer. It is of course difficult to produce general estimates because variables such as the size of a cannabis nursery, the type of cannabis, and the amount of lighting and fertilizers used, also impact on the quality and the size of the harvests. It was not before 2005 that national guidelines were drawn up in the report 'Standard calculation of criminal profit of an indoor cannabis nursery with artificial lighting'.² The report was updated in 2010 and is leading in court cases. The table below presents the official guidelines and compares these to the informer's figures.

The information presented in the next Table shows that in the informer's experience, his nurseries on the one hand produced more cannabis than the confiscation bureau uses in its estimates. Furthermore, the kilo price was at the time surpassing the authorities' assumption. On the other hand, investment costs were also much higher than the Ministry of Justice calculated. The differences can be explained in various ways. First the official estimates are an average derived from a substantial number of financial investigations of revenues gained by suspects of cannabis cultivation, whereas the informer's estimates are based on his own nurseries and to some extent on discussions with fellow growers.

² *Standaardberekening wederrechtelijk verkregen voordeel bij wietkwekerijen* (Weustenraad, 2005).

Table 1
Estimates of crop and profit by the Confiscation Department
and informant

	Confiscation department	Informant
Growing cycle	10 weeks	9 weeks
Number of harvests per year	4	6
Dried cannabis yield/plant	30,9 grams	40-57 grams
Wholesale price per kilo	€3.280	€4.250
Investment costs		
Construction of a 1.000 plant nursery (9 plants per square meter)	€10.000	€60.000
Cuttings	€2,85/piece	€3,50 - €5/piece (depending on cannabis species)
Water	16,35 litre/plant	30-50 litre/plant
Nutrients	€1,89/plant	€0,50 - €0,75/plant (excluding pesticides)
Electricity (600 watts lighting per m ²)	614,65 Kwh per m ²	720 Kwh per m ²
Cutting of cannabis buds	€2/plant	€4,50 - €5,50/plant

Second, cannabis cultivation is not a transparent market and revenues as well as costs may vary across the wholesale buyers and equipment suppliers with whom the grower does business. Of course, economies of scale apply to legal growing equipments, such as lighting, nutrients, and garden mould: large-scale growers would certainly be able to receive ‘volume discounts’ at grow shops.

Third, the confiscation department solely calculates *direct expenses* of setting up and operating the nursery because these are deductible from the profits. Thus, criminals cannot introduce all sorts of *indirect costs* into the equation. However, for cannabis growers such costs can indeed be substantial, particularly those of measures to avoid detection. These are built-in expenses increased due to more neighbourly awareness. In recent years, more people became aware that unusual activities in nearby dwellings and commercial buildings might be related to cannabis cultivation which may motivate them to report their suspicions anonymously.³ Thus, professional growers must disguise the operation of a nursery in a private dwelling, for instance, by disguising measures: decorating the rooms visible from outside and maintaining the garden, all to avoid the

³ In the Netherlands, people can report crimes anonymously by telephoning ‘*Meld misdaad anoniem*’, a provision comparable to Crime Stoppers in the United Kingdom. Statistics show that most calls indeed concern cannabis cultivation.

impression that nobody lives there. Similar measures are needed when the nursery is installed in commercial property. For example, the informer told that when his group used a storage facility to grow cannabis they also had to employ a few people to pretend to pretend to 'work' there by driving around with a forklift truck; loading and unloading boxes, and having an occasional friendly chat with workers from neighbouring companies.

According to the Ministry of Justice, the informer's estimates are generally realistic. The bureau recognises that it underestimates the yield of a single plant and that informer's figures may be more accurate. However, the bureau does not acknowledge initial construction costs, even if we assume that these can be paid off over a number of crops and take into account that the informer also includes indirect costs. If we follow the informer's calculations, return on investment of the first crop would be no more than about 1:3. By comparison the confiscation bureau's calculations add up to a return on investment of 1:6, even if we take as a starting point a lower yield and kilo price. Based on interviews with growers, Spapens *et al.* (2007) estimated the investment costs of a 300-plant cannabis nursery at between €2.500 and €5.000. This would range a return on investment of between 1 : 8 and 1 : 30 depending on the yield per plant and kilo price taken as a starting point.

The above illustrates the complexity of drawing up reliable calculations of the criminal profits of a single cannabis nursery. Judges are usually reluctant to follow the prosecutor's calculations of criminal profits, which might explain why the bureau is rather conservative in its estimates. At the time the informer made his statements, he was unsure whether the authorities would try to recover his illegal assets and therefore he did perhaps exaggerate costs because these can be deducted from gross profits.

Apart from these factors, many others circumstances may affect the size of the harvest, such as the grower's proficiency and failed crops. Producing reliable estimates becomes even more complex when we try to calculate the amount of money generated through cannabis cultivation in the entire Tilburg area.

The combined revenues of cannabis cultivation in the Tilburg area

Over the past decades several researchers tried to estimate the annual amount of cannabis illegally grown in the Netherlands. Given the fact that this activity can be defined as a 'victimless' crime these estimates must primarily be based on sources such as police data on discovered cannabis nurseries and information collected during criminal investigations, and data from the energy companies on

the amount of electricity leaking from their networks which can be attributed to theft. It is hardly surprising that estimates differed widely and have been the topic of debate. Estimates produced in the 1990s and early 2000s ranged from 38 tons per year to 250 tons (Korf, 2003; Bovenkerk and Hogewind, 2003). The first figure is definitely far too low because it would imply that the police seize most of the locally produced cannabis (Spapens, 2011).

In 2006, an internal police study set the estimate at a minimum of 323 tons and a maximum of 766 tons (Van der Heijden, 2006). Even with this wide margin of error the figure was politically volatile, because estimated domestic consumption was only 22 to 54 tons and the outcome implied that the larger part of the cannabis was sold to foreigners, either to drug tourists visiting the coffee shops or to dealers abroad. Drug researchers, although unable to produce better estimates, dismissed the estimate as unrealistically high.⁴ A few years later Van der Heijden also distanced himself from these figures, but mainly because only 2% of the cannabis produced was intercepted and seized, which with hindsight he qualified as impossibly low. But is it?

Others argued that the methodology was inherently sound, although the limited quality and availability of data did not allow an exact estimation (Spapens *et al.*, 2007). The fact that the police in the Netherlands and other destination countries on the European continent intercepted so little Dutch cannabis could easily be explained by the 'open borders'. For a courier who transports drugs in his car the chance of being stopped if he joins the regular stream of cross-border commuters during rush hours is indeed virtually nil (Spapens, 2008). Recent information from the Dutch police indicates that criminals use on large scale small rental cars that have been modified to allow easy access to 'empty' spaces where a 'kilo shipment' can be hidden, such as the doors. Even if the car is stopped, the police often fail to detect this. And although the United Kingdom maintains its fixed border controls the volume of private cars and commercial vehicles entering the country also results in a low risk of detection.

After 2006, for a number of years only the power companies cooperating in the Platform against Energy Theft (*Platform Energiediefstal*) kept drawing up internal estimates of stolen electricity, which in 2012 amounted to 1 billion kilowatt hours of which most was attributed to cannabis nurseries. Based on its experience with discovered plantations the Platform estimated that the average annual electricity consumption of a cannabis nursery is 35.000 kilowatt hours.

⁴ This became clear for example during a discussion at the annual conference of the International Society for the Study of Drug Policy held in Utrecht on 23-24 May 2011.

Because almost all professional growers steal electricity to cut costs and avoid detection because the power companies monitor disproportional consumption, it would imply that about 30.000 plantations of different sizes existed in the Netherlands at that time. Of course, this is a rough estimate: it does not include small nurseries that do not use stolen electricity; people may also steal electricity for other purposes; leakage of electricity cannot be measured exactly; the estimate is based on the average size of a nursery, so the total number may be lower as well as higher.

Only in 2014, the research institute of the Ministry of Justice published new official estimates. A study was commissioned because of the ongoing political debate about regulating the cultivation of cannabis destined for the Dutch coffee shops (Van der Giessen *et al.*, 2014). One of the important arguments of those who are in favour of such a step is that this would substantially reduce the number of illegal cannabis nurseries. However, this effect will hardly materialise when the larger part of the harvest never reaches the coffee shops but is trafficked abroad instead. The study adopted a more advanced mathematical method but the outcome was similar to the 2006 report. It set annual production of Dutch cannabis at 171 to 965 tons with 95% of the estimates ranging between 271 and 613 tons. Consumption was estimated at between 28 and 119 tons, with 95% of the estimates ranging between 32 and 49 tons when consumption by non-resident visitors of coffee shops was excluded and between 51 and 78 tons when it was included. The authors concluded that 95% of the export estimates ranged between 231 and 573 tons, when consumption by non-residents was excluded, and from 206 to 549 tons when consumption by non-residents was included. The government thus concluded that regulating cannabis cultivation would hardly affect illegal production.

Although criminal investigations of large-scale cannabis exporters are relatively scarce, a few examples of such criminal groups show that these alone trafficked amounts that almost equalled indigenous consumption. In 2004, the Dutch police investigated a group based at a trailer camp in the Eindhoven region that steadily sold 200 kilos of cannabis to foreign dealers every week, adding up to an annual supply of 10 tons (Spapens *et al.*, 2007). In 2012 another group operating in the same area managed to traffic 600 kilos per week mainly to the UK and Italy. This adds up to 31,2 tons per year. This case – codenamed operation Maskerbij – attracted much media attention for instance because main suspect Aran de Jong was murdered before he could stand trial.

If we assume the above estimates to be correct to the best of our knowledge, how many cannabis nurseries can we assume to be located in the province of North Brabant? The Dutch police discover about 5.000 – 6.000 nurser-

ies per year, of which 20% are found in North Brabant. In 2012 the province accounted for 280.000 plants seized, which sets the average size of a cannabis nursery at about 260 plants.

According to the informer, wholesale buyers in the Tilburg area bought up about 20.000 kilograms of 'wet' cannabis per week. When we transpose this figure to dried cannabis at a conversion rate of 24%, annual production would measure about 250 tons, which requires at least 750.000 plants in different growing stages. At an average size of 260 plants, this would require 2.900 nurseries. Criminal groups, however, usually operate larger plantations. The informer's group permanently ran some 12 nurseries with an average size of 850 plants. He personally knew seven criminal groups in the city comparable to his own organisation. He estimated that about 60 such groups in total were supplying wholesale buyers in the Tilburg area. These groups would thus operate some 720 nurseries with 612.000 plants. This leaves 2.200 independent growers with nurseries of at least 60 plants each.⁵

It is important to notice that the informer did not exactly define the boundaries of the Tilburg area, but he certainly did not limit the area to the city of Tilburg. Furthermore, he talked about the amount of cannabis that was bought up by dealers in the area which does not mean that all cannabis is grown there too. In fact, the informer's own criminal group had some of its nurseries just across the border in Belgium.

Even with these nuances the revenues of illegal cannabis cultivation are gigantic. If we accept the estimate of the informer of 4.800 kilos of dried cannabis bought up on the regional market, weekly turnover would be €16 million based on the average kilo price of €3.280 set by the confiscation bureau of the Ministry of Justice. Annual turnover would thus add up to €818 million. The informer set the average costs of growing materials, transport and avoiding detection at €45 million so net profit would be about €773 million with a return on investment of about €17 for every euro invested.

Logically, the figures shocked the authorities. But how does it impact on society? We must take into account that cannabis cultivation is labour intensive and revenues are split over a large number of people. According to the informer the cannabis industry in the Tilburg area employed about 2.500 people in different roles. This seems to be rather conservative because if we assume that a nursery requires at least one person to operate it, some 2.200 persons are independent growers. This would leave only 300 members of criminal groups, and

⁵ Media reports on detected cannabis nurseries indeed show that most are smaller than the 260-plant average, although a 100 plants average seems to be more accurate.

facilitators working for different crime entrepreneurs, such as electricians, members of bud cutting crews, and real estate agents who search for suitable growing locations. Thus, probably more people are involved than 2,500.

How much money is then made by whom? To begin with, we can estimate the revenue generated by independent growers. Based on the information available, a 60-plant cannabis nursery renders an average annual profit of about €45,000.⁶ This would add up to about €100 million for all independent growers. If we accept the estimate of 60 criminal groups operating in the Tilburg area, these would generate a profit of €11 million on average. This is in line with the revenues generated by the informer's criminal group. It produced 2,3 to 3,1 tons of cannabis annually, leaving a net profit of between €7 and €12,5 million. Unfortunately, the informer did not reveal how this money was split. However, if we assume that some 10 persons earn an average salary equal to that of an independent grower, the two 'bosses' of his group would annually cash between €3,3 and €6 million each.⁷

This analysis shows that being part of the cannabis industry does indeed bring in a substantial amount of tax-free money to a substantial number of people, but also that most of them are not 'top earners'. It is not the first observation that in terms of money 'many move few and few move very much' (Van Duyne and Miranda, 1999; Van Duyne and Soudijn, 2010). This is reflected in how the money is spent, the topic I will address in the next sections.

Spending money on the good life

Earlier Dutch research showed that criminals usually have an expensive lifestyle that costs them thousands of euros every year (Van Duyne, 1995; 1996; Klerks, 2000; Meloen *et al.*, 2003; Van Duyne and Levi, 2005). Those who operate smaller nurseries also predominantly spend the extra money on luxury. One grower interviewed by Spapens *et al.* (2007) stated that he and his girlfriend spent all of it on partying, drugs, gambling in casinos, and dinners in expensive

⁶ This is calculated as follows: 60 plants yield 2,4 – 3,4 kilos per crop. At a kilo price of €3.280, 5 crops per year generate a turnover of €39.360 – €56.000. If we estimate profit rates at 15 to 1, annual net profit would range between €37.000 and €52.000.

⁷ The informer claimed that he had hardly made money himself, mainly because the bosses held him accountable for lost profits if the police discovered a nursery or when the size of the harvest fell below expectations. Logically, we assumed that this part of his story was not very plausible although criminal groups do indeed apply this tactic to 'outsiders' who agree to install a plantation at their premises.

restaurants. Cannabis growers operating in the Tilburg area are no exception. The informer also stated that much of the income was spent on expensive designer clothing, the nightlife, parties, dinners at Michelin starred restaurants, holidays, and designer furniture and other valuables to decorate the house. According to the informer, one of the key persons in his criminal group bought clothes to the extent of €1.000 to €2.000 every week and he also possessed 80 to 100 pairs of designer shoes. He never washed his clothes, but simply threw them away after wearing them once and bought new garments. A peculiar finding is that some of the cannabis growers of Muslim origin also donated substantial sums to the mosque.

Apart from this, growers spend large sums on extensive reconstructions of their houses, as well as new kitchens and bathrooms for example. Impulsive decision-making is not uncommon. For example, after a few hot days someone decided that it would be a good idea to have an above ground swimming pool installed in his garden, including a complex tube heating system. However, after the summer season he quickly lost interest and did nothing to maintain the pool during the winter, after which it became unusable and had to be torn down.

Frequent holidays abroad are also very important, because these offer the opportunity to enjoy expensive luxury without attracting the attention of neighbours (or authorities) who might be wondering where the money came from. According to the informer, holidays with the family usually cost several ten thousand euros per week, usually paid in cash. This required some extra measures, because one can only carry €10.000 without the obligation of declaring it with the Customs. In the Netherlands, being intercepted at the airport with a substantial amount of cash money – even if the sum is below the threshold – might be a reason for further investigation. Furthermore, the person may be flagged for inspection on future travels. The criminals tried to circumvent the risk by travelling from airports in Germany and Belgium where at the time controls for cash money were less strict. They also assumed (correctly) that flying from a neighbouring country would leave the Dutch police in the dark about their movements because flight information is not shared automatically, and not requested if a person is not under investigation.

Not surprisingly, cars, motorcycles and boats are also objects of desire. Here, the members of the cannabis network had to be more careful because driving an expensive vehicle is bound to attract attention, particularly if the appearance of the driver does not seem to match the price of the car. In the Netherlands, the police and the Tax authorities regularly carry out joint inspections and discrepancies between a person's official income and his or her material possessions

may lead to confiscation. Logically, criminals have thought up a number of methods to prevent this.

To begin with, some of them buy cars such as Citroën, Fiat and Toyota which do not attract as much attention as for example certain types of Mercedes, BMW and Volkswagen because the police know that those are popular in the criminal underworld. Although other brands as such were less conspicuous, the criminals did make sure to order the most powerful and full option models.

Second, because cars were also bought through cash payments, cannabis growers must also take precautions to prevent this from resulting in a suspicious transaction report. A simple method is to have another person with a large enough official income buy the car for you to become the official owner, and he is then paid back in cash. In the past the informer owned a small construction company and posed as owner of a car for another member of his criminal group who officially lived on a social benefit. The car dealer was well aware of the scheme and agreed that the car was partly paid in cash in terms that did not exceed the threshold that required to report these as unusual transactions. The boss and the car dealer knew each other from a fitness centre where both of them trained. A friendly car dealer was also essential in another case: here the car remained in the dealer's administration as in stock, which also allowed the user to regularly change it for another vehicle and thus make it more difficult for the police to track or bug him by installing a GPS-locator or a listening device.

However, the most popular option is not to own the car at all, but to lease it or rent it instead. For a criminal, this is beneficial in several ways. To begin with it requires less money to lease or rent an expensive car instead of buying it, and can be justified more easily when the police or the tax authorities start to ask questions. Second, the lease or rental company remains owner of the car and the authorities cannot seize it. Third, it allows to change cars regularly. Fourth, if the police need information about the car or on the person who is driving it, they need to contact the lease or rental company. Usually, criminals lease or rent their cars with shady businesses run by persons closely associated with the criminal underworld. These will immediately give notification when the police are interested in a specific car and its lessee. In addition, members of the cannabis network usually lease or rent their cars abroad so the police cannot immediately obtain information when for instance they stop it for a traffic inspection. Last but not least, driving a foreign car for a long time also meant that speeding and parking tickets would probably never arrive in the mailbox. The advantages for criminals to drive a rental car has had a significant impact on the

sector. Based on the informer's statements the authorities started an integrated project to target rental companies. It recently revealed that of 38 companies in the Tilburg area, 36 could be qualified as *mala fide*. For example, 70–100% of their customers had criminal records and in many cases the money they spent on rental cars exceeded their official income. In February 2017, the police arrested three managers of a franchise of an international car rental company for money-laundering. They had accepted €750.000 in cash payments over a two-year period, against the company's official policy. Many customers were members of outlaw motorcycle gang *Satudarah*.

Investment in companies and in real estate

One of the authorities' primary worries is the risk that criminals use their money to acquire positions of power in the legitimate economy, for example by setting up businesses and buying real estate. They might also use the companies to facilitate illegal activities such as money laundering. Even if criminals operate their 'upper world' companies without committing any crimes, the risk remains that they will revert to threats and violence against business partners and personnel in case of conflicts.

Once criminals have managed to infiltrate in legitimate business activities it is extremely difficult to remove them from such a position. This is illustrated by experiences in the Amsterdam Red Light District where during the 1980s drug criminals invested for example in real estate, bars, gambling arcades, and coffee shops (*Project Emergo*, 2011). Logically most of them were smart enough to let figureheads with clean criminal records pose as owners or operators. From the mid-1990s onwards the Amsterdam and national authorities put great effort in developing administrative measures to tackle this problem and to prevent newcomers from acquiring operating licenses. In 2003, the Public Administration (Probity Screening) Act (*Wet bevordering integriteitsbeoordelingen door het openbaar bestuur*, BIBOB) expanded legal provisions. This so-called BIBOB-act focuses on economic sectors that have traditionally attracted criminals, such as gambling, prostitution, coffee shops, bars and restaurants but it also allows the screening of applicants for government subsidies and those who want to undertake building activities (Peters and Spapens, 2015). The BIBOB-act is a cornerstone in the Dutch administrative approach in the fight against organised crime, although it has met with criticism. An important issue is that procedures mainly seem to target 'small fry' instead of big criminals (Van der Vorm, 2016). However, in the Netherlands organised crime money does indeed materialise in

small businesses close to home and in real estate as experiences in North Brabant show.

In one case example, criminals ran a relatively small painting company and were successful at acquisitions because they consequently underbid other firms. The company was indeed more important for laundering money than for generating extra income. The same criminal group also provided personnel for the harvesting of oysters in the province of Zeeland. Here they laundered money by hiring personnel and paying them undeclared in cash whilst receiving official payments from their customers. In another example, criminals opted for an online money laundering scheme. They established seven gambling websites which were registered in the Dutch Antilles and inflated the number of customers far beyond the number of actual players to fake a substantial legal income.

It remains unclear to what extent criminals set up legitimate businesses with the aim of running it as a normal one. Some case examples show that they have little time or motivation to operate the business themselves. They appear also to have difficulty in finding capable staff who can manage it on their behalf. Most criminals tend to mistrust their managers and are inclined to threaten them when (financial) results fall below their expectations assuming – sometimes correctly – that they are cheated. Consequently, it usually does not take managers – with a non-criminal background – long before they quit the job (Spapens, 2017; see also: Van Duyne 1996, Van Duyne *et al.*, 2009).

In several other examples the wives or girlfriends started a business. In one case, reported in the media, suspect Humphrey D., who was the ‘boss’ of a group of cannabis cultivators bought a horse riding school for his wife. She told the local newspaper that her husband owned a very successful construction company and that this had allowed the couple to buy the school. The premises were also rebuilt for about €6 million and the mayor had accepted an invitation to do the grand opening. The couple had also been active in charity – they had sponsored for instance the Ronald McDonald house – and announced that they would allow mentally and physically handicapped children to ride horses for free. However, things fell apart when the police arrested the criminal group just before the opening date. Of course, many had had their suspicions about the origin of Humphrey D’s income. Although he did own a construction company the neighbours observed that he never seemed to be doing any work. Naturally, the wife claimed that she had had no idea what her husband’s real ‘occupation’ was.

According to my own observations in my neighbourhood, the businesses started by the wives or girlfriends never last very long. Without exception, they

choose an activity they are familiar with, such as a nail studio, a beauty salon or a clothing shop. Such shops face a lot of competition and usually do not attract many customers, and after a few weeks of being present in the shop from 9am to 6pm things start to get boring. Soon one can expect a note on the door that the shop is now opened from Thursday to Saturday only. A few months later the business is terminated altogether.

However, examples of difficulties and failures do not imply that criminals cannot be successful in legitimate business. For example, some seem to be quite comfortable in the real estate business (see also: Kruisbergen *et al.*, 2015). The cannabis cultivator who bought the horse riding school also had acquired over 20 premises in North Brabant. Another one managed to buy up 74 private homes in the city of Eindhoven in a period of six years with an estimated value of €12 million. He rented out most of his property to students (Spapens, 2016).

In the Netherlands, acquiring real estate is relatively easy because private homes are usually financed through mortgages. Of course, one must prove to have enough income or assets to be able to make the monthly payments to the banks. Those who are employed need a statement from their employer confirming a long-term contract and the related income. One option is to counterfeit a declaration of employment. The aforementioned criminal who bought a large number of houses in Eindhoven for instance used this method (Spapens, 2016). Another option is to find a friendly owner of a legitimate company who is willing to ‘employ’ you on paper and pay out an official salary, which you then refund ‘under the table’ in cash. Most commonly, criminals operate a (small) company for mingling legitimate income with crime money. As in the case of Humphrey D. mentioned above, this helps (to some extent) to explain one’s wealth to the outside world. Only an in-depth inspection by the tax authority would reveal discrepancies between the money-flow and actual business activities. However, this is a risk worth taking, because if no indications of tax evasion exist the chance of random inspection is about once in ten years.

The Tilburg cannabis network also comprises many persons of Turkish descent. The informer told that these mainly laundered money by smuggling it to Turkey and invest it there. These findings are consistent with earlier research (Van Duyne, 1996; Meloen *et al.*, 2003; Kruisbergen *et al.*, 2015). They used money mules who were sent to Turkey carrying amounts of cash under the threshold of €10.000. These mules usually travelled via German and Belgian airports. According to the informer, criminals for instance pushed people from the Turkish-Dutch community who travelled for a holiday or family visit to carry money. However, criminal investigation reveals that mules are also hired by offering them a free trip, a few days in a luxury hotel and some pocket

money. Unfortunately, the informer did not know where Turkish-Dutch cannabis cultivators invest their money in. Earlier research mentioned above revealed that it is mostly used to buy private homes, land and sometimes to invest in hotels.

To what extent members of the cannabis network apply more sophisticated money laundering schemes remains unclear. The informer had no first-hand knowledge but stated that he heard about advices provided by several well-known lawyers who regularly defended cannabis cultivators. One told them ‘hypothetically’ about how he would launder substantial sums. Another lawyer provided ‘for inspiration’ his clients with a copy of the file of a criminal investigation regarding one of his other customers that included details of an off-shore construction. Whether they actually set up money laundering schemes on behalf of their clients is not known, although even their ‘limited’ services obviously conflict with the ethics of a counsellor. When confronted with the information all lawyers of course vehemently denied that any of this had ever happened.

Finally, it also became clear that money is sometimes not spent or invested at all, but hidden instead. The informer gave enough detailed information to allow an extensive search. On 21 August 2012, the police found at 13 different locations €1,4 million in cash hidden in homes and buried in plastic containers.

In sum, although it is often assumed that organised criminals use sophisticated money laundering schemes involving for example offshore constructions, most laundering activities observed in practice tend to be crude and simple. Relatively few members of the criminal underworld make so much money that they require more complex international laundering schemes (Van Duyne, 1996; Meloen *et al.*, 2003; Van Duyne and Levi, 2005; Levi, 2014). As the examples illustrate, the North-Brabant cannabis network is no exception.

Discussion

The focus on money-laundering and in its wake asset recovery is a relatively new phenomenon. First introduced in the United States in the mid-1980s at the height of the ‘war on drugs’, the issue of proceeds of crime quickly grew into a policy with global dimensions (Levi, 2014; Van Duyne, 2003). One important reason is the fear that large amounts of drug money would enter the legitimate economy and allow criminals a corridor to respectable positions in society, whilst at the same time undermining the integrity of the financial system, of other businesses and of government institutions, for instance by out-

competing bona fide companies and by obtaining political influence. Furthermore, financially successful crime entrepreneurs may become ‘untouchables’ for law enforcement, because they can increasingly detach themselves from the criminal handwork.

Second, there is the moral notice that ‘crime should not pay.’ At the local level, most citizens have a pretty good radar for people who show financial success that is not explained by the nature and extent of their economic activities. On the one hand this annoys people: whenever the ‘confiscation team’ comes to seize assets such as expensive cars and immense flat-screen televisions, the neighbourhood stands around applauding. On the other hand, it may also inspire others to take the same ‘easy’ route for the big money. For example, a criminal in the south of the Netherlands started as a school teacher and decided to change to a life of crime because he became jealous of his delinquent friends who had all the time and money in the world to enjoy themselves (Moors and Spapens, 2017).

Money-laundering has been perceived as a global threat, and the size of the problem substantial. In 2006, it was estimated that laundered money accounted for about 5% of Dutch GDP (Unger *et al.*, 2006). However, calculations were based on an economic model and criminologists pointed out that underlying data were severely flawed (Van Duyne *et al.*, 2009; Van Duyne and Soudijn, 2010). Nevertheless, estimates such as these had a big impact on the speedy implementation of international actions against money-laundering.

In the Netherlands, studies to clarify how members of organised crime groups spend and launder their money have also been based on files of criminal investigations (Van Duyne, 1995; Klerks, 2000; Meloen *et al.*, 2003; Kruisbergen *et al.*, 2015). Just as in the present chapter, the results show that much money is spent on the good life and that investments are mostly limited to relatively small businesses and real estate, whereas criminals with immigrant backgrounds primarily invest in their country of origin. Only few who are involved in organised crime are top earners (Van Duyne and Soudijn, 2010).

Here, I took a slightly different approach by taking as a starting point the statements of an informer, who was able to oversee a larger criminal network: the cannabis network in the Tilburg area. He estimated that this network consists of 2,500 people who work in the cannabis ‘industry’ on a daily basis. Wholesale buyers – who need not necessarily buy from growers in the immediate area – handle about 4,800 kilos of cannabis per week. Cannabis growers generate a net profit of € 818 Million. This raises two questions. First, can this claim be substantiated and second, how does this money impact on society?

Estimating the size of any hidden criminal activity is obviously difficult, even if an insider with extensive contacts within a local criminal network provides information. Although the informer's crucial estimate of the weekly amount of cannabis bought up in the Tilburg area was based on assumptions that could not be corroborated directly, most of his other knowledge that did allow to be checked proved accurate or at least plausible. This for instance holds true for his description of the revenues and costs of a single cannabis nursery, although he did seem to exaggerate investment costs. When compared with other calculations, his estimate of the amount of cannabis traded in the Tilburg area would imply that wholesale buyers handle 30-50% of annual Dutch production. This seems to be unrealistic because we have no reason to assume that most trade is concentrated there. Moreover, the estimated number of people involved in cannabis growing seems to be too small.

The above illustrates that estimates always require crucial assumptions, such as the number of active criminal groups operating in a given area, the amount of cannabis produced and the costs. Furthermore, estimated revenues and investment costs of a cannabis nursery depend on many different parameters and it is impossible to incorporate all these variables in calculations of the total amount of money that cannabis cultivation generates locally or nationally. In any case, there is little doubt that the cannabis industry in the Tilburg area is substantial in size and that it provides a large number of people with an extra income they would otherwise be unable to acquire.

This leads to the question how the money impacts on society. Calculations also show that although estimated profits are huge, these are shared between many people and only a few make millions. This follows from the fact that criminal groups consist of 'entrepreneurs', 'workers' and 'facilitators' and as in normal business people who sell their labour may earn a decent income but they do not get rich. The same applies to independent growers: in most cases the nurseries do not generate lifestyle-changing amounts of money. Consequently, most of it is spent on clothes, luxury goods and holidays and at best invested in small businesses. The informer's insights on how the ones who do seem to make big money spend it, shows that in addition they invest in real estate, and sometimes also engage in charities and sponsoring activities. Criminals with an immigrant background tend to move the money to their country of origin and invest it there.

The findings replicate the outcomes of earlier research. There is little evidence that flows of laundered money threaten the integrity of the financial and economic system at the national or global levels. However, at the local level the life of legitimate business operators can indeed be harder when confronted with

competitors who are loaded with crime money, although this is not the only circumstance that may create unfair advantages. Competitors who break the law by economising on safety or environmental regulations have a similar negative impact on the 'health' of their economic sectors. In addition, criminals do not need to own businesses to undermine entire local economic sectors, as is illustrated by what happened in the car-rental business in the Tilburg area which became seriously affected by criminal customers.

Illegal activities seem to erode primarily moral values: why work in a low-paid job if you can easily double your income even with a small cannabis nursery (see also: Van Duyne and Levi, 2005)? Or as a Turkish father once asked: "How can the government help me in guiding away my son from all this easy money?" The fact that assets are invested in small businesses is visible in local communities, as is shown by examples from my own neighbourhood I described above. It creates the impression that the authorities can do little to prevent shady persons from putting their equally shady financial assets to good use. Non-action may thus well lead to loss of legitimacy of (local) governments and negatively affect the social fabric that constitutes the first line of defence against crime in any democratic society. Although the fight against money-laundering was primarily framed in terms of global threats, and rightly criticized in that respect, we must not underestimate the fact that 'dirty money' does have a substantial detrimental effect at the local level.

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