



CRIMINAL JUSTICE COMMISSION

QUEENSLAND

REPORT ON
GAMING MACHINE CONCERNS
AND REGULATIONS

May 1990

FOREWORD

This report is dated 30 May 1990 and represents the state of knowledge on this topic of this Commission as of that date. This topic is receiving continuing attention from the Commission.

This report has been prepared in part from Intelligence material and as such contains confidential information on persons and organisations. While every care has been taken to ensure the reliability of information this Commission can take no responsibility for information from other sources.

This report does not represent what will be the normal format of Reports by the Commission.

The Commission has not sought to carry out the consultation process which will be a part of the preparation of its normal reports. Having regard to the announced decision of the government to introduce poker machines in Queensland the Commission has limited its study to the description of perceived problem areas and steps which might usefully be taken to minimise those problems.

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SUMMARY OF RECOMMENDATIONS

Licensing

That a single regulatory authority with its own enforcement capability and responsibilities be established for the casino and gaming machine industries.

That such an authority be accountable to Parliament.

That the Nevada Gaming Commission/ Nevada Gaming Control Board be examined as a suitable model for such an authority.

That the authority and other costs of regulation be funded by levies on the gaming machine industry.

That the relevant authorities in other states and in particular New South Wales, Victoria and the Australian Capital Territory be informed of what is proposed in this state and that Queensland support moves to closer national liaison between gaming authorities.

That all participants in the gaming machine industry be required to be licensed by the authority under an established principle that participation in the industry is a revokable privilege and not a right.

That licensing be recognised as fundamental to limiting criminal involvement in the gaming machine industry. As such, the risks to reputation and business be assumed by applicants for licensing and the regulatory authority be enabled to act on reasonable suspicion. The authority be able to refuse or revoke licences or impose conditions on their issue or renewal.

That those specifically required to be licensed are:

Manufacturers/ distributors of gaming machines.

Owners/directors of establishments operating gaming machines

Managers of establishments operating gaming machines

Gaming machine supervisory staff

Gaming machine technicians and servicing agents

Consultants to the gaming machine and associated industries

Junket operators - organisers of gambling tours (if applicable).

That approvals be required for each type of gaming machine.

That approval be required for each premises where gaming machines are to be installed and that consideration be given to allowing public objection or comment prior to approval.

That no manufacturer of gaming machines be licensed to sell gaming machines into Queensland until the regulatory authority is confident that the nature of all interests in the company is understood and that there is no involvement by known criminal or suspect identities or interests; and that the company has no record of criminal or suspect involvements or criminal or suspect activity.

That the fact of a premises being a licensed hotel or club must not constitute an automatic right to take up an entitlement to install gaming machines.

That premises with a record of criminal or suspect associations or activity or considerable evidence of criminal or suspect associations and activity not be approved for the installation of gaming machines.

That no licensed establishment be approved for the installation of gaming machines until the regulatory authority is satisfied with the internal procedures of the establishment and that the authority be able to require improvements in internal procedures to detect fraud and theft.

That no gaming machines be installed in any licensed hotel until the regulatory authority is confident that the true nature of ownership of the hotel is known and that it does not include criminal or suspect involvements.

That no gaming machines be installed in any licensed clubs until the directors, secretary manager or executive officer have been found clear of any criminal involvements and licensed.

That gaming machines be subject to a full technical analysis of all security aspects prior to approval.

That the potential security and revenue benefits of machine linking technology be examined before any specifications are drawn up for gaming machines permitted in Queensland.

Government acting as purchasing agent

Manufacturers, suppliers and individual machines required to be licensed in normal way.

Manufacturers to explicitly state machine prices, including any financing packages, discount scales, maintenance scales etc. Manufacturers to prepare brochures including all required information in a standard format.

Manufacturers to be restricted to dealing only with the government purchasing agency. Manufacturers not to be permitted to conduct any promotional activity in Queensland licensed establishments or offer any inducement or make payment for any purpose to any person connected with any Queensland licensed establishment.

Licensed establishments to be restricted only to dealing with government purchasing agent. Approved establishments make orders from range of approved machines, those orders transmitted to manufacturer by government agency.

The installation of gaming machines and removal of any trade-in machines to be supervised and certified by the purchasing agency.

Licensed establishments to make payments to government agency for transmission to manufacturer or supplier.

Licensed establishments be responsible for arranging finance and notifying all details of same to purchasing authority. Licensed establishments be not permitted to accept any finance packages arranged by, on behalf of or in association with any gaming machine manufacturer or supplier.

The government purchasing agency to be independent of but fully accountable to the gaming regulatory authority.

Enforcement

That, in accordance with recommendations in the report of the (Fitzgerald) Commission of Inquiry, the gaming industry regulatory authority be responsible for investigation and enforcement of the licensing system and offences.

That the authority be given some legal protection against actions arising from the performance of its functions, that it be enabled to act on reasonable suspicion, that detection of serious criminal offences and involvements result in automatic procedures in relation to licenses and that decisions of the authority stand during any period of appeal, if appeal is permitted.

That all staff of the authority be vetted prior to appointment and subject to probity checks during and subsequent to employment with the authority.

That while investigative and enforcement staff not be required to be police officers some effort be made to acquiring from interstate the services of some police with expertise in the gaming machine industry.

That initially at least the Criminal Justice Commission provide and supervise the intelligence requirements in

relation to gaming machine regulation.

That cash analyses of gaming machines to no less a standard than that adopted for poker machines in NSW be required in Queensland and that the regulatory authority be adequately resourced to analyse and investigate anomalies.

That a list of persons proscribed from employment in the gaming machine industry be drawn up and that it be a regulatory offence for any licensed establishment to employ any person from this list. That this list include known offenders, persons found unsuitable during licensing procedures, persons reported as having been dismissed for serious dishonesty by licensed establishments and other persons notified by the intelligence division responsible for gaming.

That an ancillary list contain the names of persons able to be employed within the industry but not in any capacity related to the operations of gaming machines. That all licensed establishments be required to report for inclusion on at least this list all persons detected in or dismissed or reported for dishonesty of any form.

That it be recognised and clearly stated that licensed establishments will retain a primary responsibility for the initial detection of offences and anomalies on their premises and that there be obligations for all such matters to be reported to the authority.

That the authority have an educational responsibility to licensed establishments and be adequately resourced to fulfil this function.

That discussions be initiated with the Poker Machine Council of NSW on the topic of relations between licensed establishments, their organisations and regulatory authorities. That consideration be given to encouraging the council to extend its activities or establish a related organisation in Queensland.

That consideration be given to discussing with relevant unions the procedures that will follow from detection of criminal offences or involvement on the part of any of their members and the operation of the proscribed persons list.

That all approved licensed establishments be required to prominently display a notice stating the approval and the number of machines approved and that each approved machine prominently display notice of such approval.

That the regulatory authority make unannounced spot checks of licensed establishments and that police be enabled to act as agents of the regulatory authority in this regard.

SUMMARY OF MATTERS FOR CONCERN IN THE GAMING MACHINE
INDUSTRY

<u>Association/activity</u>	<u>Regulation/enforcement</u>
Corruption of regulators by manufacturers/dealers	Licensing manufacturers to exclude those with record of criminal activity or involvement. Probity checks on regulatory authority members and staff.
Undisclosed criminal interests	Licensing made dependent on full disclosure of all pecuniary interests, particularly in the case of manufacturers/ hotels.
Criminal associations	Licensing precondition to participation in industry; record of criminal or suspicious association/ congregation with or in company/individual/premises to be grounds for non- issue/revocation of license; listing of proscribed persons by regulatory authority; intelligence liaison with relevant authorities.
Money laundering/ tax evasion	Licensing; investigation by regulatory authority; liaison with related authorities.
Payment of secret commissions	Government acting as sole purchasing authority; approved licensed establishments to buy only from government; purchase/price information publically available; prohibition on junket-type promotions/ revocation of licences/ prosecution.
Illegal industry	Intelligence liaison with other relevant authorities; Proscribed persons list to exclude undesirables;

require approved establishments to display approval and no of machines approved; require approved machines to carry approval; spot checks and machine counts by regulatory staff; automatic confiscation non-approved machines; examination illegally manufactured machines to determine source of components; procedure for verifying trade-in machines returned to manufacturer; review of penalties for supply/operate non approved gaming device.

Theft/fraud by technicians

Licensing to exclude undesirables; proscribed persons list to exclude undesirables; employers/licensed establishments to report suspected misconduct; procedures for supervision of technicians to be established; record of services/jobs to be kept by licensed establishments/employers.

Inadequate machine security

Tests on machine security prior to approval; listing of fraud/theft and breakdowns correlated with machine type. Regulatory authority to have power to require rectification or recall by manufacturer; machine cash analysis; machine not able to be operated with analysis counters disconnected.

Machine manipulation

See inadequate machine security above; adequate supervision in licensed establishments; industry training programmes; machine cash analysis; proscribed persons list; licensed establishments to be notified of known poker machine cheats and required to report incidents.

Fraud/theft/tax evasion
machines

Machine cash analysis
returns at no less than
current NSW standard;
adequate analysis
resourcing of regulatory
authority; adequate
investigative resourcing of
regulatory authority;
consideration to be given
of computer surveillance
implications of machine
linking technology.

Fraud/theft licensed
premises

See theft from machines
above; licensing to exclude
undesirables; proscribed
persons list to exclude
undesirables;
establishments to show
adequate internal
procedures to
prevent/detect fraud/theft;
establishments to notify
all dismissals relevant to
proscribed persons list;
establishments not to
employ persons on
proscribed persons list;
establishments invited to
consider pecuniary
interests registers for
directors/management; NSW
Poker Machine Council to be
approached re distribution
of manuals/operations in
Queensland; industry
training programs.

THIS REPORT

This report of the Criminal Justice Commission is written on the basis that the Commission accepts that it is the policy of the State government to introduce gaming machines into licensed establishments in Queensland. Accordingly it does not canvass the issue of whether gaming machines should be introduced into Queensland. The report is also limited to discussion of the relationships between gaming machines and criminal activities and concerns and how best these concerns may be met in Queensland. Other issues, such as the economic, revenue and social consequences if any of the introduction of gaming machines have not been addressed in this report.

THE INTRODUCTION OF POKER MACHINES INTO QUEENSLAND - CRIMINAL INTELLIGENCE CONCERNS

The current proposal is to introduce gaming machines into Queensland casinos, hotels and registered clubs by about September 1990. It is also proposed that gaming machines be purchased by the State government and leased to licensed establishments by a formula relating to liquor sales.

The introduction of gaming machines concerns this Commission in two respects. Firstly there are long established and well documented links between the legal and illegal gaming machine industry and organised criminal interests. Secondly the establishment of a gaming machine industry dealing in high cash turnovers in numerous locations can be expected to contribute to an increase in general criminal activity.

The best possible regulatory system can be expected to moderate rather than eliminate increased criminal activity. To quote Mr Murray Wilcox QC following an exhaustive 1983 inquiry which recommended against permitting poker machines in Victoria:

"beneficial factors are outweighed by three major objections (including) the certainty of increased criminal activities in Victoria as a direct result of the introduction of poker machines. The extent of the likely increase depends directly upon two factors: the number of premises in which machines are permitted and the stringency of the controls imposed. Depending on those factors crime will increase to a degree ranging from significant to serious. There is not merely a risk of increased crime. Under any scenario crime will increase." (Emphasis in original)(1)

Organised crime concerns

Historically, both in Australia and overseas, some manufacturers of gaming machines have often been shown to be linked with syndicated or organised criminal interests. The nature of these links has included patterns of criminal or suspect activity by companies or their principals, disguised ownership by criminal interests, patterns of association with criminal identities and employment of criminal or suspect persons. In addition there is the possibility of organised criminal activity on the periphery of the industry including involvement in entertainment, security, prostitution and money laundering.

The industry's record also raises legitimate concerns over the possibility of the compromisation and/or corruption of public officials and others, particularly the elected officers and management of registered clubs.

An illegal gaming machine industry can be expected to establish itself alongside the legal industry. In Australia the illegal industry is closely connected with organised crime and some links can be demonstrated to licensed manufacturers.

Queensland has had recent experience of an illegal gaming machine industry with the diversion of legal in-line amusement machines to illegal purposes. This illegal activity involved a large number of persons, including machine suppliers, technicians and registered club personnel. Some of those persons, particularly those in the licensed clubs, will now become involved in the poker machine industry.

The illegal in-line industry in Queensland is known to have involved corruption, payment of secret commissions, standovers, tax evasion and falsification of records. A number of principals in the industry were prominent in or well connected with organised crime. (2) The Queensland industry was basically dominated from Sydney and there are strong indications that payments in relation to the operation of the industry in this state were made to some of the most notorious of Sydney criminal identities. (3)

General crime concerns

The use of gaming machines will produce a several hundred fold increase in the flow of cash through both small and large scale organisations, many of which currently have inadequate provisions to

protect against fraud or theft by directors, management, staff, members or customers. The greater wealth of such establishments combined with relative naivety on the part of many of their managements will inevitably lead to an increase in fraud and theft.

Historically, whatever the level of control, the clearing and maintenance of gaming machines poses perennial problems.

Additionally, some clubs and hotels in Queensland have previously come to notice as localities where criminals or suspect persons congregate and/or illegal activities take place.

PREVIOUS INQUIRIES

Casino and gaming machine gambling have been the subject of a number of previous inquiries in Australia. The basic findings of more recent inquiries are summarised below.

South Australian Select Committee

In April 1982 the South Australian House of Assembly appointed a select committee to examine various issues related to casinos. The committee recommended that if the House chose to introduce a Casino Bill that an inspectorate be set up within the government. The casino operators, suppliers of goods and services and all persons involved in gaming operations would be required to be licensed.
(4)

Connor Report on Casinos 1983

Mr Justice Xavier Connor was appointed to head a board of inquiry into the question of whether Victoria should have a casino in May 1982. All matters to do with slot or poker machines were later deleted from his terms of reference and made the subject of a separate inquiry under Mr Murray Wilcox QC. Mr Justice Connor reported in April 1983 recommending against the introduction of any type of casino. If however the government chose to introduce casinos he recommended a licensing authority whose decisions were not subject to appeal. The authority would grant, suspend or cancel licences in respect of casinos, their employees, service industries and unions. An integral or independent "investigation, surveillance and auditing branch" would investigate applicants and be responsible for security and prosecutions. The Victorian Government decided against the introduction of casinos. (5)

Wilcox Report on Poker Machines 1983

A Board of Inquiry into Poker Machines under Mr Murray Wilcox QC was established in March 1983 and reported in November 1983. Mr Wilcox QC recommended against the introduction of poker machines into licensed clubs. If the government chose to introduce poker machines he recommended an independent statutory control authority acting also as a licensing board and equipped with its own investigative and enforcement staff. His preferred option was for competitive tenders to be called for the supply of gaming machines built to control authority specifications. Licensing should be required for all persons directly involved in gaming activities and others, such as club directors, could be required to show they were fit and proper persons by being required to apply for a license. The Victorian Government decided against the introduction of poker machines. (6)

NSW Gaming Inquiry 1985

In 1984 the NSW Cabinet appointed Mr J. Lloyd Jones to head a Committee of Inquiry into Gaming in that State. The committee reported in August 1985 and recommended the establishment of three types of gaming houses ranging from an international standard casino to "ethnic coffee shop and cafe type establishments". The committee recommended that these be controlled by a Gaming Commission and a system of strict licensing to ensure the fitness of all persons, places and games involved. (7)

From the viewpoint of this Commission the most striking feature of previous inquiries is the common conclusion that, if gaming is to be introduced at all, it be under the control of a regulatory authority and that those involved in gaming be subject to some procedure of licensing.

This Commission also notes that the policy of the State Branch of the Australian Labor Party as set out in 1985 and 1988 was for a Licensing and Gaming Authority to be established. (8)

REGULATION

There is a consensus that the optimum gaming regulatory system is based on a philosophy that participation in the industry is a privilege and not a right. Its core is an independent, accountable regulatory authority equipped with intelligence and enforcement capabilities and in close contact with similar reputable bodies nationally and internationally. This body is responsible for vetting and licensing all participants in the industry.

The authority can act on reasonable suspicion and its procedures are to a great degree automatic. Its decisions stand during any period of appeal if appeal is permitted. Such an authority needs a degree of legal protection.

There is a concern interstate that any regulatory system adopted in Queensland be compatible with systems proposed or established in other states. Organised criminal interests will undoubtedly exploit any weaker regulatory system to the detriment of all.

Queensland's existing Casino Control Division could be a suitable starting point for establishment of a general gaming control authority. However this Commission is of the view that the gaming regulatory authority should be separate from the revenue authority. Experience in New South Wales where until recently the revenue authority was the sole regulator does not inspire confidence that sufficient or necessary attention was paid to excluding crime or criminality. The regulatory deficiencies of the NSW Department of Finance and the desirability of separating the regulatory function and the revenue function were also dealt with in the Victorian Inquiry. (9) There are also obvious dangers in having a Minister ultimately responsible for decisions on who should and who should not operate in the industry. As Mr Wilcox QC noted:

"The decision of a control authority to cancel, even to suspend, the licence of, say, a licensed club having twenty, thirty or forty thousand members (as do many New South Wales clubs) is likely to be an unpopular decision; however well deserved the penalty. It will be a brave minister who is prepared to take such a decision, especially if the club is situated in a politically sensitive electorate. The better solution, it is suggested, is for disciplinary decisions to be made by an independent statutory body, perhaps subject to review by a court." (10)

This Commission is of the view that any gaming regulatory authority should be accountable to Parliament rather than to a Minister or department. After establishment, the authority could, and should, be funded by levies or fees upon the gaming machine industry.

Existing regulatory systems

Gaming machines are generally legal in New South Wales and the Australian Capital Territory. In addition gaming machines are legal in casinos in Queensland and the Northern Territory. Tasmanian and South Australian authorities, initially at least, excluded gaming machines from their legal casinos. In Victoria gaming machines are currently

being introduced into a facility known as TABERET, scheduled to open in July.

New South Wales has the longest established system of regulation which has been progressively tightened over a number of years. A need is perceived for further tightening of the system and there are proposals now being prepared to replace or amalgamate a number of authorities with a single gaming authority.

Currently there is a requirement for amusement device dealers, sellers and technicians to be licensed to operate in the industry. This function is performed by the Superintendent of Licences and the Licensing Court.

Applicants for licences are investigated by the Licensing Investigative Group within the NSW police.

Approval is also required for new gaming machines after they have been subject to technical analysis by the Licensing Investigative Group from the Liquor Administration Board.

Cash flow analysis of poker machines and a lower form of analysis of approved amusement devices are required to be submitted to the Liquor Administration Board.

Taxation returns are required to be made to the State Treasury which can and has investigated cases of persistent and serious shortfall.

Suspected misdemeanours in the industry are investigated by licensing police in various regions, by the Licensed Gaming Squad (formerly Task Force Two) or by treasury officers as mentioned above. Quite apart from considerations that local licensing police may have been compromised to a greater or lesser extent in their dealings with local clubs and hotels (the subject of a current ICAC inquiry), this multiplicity of enforcement agencies is considered less than ideal by both some of the regulators and some of those regulated.

The Australian Capital Territory has a central liquor and gaming authority which also acts as a purchasing agent for gaming machines through a tender system. The ACT system is currently more demanding than NSW in terms of acceptable gaming machine specifications and recording but also accepts the licensing judgements of companies and individuals made in NSW. The ACT system, which is the only one to combine liquor licensing and gaming machine licensing, has an enviable record in many respects. However what is feasible in respect to a relatively small number of licensed establishments under fairly close supervision in a single city may

not be suitable for a large number of often very poorly supervised establishments geographically dispersed in a large State such as Queensland.

Both poker machines and casinos were rejected in Victoria following two comprehensive inquiries in the early 1980s. However the Victorian Government has accepted a proposal from the State TAB to develop gaming machine facilities in premises in the Menzies on Rialto Hotel. This facility, to be known as TABERET, will incorporate 220 video gaming machines and is scheduled to open at the end of July. The machines themselves do not accept cash but will be operated through cards encoded with a cash balance, a concept that this Commission suggests is worthy of further examination. None of Australia's traditional gaming machine manufacturers are involved in this project. There are proposals to establish TABERETs in a number of regional centres. TABERETs are in effect small casinos without any live gaming component.

The Criminal Justice Commission has been in communication with responsible officers engaged in similar studies in both Victoria and New South Wales and all parties are anxious to liaise on mutual matters of concern in respect to criminal intelligence on the gaming machine industry.

Nevada Gaming Commission

Nevada, USA has represented the model case for the evolution of modern gaming regulatory systems. The NSW system, the most developed in Australia, is most likely to further evolve from the current multiplicity of authorities towards institutions of the Nevada type.

The Nevada Gaming Commission consists of five part-time salaried commissioners appointed by the Governor for four year terms. The function of the commission is to render final decisions on actions and recommendations of the Nevada Gaming Control Board, which is in effect its enforcement and investigative arm.

The philosophy adopted by the legislature in setting up the Gaming Commission was that:

"The continued growth and success of gaming is dependent upon public confidence and trust that licensed gaming is conducted honestly and competitively and that gaming is free from criminal and corruptive elements. Public confidence and trust can only be maintained by strict regulation of all persons, locations, practices, associations and activities related to the operation of licensed gambling establishments and the manufacture or

distribution of gambling devices and equipment must therefore be licensed, controlled and assisted to protect the public health, safety, morals, good order, and general welfare of the inhabitants of the state, to foster the stability and success of gaming and to preserve the competitive economy and policies of free competition of the State of Nevada." (11)

Licensing is deemed to be "a revokable privilege ... no person is deemed to have acquired any vested rights therein"

"An application for a state gaming licence is seeking the granting of a privilege, and the burden of proving his qualification to receive any licence is at all times on the applicant. An applicant must accept any risk of adverse public notice, embarrassment, criticism, or other action of financial loss ... with respect to an application and expressly waive any claim for damages as a result thereof. An application for a license ... shall constitute a request to the Board and Commission for a decision on the applicants suitability, character, integrity, and ability to participate or engage in, or be associated with, the gaming industry in the manner or position sought ..." (12)

Detailed information on the system of gaming regulation in Nevada is being gathered by this Commission.

Another example of gaming regulation often quoted is that of New Jersey, USA. It is not separately dealt with here because it is essentially derived from and similar in operation to that of Nevada.

However, while the regulation of legal gaming in Nevada and New Jersey is considered relatively "state of the art" there are other problems. The chairman of the New Jersey Commission has stated that there is evidence of organised crime attempting to come in through the back door through legal and illegal service and supply industries and labour unions. (13) Midway through the 1980s the Las Vegas Police Department expressed its concerns in this manner:

"The open-city status of Las Vegas has attracted at least eighteen Mafia families to Southern Nevada. Today organised crime has reached into almost every segment of our community. The traditional Mafia plays a dominant role in Las Vegas and often aligns itself with other non-traditional syndicates that are also rising in prominence.

These criminal activities include arson, illegal bookmaking, escort services, pornography, loan sharking, narcotics trafficking, gaming, unions, street crime and legitimate businesses."(14)

GOVERNMENT INVOLVEMENT IN INDUSTRY

The rationale for government ownership of gaming machines appears to be that the current presumed widespread corruption of club officials through secret commission and other deals by manufacturers and their agents can be avoided. Extreme care would have to be taken that public officials are not compromised or corrupted instead.

From a criminal intelligence point of view it is extremely desirable to insulate machine manufacturers and suppliers from the personnel of licensed establishments. The proposal that machines be purchased by the State Government and leased back to clubs has met opposition from the industry on (presumably) commercial grounds. This is beyond the concern of this Commission but some security difficulties can be anticipated in the areas of market attractiveness, rapid changes in technology and maintenance requirements.

The industry is essentially gimmickry - every licensed establishment is going to want the biggest, brightest, best and gaudiest machines. The Commission's only concern with this tendency is that if the government cannot or will not have these machines for lease, the illegal industry well might fill the gap in either authorised or alternative venues.

While purely commercial considerations are beyond the concern of this Commission it is pertinent to point out that the technology of gaming machines is currently in a phase of rapid development. The best gaming devices now from the point of view of machine security may not be as secure in a relatively short period of time.

One form of new technology now coming on stream is machine linking computer technology designed basically to accumulate large jackpots from a number of machines in a number of premises. It is worth noting that the Nevada Gaming Control Board has found that this technology also has promise in the computer surveillance of linked gaming machines and the detection of irregularities and possible offences. This technology system and its potential law enforcement and treasury applications warrants further examination in Queensland.

The state of the art system in this regard is known as MEGABUCKS, developed by the IGT company. It is currently being introduced in NSW, purely as a new game and without deliberate exploitation of its self-monitoring potential. In the course of this inquiry the commission has deliberately not made any direct inquiries of any gaming

machine manufacturer, but it anticipates that IGT would willingly supply information of the possible security implications of its system on request.

There would also appear to be no reason why other computer technology companies, even those outside the gaming machine industry as it is presently constituted, could not develop surveillance machine linking systems.

Another form of new technology is various forms of coinless gaming machines. Victoria's TABERET scheme utilises such a system with gaming machines operated by cards encoded with cash credits. Any system which limits the number of localities where there are direct dealings in cash is likely to have some limiting effect on criminal activities.

This Commission recommends further examination of the existing and emergent technologies of gaming machine linking and surveillance and the coinless operation of gaming machines. It is concerned that proposed methods for the supply of gaming machines could restrict future options for the utilisation of technologies which could limit criminal activities.

There is a view expressed in NSW that poker machines are losing popularity to other systems such as keno and this is another technology related issue that might bear consideration. This Commission has no information and no views as to whether this is in fact the case but it notes that suspect persons and companies have been involved in the development of keno gaming systems and machines. Further study will be devoted to this topic if necessary.

The ideal of insulating clubs and hotels from manufacturers and their representatives may be difficult to reconcile with the ongoing need for maintenance of machines. A large proportion of machine technicians are direct employees or are sub-contracted to manufacturers. This system has arisen and is likely to persist because of the perceived need to protect commercial confidentiality on the part of manufacturers.

In this regard it should be noted that the AINSWORTH organisation inserted an advertisement in the Courier-Mail on 25/11/89 announcing its intention to expand into Queensland. the advertisement invited applications for "200 new jobs" in the sales and service areas. A fair interpretation from the advertisement is that the AINSWORTH organisation sees service and sales as interlinked enterprises.

"Sales/service technicians who feel they have the commercial and interpersonal skills and drive to succeed in a Sales environment in the hotel and club industries are invited to apply." (15)

The government may be able to preserve the advantages of

preventing the worst excesses of manufacturers and preserving its central supervisory role on machine purchase and installation without incurring the above and other risks associated with actually owning machines by acting in the role of a machine purchasing agent rather than a machine owner.

The ACT system adopts the practice of inviting manufacturers who meet NSW licensing requirements to tender to supply machines meeting or exceeding set specifications for a particular period at a particular price. Clubs then order and pay for machines on offer from the various manufacturers through the Gaming and Liquor Authority (GALA). The weakness in this system is the absence of any restrictions on manufacturers or their representatives lobbying the clubs to place orders for their machines. It may also not prevent kickbacks or secret commissions to club officials - although the machine prices are governed by initial tender trade-in prices may be subject to under the table agreements. This Commission is aware of allegations that this has occurred and that this is only one of a number of dubious or potentially dubious arrangements. (16) Mr Wilcox QC noted in his 1983 Victorian inquiry that "If I am correct in my conclusions stated above that a manufacturer normally makes more profit from a sale to the territory than he does in New South Wales, it follows that there is a greater surplus available to be used in an illegal way in the Australian Capital Territory than there is in New South Wales." (17)

The only way to overcome such potential problems is a general ban on any company promotional activity in this state save general media advertising and the provision of promotional brochures and material to the government purchasing agency for supply on request to licensed establishments. The dangers inherent in not prohibiting such activity are quite serious - this Commission has extracted from a recent industry publication photographs of an organised crime identity and other suspected foreign persons in attendance at a recent AINSWORTH trade event attended by persons from NSW clubs and NSW regulatory authorities. (18)

Suggestions as to how the government may act as a purchasing agency are set out below.

Government acting as purchasing agent

Manufacturers, suppliers and individual machines required to be licensed in normal way.

Manufacturers to explicitly state machine prices, including any financing packages, discount scales, maintenance scales etc. Manufacturers to prepare brochures including all required information in a standard format.

Manufacturers restricted to dealing only with the government purchasing agency. Manufacturers not permitted to conduct any promotional activity in Queensland licensed establishments or offer any inducement or make payment for any purpose to any person connected with any Queensland licensed establishment.

Licensed establishments restricted only to dealing with government purchasing agent. Approved establishments make orders from range of approved machines, those orders transmitted to manufacturer by government agency.

The installation of gaming machines and removal of any trade-in machines to be supervised/certified by the purchasing agency.

Licensed establishments to make payments to government agency for transmission to manufacturer/supplier.

Licensed establishments be responsible for arranging finance and notifying all details of same to purchasing authority. Licensed establishments be not permitted to accept any finance packages arranged by, on behalf of or in association with any gaming machine manufacturer or supplier.

The government purchasing agency to be independent of but fully accountable to the gaming regulatory authority.

The need for gaming machine manufacturers and suppliers to be thoroughly examined for connections to organised criminal interests or any pattern of illegal activities remains, regardless of which entity actually owns the machines.

This Commission recommends that any government purchasing authority undertake independent research on the manufacturing costs and current pricing of gaming machines in New South Wales and the Australian Capital Territory. Restrictions on manufacturers promotional activity in Queensland should permit gaming machines to be supplied into this market at a significantly reduced cost and this Commission believes it desirable in relation to criminal as well as economic grounds that such savings be reflected in gaming machine prices in this State.

In this connection it is important to note that the Victorian Board of Inquiry on Poker Machines found that the machines were over-priced, with the most graphic example being the supply by the AINSWORTH group of machines to IGT at a price of less than \$2500 landed in Nevada at a time when the Australian price of equivalent machines was in the order of \$6500 or more. Mr Wilcox QC

commented:

"I believe, however, that as a general statement I am able to say that poker machines are more expensive in the Australian market than they ought to be. I am prepared to assume that the material and labour costs as asserted by the manufacturers are reasonable for the work involved, but I consider that the "on costs", particularly those costs variously referred to as administration expenses, marketing expenses and agents' commissions, represent an unreasonable impost upon clubs who purchase these machines. It must be remembered that the rationale of club movement ... is that no individual ought to be making a profit out of club activities. The payment of excessive commissions to poker machine agents represents, in my view, a departure from this principle. ... Further, the apparent widespread practice of "entertaining" club managers and directors, even if not falling within conduct which one would regard as improper is an expense which clubs purchasing poker machines should not have to bear.(19)

THE GAMING MACHINE INDUSTRY IN AUSTRALIA

A brief historical overview (20)

Poker, fruit and slot machines for gaming were first imported into Australia prior to the World War 1 and the first domestic manufacturer of note, NUTT & MUDDLE, set up business in 1948. Until 1956 the use of machines for gaming in any public place was illegal. During their illegal phase the machines were installed in a very large number of public places, principally clubs, hotels and cafes. Proceeds were shared between the owner of the machine and the owner of the premises, an arrangement persisting still in the illegal industry which has continued to thrive despite legalisation. Proceeds were also shared, it is now known, with a number of politicians, treasury officials and police and, on one celebrated occasion, members of a hospital board who consented to give the machines an air of charitable respectability.

One person prominent in the supply of poker machines and other illegal entertainments to American servicemen during the Second World War was Sydney businessman Jack ROOKLYN; later ROOKLYN pioneered the expansion of the Australian gaming machine industry into east Asia, began a formal association with the American company BALLY in 1968 and became the principal of BALLY AUSTRALIA Pty Ltd in 1971.

BALLY mounted a major push into NSW clubs in the late 1960s at about the same time that certain Sydney criminal

identities were moving into the industry. Walter DEAN, formerly noted as suburban barber to Leonard Arthur McPHERSON, became the president of South Sydney Juniors, then the largest club in Australia. DEAN formed a string of companies to supply services to the club at exorbitant rates in partnership with a disgraced ex-police officer Murray Stewart RILEY and political string-puller William Charles Garfield SINCLAIR, provided unknown "consultancy" services to the CLUB 33 illegal casino, and stood over union officials who resisted being bought. (21)

The activities of BALLY and associated developments in the club industry became apparent to the then Commonwealth Police in the early 1970s but were apparently not perceived by NSW authorities until some time after they had also become apparent to the media.

An investigation was ordered and a NSW police team produced three consecutive reports, the first concluding that there were some problems and the last concluding that any problems were greatly exaggerated. The scandal over these reports led the Askin government to form a Royal Commission under Mr Justice Athol Moffitt.

Justice Moffitt concluded that BALLY was connected to US Mafia figures; that the operations of BALLY in Australia posed a considerable risk of organised crime infiltration; that he had been lied to in relation to an unorthodox business relationship entered into between a BALLY executive and one of the police investigating BALLY; that McPHERSON may have been associated with at least some of the activities of his former barber; that McPHERSON and his associates had recently begun to entertain some criminally connected American visitors; and that special measures were needed to police gaming machines and clubs. Almost no specific action was taken in response to Moffitt's report and a significant number of those mentioned went on to assume further notoriety in a succession of royal commissions into the expanding trade in illicit drugs.

In the year that the Moffitt report was issued the Queensland government approved the introduction of "in-line" amusement devices into Queensland clubs following a short lobbying campaign by one Arthur Anthony ROBINSON, then and now known as an illegal baccarat school, sly grogging and nightclub entrepreneur. The Queensland Justice Department was apparently aware that ROBINSON was associated with BALLY's Australian affiliates and were also aware of the Moffitt report and its recommendations. (22) BALLY machines supplied by affiliated companies or ROBINSON went on to dominate the Queensland in-line machine market. Instances are known where potentially competing machines failed to win approval or were approved and then had approval withdrawn. One such case involved the emergent Australian poker machine manufacturer, AINSWORTH CONSOLIDATED INDUSTRIES. (23)

Continuing criminality in the gaming machine and club

industry in New South Wales induced some action on one of Moffitt's proposals in 1978 - a special policing unit on clubs was set up as Task Force Two. The unit had two matters on its initial agenda: poker machine cheating on a huge scale by well organised gangs of "patrons" armed with wire, coin blanks and other sophisticated tools; and apparent illegalities in the sale of poker machines by the AINSWORTH group of companies.

AINSWORTH then held about 75 percent of the NSW or only legal market in Australia and saw its future expansion prospects in Nevada, New Jersey, Queensland, South Australia and Victoria. A consultant to the industry, Edward Phillip VIBERT, was instrumental in the establishment of the AUSTRALIAN CLUB DEVELOPMENT ASSOCIATION, purportedly an independent lobby derived from state associations of registered clubs to lobby the Queensland, Victorian and South Australian governments for the introduction of poker machines.

Leonard Hastings AINSWORTH and some of his senior executives can be shown to have paid VIBERT, paid for the ACDA, at least some of its staff and its newspaper, paid a political donation in Queensland and most probably one in Victoria, and paid a consultancy fee to former Liberal MLA and Queensland Registered and Licensed Clubs Association president Colin LAMONT. While some of this activity may fall within the parameters of lobbying some matters do not: VIBERT was in effect an employee of AINSWORTH but pretended otherwise and arrangements were made for the Queensland political donation to be invoiced as non-existent "advertising" while the Victorian donation appeared to have been dressed up as payments for "research". Queensland Police investigated the donation in this state and referred the matter to the Solicitor-General who found no offence in law in the absence of any complaint. (See Appendix Two)

Task Force Two formed the view that the ACDA was a "deception" and after a long and troubled investigation charged AINSWORTH and VIBERT accordingly. VIBERT was also charged in relation to alleged secret commissions paid in connection with the supply of poker machines to the ETTALONG BEACH WAR MEMORIAL CLUB. VIBERT was found guilty of this charge and acquitted on appeal. AINSWORTH and VIBERT were committed for trial on reworded conspiracy charges which were later no-billed. This sequence of events was later examined by the NSW ombudsman Mr Mastermann QC; his report detailed apparent attempts to bribe and other impediments put in the way of the investigation by a succession of suspect persons, criminal identities and others.

In 1982 a select committee of the South Australian government examined the gaming machine industry in connection with a proposed casino bill. This committee was the first in Australia to recommend licensing as a prerequisite for participation in the gaming industry under the principle that a license was a privilege and

not a right. It also recommended that the onus of proof of suitability for a licence should lie with the applicant and that the licensing authority should be enabled to act on the basis of reasonable suspicion. The committee also broke new ground with the following recommendation, probably inspired by developments in New South Wales:

"(There is a need) to ensure that there is no chance that organised crime can influence the police or political system which is always susceptible to corruptive influence. Corruption usually occurs in this context by a failure to prosecute. It is essential that if a breach of the rules or regulations is detected then disciplinary action is automatic and not held up by police inactivity or government delay." (24)

BALLY and AINSWORTH interests were singled out for particular criticism by the committee.

In 1983 Mr Wilcox QC chaired a Victorian Board of Inquiry which recommended that poker machines not be introduced into that State. Mr Wilcox drew extensively on the Moffitt report and queried the executives of BALLY AUSTRALIA at length on the topic of whether Jack ROOKLYN had, as claimed, severed his links with the company. Mr Wilcox was also scathing in his report on the proprieties of the AINSWORTH organisation and its efforts to have poker machines introduced into Victoria and Queensland.

Mr Wilcox was also critical of the state of gaming machine regulation in New South Wales, stating that millions in revenue were being lost through inadequate controls, machine manipulation, machine malfunction, fraud and theft.

The criticism came at an opportune time; the New South Wales government introduced a requirement for licensing in 1984 setting up the Superintendent of Licenses Office with its own investigation section and transforming Task Force Two into a Licensed Gaming Squad. Those operating in the industry were permitted to keep operating under provisional licences. This was recognised as an accommodation to reality rather than an ideal system. Although the licensing system in New South Wales has won some acclaim and has been adopted as the basis for entry into the gaming machine industry of the Australian Capital Territory some drawbacks are conceded and the system is currently undergoing review which will probably lead to a further tightening of restrictions. One drawback is a multitude of regulatory and enforcement authorities and there are some proposals to amalgamate these into a single gaming authority. This is however likely to be a lengthy process.

The (Fitzgerald) Commission of Inquiry in Queensland examined the in-line machine industry and a number of persons are now before the courts on corruption related

charges as a result. In his report Mr Fitzgerald stated that:

"All gambling establishments, legal and illegal, need to be stringently controlled. This might be easier if they are legal and regulated rather than covert and illegal ... Gambling can certainly harm individuals and the community, but that is of no relevance to the decriminalisation debate since there are many legal ways for inveterate gamblers to indulge their whims.

Law reform in respect of illegal gambling needs to be approached in a comprehensive, considered way. It is inherently difficult. Until a comprehensive review is undertaken, narrowly focused piecemeal action including expanding the legal means of gambling is inadvisable."

(25)

CRIMINAL INTELLIGENCE CONCERNS - MANUFACTURERS

The major manufacturer/suppliers of poker machines in New South Wales are the companies AINSWORTH CONSOLIDATED INDUSTRIES, INTERNATIONAL GAME TECHNOLOGIES, UNIVERSAL AUSTRALIA, and OLYMPIC VIDEO GAMING. The world's largest poker machine manufacturing company, BALLY, has not applied for licensing in New South Wales and another American company INTERMARK IMAGINEERING INC has not been successful in its attempt to gain a licence. There are other smaller "boutique manufacturers" with a minuscule proportion of the market.

AINSWORTH, IGT and UNIVERSAL divide about 90 percent of the market fairly equally between them. The Victorian based company OLYMPIC is enjoying substantial growth and currently has about 10 percent of the market.

All companies supplying machines on to the NSW market are required to meet fairly stringent licensing conditions - however the system, which has had some notable successes, is not proof against naivety, corruption or political interference.

In all known jurisdictions where gaming machines are permitted to the extent contemplated in Queensland it is considered fundamental that the manufacturers and their agents be examined for any connection to organised crime or criminal identities or any pattern of organised criminal activity.

Mr Wilcox QC went further in his Victorian inquiry and proposed a higher standard of licensing which warrants consideration in this State:

"My view is that it should not be sufficient for a

licensee merely to show an absence of criminal convictions in its senior management or for the licensing authority to be unaware of any dishonesty, or association with criminals, by top management. Given the propensity of the poker machine to attract criminals and the critical role of manufacturers in the industry, it is my view that Victoria, and a Victorian licensing authority, should settle for no less a standard than that manufacturers would only be entitled to a licence if they were able to demonstrate, by their record and their attitude, that they were likely to be active and willing partners of the poker machine regulatory authority in the setting and maintenance of rigorous controls." (26)

Mr Wilcox considered the three major manufacturers of that time, Nutt and Muddle, Ainsworth and Bally and found that all would have had difficulties meeting such criteria. Indeed, all would have had difficulty meeting the lower standard requiring only that there be no criminal activities or associations.

Inquiry after inquiry overseas as well as in Australia has found questionable associations or activities within the gaming machine manufacturing industry. It goes without saying that throughout and long after these inquiries the companies and individuals involved have persistently maintained that they were without taint and that any findings to the contrary have derived from error, malice or worse. The possibility of the introduction of poker machines in Queensland has again brought this variety of propaganda to the fore and in some circles, notably the club industry and some sections of the media, it has been taken seriously. (27) This Commission is of the view that the findings in relation to the gaming machine industry and its personalities of Mr Justice Moffitt and Messrs Wilcox, Mastermann and Fitzgerald were not in error or derived in any other manner than from examination of the evidence.

A number of new manufacturers have entered the industry in recent years and information in regard to those companies is scanty compared to those which have been the subject of previous inquiries. Accordingly, the discussion below makes no pretence of being a complete or representative picture of the poker machine manufacturing industry in Australia today. It is as comprehensive as the information available to the Commission allows and will be updated as further information comes to hand.

AINSWORTH CONSOLIDATED INDUSTRIES

AINSWORTH CONSOLIDATED INDUSTRIES is the central company of a group linked with the AINSWORTH family, once notable manufacturers of dental equipment. Manufacture of poker machines began in 1953, three years before the machines were legalised in NSW

clubs. The AINSWORTH group has for many years been controlled by Leonard Hastings AINSWORTH, son of the company's founder. The company was the chief beneficiary of the decline of NUTT & MUDDLE and the difficulties of BALLY AUSTRALIA following the Moffitt Royal Commission and by the late 1970s it is estimated that the AINSWORTH group had about 75 percent of the market in new poker machines in New South Wales.

The group looked to other markets, both in Australia and overseas, just as its activities were starting to fall under some degree of scrutiny from the newly formed Task Force Two, itself a consequence of the Moffitt Royal Commission finding of widespread illegality in the industry. The group's activities were also canvassed in Queensland and Victorian police inquiries, the Victorian poker machine inquiry and, following an AINSWORTH complaint, by the NSW Ombudsman.

The police inquiries followed a contorted and confusing path, due to an underlying political motivation in Queensland and a prolonged attempt to subvert the NSW investigation from both inside and outside the NSW police force. Central to some of these investigations was a seemingly independent lobbying organisation known as the AUSTRALIAN CLUB DEVELOPMENT ASSOCIATION (ACDA). Its executive director and the chief spokesman for what was often described as "the poker machine lobby" was a consultant, Edward Phillip VIBERT. After hearing extensive evidence from VIBERT and making some inquiries, Mr Wilcox QC described him as "a plausible rogue intent on earning a multi-million dollar commission and ready to use anybody and any material, however false or misleading, to achieve his goal". (28) The organisation and VIBERT maintained, for as long as they could, a public stance of independence of any of the poker machine manufacturers.

The findings of these various investigations, necessarily complex and interrelated, are set out below.

On testimony to the Victorian Inquiry an AINSWORTH executive conceded that in 1967 "spending money" had been paid to some club officials but these small payments had been stopped when this was found to be illegal. Mr Wilcox QC noted that "I am somewhat surprised at there being any doubt in anyone's mind that the payment of any "spending money" to any club official in consideration of the purchase of a poker machine would be illegal". (29) In respect of more recent payment or possible payment of secret commissions by the AINSWORTH organisation the topics of George CRAGEN, the

Penrith Leagues Club and consultant Wilton WEIR are dealt with separately in this report.

In the late 1970s AINSWORTH bought into the MURRAY RIVER POKER MACHINE COMPANY PTY LTD, an agency for all brands of poker machines. According to corporate documents the owners were Murray McCOOKE and his wife. There was an agreement that the share capital would be divided McCOOKE 25 percent, VIBERT 25 percent and AINSWORTH 50 percent although the books would show McCOOKE 50 percent and VIBERT 50 percent. McCOOKE was unaware of a further agreement that VIBERT would hold his interest in trust for AINSWORTH, giving AINSWORTH an effective 75 percent of a company selling his competitors products. The Victorian Inquiry was told that similar arrangements had been entered into with other poker machine agencies. The Victorian report stated "Mr AINSWORTH has demonstrated, by his conduct in respect of the Murray River company, a willingness to disguise his involvement in an enterprise if he regards such disguise as being beneficial". (30)

AINSWORTH sought to purchase one of his principal competitors, the ailing NUTT & MUDDLE company, but this was blocked by the Federal Court on application from the Trade Practices Commission that this would lead to a near AINSWORTH monopoly on the industry. Subsequently there were attempts by less than reputable persons and organisations to purchase the company. There were connections between these persons and the AINSWORTH group. Englishman Mr W.R. RUFFLER, whose Australian company would appear to have shared an address with the Kings Cross TEXAS TAVERN and its owner Harry CALLEIA, stayed with AINSWORTH while negotiating over the company and used the deregistered accountant O'BRIEN (see below) and a Melbourne solicitor used by AINSWORTH. (31) CALLEIA, who has criminal connections and is involved with the VANGUARD amusement machine company (see below) has been listed as an associate of AINSWORTH. Melbourne criminal identity Mark Alfred CLARKSON was also involved in efforts to purchase NUTT & MUDDLE at the same time as he was involved in actions which would appear to have been designed to frustrate the Task Force Two investigations into AINSWORTH and VIBERT. (32) NUTT & MUDDLE was subsequently taken over by the STANLEE group which had no obvious connection to AINSWORTH. A senior AINSWORTH officer, George CRAGEN (also investigated by Task Force Two) joined the STANLEE group as the new general manager of NUTT & MUDDLE. The company continued to decline and later, almost defunct, was absorbed

into the AINSWORTH group.

AINSWORTH used the services of a deregistered Victorian accountant Kevin James O'BRIEN, convicted in 1975 and again in 1976 of numerous counts of fraud including conversion, forgery and uttering. It is not clear that AINSWORTH knew of these convictions at the time he employed O'Brien's services but it is known that O'BRIEN's services continued to be used after they did become known. AINSWORTH accounts involving millions of dollars administered by O'BRIEN were not among those revealed by AINSWORTH executive Peter CLAREBROUGH in response to questions from the Victorian inquiry and when the inquiry discovered the Victorian accounts and queried them CLAREBROUGH was prevented by AINSWORTH from completing evidence he was then giving the inquiry. Mr Wilcox QC doubted the reasons given for this and in his report said: "On the face of the matter, it appears to me strange that a large Sydney-based organisation, having no significant commercial association with Victoria, should retain the services of an accountant operating out of premises in an outer Melbourne suburb." (33)

AINSWORTH funded and can be shown to have approved budgets and programmes of the Australian Club Development Association. The ACDA, through VIBERT, declared itself to be an independent association deriving from the club industry.

AINSWORTH, at the behest of VIBERT, made three donations totalling \$30,000 during the election year of 1980 to a Queensland account under the title CASPALP, described as an ALP promotional fund connected with the then opposition leader Mr Ed CASEY. Some \$20,000 of this amount was paid into accounts of the Queensland Branch of the Australian Labor Party. The disbursement of the remaining \$10,000 is not known but no officer of the ALP has entered any complaint in relation to this money. (This issue is dealt with separately in the Appendix 2 to this report.)(34)

In correspondence with CASEY, VIBERT proposed that the donations be covered by invoices purporting to cover advertising in ALP publications and this suggestion was followed. (35)

This was investigated for the Queensland Police on the instructions of then Commissioner LEWIS by Detective Inspectors INGHAM and BRADBURY who lunched with Queensland criminal identity Paul

MEADE at the TEXAS TAVERN restaurant Kings Cross (belonging then to Harry CALLEIA) before they were due to attend a raid on AINSWORTH premises with NSW police of Task Force Two. (36)

AINSWORTH and some of his senior staff were forewarned of the raid and the presence of Queensland detectives. Investigations of the origin of the leak were inconclusive but among the possibilities considered were that CALLEIA advised AINSWORTH of information received from INGHAM and BRADBURY or that senior officers of the NSW police had advised an AINSWORTH executive. (37)

Between January and March 1982 the AINSWORTH group paid four amounts totalling \$40,000 to the polling organisation ANOP, purportedly for market research. While a minimal amount of market research (less than a dozen pages according to VIBERT) was done for the supposedly independent ACDA there is no doubt that these invoices were false. Task Force Two alleged that this was a disguised donation to the Victorian ALP and there appears to be no compelling reason to doubt this. Mr Murray Wilcox QC placed "little weight" on VIBERT's denials. (38)

While president of the Registered Clubs Association of Queensland Colin LAMONT received payments totalling \$30,000 from AINSWORTH under arrangements drawn up by VIBERT. LAMONT states that he declared these consultancy fees both to the taxation commissioner and to the Registered Clubs Association, which saw no conflict of interest. (39)

AINSWORTH and VIBERT were charged in NSW with various counts of conspiracy in 1982 in relation to an alleged "deception" that the ACDA was an independent organisation. They were committed for trial.

VIBERT was also charged and committed for trial on charges relating to secret commissions allegedly paid in relation to his role as a consultant and the installation of AINSWORTH poker machines at the Ettalong Beach War Memorial Club. He was found guilty but acquitted on appeal.

This Commission is aware of information which may be relevant to VIBERT's acquittal which falls under the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

Between VIBERT's sentence and appeal, all other

charges against VIBERT and AINSWORTH were no-billed. This was a matter of some controversy; the committal had taken several months, the magistrate had added additional conspiracy charges and the majority of NSW law officers involved told the ombudsman they believed the case a strong one which should have gone to trial. The no-billing of these charges was aired in the NSW parliament and press.(40)

AINSWORTH and VIBERT entered a succession of complaints with the NSW Ombudsman against two NSW officers, Dets HANRAHAN and CLARK.

The Ombudsman, Mr Masterman QC, found that HANRAHAN and CLARK had spoken to members of the NSW opposition in contravention of police rules but recommended no penalty because their actions were a response to a justifiable belief that their investigations into AINSWORTH and VIBERT had been tampered with.(41)

Mr Masterman QC also found that:

HANRAHAN was justified in a belief that AINSWORTH employees and others were trying to bribe him.

That Victorian criminal identities and suspect current and former NSW police were involved in these attempts.

That AINSWORTH and others had foreknowledge of some police raids and actions.

That AINSWORTH's evidence on the existence of a diary note referring to a luncheon engagement with senior NSW police was deceptive and that his evidence in other respects was unsatisfactory.(42)

AINSWORTH appealed the Ombudsman's decision but this appeal was rejected. AINSWORTH has taken civil action against one of the detectives.

LAMONT and others have suggested on the public record that detectives of Task Force Two were corrupted by the BALLY organisation. (43) This appears to derive from an inference that police action in relation to AINSWORTH served the interests of BALLY and or Jack ROOKLYN (who are treated as identical for the purposes of this argument). There is no evidence of corruption on the part of NSW detectives in Task Force Two and a considerable body of evidence to the contrary. Any examination of the evidence leads to questions about relationships between AINSWORTH, his executives and associates and

suspect former NSW police, criminal identities and former senior NSW police. It would appear from the evidence that investigations into the AINSWORTH organisation were fully warranted. This commission is aware of other matters of complaint in relation to AINSWORTH where the course of investigation has been unusual.

AINSWORTH, LAMONT and other spokesmen blame the NSW police and the Wilcox inquiry for problems in relation to his export operations, which at one stage included exports to Nevada through one William Silas REDD, an alleged associate of syndicated crime through the BALLY company. AINSWORTH's ties with REDD were severed when REDD's company, INTERNATIONAL GAMING TECHNOLOGIES, expanded from the manufacture of video gaming machines into the manufacture of poker machines (see below).

AINSWORTH also exported slot machines to four Macau casinos controlled by Stanley HO. HO and his family were extensively mentioned during the inquiry into relationships between dismissed former NSW Deputy Police Commissioner Bill ALLEN, Jack ROOKLYN and Abraham SAFFRON. (44)

Information that AINSWORTH companies were illegally exporting a gaming machine component into Czechoslovakia and China was received from Hong Kong in 1985. The AINSWORTH executive named was Graham/Graeme D FULLERTON. (45)

FULLERTON has since left the AINSWORTH organisation, apparently on amicable terms. When he joined AINSWORTH, FULLERTON for some time maintained his links with LEISURE & ALLIED INDUSTRIES, a Perth based amusement machine company. In this period both FULLERTON and LEISURE & ALLIED were linked in some manner, most probably in regard to the supply of machines, with Abraham Gilbert SAFFRON. (46)

An alleged conspiracy whereby a bank officer pressured clubs in financial difficulty to engage the services of a consultant who recommended purchases of AINSWORTH machines was referred to the AFP. Some references have been made in Federal Parliament to the banking aspect of this investigation.

The consultant, now deceased, was a director in some of the ESSINGTON group of companies. (47)

AINSWORTH Consolidated Industries' share of the NSW poker machine market has contracted to about 30 percent.

Licensing of AINSWORTH

AINSWORTH was granted approval for a casino licence in New Jersey on the condition that he

divest himself of all interests in all the AINSWORTH group of companies.

AINSWORTH is currently not licensed to operate in Nevada.

AINSWORTH NOMINEES were granted an Amusement Device Dealers Licence by the NSW Licensing Court in 1985. The granting of the licence was unsuccessfully challenged by the NSW Superintendent of Licences.

The Victorian inquiry report said the following in relation to AINSWORTH being licensed to operate in that state:

"It is conceivable that the company may persuade a licensing authority that, whatever its past misdeeds, it should now be regarded as suitable to be licensed. It is not for me to make those decisions. Consistently with my role as I see it, I record simply that I am not confident, on what I have seen, that more intense scrutiny of Ainsworth's affairs would lead a licensing authority to be satisfied, to the necessary standard, of the probity of either the company itself or of its principal" (48)

Comment

This Commission recommends that the AINSWORTH group of companies not be permitted to participate in the gaming machine industry in Queensland.

INTERNATIONAL GAMING TECHNOLOGIES P/L

This company was established in Nevada by one William Silas REDD, born 16 November 1911. REDD, the claimed inventor of the draw poker machine, was the former owner of BALLY DISTRIBUTING CORPORATION in Nevada. He was a confirmed associate of a number of syndicated crime figures.

IGT was formed in the late 1970s and it and another REDD company, SIRCOMA P/L, have been investigated by the FBI in relation to the distribution of illegal gaming devices. IGT was the American distributor of ARISTOCRAT poker machines, manufactured by AINSWORTH in Australia while AINSWORTH distributed IGT video gaming machines in Australia. This arrangement collapsed; possible causes appear to be AINSWORTH's own development of video gaming technology and concerns by IGT over the possible theft of componentry. IGT moved into the production and, in the US, operation of poker machines.

In October 1980, a New Jersey hearing examiner found that the relationships among REDD, IGT and BALLY DISTRIBUTING were such that all should be considered a single entity for a regulatory purpose. This was overturned on appeal.

The company became a public company in 1981 and REDD ceased to be sole owner.

IGT was intensively investigated by Licensing police in New South Wales and a number of conditions were put on the company obtaining a licence. These included REDD severing all proprietary connection with the company. That the company was willing to fulfil these draconian conditions is an interesting comment on how significantly the Australian market is perceived. (49)

The company now appears to be well regarded by regulatory authorities. It is, as previously noted, a pioneer in machine linking technology and has shown a willingness to explore and contribute to the regulatory and enforcement implications of this technology. This system is currently being marketed as IGT MEGABUCKS.

This commission has some concern with two former AINSWORTH personnel now with the company.

The former managing director and current vice-chairman of IGT (Australia) is a Mr Peter CLAREBOROUGH aka CLAREBROUGH, a former senior AINSWORTH executive who left the employ of that company in December 1985.

CLAREBOROUGH appeared before the Victorian Board of Inquiry in 1983 and was the witness withdrawn by AINSWORTH when the inquiry queried undisclosed bank accounts operated by Kevin James O'BRIEN.

Ombudsman Mr Masterman QC formed the view that part of Mr CLAREBOROUGH's evidence before him on his foreknowledge of NSW police raids was not true. Officer HANRAHAN also gave evidence of a telephone call from a person claiming to be CLAREBOROUGH who said he was ringing on behalf of Len AINSWORTH to make HANRAHAN an offer "which would make him very happy"- a payment of \$500,000 to any nominated bank account in return for certain specified evidence at the trial of AINSWORTH, the offer to be verified by a call to one of two senior police officers. Mr Masterman QC was satisfied there had indeed been such a call but it was not possible to verify whether the caller was indeed CLAREBOROUGH or whether the two senior police were involved. (50)

CLAREBOROUGH retired from active management of IGT Australia in about mid-1989 in favour of Mr Dean McCLAIN, formerly Director of Sales (Las Vegas). CLAREBOROUGH however remains vice-chairman of the board and a Scott CLAREBROUGH, described as his son is Gaming Development manager of IGT Australia.

One of IGT's principal salesmen for the MEGABUCKS system in Australia is a George CRAGEN who is probably identical with a former AINSWORTH employee of that name.

CRAGEN also faced the Victorian inquiry although at that stage he had moved from being a divisional manager with the AINSWORTH organisation to a position as general manager of the newly taken over NUTT & MUDDLE. He told the inquiry that in 12 years with AINSWORTH he was aware of only two incidents where AINSWORTH mechanics had been dismissed for dishonesty (CLAREBOROUGH was aware of 13 dismissals in the period 1980-83). He was cross examined on a memo he had written to AINSWORTH advising that a mechanic who may have had something to fear from Treasury inquiries into machine shortfalls had announced a retirement due to ill health but was expected to "effect a miraculous recovery in the next few weeks (sometime after the heat goes out of the Treasury inquiry)". (51)

CRAGEN was believed by NSW police in 1981 to have issued a cheque for \$10,000 to the secretary-manager of the 729 club by way of a secret commission, allegedly on behalf of AINSWORTH. Police investigations into this resulted in a meeting between the investigating officer, a former police officer and another police officer where, according to the investigating officer, it was stated that CRAGEN was quite prepared to "help" him financially if the investigation did not proceed. Ombudsman Mr Masterman QC questioned all parties to the incident and "accepted in broad terms" the account of the investigating officer. (52)

IGT has, since its establishment, acquired about 30 percent of the Australian poker machine market. This share will probably grow due to the company's current pre-eminence in machine and site linking technology.

Comment

This Commission would need to conduct further research on IGT to be satisfied that operations by

the company would be an acceptable risk in Queensland. It has reservations in relation to the vice-chairman Peter CLAREBOROUGH and the sales executive George CRAGEN.

UNIVERSAL AUSTRALIA

This company had its origins in a juke box and game machine rental company UNIVERSAL LEASE CO Ltd, founded by Kazuo OKADO in Japan in 1967. The company diversified into restaurants, night clubs, hotels and slot machines, and started distribution of machines in Nevada in 1983.

In 1986 the company formed a joint venture with the small Australian manufacturer PACIFIC POKER MACHINES to form UNIVERSAL AUSTRALIA INC.

This Commission has no adverse knowledge of PACIFIC POKER MACHINES and its directors, some of whom were formerly distributors for the BALLY organisation in Australia. No final conclusions can be drawn without specific inquiries in New South Wales.

UNIVERSAL was apparently approved by NSW authorities without any of the drama attaching to the AINSWORTH or IGT applications. Nothing adverse is known by this Commission about UNIVERSAL although it would seem prudent to undertake inquiries with Japanese authorities before permitting the company to begin any operations in Queensland.

UNIVERSAL has expanded the share of the market held by the older PACIFIC company to about 30 percent.

Licensing

UNIVERSAL AUSTRALIA was licensed by NSW authorities after inquiries were made in Japan and of the Nevada and New Jersey Gaming Authorities. The company itself was said to be co-operative in supplying information however some difficulty was found in checking information with authorities in Japan. No serious adverse finding has been made in relation to the company to the best knowledge of this Commission.

Comment

The information to hand on UNIVERSAL AUSTRALIA is too limited to permit any judgement on whether the company should be permitted to operate in Queensland.

OLYMPIC AMUSEMENTS

OLYMPIC has its origins in a Victorian amusement machine manufacturer linked with two Greek businessmen Nicholas BALAGIANNIS, born 230247, and Nick MITRIS, born 020544.

According to an interview between BALAGIANNIS and NSW police, BALAGIANNIS came to Australia from Greece in 1965. In the early 1970s he became the proprietor of the MONTE CARLO amusement billiard room in Frankston and sold a half share in this business to MITRIS in 1973. In 1979 this business was sold to an Arthur MITRIS. In the early 1980s MITRIS and BALAGIANNIS imported amusement machines from Japan before beginning assembly and manufacture under the OLYMPIC name. (53)

Victorian and NSW police have long believed or received information that OLYMPIC AMUSEMENTS has two faces, supplying both legal and illegal machines and markets. Reputedly it was BALAGIANNIS who handled the illegal side. BALAGIANNIS was convicted of lending a contrivance for gaming in the Dandenong Magistrates Court on 010982.

In interviews with NSW police both BALAGIANNIS and MITRIS said that they had both draw poker and other amusement machines in about 30 premises in Victoria. Video draw poker machines are illegal in Victoria. (54)

Angelo DUROS, a well known manufacturer and operator of illegal amusement devices in New South Wales is believed to have provided some input into OLYMPIC's early manufacturing operations. Nick MITRIS told NSW police in 1984 of recent dealings between BALAGIANNIS and DUROS. (55)

BALAGIANNIS and MITRIS also told police they had interests in the BUCK ROGERS amusement centre in Melbourne. (56) Their interests are not disclosed in any corporate documents relating to the BUCK ROGER premises.

The general manager of the poker machine manufacturing arm of the company in NSW is former Victorian police officer David John WADE, born 160653, who is married to a niece of BALAGIANNIS. WADE left the Victorian police on 210584, on medical grounds. He stated to NSW police that he was suffering from cancer. He told NSW police that departmental charges against him and others in 1972 for allegedly destroying police documents had been dismissed and that he had been exonerated in a number of internal investigations prior to his retirement. (57)

Investigations by this Commission indicate that WADE's account of the 1972 charges is essentially correct but it would be more correct to say that the later internal investigations were principally not brought to any conclusion. The Commission's knowledge of these internal investigations is set out below.

WADE and a subordinate officer Lucio PEPE, born 100856, were investigated in relation to a complaint from a prostitute that she had been "loaded up" with a small quantity of heroin on or about 100482. This investigation was discontinued.

WADE and two subordinate officers Lucio PEPE and Ian FLEMING were investigated in relation to allegations that they had been bribed to supply certain information in relation to an investigation. The internal investigation was discontinued after the death (from natural causes) of one of the complainants.

WADE and two subordinate officers Lucio PEPE and Ian FLEMING were investigated in relation to an allegation that they had travelled overseas in June 1982 with one Athos MANDYLARIS, born 140748, a Greek nightclub owner. This investigation was discontinued.

WADE and a subordinate officer Lucio PEPE were investigated in relation to an allegation that they had attempted to induce the victim of a crime to offer a reward. WADE was officially on leave at the time. One of those allegedly involved in this incident was reputedly active in the illegal gaming industry. This investigation was discontinued.

WADE was investigated in relation to an allegation that he had solicited a bribe from a business proprietor in the tow truck industry. The complainant withdrew the complaint on the grounds it would not be the best course for his business for it to continue.

WADE was investigated in relation to allegations that he had "loaded up" some tow truck drivers charged with possession of small quantities of heroin. These charges were withdrawn. No result is known for this internal investigation.

WADE, a subordinate Lucio PEPE and others were investigated in relation to an allegation that a gold bracelet and \$1000 had gone missing during a raid on gaming premises. No result is known for this internal investigation.

Comment

It must be emphasised that this Commission has no knowledge as to whether there were grounds for investigation of WADE in relation to any of the above allegations. The Commission does however have grave concerns over the number and nature of the allegations and with WADE's associations with PEPE, MANDYLARIS and FLEMING (see below). The possibility exists that WADE's retirement from the Victorian police was not unassociated with the indeterminate result of a number of these investigations.

WADE can be shown to have associations with Athos MANDYLARIS, Lucio PEPE, Victor UMEK and Ian FLEMING. This Commission has concerns in relation to these associations which are spelt out below:

Athos MANDYLARIS, born 140748 in Greece, is a nightclub owner with a conviction for carrying a loaded firearm in a populous place. He was a known associate of and has associates in common with former insurance broker and suspected drug trafficker James PINAKOS. PINAKOS, who is now known to have handled cash in quantities considerably in excess of what was generated by his business, disappeared following a suspect transaction. His mutilated body was found at Rye on 180789.

WADE, PEPE and FLEMING, all then officers of the Victoria police, travelled overseas with MANDYLARIS in 1982.

Lucio PEPE, born 100856, was a former Victorian police officer subordinate to WADE and was involved in a number of the alleged incidents for which WADE was investigated. In 1984 PEPE was also identified as one of the principals of C&A AMUSEMENTS, a Victorian company, with his brother Vincent PEPE, his brother in law Laimond SPROGIS and a Con ALEXOPOULIS. (Con ALEXOPOULIS D'ANDREA). This company has been the subject of allegations of the making of threats to secure the placement of amusement machines. PEPE and others were convicted of offering a bribe to a police officer who had seized some illegal gaming machines but this conviction was set aside for reasons unrelated to the facts of the case on appeal. In related police departmental proceedings WADE appeared as a witness for PEPE. On 301189 PEPE and another Victorian police officer Victor UMEK were arrested on a cannabis plantation of 2000 plants at Sale in Victoria. A search of PEPE's home showed that he was in possession of WADE's business and silent telephone numbers in Sydney

and the telephone number for WADE's father. David WADE, company manager, was one of those listed as prepared to support PEPE's bail application. PEPE and UMEK pleaded guilty to charges in relation to this crop on 070590. Counsel for PEPE told the court that he intended to call WADE as a character witness but that WADE had not arrived and his whereabouts were unknown. PEPE and UMEK were sentenced to terms of imprisonment.

Victor UMEK, a former Victorian police officer subordinate to WADE, was involved with Lucio PEPE with the cannabis crop mentioned above.

Ian Grant FLEMING, a former Victorian police officer subordinate to WADE, allegedly travelled overseas with WADE, PEPE and MANDYLARIS in 1982. On 070382 FLEMING was charged with improper conduct after being found during the investigation of the murder of prostitute Dale Andrea LOCKWOOD to have been working as a driver for an escort agency. FLEMING was found guilty of a disciplinary charge and sought workers compensation and a medical discharge from the Victoria Police. WADE provided some support for these applications. FLEMING also later volunteered the names of WADE and PEPE as two officers supportive of him. (58)

OLYMPIC were investigated by the CUSTOMS department in relation to a number of incidents in the early 1980s and Nicholas BALAGIANNIS charged by the Customs department with six counts of smuggling, six counts of evading payment of duty, five counts of making a false entry, seven counts of producing an untrue document, and one count of making a false statement. On 260686 BALAGIANNIS was convicted of six counts of smuggling, six counts of producing an untrue document and one count of making a false statement. (59)

WADE's name made its way on to a list of "Principals in the Prohibited Amusement Device Industry of NSW - 1989" but it is not known on what basis his name was included other than "Parts supplier". BALAGIANNIS features on a similar Victorian list of identities dated 1980. (60)

WADE told journalists in 1988 that he had evidence of a plot to keep any new gaming machines from replacing in-line machines in Queensland clubs. This conspiracy allegedly involved BALLY, corrupt dealings between NSW and Queensland police, and "a bagman who had been planted in his organisation as a spy". (61) This Commission has not seen the detail of these allegations and can make no comment on their content except to point out that they are

nearly identical to allegations made by AINSWORTH and LAMONT, a lobbyist connected with AINSWORTH.

The business name OLYMPIC AMUSEMENTS was registered in Queensland on 250184 by one Jack MAOUDIS of 82 Davrod St, Robertson. MAOUDIS was thought by Queensland police to be identical with a Jack KYRIAKOU, born 200231, who has a minor conviction for false pretences at Tully in 1958. It is not known at this stage whether MAOUDIS has any connection with the Melbourne-based company OLYMPIC AMUSEMENTS. The MAOUDIS-registered business name was deregistered on 250187.

OLYMPIC AMUSEMENTS, which is the smallest of the major manufacturers, currently has about 10 percent of the NSW poker machine market. OLYMPIC is an aggressive advertiser and promoter of its wares and has engaged the services of Queensland footballer Wally LEWIS to promote its machines, with an obvious eye on the new market in this State.

This Commission is aware of further information in regard to OLYMPIC AMUSEMENTS and its principals which falls under the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

Comment

This Commission recommends that OLYMPIC AMUSEMENTS not be approved for participation in the gaming machine industry in Queensland.

OTHER MANUFACTURERS

There are other manufacturers which include some operating in a smaller way in Australia and some operating in a large way internationally but not yet or not now in Australia.

Some of these latter companies may be interested in a new market opening up in Queensland.

Below are brief notes on companies which may become of relevance.

BALLY CORPORATION

BALLY is the world's largest manufacturer of gaming machines and once had a considerable presence in the Australian market. This evaporated following revelations and adverse comment before the Moffitt (NSW) and Wilcox (Vic) inquiries and the company now has no organisational presence in this country. The public face of BALLY in Australia has been Jack ROOKLYN; following the withdrawal of BALLY from the poker machine market ROOKLYN concentrated on the

illegal in-line machines in Queensland, a market which he was able to dominate through the company QUEENSLAND AUTOMATICS. BALLY, ROOKLYN and their associated companies have a very poor record in this country and ROOKLYN is currently before the courts on corruption charges.

BALLY internationally now claims to have purged itself of its US syndicated crime links after many years of pressure from Nevada and New Jersey gaming authorities. Whether this is so or not is a judgement that need not be made until or unless BALLY indicates an interest in re-entering the Australian or Queensland markets.

There is no indication that the BALLY organisation has any desire to raise the ghosts of its past in this country.

INTERMARK IMAGINEERING INC

One Nevada company, INTERMARK IMAGINEERING INC, which was refused a license in NSW, did in the recent past have a minimal presence in Queensland. In New South Wales the company's registered office was established in premises owned by former NSW police officer and suspected crime figure Keith John KELLY. (62) The company is a shareholder in the NSW registered company SILVERBAY P/L along with the KELLY company Australian Computer Equipment Supplies P/L. The directors of SILVERBAY are KELLY, Michael James COURTNEY, Patrick Percy RENSON-SMITH and Paul Bruce HARDIN. COURTNEY is involved in organised criminal activities and was prominently mentioned in the NSW BCI report (known as the Shelley Report) into the activities of the TERRY'S IMPORTS group of companies. (63) HARDIN's father Bruce HARDIN was involved in Sydney illegal casinos and in SP bookmaking with George FREEMAN. (64)

In Queensland, KELLY is an associate of former police assistant commissioner Tony MURPHY and had business interests in common with businessman Ronald Anthony McCONNELL. These business interests formerly included the supply of gambling equipment to illegal casinos operated by Geraldo BELLINO. KELLY and McCONNELL have come to notice in this state for efforts to have their then company awarded casino equipment supply contracts to Jupiters Casino. (65)

RUFFLERS/VANGUARD GROUP of COMPANIES

The RUFFLER group consists of English-based companies with interests in gambling and gambling equipment. They first came to notice in Australia in relation to a bid to take over the NUTT & MUDDLE

poker machine company in Australia. Victorian criminal identity Mark Alfred CLARKSON, now in jail for fraud offences, was associated with another bid to take over the company. During this period there is evidence of links between both RUFFLER and CLARKSON and persons involved in activities relating to Leonard AINSWORTH and his companies. The AINSWORTH group had earlier been blocked from taking over NUTT & MUDDLE by Federal Court action initiated by the Trade Practices Commission. (66)

An Australian company W.B. RUFFLER Pty Ltd was registered to the TEXAS TAVERN premises at 44 Macleay Street, Kings Cross. TEXAS TAVERN owner, Harry Joseph CALLEIA, has illegal gaming convictions and is an associate of organised crime identities. CALLEIA, aka CALLEIH or CALLEIGH and often confused with Harry GALEA, is the principal of the VANGUARD group of companies, which include VANGUARD AMUSEMENTS and CALYPSO AMUSEMENTS. VANGUARD was mentioned before the (Fitzgerald) Commission of Inquiry as one of the suppliers of illegal in-line gambling machines in Queensland. VANGUARD or some person associated with it was allegedly responsible for making payments to Leo McQUILLAN (deceased) of the LICENSING COMMISSION and by way of secret commission, to personnel of at least one club. (67)

Those mentioned before the Fitzgerald Inquiry as having some connection with VANGUARD machines were a Harry GALEA (possibly confused with Harry CALLEIA), Paul MEADE (deceased) and Kevin KENT (Qld bookmaker). MEADE and one GALEA (again possibly confused with CALLEIA) were shown to be in contact with Sydney organised crime identities during NSW Operation DAZZLER. Frederick "Paddles" ANDERSON (deceased) alleged that MEADE was behind in payments to himself and McPHERSON to operate gaming machines in Queensland. (68)

This Commission is aware of further information in connection with MEADE and associates which is the subject of current proceedings.

LEISURE AND ALLIED INDUSTRIES

A long-established amusement device manufacturer and operator which withdrew its application for a licence in New South Wales following enquiries in Western Australia in relation to directors of the STEINBERG family.

Director Malcolm David STEINBERG, born 211239, is known as an associate of Abraham SAFFRON. The company employed Graeme FULLERTON in various senior capacities, for some time simultaneously with his employment with AINSWORTH. In this period FULLERTON is also known to have visited premises used by

SAFFRON.(69)

STEINBERG and/or LEISURE & ALLIED is believed to have interests in amusement machines and/or parlours in Brisbane.

This Commission is aware of further information in relation to another director of LEISURE & ALLIED which falls under the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

QUEENSLAND GAMING MACHINE SALES AND SERVICE P/L

A company of this name was registered on 141287, giving as its address the third floor of 210 Queen St, Brisbane. The directors of the company are currently listed as Chevel David COONAN, born 120247 of Sydney and Maurice James HOWE, born 050547, of 3 Banks Street, Ashfield, Sydney. The secretary is an Ian Richard PHILLIPS, also apparently born on 120247, giving his address as 21 Vale Street, Kelvin Grove. COONAN is a director of INSTANT COMPANIES P/L, which has come to notice on a number of occasions in connection with shelf companies used by criminal identities. There are indications that COONAN's involvements may go beyond the mere provision of corporate services. With regard to this company it is unusual that a shelf company director remains listed more than two years after the company's creation. A Maurice James HOWE, birth date not known, is adversely known by this office for organised criminal associations, but there is no certainty that this is the Maurice James HOWE associated with this company.

ILLEGAL ACTIVITIES: MANUFACTURE, SUPPLY AND MAINTENANCE OF GAMING MACHINES

1. Manufacture

The issues of concern here are that some gaming machine manufacturers in Australia have had a propensity for cultivating and on occasion corrupting persons responsible for their regulation; that inadequately secure machines have been produced; that a degree of industrial espionage which sometimes transgresses into criminality takes place between manufacturers; that there may be undeclared interests in such companies; that criminal elements are employed or associate closely with such companies; or that they form vehicles for money laundering or tax evasion.

Most of the examples of these practices spelt out below relate to either the BALLY or AINSWORTH groups of companies. Apart from illustrating what can go on in

this industry examples of BALLY transgressions are most likely to be only of historical interest. The AINSWORTH group might suffer some disproportionate attention because it is long established and well studied. However there is also real cause for concern in view of the AINSWORTH group's long and often questionable lobbying for the introduction of poker machines into this state.

Corruption and cultivation of regulatory authorities.

The Moffitt Royal Commission of 1974 dealt extensively with the great reluctance of the NSW police to pursue allegations of misconduct by the BALLY group within NSW clubs. By contrast the then Commonwealth police were vastly more efficient investigators. Mr Justice MOFFITT provided what may have been some explanation for these differences in investigative aptitude in finding that the then head of BALLY AUSTRALIA had entered an unorthodox business arrangement with one of the police investigating BALLY and that he had lied about this arrangement before the Royal Commission. (70)

Something of the same pattern has been discernible in investigations into the AINSWORTH group of companies by Task Force Two of the NSW police. The NSW Ombudsman Mr Masterman QC found that junior police who persisted with this investigation were justified in believing that there were attempts to bribe them and otherwise impede their investigation. Senior police, some of whom have since come under grave suspicion or worse of misconduct, were or appeared to be in close or convivial contact with AINSWORTH or his senior executives. Former and serving police and criminal identities were among those engaged in various actions which could be construed as attempts to buy off or otherwise impede the investigation. (71) Finally, both this and other investigations into AINSWORTH, his associates and companies have not proceeded in any usual manner and in some cases have not proceeded at all. There may be quite proper explanations for each apparent diversion from the expected course of justice but a number of such incidents, taken together, give rise to questions. (72)

The AINSWORTH companies also conducted their campaigns to have poker machines introduced into Queensland and Victoria in an indirect and deceptive way. Ostensibly independent lobby organisations were set up, spokesmen for which received AINSWORTH money and instructions at the same time as they publicly decried any connection with AINSWORTH. A proposal for political donations amounting to \$30,000 was accompanied with instructions as to how AINSWORTH CONSOLIDATED INDUSTRIES was to be invoiced for \$30,000 in advertising in "party newspapers, pamphlets and brochures". Another payment of

\$40,000, this time ostensibly related to market research, may well have been a party political donation in Victoria. As in any lobbying enterprise the aim of the campaign was to cultivate those who were in power or who might ascend to it. The lobbying activities of the AINSWORTH organisation are such as to give rise to concern over what other commercial or political activities would be considered acceptable by the company.(73)

The campaign to have poker machines introduced into Queensland in the early 1980s failed, possibly not least because the illegal in-line machine industry proposed and cultivated the opposite viewpoint and, according to evidence before the Commission of Inquiry, backed up its case with some corruption of public officials. (74)

In the illegal side of the industry major suppliers and operators Leslie William JONES and members of the PAKIS family have been known to boast of police protection. These claims may or may not be truthful but there has been at least one period where it seemed to the competitors of JONES, notably one Angelo DUROS, that the weight of enforcement was falling heavily and seemingly almost exclusively on them. JONES and his partner Gregory John MELIDES are reliably believed to have paid politicians and others outside of Australia to protect illegal gaming machine operations.(75)

Historically, overseas as well as in Australia, elements of the industry have shown a predisposition to compromise or corrupt regulatory authorities. There is a great deal of money involved, a lot to gain and, realistically, often little chance of getting caught. Any regulatory mechanism in Queensland must take this historical tendency into account.

New South Wales has suffered to some extent from a multiplicity of regulatory authorities. It has also suffered from the tendency by some in the industry, particularly in recent years the AINSWORTH group of companies, to use every legal and possibly other avenues to frustrate investigation and regulation or their consequences.

Participation in the gaming industry should be considered as a privilege and not a right.

A single gaming authority with its own thoroughly and continually vetted intelligence and investigative staff should be established. The authority should be accountable to the parliament, not the executive. Disqualification of operating rights should follow automatically from detection of prescribed offences rather than as the result of a court process.

Operating rights may be able to be restored following an appeal process through the courts with the gaming authority indemnified against any action for costs or damages.

The South Australia Select Committee into the Casino Bill 1982 was the first in Australia to recommend measures based on the principle that participation in a gaming industry be a privilege, not a right. The committee proposed reversing the onus of proof by requiring any applicant to demonstrate his company's suitability and lack of connection with organised crime and giving the licensing authority the ability to act on reasonable suspicion.

The committee stated: "There is a need to ensure that there is no chance that organised crime can influence the police or political system which is always susceptible to corruptive influence. Corruption usually occurs in this context by a failure to prosecute. It is essential that if a breach of the rules or regulations is detected then disciplinary action is automatic and not held up by police inactivity or government delay."(76)

Inadequate machine security

The older, mechanical poker machines were notoriously vulnerable to poker machine cheats armed with sophisticated equipment like wire and automotive washers. Folklore attests that some such gangs of cheats operated continuously and exclusively in such a manner for more than 20 years and claimed their equipment holding "vests" as a tax deduction. None of this is verifiable but it can be said that the newer generation of video and microprocessor technology poker machines are less vulnerable to outside interference.

However the claims of poker machine lobbyists extend to claims that the new generation of machines are manipulation proof. Part of the argument advanced has been that poker machine cash analysis of the type possible on new machines and mandatory in NSW and the ACT has greatly reduced the problem of player cheating. The response of Mr Wilcox of the Victorian inquiry to this claim was that "as the (NSW) Department of Finance made clear to me, all that percentage analysis did was to highlight that there were very large discrepancies between actual poker machine revenues and the revenue which ought, theoretically, to have been produced". (77) The Victorian inquiry heard from NSW detectives that cheating on microprocessor machines was sometimes easier than on older models: a practice known as "yo-yoing" involves no more than jiggling a coin attached to a thread through the coin acceptor. Manufacturers constantly devise new anti-yoyo

devices; cheats just as regularly devise new methods of overcoming these safeguards. An Ainsworth machine, of which 12,000 examples were produced between 1979 and 1983, was found to have a design fault which allowed unearned credits to be accumulated through certain simultaneous actions with a coin and the collect button. More recently a new machine simply accepted the wrong denomination of coin.

While the ACT required that machines be inoperative when coin counters were disconnected, at least some manufacturers were defying normal rules of economy of production by separately turning out similar machines to the less demanding NSW standards. It has also been found that some counters themselves could be manipulated through simple electrical pulses. An alligator clip and a piece of wire are hardly very sophisticated but there have also been instances where machine software or componentry has been manipulated or even exchanged with units more generously inclined to jackpots and payouts. This is by no means an exhaustive list of methods of cheating the modern poker machine.

There has been evidence of organised cheating, which has involved the production of specialised tools (more in the era of mechanical or electro-mechanical machines); the involvement and co-operation of groups of people; and the allotment of cheating areas or "runs". Some arrested cheats have been in possession of names or other evidence suggesting a much wider criminal conspiracy perhaps taking a cut from the cheats - this is organised crime by any definition. It would be folly to anticipate, as some in the industry would have us believe, that poker machines installed in Queensland would be immune to either manipulation or the attentions of professional cheats.

Effective supervision and safeguards imposed by licensed establishments themselves will always be one of the main obstacles to amateur or professional poker machine cheating. Industry attitudes that cheating is either insignificant or always the problem of other manufacturers, pubs or clubs are unlikely to lead to the development of effective safeguards.

The newer generation machines do seem to have shifted the balance to a large extent away from external cheating to internal theft - the machine that is proof against dishonest club staff and technicians has not yet been invented, although industry propaganda has once again been known to claim otherwise.

At the most mundane level some new generation machines have still accepted the wrong denomination of coin or other objects. Other problems that have

arisen in New South Wales in the recent past include machine counters that could be manipulated through simple electric pulses.

Some degree of machine irregularity to account for slow counters and the like is allowed in New South Wales. However criminals working from the inside have been known to exploit their knowledge of this margin (currently about two percent) for skimming operations of various types.

Microprocessor based technology is also vulnerable to component switching by technicians working in tandem with accomplices who "play" rigged machines. As a general rule the more machines have to be attended by technical staff the greater the risks.

Once again supervision and safeguards in licensed establishments themselves are one of the first and most significant lines of defence against such depredations and naivety and blind optimism that machines will not be interfered with is an impediment to the development of effective safeguards. There are, fortunately, encouraging developments within the industry. In New South Wales some club industry personnel have formed a Poker Machine Council which has gone some way to redressing the balance between manufacturers and purchasers of poker machines. The council has been able to have addressed the problems of poorly built and/or designed machines. The council has also developed educational materials for use within clubs, lobbied government in relation to shortcomings in the regulatory structure and formed an effective and complementary relationship with NSW police squads investigating poker machine related crime.(78)

On balance, if responsible sections of the industry show themselves capable of addressing these potential problems they should be allowed and encouraged to do so.

A listing of instances of fraud/theft and breakdowns correlated with type of machine should be kept by any central gaming authority. The list should also include all non-authorized/illegally placed machines. Manufacturers should be queried/advised of any apparent problems. Any responsible association within the industry should also be advised. The gaming authority should have the power to require rectification of any problem or have machines recalled at manufacturer's expense.

Industrial espionage

In a highly competitive and gimmickry industry the theft or poaching of secrets and plans from

companies is an ever present concern. It is probably more a concern of the companies themselves than law enforcement or regulatory authorities. However one instance is known where it appears that a senior executive of a company was involved in the organised criminal theft of material from another company. It is not known whether other company executives or principals were involved but that possibility exists.

AINSWORTH executive Graeme FULLERTON resigned from the company after investigations commenced into the apparently organised theft of components from IGT machines in Nevada. It appeared to be an amicable if unexpected resignation.(79)

The 1984-85 Annual Report of the NSW Licensing Investigative Section includes industrial espionage in its list of "criminal aspects" of the industry in these terms: "Planted or subverted employees with access to commercial and financial knowledge and technological know-how." (80)

Undisclosed interests

Regulatory authorities and other agencies on at least three continents spent more than a decade in the effort to discern who owned what in the BALLY CORPORATION. The fact of a hidden Italian American syndicated crime link is now generally conceded. Gaming authorities have forced substantial changes to BALLY's corporate line-up but there is still far from universal confidence that every vestige of Mafia ownership and involvement in the company has been removed.

In October 1980 a New Jersey hearing found that relationships between BALLY, IGT and IGT founder William Silas REDD were such that these should be considered a single entity for the purpose of regulation. This decision was later reversed on appeal. REDD was required to relinquish all proprietary connection with IGT before the company could be licensed to operate in New South Wales.

Similar concerns are aroused by the Victorian inquiry's consideration of the Murray Valley Poker Machine Company where it was shown that Leonard AINSWORTH had acquired a majority, but completely hidden, interest in the company. In a similar way AINSWORTH funded, controlled and directed the activities of the supposedly independent lobby organisation AUSTRALIAN CLUB DEVELOPMENT ASSOCIATION.

This serves to illustrate the great care that must be taken in evaluating the real ownership of companies involved in the gaming machine industry.

It is worth noting the patterns that emerge in the illegal gaming machine industry in New South Wales where a notable criminal identity Leonard Arthur McPHERSON is known as "Mr 10 percent".(81)

NSW Authorities have stated their concerns with "The utilization of local trust and offshore banking and trust facilities to hide the origin of monies received or obtained". This has been found to include trust accounts with Swiss and Liechtenstein banks and the comment is made "These trusts are open ended trusts with unknown beneficiaries." (82)

No company in the gaming machine industry should be licensed until regulatory authorities are totally confident that the true nature of interests in the company is known.

Consideration should be given to not issuing any provisional licences to cover the period of investigation as experience has shown that pressure has been brought to confirm provisional licences despite adverse reports.

Criminal associations

The former international and casino operations manager for the AINSWORTH group was one Graeme FULLERTON, born 200642. At the time of his employment FULLERTON had 19 convictions including felonious possession of pistol, possess implements for housebreaking, false pretences, larceny, shop breaking and stealing. Prior to and for some time after joining the AINSWORTH organisation, FULLERTON was a senior executive and company secretary with LEISURE AND ALLIED INDUSTRIES and as such was noted to have had business dealings with Abraham Gilbert SAFFRON. FULLERTON is said to have left the AINSWORTH organisation on amicable terms following the commencement of a Nevada investigation into the theft of components from IGT gaming machines. (83)

The Victorian Wilcox inquiry into poker machines highlighted the presence in the AINSWORTH organisation of Kevin James O'BRIEN, born 100432. O'BRIEN, convicted in Victoria of a number of fraud related offences, was employed by AINSWORTH in the late 1970s to restructure his company group for tax advantages. According to Wilcox AINSWORTH retained the services of O'BRIEN despite becoming aware of his criminal record. AINSWORTH CONSOLIDATED INDUSTRIES was later assessed with tax and penalty liabilities of more than \$20 million.(84)

The NSW Ombudsman records that a number of criminal identities were associated with attempts to bribe investigators of Task Force Two or frustrate their investigations into AINSWORTH and poker machine

consultant Edward Phillip VIBERT. These included Mark Alfred CLARKSON, born 231150, a non-practising Victorian barrister who had been acquitted of conspiracy to murder (with Christopher Dale FLANNERY) under controversial circumstances and was later convicted of a number of company frauds. CLARKSON and Victorian pornographer and SAFFRON associate Gerald GOLD made offers of bribes to members of Task Force Two, ostensibly on behalf of AINSWORTH and VIBERT. Another intermediary in this process was former NSW police officer Keith John KELLY, named in the public reports of the Joint Task Force as an associate of drug trafficker Murray Stewart RILEY and the NUGAN family. (85)

A record of association with or employment of criminal or suspect identities should be sufficient grounds for refusal of a licence to manufacture, supply or operate or service gaming machines in Queensland.

Money laundering, tax evasion.

LEISURE AND ALLIED INDUSTRIES and the AINSWORTH group have both incurred tax and penalty liabilities in the \$10 - \$20 million range. To what extent this is indicative of systemic behaviour on the part of these companies is not known.

There is no information to hand suggesting that money is laundered through gaming machine manufacturers. It is set down as a possibility to beware of. It is known that the books of AINSWORTH, BALLY and QUEENSLAND AUTOMATICS have at least periodically not reflected the true nature of the transactions they purport to describe. In one case relating to AINSWORTH neither that company nor a large finance company possessed documentation to cover a sizeable transaction. (see Penrith Leagues Club under Secret Commissions - below)

The 1984/5 Annual Report of the NSW Licensing Investigative Section, NSW Supt of Licences Office states that it has identified the following "criminal aspects" in this area:

3. Utilisation of local trust, and offshore banking and trust facilities to hide the origin of monies received or obtained.
4. Links with major drug distributors.
5. Planted or subverted employees with access to commercial and financial knowledge and technological know how.
7. Large scale income, customs and sales tax evasion/avoidance.

9. Falsification of financial documents.

The precise basis for this listing is not yet known by this Commission but it does illustrate matters of considerable concern.(86)

2. Supply

The activities of manufacturers and their agents are yet more dubious when the distribution and supply of machines is considered. Among the criminal and undesirable activities known or very reliably believed to have occurred are the diversion of machines to illegal uses and markets; and a variety of forms of conduct which verge on or amount to being secret commissions and corrupt inducements to club officials.

Supply to the illegal industry

Clubs and hotels have in effect been supplied with more than their legal requirement of gaming machines. This has varied from instances of deliberate oversupply to instances where unwanted "trade-in" machines are simply not retrieved by the manufacturer and these machines have continued to be used by the club.

Manufacturers have also been known to supply machines for an illegal market. This Commission is aware of one such alleged case involving the AINSWORTH group and of alleged cases concerning OLYMPIC VIDEO GAMING which fall under the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989. OLYMPIC is additionally known to be involved in the illegal industry in Victoria.

There are also allegations that the legal manufacturers have supplied parts to the illegal industry.

A running list of unauthorised and illegally placed machines should be kept and the gaming authority authorised to interrogate manufacturers and take appropriate action. Sample illegally manufactured machines to be dismantled for analysis of their origins. (See above - inadequate machine security.)

Secret commissions and related matters

Various manufacturers are alleged or known to have engaged in the offer of inducements of one sort or another to buy gaming machines. These inducements have included or are alleged to include payments in cash or in kind such as holidays, supply of unauthorised machines and various kickbacks. Some

transactions proceed in a highly unusual manner which raises questions.

As an illustration the following transaction involving the AINSWORTH companies and the PENRITH LEAGUES CLUB in New South Wales is set out in some detail.

In September 1985 the Licensed Gaming Investigation Squad learned that the Penrith Leagues Club was in the process of purchasing 100 Micro Star poker machines from AINSWORTH INDUSTRIES. This was an unusually large order which had not been referred to the squad although documentation had been lodged with the Liquor Administration Board. It was found that the club was to pay \$720,000 for the machines less a "discount" of \$99,000 and a trade-in on old machines of \$90,000. The club, then in debt to the tune of \$11,391,647, was to finance the machines through ESANDA FINANCE at 14 percent interest with 24 monthly payments of \$25,475. It appeared that the club was to pay \$6800 per machine for machines that were then generally selling in a price range of \$4800 - \$5200.

Inquiries conducted at ESANDA showed that the total repayment expected of the club was \$701,400. The actual interest rate was 19 percent, but five percent of the interest, or \$23,000, was being paid by AINSWORTH under an arrangement used by the company for some time. In some instances AINSWORTH had made such payments by cheque, however in this case the amount had been deducted from ESANDA's payout figure which was \$507,000, not \$530,000. Senior management at ESANDA were totally unaware of this arrangement and no documentation was found at either ESANDA or AINSWORTH INDUSTRIES to cover this transaction.

A perusal of the contract between AINSWORTH, ESANDA and the club showed only 90 poker machines listed on the schedule, in contrast with the 100 indicated in Statutory Declarations lodged by the club with the Liquor Administration Board (LAB). The club was queried and confirmed that the purchase was for 100 machines. However a manager of AINSWORTH INDUSTRIES, Mr D.P. CLEARY attended at the LAB with a letter indicating that the sale was for 90 poker machines. When questioned CLEARY apologised and amended the letter to read 100 machines.

Subsequent investigations showed that the South Sydney Juniors Club was also involved in a similar transaction with AINSWORTH

INDUSTRIES.(87)

This sort of Byzantine transaction poses obvious problems for regulatory and law enforcement authorities. Even the description adopted by investigators is complex - " The purchase of large amounts of poker machines for prices way above ordinary with no effective discount ". There is room in such contorted transactions for any number of corrupt arrangements.

In the language of the industry, it is the person in a club ultimately responsible for ordering machines who is most likely to be offered "a big drink". Although most machines have some equivalent of a list price in reality it is only the smaller clubs who buy at this price. In the industry talk of various forms of secret commissions _ from cash to paid holidays to private trade-in agreements to extra machines installed for private benefit _ is legion but details are few.

The new and relatively inexperienced club industry in Queensland probably needs to be made aware of the risk of being taken for a ride by manufacturers and machine suppliers. The risks include the dumping of obsolete machines. In one instance quoted within the NSW industry, representatives of a Queensland club were quoted a price of \$16,000 a machine for poker machines normally sold at about \$9000.

As in NSW all details relating to the purchase of any gaming machines should be provided to the regulatory authority by both company and purchaser. In addition it would be useful to remove much of the cloak of secrecy in the industry in relation to prices quoted and prices paid. At the time of seeking approval to licence any new machine the manufacturer/supplier should be required to set out the price structure for the machine and any discounting schedules. The prices of repair contracts for all machines should also be quoted. Prospective machine purchasers should be entitled to make inquiries of this information. Departures from the price schedule should be justified by the manufacturer.

Most of the above suggestions remain relevant if the government purchases machines or acts as a purchasing agency.

Maintenance

All indications suggest that poker machine technicians are major participants in skimming from poker machines. The time that machines are down for service or listed as malfunctioning is when they are at their most vulnerable. Any discrepancy in figures at such a time is prone to be

put down to symptoms of machine malfunctioning. This is well known to technicians and others and there have been a number of convictions of technicians for theft. Most of these cases involve outright theft, where technicians have been caught scooping out coin hoppers or in possession of coins in bags. There is a knowledge that there are forms of theft that are much more technically sophisticated and more rarely detected. The swapping of electrical components is one such, where the machine is fitted up by a technician with componentry basically designed to milk it, then played by an associate for all it is worth and then "repaired" with the correct componentry.

The manipulation of machine counters as an aid to undetected theft is known to occur to an unknown but probably significant extent. With some machines this was apparently a simple enough procedure to be followed by even those without much in the way of technical expertise.

Possibly of more concern are skimming operations conducted by a group of persons of whom a technician is a key member. Most usually the other parties to these criminal conspiracies are club personnel, often with quite responsible positions.

Although many technicians are in fact employees of poker machine manufacturers there is no great body of evidence to suggest that the companies themselves participate in any thefts by their technical employees. The degree of competitiveness between manufacturers tends to militate against any such tendency as rival representatives make great capital of the dishonesty of opposition technical employees. Even companies which have themselves not enjoyed an easy relationship with NSW gaming detectives are reported to have been uncharacteristically co-operative in investigations into technicians. One related matter where company transactions may need to be looked at is in the matter of maintenance contracts although this is often more a commercial than a criminal consideration.

All technicians should be licensed and such licensing should include checks of criminal records and probity. Substantive complaints should result in automatic disqualification and the entering of the offender's name and details onto a register of persons not eligible for employment in any enterprise operating gaming machines. The employers of technicians and club managements be required to report any cases of suspected misconduct to the regulatory authority with some penalty being attached to any failure to report a misdemeanour. The employers of technicians and clubs be required to keep a record of jobs performed by each technician, such record to be available if required to the regulatory authority.

ILLEGAL ACTIVITIES - CLUBS AND HOTELS

Registered Clubs

Poker machines will give many if not most clubs in Queensland a several hundred fold increase in cash turnover. This will be combined with inexperience, ambitious expansion programs, a grave shortage of qualified staff and an influx of itinerant labour. Club directors often elected as a matter of formality and managers of whom some are little more than bartenders will be elevated to being the directors and executives of mini-casinos. In all but a very few of the larger and more professional clubs in Queensland accountability is more a matter of trust than design.

Examining a similar scenario in Victoria in 1983 Mr Murray Wilcox drew the blunt conclusion that "crime will increase to a degree ranging from significant to serious". (88) Organised crime, however defined, will find great attraction in Queensland clubs and will be seeking a cut of the action. More significant in monetary terms however will be an increase in general crime most particularly fraud and theft within the club industry. The problem is one of great temptation combined with little experience and inadequate or non-existent controls.

Queensland does not currently possess and will have to develop an adequate enforcement capability to deal with criminal activity in clubs. As "knowing the rorts" is going to be an essential component of successful law enforcement in this area consideration should be given to attracting some police expertise from specialised units in New South Wales. A well regarded and effective squad provides a point of contact for clubs that perceive that they have problems. Such a unit should also have educational responsibilities to the club industry and a built in capability for this task.

This commission is of the view that the blind optimism expressed recently by Mr Lamont of the Registered and Licensed Clubs Association is totally unjustified. (89) This degree of naivety is alarming, especially when it is considered that many of the moves to reduce criminal activity in clubs will of necessity have to be initiated within the industry and that clubs themselves will need to detect a significant proportion of the criminal activity that effects them.

Poker machine theft in NSW

The most exhaustive study of fraud and theft in registered clubs was undertaken by the Victorian Board of Inquiry into Poker Machines in 1983. Some

changes in the forms of criminal activity have undoubtedly taken place since then, if only because of the virtual disappearance of mechanical and electro-mechanical poker machines. However the Victorian Inquiry was in a position to take an early look at the developing modes of theft from micro-processor machines as well.

The inquiry drew heavily on the work of the NSW Poker Machine Task Force. Mr Wilcox QC invited Task Force witnesses to estimate the proportion of clubs in which there was recurring dishonesty involving money and club personnel. Their estimate was that there was dishonesty in about 50 percent of clubs, which, misreported as a statement that 50 percent of club personnel were dishonest, drew much criticism during the inquiry. Mr Wilcox QC commented that:

"I found their estimate of 50 percent to be highly disturbing. I bear in mind that this is impressionistic, not empirical, material. The officers were not subject to cross-examination on their estimate. It is no doubt correct to say that they see the clubs where there are problems and not those free of criminal activities. Notwithstanding all that, this was a carefully considered estimate by three men whom I thought to be reliable and who are as well placed as anyone to make an assessment. It is not lightly to be discounted. But even if the level of criminal activity is only one half of that, 25 percent of all clubs, it is at a level unmatched, so far as I am aware, by any other lawful industry in Australia. Leaving aside percentages, the evidence which I have been able to gather does support the view that criminality in the poker machine industry in NSW exists in a variety and extent different from that in other industries and to a degree which most people, knowing and considering the facts, would be likely to find unacceptable.""
(90)

The Victorian inquiry also approached the NSW Department of Finance which had then had a poker machine percentage analysis system in operation for four years. After a study concentrating on larger clubs the Department had drawn up a list of 200 clubs where actual income was so grossly below estimates of what it should have been that inspection was warranted. A manual published by the Department for the club industry stated:

"From information extracted from the poker machine revenue analysis returns submitted by clubs it is apparent that revenue from clubs poker machine operations is many millions of dollars below the level that ought to be obtained."(91)

The department has never estimated how many millions were lost to clubs and revenue. Another estimate, from survey data collected by an AINSWORTH subsidiary company in relation to about 50 percent of the poker machines in NSW, produced a figure of between \$14.6million to \$14.8 million for the difference between actual and expected revenue. The precision of this figure is probably misleading - not all potential losses due to dishonesty were recorded and some of the quoted losses were due to other reasons like machine malfunction with the potential to either increase or decrease the discrepancy.

Consultant E.P. VIBERT, then also attached to the AINSWORTH organisation told the inquiry that his estimate of the maximum stolen from poker machines was \$80 million a year. Commented Mr Wilcox QC:

"It is a surprising situation that nobody can say, even to within several millions of dollars per year, how much money is dishonestly stolen from clubs. ... It is not difficult to imagine the public reaction if the Commonwealth Treasury or a mutual life assurance society were to announce that it had compiled its accounts for the year and that it had discovered a deficiency, which might be \$80 million or "only" \$14.8million but which could not be quantified, some substantial but unknown part of which was certainly due to criminal activities."
(92)

The extent of theft from and within NSW clubs can still not be precisely quantified but several factors would most likely have interacted to reduce its incidence at least marginally since the Victorian study. These factors are the retirement of most old mechanical and electro-mechanical poker machines in favour of micro-processor units, more professionalism and concern over security in clubs, and more stringent regulation. However discussions by this commission with NSW authorities indicate that theft involves a very large amount of money and loss to revenue. Whereas once the major concern was with player cheating it is now focused on club management and staff.

This Commission sought to obtain from New South Wales the current situation in relation to crime in clubs. Unfortunately crime statistics are no longer separately collated for gaming machine related offences. However the extent of criminal activity in relation to poker machines is described as considerable and as support for this, it was pointed out that the NSW Police Department has maintained the specialist squads dealing with licensing investigations and registered clubs investigations during a period when many other specialist squads

have been disbanded in accordance with the regionalisation policy.

Control of clubs

Clubs, in Queensland as in NSW, are basically permitted to manage their own affairs. Only in the case of very obvious problems and not always then do authorities step in. Seagulls Rugby League Football Club, at Tweed Heads, one of the largest clubs in Australia, is a case in point.

Seagulls Club

Seagulls R.L.F.Club had as its initial president one Vincent HAGE, a liquor merchant who supplied the club. The initial secretary was a part-time bookmaker and SP bookmaker Colin HAYES. In the early 1970s the licensing court found the club to have been run in an extremely lax manner and suspended the licence for a month. The club appealed and the appeal judge imposed a three month suspension, commenting that "On the kindest possible view, the board seemed to have devised a system of such looseness and laxity, so unsupervised, so contrary to all accountancy procedures that it positively begged to be taken advantage of. And when the club's witnesses went into the witness box the position became even worse." The club's members, possibly through disinterest, permitted HAGE to continue in office. HAYES continued as secretary and, by some accounts, as the club's resident SP bookmaker.

In the early 1980s HAGE fell victim to a palace coup and was replaced by an organised crime identity, nightclub owner, bookmaker and SP bookmaker Jack MEEKIN who had as his deputy a Queensland police inspector. HAYES continued as secretary until he too fell out with the new board. Soon afterwards, for the first time in his career, he was apprehended by Queensland police and charged, later giving contradictory evidence to the Fitzgerald Commission of Inquiry on whether he knew of a protection system in operation for SP bookmakers. This did not prevent him being returned to the position of club secretary when another palace coup restored HAGE to the presidency.

The police inspector, suddenly affronted by the SP activities of the former secretary HAYES, laid a complaint with NSW authorities. This inspector, it was suggested by a Queensland court, was at the very least insufficiently diligent in investigating an attempted murder connected with persons associated with the club. He is now before the courts on charges of official corruption which include the protection of SP bookmakers.

The state of play at this stage is that the club, for the second time in its history, has appealed a NSW Licensing Court decision to suspend its licence. For the second time, HAYES has been removed as secretary and NSW Licensing authorities have begun proceedings aimed at establishing whether HAGE and one other club official are fit and proper persons to be associated with the club. Seagulls, it should be noted, won several best club awards during this period.(93)

Gilbertian comic opera scripts such as the above are scarcely appropriate for the boards and management of institutions with the temptations and cash turnover of small casinos. Many clubs of course have ethical and professional management very careful with their internal procedures and accounting and very quick to inform the relevant authorities of any potential problems. But many do not and they can and have included some of the largest and best known of NSW clubs. In 1974 Mr Justice Moffitt found that organised criminal interests had virtually taken control of the then largest club in New South Wales, South Sydney Juniors.

"What has happened in clubs such as the Motor Club, the Mariners Club and South Sydney Juniors gives a clear indication of what can happen. Directors come and go to fill casual vacancies. Persons outside the club decide who shall be directors and what shall be done. They arrange employments of some persons. Vital persons, such as security employees, have been so selected. It would seem it is open for such persons, in effect, to be "owners" of the club, just as there were concealed gangster owners of many of the licensed casinos of Las Vegas and just as American gangsters owned or at least had an interest in some English clubs, where membership was itinerant and, for a nominal sum, procurable at the front door. ... There is little to prevent a board of directors being elected in a NSW registered club and acting upon the direction of the "owner".(94)

The Victorian Board of Inquiry examined Moffitt's findings and found them no less relevant a decade later.

"Mr Justice Moffitt's findings and in particular his assessment of the particular vulnerability of large clubs render it likely, in my view, that there is considerably more criminal activity than the club industry would care to admit." (95)

Queensland clubs are not, despite the sanguine assurances of their lobbyists, totally free of the problems of member apathy, reckless or indifferent management or criminal associations. However, in any foreseeable circumstance, clubs will continue to control their internal affairs including gaming operations. Measures designed to improve the education of club personnel about

criminal behaviour, improve professionalism and accountability and exclude undesirable persons will be vital to any effort to moderate criminal activity. Clubs will need incentives to bring forward any problems to the notice of regulatory authorities. In New South Wales, as the Victorian inquiry noted, this does not always happen:

"(Task Force Two) asserted that it was traditional in the club area that if a manager had been dishonest he would be permitted to resign, to avoid any reflection on the club, and to obtain a job elsewhere, usually with a reference provided by the defrauded club" (96).

Some measures which may assist in the regulation of clubs are listed below.

Licensing

Registered clubs, their chief executives and gaming machine supervisory staff must be licensed before any entitlement to gaming machines is taken up.

Licenses must be regarded as a privilege, not a right. Regulation will inevitably break down if there is an understanding that clubs and hotels are automatically entitled to gaming machines just by virtue of being licensed premises.

The detection of unnotified illegal activity in which any club executives are involved should result in suspension by some automatic procedure. Such suspension should stand during any period of appeal and the regulatory authority indemnified from any actions resulting from the exercise of its responsibilities in this regard.

It should be a requirement that a club must demonstrate that its internal procedures are adequate before it is granted a license.

The regulatory authority may set conditions on the granting of a license which can include non-approval of individual board or management members and requirements to upgrade internal mechanisms to a suitable standard.

Detection of offences

Cash analysis returns from gaming machines should be no less rigorous than those currently required from poker machines in New South Wales. The returns should be provided to a unit within the regulatory authority which is adequately resourced to analyse returns. Anomalies must be recorded and cross referenced in relation to the club and any responsible individual. In the normal event anomalies should be notified back to the club but

the regulatory authority would have the discretionary ability to notify only its investigative unit. While it probably should not be a statutory requirement clubs should be required to notify any suspected frauds to the regulatory authority. Clubs should be presented both with incentives for notification of suspected problems and penalties for non-notification of detected offences.

The regulatory authority should have responsibility for compiling a list of prescribed persons which would cover persons refused licenses, persons convicted of offences, persons known to be involved in offences. Clubs should be required to notify the names of all staff sacked for any form of dishonesty: in severe cases these persons to be entered onto the proscribed persons list and in other cases this information to be recorded. Clubs to seek identification when hiring staff and vet staff via the prescribed persons and ancillary list.

A specialist enforcement unit to be established to monitor, enforce and advise on criminal activity in regard to gaming machines and licensed establishments. This to have an educational responsibilities and capabilities within the industry.

Other matters

There will be a need for tertiary courses specialising in training for club management.

PUBLICANS

Current proposals for the introduction of gaming machines into Queensland include provisions for the installation of gaming machines into hotels.

Hotels in New South Wales have been permitted to install a restricted number of draw poker machines or "Approved Amusement Devices (AAD)". These machines are less complicated than poker machines and the returns that publicans provide to the Liquor Administration Board do not include the same detail or analysis as the returns from poker machines. The best known abuse is a practice known as "writing up bodgy jackpots" or, in effect, publicans or hotel staff paying themselves jackpots under false names. As an indication of the potential scale of this activity it was suggested that a dishonest publican in a busy hotel could "write up" \$300 per machine per week without incurring undue risk of detection. With 10 machines and under ideal conditions this could amount to a "skim" of \$3000 per week.

New South Wales is moving to tighten reporting requirements for draw poker machines.

As a general principle reporting provisions for gaming machines installed in hotels should be identical with those for gaming machines in registered clubs.

The hotel gaming machine industry in general is less regulated in New South Wales than are poker machines and registered clubs. There is little doubt of considerable organised crime involvement in the industry. A number of hotels have been found to have more than the prescribed number of draw poker machines installed and it is often an open question as to whom these machines benefit. The illegal gaming machine industry will be covered in more detail below.

The president of the Registered and Licensed Clubs Association of Queensland, Mr Colin Lamont, has been in contact with the commission and for that matter, with the press, alleging that an undesirable person has been or will be buying up hotels with the intention of installing front men to hold the licences and conduct hotel trade as a cover for this person's interests in gaming machines. Mr Lamont was not able to provide any specific details apart from a name. While this commission is very cautious of any information from Mr Lamont similar practices to the one described by him must be considered at least a possibility.

Publicans and hotel managers must be licensed for the purpose of installing poker machines in hotels. Such licensing requirements should be no less stringent than those required of the secretary/managers or executive officers of registered clubs and additionally should include keeping up to date a register of pecuniary interests in such hotels.

OTHER ILLEGAL ACTIVITIES

1. Illegal gaming machines

In general an illegal gaming machine industry has existed or co-existed with a legal industry since the invention of the slot machine in the late 19th century. The industry adopts two forms, involving either the use of gaming machines which are themselves illegal or through the illegal adaptation of some "legal" amusement machine for gambling. Historically, organised crime can be shown to be heavily involved in the manufacture, distribution, financing and placement of gaming machines. The persistent difficulty facing gaming regulatory and other law enforcement authorities is in drawing the line between the legal and illegal industries.

One of the most studied illegal gaming machine industries of recent times was that of Pennsylvania, USA. In its 1989 Annual Report, the Pennsylvania Crime Commission

devoted a chapter to "The Video Poker Industry: A Benign Investment with Malignant Implications":

"The illegal video poker industry in Pennsylvania permeates the organised crime subculture. Across the Commonwealth, video poker machines are located in taverns and private social clubs. State Police have seized literally thousands of these machines as illegal gambling devices. Nonetheless, this illicit industry is flourishing."(97)

"... In the course of this prosecution, the government proved "beyond a reasonable doubt" that an enterprise known as La Cosa Nostra exists, and that this organisation engaged in violence, gambling, narcotics and loansharking. Nowhere was this relationship found to be more illustrative than in the Crime Commission's probe of racketeering in Chester. ... The video poker industry in Chester is controlled by the Scarfo LCN Family ... This combine operated a video poker vending company known as Star Amusements, which provided tavern owners with loans in order to place their machines in those establishments. They also employed violence against competitors who stole locations or "stops" from this firm. In one particular instance, the Gotti/Gambino LCN Family of New York City intervened in a video poker dispute.

"The money generated from this racket was laundered through Atlantic City casinos, and used in loansharking and narcotics operations in both New Jersey and Pennsylvania. Clearly, the relationship between La Cosa Nostra and the video poker industry was demonstrated in this investigation."(98)

"While there is little argument that narcotics trafficking and predatory crimes represent higher priorities on a local level, the fact remains: illegal gambling is a significant revenue producer to criminal syndicates and entrepreneurs, and it is often used to corrupt public officials. Gambling revenues are invested in other illicit enterprises, such as narcotics and loansharking, as well as legitimate businesses. ... the role of La Cosa Nostra in the illicit video poker industry is significant, given the revenues that these machines generate coupled with a very low risk factor. Historically, LCN has invested its resources in this lucrative industry, notwithstanding the proliferation of legal forms of gambling."(99)

"As a result of the Pennsylvania Crime Commission's inquiry into this industry, it has been determined that legitimate amusement machine vendors cannot extend to prospective customers the amount of loans that illegal video poker machine vendors are able to extend. This has created for the illegal vendors an "edge", against which the legal vendor cannot

compete. Ultimately, the illegal video poker vendor will control the industry through economic dominance." (100)

Queensland's most recent experience of illegal gaming machines was with the "in-line" machines dealt with extensively during the Commission of Inquiry. In this case although the machines were by and large legal they were almost exclusively applied to an illegal use. Of the several companies supplying this market in Queensland, QUEENSLAND AUTOMATICS and VANGUARD appear to have been controlled by or linked with organised crime figures as does the group of companies controlled by one time BALLY distributor Anthony ROBINSON Snr. These companies are now variously known to have been involved in the corruption of public officials, standover tactics, taxation fraud and the payment of secret commissions. (101)

In importing a legal gaming machine industry Queensland is likely to also import an illegal gaming machine industry; in character, this is likely to be very similar to the in-line industry. An unlicensed gaming machine can look very similar to a licensed gaming machine and can closely resemble an innocuous amusement machine. Often the only defence in authorised premises is to physically count machines and compare the count to the number authorised.

Licensed establishments should be required to prominently display their authorisation for gaming machines, such notice to prominently indicate the number of gaming machines authorised. Approved gaming machines should be required to prominently carry a distinctive symbol of that approval in a form that cannot be easily duplicated.

The illegal gaming machine industry is linked to organised crime in Sydney and Melbourne and there are some indications of links to syndicated or organised criminal activity in the United States, the United Kingdom and Japan. In turn, Australian criminal entrepreneurs themselves have for many years operated illegal and semi-legal gaming machines in Indonesia, the Philippines and the Pacific Islands. (102) It would be very surprising indeed if this industry paid no attention to a developing market in Queensland.

The industry supplies illegal gaming machines to clubs and more significantly hotels in excess of their legal entitlements and also supplies machines to premises (ie cafes, illegal casinos) where gaming machines are not permitted. In New South Wales the most predominant feature of the industry is the supply of illegal draw poker machines to hotels and unauthorised premises.

Any analysis of the illegal gaming machine industry raises the question as to what involvement legal manufacturers have. The machines have to come from

somewhere and many of the illegal poker machines found are trade-ins which should have been returned to manufacturers by clubs. As noted previously, the OLYMPIC group are suspected of supplying machines and parts to the illegal market. This Commission is aware of information in this regard in relation to the AINSWORTH group which falls under the provisions of Section 2.19 (2)(b) of the Criminal Justice Act 1989.

Below is a brief description of some of the elements of the illegal industry in New South Wales and Victoria. It should be noted that one principal in this industry is already resident in Queensland.

Jones/Melides

The largest known grouping in the illegal industry is apparently headed by Leslie William JONES, born 261239, and Gregory John MELIDES, born 050235. Both are closely associated with Leonard Arthur McPHERSON, born 190521, and George David FREEMAN, born 220135 (deceased), who allegedly collect payments from the industry and may have other involvements.

JONES aka Les YATES aka BEST IN THE WEST was last noted as resident at 33 The Corso, Isle of Capri. He has claimed to have police protection in NSW and is considered the largest operator of illegal machines in NSW. This Commission has no knowledge as to whether his claims of police protection are correct. A JONES associate Redento GRISSILLO, born 080431, is involved with illegal amusement devices in Melbourne and also with elements of organised criminal activity in the Calabrian community.

JONES is involved in the Cabramatta area of Sydney with persons involved in the 14K Triad and Vietnamese gang leaders. Some of the considerable violence between Vietnamese has been linked to the placement of illegal gaming machines. Bi DINH aka JOHNSON, born 250657, is thought to be JONES' principal collector. Some of those involved at this level with the placement of gaming machines are also suspected of involvement in narcotics. This Commission is aware of additional information on this topic which falls within the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

MELIDES is a machine manufacturer and part of his output is devoted to operations in the Pacific basin.

McPHERSON/FREEMAN

Leonard Arthur McPHERSON is known within the industry as Mr Ten Percent. He is believed to collect monies on a regular basis from a number of

operators, thought to include Leslie JONES, Greg MELIDES, Angelo DUROS, and Redento GRISSILLO.

George David FREEMAN, now deceased, was allegedly involved with McPHERSON in the industry.

This commission is aware of further information falling within the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

OLYMPIC AMUSEMENTS

Victorian legal manufacturer involved and suspected of involvement in supplying parts and/or machines to illegal industry - see above.

DUROS

Angelo DUROS, born 150124, has long been a major NSW/Victorian manufacturer of illegal gaming machines and may have been associated with the formation of OLYMPIC AMUSEMENTS. There is no evidence that he is active in Queensland as yet.

PAKIS family

George PAKIS, born 131028, and his son Jack PAKIS, born 160373, are significant rivals to the JONES/MELIDES group. There are risks that the antagonism between JONES and PAKIS could result in violence. One threatened instance of violence to JONES on the Gold Coast is known. There is as yet no evidence that the PAKIS family are moving any of their other operations to Queensland.

INDUSTRY GROUPS, LOBBYISTS AND CONSULTANTS

Industry groups

Regardless of what measures are taken by government and regulatory authorities, a basic responsibility for the prevention of criminal activity on their premises lies with the licensed establishments themselves.

NSW experience has been that while there are sections of the club industry who enthusiastically engage in criminal activity there are also others engaged in efforts to improve the industry. This latter tendency, if and when it arises in Queensland, should be encouraged.

In NSW, while some of the industry associations have on occasion obstructed reform of the industry, one organisation, the POKER MACHINE COUNCIL of NSW has contributed a great deal. Interestingly membership of the council is by invitation only and it makes no claim to be representative of the industry. Various of the

industry associations are discussed below.

Registered and Licensed Clubs Associations

The principal industry association. Its form and the degree to which it represents clubs varies greatly from State to State.

In NSW the RCA can claim to represent about 95-98 percent of the club industry and basically acts as an employer group in industrial matters and as industry representative in discussions with government.

A prominent member of the NSW RCA, Roger Maxwell COWAN, born 091135, long term secretary manager of the Penrith Leagues Club has come to the notice of NSW police on a number of occasions and has been unsuccessfully prosecuted once. COWAN has business interests in Queensland.

In Queensland the corresponding association is known as the REGISTERED & LICENSED CLUBS ASSOCIATION. It has been dominated since the early 1980s by Colin LAMONT, a former Hong Kong police officer and Queensland Liberal MLA. The association's office is currently in LAMONT's residence.

LAMONT, while president of the RLCA was paid an amount of \$30,000 by the AINSWORTH organisation. LAMONT states that this money was in respect of a consultancy, that it was declared to the taxation commissioner and the RCA, and that the RLCA saw no conflict of interest.

An analysis of the newspaper CLUB NEWS and public statements made by or attributed to LAMONT raises the question of whether it is the poker machine lobby and in particular AINSWORTH that is being represented rather than licensed clubs.

LAMONT and, presumably, the RLCA have pushed a public line that since the demise of the BALLY organisation in Australia there has been no organised crime influence on the industry. This is at best naive wishful thinking not shared by NSW regulatory authorities or significant proportions of the NSW industry. It is alarming as the official view of an organisation which should be a part of efforts to keep crime out of the industry.

Poker machine council

A NSW body formed in 1982, in part because of dissatisfaction with the Registered Clubs Association. It was established by Mr Jim HENRY (executive officer North Sydney Leagues Club) for invited club representatives only. It contains

representatives of a large proportion of larger clubs in NSW but does not claim to be representative of the industry as a whole. The council has supported licensing of those in the gaming machine industry, has acted as a liaison between clubs and responsible police units and government bodies, has raised issues relating to gaming machine security with manufacturers and has produced a manual for the guidance of club directors and managers. An interesting feature of this manual is that the council was able to have some of the costs met by AINSWORTH and the manual distributed by the REGISTERED CLUBS ASSOCIATION, both of which organisations have been critical of the council.(103)

This commission has had discussions with Mr Henry and it is apparent that such persons within the industry do have a contribution to make in minimising criminal activities and concerns in the industry. Any extension of the Poker Machine Council's educational activities and operations to Queensland would be welcomed by this Commission.

Licensed Clubs Association

A small organisation of clubs, strongest in the ACT. This is not to be confused with the REGISTERED CLUBS ASSOCIATION. It is not significant in Queensland although Registered and Licensed Clubs Association President LAMONT has used the name.

An association of this name in South Australia was one of the front organisations used in the VIBERT fronted and AINSWORTH backed lobbying campaigns for poker machines.

Club Managers Association

An organisation acting for club managers. It has an associated educational function in the CLUB INSTITUTE and an industrial function in relation to disputes between clubs and management. Its aims are to increase the professional status of management and pursue matters detrimental to management. Jim HENRY, mentioned above, is prominent in this association and is the publisher of its magazine.

Unions

Various unions, including the FEDERATED LIQUOR TRADE EMPLOYEES UNION currently the subject of investigations, operate in the industry and will have expanded memberships as a result. Experience in NSW is that unions have acted to prevent clubs sacking dishonest or suspect employees.

Experience in the United States is that the unions themselves have been heavily infiltrated by organised crime. These potential problems need to be guarded against.

This commission suggests that discussions be held with the relevant unions to explain potential problems and, if possible, work out in advance procedures to be followed. See the discussion of the proscribed persons listing proposal above.

Consultants

The introduction of poker machines into Queensland is likely to produce a rash of persons identifying themselves as "consultants" to the industry. Some will no doubt be genuine, others little more than con-men or disguised salespersons.

Others are no doubt likely to arouse the interest of this Commission in that they are or are associated with criminal identities, are engaged in criminal activity, or promote services offered by organisations with criminal connections.

Various actions of AINSWORTH consultants Edward Phillip VIBERT and Colin LAMONT have been dealt with above. VIBERT is currently employed out of the industry and is currently not considered a potential problem. The other "consultant" of note in recent history was one Wilton WEIR (now deceased), who worked in the Club Advisory and Management Section of HUNGERFORD, HANCOCK and OFFNER (H,H&O) and was also a director of various companies in the ESSINGTON group.(104)

This Commission is aware of information relating to WEIR and the AINSWORTH group of companies which falls under the provisions of Section 2.19 (2) (b) of the Criminal Justice Act 1989.

Consultants to the gaming machine industry and those consultants offering services with respect to gaming operations in licensed establishments should be licensed. These consultants should be required to notify all their companies, agreements and payments from the industry or at least be required to keep such records available for inspection by regulatory authorities.

APPENDIX ONE

In April 1990 the State Department of Administrative Service called for expressions of interest from companies interested in the supply, delivery, installation and/or repair or maintenance of gaming machines in licensed clubs and hotels throughout Queensland.

Expressions of interest closed on 100590.

On the past record of the industry there can be no grounds for assuming that those nominated, either in the expressions of interest or in corporate documents, represent the real interests behind any company or individual. A fuller process of investigation must include inquiries into shareholdings, sources of capital, corporate associations and the existence and content of any trust deeds as a bare minimum.

This commission has not had the time or resources to make any more than a brief initial check of the suitability of these companies and individuals. The companies and the results of these initial checks are set out below in the order in which their expressions of interest were received.

MACHINE SUPPLIERS

I.G.T. (Australia) Pty Ltd.
286-288 Coward St, Mascot NSW.

IGT has been discussed in the main body of this report. This Commission has reservations in respect of two IGT executives.

Ainsworth Nominees Pty Ltd
389-395 Newman Road, Geebung.

Ainsworth has been discussed in the main body of this report. This Commission recommends against Ainsworth being permitted to supply gaming machines into Queensland.

Olympic Video Gaming
Unit 5, 5-15 Epsom Rd, Rosebery NSW.

Olympic has been discussed in the main body of this report. This Commission recommends against Olympic being permitted to supply gaming machines into Queensland.

Toll Systems Technology Pty Ltd
6 Commercial Centre, Rocklea Market.

This company was registered on 060287. Its current directors are listed as Terry BROWN, born 061041, of 5 Joslin St, Birkdale; Albert PAULY, born 240440, of Aberdeen Rd, Mcleans; Daniel Michael RYAN, born 060449, of 1 Ribblesdale Court, Joyner; Allan John OVERDEN of 20 Vanessa St, Sunnybank; David PRINCE, born 240854, of 9 Oriana Cres, Yeronga and Edward Lindell TEICHELMAN, born 300434, of 35 Claremont St, Birkdale.

The original response to the call for expressions of interest came from a company Action Leisure Technology, of 21 Smith St, Capalaba. This company, formerly known as ACTION MANUFACTURING, was registered under its current name on 271186. The listed directors are Alan John OVENDEN of 20 Venessa St, Sunnybank and Edward Lindell TEICHELMAN of 111 Thomas St, Birkdale (formerly Kings Cross, NSW) and the current secretary is Dianne Lynne TAYLOR of 48 Avalon Rd, Sheldon. This commission has no adverse knowledge of Action Leisure Technology or any of its current directors. It does however have some concerns arising from one Peter James O'SULLIVAN of 6 Wangarah St, Bracken Ridge, being listed as a director from 210786 to 121186. The concern arises from O'SULLIVAN's listing as secretary of INTERMARK GAMING (A'asia) Pty Ltd. INTERMARK and its Australian connections are dealt with in the main body of the report.

This Commission recommends further investigation of Action Leisure Technology Pty Ltd. If investigation discloses links with the INTERMARK group this Commission would be of the view that the company not be permitted to supply poker machines into Queensland.

Pajazzo Pty Ltd
Office 1, Pokon Dve, Tanah Merah

This company was registered on 260687 and has registered offices in Sydney and in The Mansions, 40 George St, Brisbane. Its directors since registration have been Johannes, Jacobus BAND of 5 Archery St, Forestdale, Perth, WA and Markku Wilhelm SUOMINEN of 1 Ronald St, Shailer Park. SUOMINEN is known to this Commission but not adversely.

This Commission recommends further investigation of Pajazzo P/L prior to the company being permitted to operate in the gaming machine industry in Queensland.

Milwell Pty Ltd

PO Box A560, Sydney South, NSW

This is a Sydney company in relation to which this Commission has not yet conducted any inquiries.

This Commission recommends full investigation prior to this company being permitted to operate in the gaming machine industry in Queensland.

Sunstate Gaming Inc

20 Duntroon St, Brendale

This business was registered on 050190 in the name of Dennis Keith LEVER. It shares premises with a company Bingo Sales Pty Ltd, registered on 140379. The current directors are listed as Denis Keith LEVER and Pamela Frances Mary LEVER of 261 Wyampa Rd, Bald Hills, Allen Keith LEVER of 16 Sefton Av, Clayfield, Neil William MADDERS of 24 Nanellan St, Arana Hills and Peter Thomas KENEALY of 28 Goodchap St, Aspley. This Commission has no adverse knowledge of any of these persons.

This Commission recommends further investigations of Bingo Sales Pty Ltd prior to the company being permitted to operated in the gaming machine industry in Queensland.

Queensland Gaming Corporation Pty Ltd

35 Sandgate Rd, Albion

A Michael SOLOMON identified himself as the manager of this company to the Sunday Mail in February. The company has advertised itself as "your Queensland based and owned gaming machine manufacturer and distributor". No company of this name had been registered prior to 060490.

On 240583 a Michael J. SOLOMON, Manager, LEISURE & ALLIED INDUSTRIES of 35 Sandgate Road, Albion was mentioned in an adverse manner in the diaries of former Queensland Police Commissioner Sir Terence LEWIS. While the Commission has no knowledge of whether there is any foundation in the allegation made in the diaries, there is an obvious need for further inquiries to be made.

The Commission would also like to further explore the links if any with LEISURE & ALLIED INDUSTRIES, a company discussed in the main body of the report. On current information this Commission recommends that LEISURE & ALLIED INDUSTRIES or any affiliated company not be permitted to operate in the gaming machine industry in Queensland.

In the light of the above concerns, this Commission

recommends further and careful investigation of Queensland Gaming Corporation prior to the company being permitted to operate in the gaming machine industry in Queensland.

Matricsea Pty Ltd

12 Gyrenda St, Carina Heights.

Matricsea is a family trust company registered on 220989. the directors are John McPHIE, born 020731, and Linda Hilda McPHIE, born 240941, both of 14 Gyrenda St, Carina Heights. This Commission has no adverse knowledge of this company or its directors.

This Commission recommends further investigation of the company prior to it being permitted to operate in the gaming machine industry in Queensland.

Power & Power

Solicitors for Paolo Annechini Amusement Machines Pty Ltd

This Commission currently has no information in relation to this company.

Universal Australia Pty Ltd

23-27 Bourke St, Alexandria NSW.

Universal has been discussed in the main body of this report. The Commission has no adverse knowledge of Universal but feels that further inquiries should be conducted of Japanese authorities and gaming regulatory bodies internationally prior to the company being permitted to operate in the gaming machine industry in Queensland.

Alpetros (No 140) Pty Ltd

c/o Grasso, Serles and Romano,
217 George St, Brisbane.

This company was registered on 301089 and the directors are two solicitors Rosario Giraldo GRASSO, born 261146, of 16 Florentine St, West Chermside and Alfio Michele ROMANO, born 190256, of 15 Seafern Ave, Sunnybank Hills.

As the possibility exists that the current directors of the company may not be the intending operators this Commission recommends further inquiries in the relation to the nature of the ownership of this company.

Specific Gaming Technology Pty Ltd

2 Musgrave St, West End.

Company registered on 200688 listing "manufacturing, importing/exporting all types of gambling machines" as its principal activity. Its registered office since 271189 has been c/o Messrs ROUYANIAN & CO,

Level 1, 123 Logan Road, Buranda. The directors of the company are David John DEHGHANI, Sidney Siavish DEHGHANI and Robert Saivish DEHGHANI, all of 28 Chateau St, Calamvale. This commission has no adverse knowledge of any member of the DEHGHANI family. Advertisements by the company indicate it will be importing Sigma brand gaming machines from Japan. This Commission has conducted no inquiries into the manufacturers of Sigma gaming machines.

This Commission recommends that further inquiries be conducted prior to this company being permitted to supply gaming machines into Queensland.

REPAIRERS

Happy Time Amusement Machines

Repairer

39 Hansford Rd, Coonababah

This company was registered on 301184 and its directors since that time are listed as Robert and Miriam DECOLLE of 39 Hansford Rd, Coombabah. The Commission has no adverse knowledge of the company or its directors.

This Commission recommends further investigation of Happy Time Amusement Machines prior to the company being permitted to operate in the gaming machine industry in Queensland.

SEO Amusements

58 May St, Bundaberg

A Bundaberg business of this name was registered on 150781 and deregistered on 211185. Those then carrying on the business were Rodney Durnford and Robyn Gail CROSTHWAITE of 16 Tarakan St, Bundaberg. It will be necessary to establish the current status for this business before undertaking any further investigations in relation to it having any role in the gaming machine industry in Queensland.

Havway Pty Ltd

171 Lindsay Rd, Buderim

Havway Pty Ltd was registered on 031088 and its directors since soon after that date have been Brian Natal and Mary Elizabeth VIDULICH of 171 Lindsay Rd, Buderim. The Commission has no adverse knowledge of the company or its directors.

This Commission recommends further inquiries prior

to this company being permitted to operate in the gaming machine industry in Queensland.

R.J. Street

This Commission currently has no information in relation to this person.

NO Industrial Electrics

NQ Industrial Electrics is a business of Morco Holdings Pty Ltd, which was incorporated on 311282. The current directors are Grant Kingsley O'BRIEN, born 150660, and Shona Anne O'BRIEN, born 030261, both of 11 Pine St, Andergrove 4750. This Commission has no adverse knowledge of this business, company or its directors.

This Commission recommends further inquiries prior to this company being permitted to operate in the gaming machine industry in Queensland.

Kennedy Vending

This Commission currently has no information regarding this company.

AG Beswick

This commission currently has no information regarding this person.

Douglass Electronics Pty Ltd
6/144 Montague Rd, South Brisbane

This company came into existence on 080188 and operates in Queensland and South Australia. The current directors are John Gerard DOUGLASS, born 040840, of 13 Strathford Av, Albany Creek and Donald Henry David FORD, born 211131, of 57 Faringdon St, Robertson. FORD replaces Michael Vincent BAKER, born 300646, who resigned from the board in February. This Commission has no adverse knowledge of this company or its directors.

This commission recommends further inquiries prior to this company being permitted to operate in the gaming machine industry in Queensland.

Downs Amusements

This business was registered on 300983 to David Paul MORAN, born 160357, of 14 Talinga St, Toowoomba. This Commission does have adverse knowledge of MORAN, dating back to 1972. MORAN should be interviewed in relation to this matter and his company investigated in the normal manner prior to any decision on whether he is a fit and proper person to be permitted to operate in the gaming

machine industry in Queensland.

Kent Entertainment P/L
8 Phillip St, Spring Hill

The company Kent Business Machines Pty Ltd has been in existence since 1966. The current directors are listed as Kenneth John TOWNSEND, born 260834, and Delia Agnes TOWNSEND, born 230239, both of 59 Pullen Road, Everton Park. Documentation referring to Kent Amusements Pty Ltd was found on the premises of Queensland Automatics but this Commission has no reason to draw any adverse conclusions on the company with respect to this. This Commission has no adverse knowledge of the company or its directors.

This Commission recommends that further investigations be carried out prior to this company being permitted to operate in the gaming machine industry in Queensland.

Ian Lavers Poker Machines
27 Walter Road, Gunnedah NSW

This Commission currently has no knowledge of this company. The company originally applied for documents under the name of IAN LAVERS GAMING which is not known to the NSW Department of Business and Consumer Affairs.

Odin Technics
PO Box 123, Aitkenvale

Odin Technics is a business of Brimstone Pty Ltd of 57 Leyland St, Garbutt, Townsville of which the current directors are Garth Leslie and Susan Joy SCHMIDT of 576 Ross River Road, Townsville.

This Commission recommends that further investigations be carried out prior to this company being permitted to operate in the gaming machine industry in Queensland.

Kwickasair Computer Delivery

This Commission has not conducted any investigations in respect of this company.

Burdekin Amusements
9 Palmetto Court, Broadbeach

This business was registered on 291183. Those carrying on the business are listed as Alan Edward and Margaret Grace DAVIDSON of 9 Palmetto Court, Rio Vista, Surfers Paradise and Patrick Joseph and Jill

FARRELL of 10 Gordon St, Ayr. The Commission has no adverse knowledge of this business or those involved.

This Commission recommends that further investigations be conducted prior to this company being permitted to operate in the gaming machine industry in Queensland.

Brisbane Automatic Machine Company
22 Lucy St, Albion

This business, registered on 210289, is in the name of Wayne Lawrence McINERNEY of 22 Lucy St, Albion. The business address is stated as 861 Ann St, Fortitude Valley, which are premises formerly belonging to the company Queensland Automatics owned ultimately by Jack ROOKLYN.

This Commission recommends that a careful investigation of this company be conducted prior to it being permitted to operate in the gaming machine industry in Queensland.

Computer Maintenance of Australia
226 Moggil Rd, Taringa

This company was established on 060582 and operates in all states. The directors since the last board change in May 1988 have been John Achillies BAIKIE, born 020542, of 47 Lockville St, Wahroonga NSW; Walter James LAMBERTH, born 240436, of 7 Bangalla Place, Forestville NSW; Stuart MULVENNA, born 020953, of 266 Moggill Rd, Taringa; Gregory Thomas LOUDOUN of 23 Limosa St, Bellbowrie; and Barry Gordon TRAISE of 20 Aurora Cres, Kenmore. This Commission has no adverse knowledge of this company or any of its current directors.

This Commission recommends that further investigations be conducted prior to this company being permitted to operate in the gaming machine industry in Queensland.

ON-LINE MACHINE MONITORING

Computer Game Pty Ltd

This Commission has not yet received any information regarding this company which is registered in New South Wales.

OTHER COMPANIES

The following companies are among those that requested documents but made no submission in the allotted time. Those examined by the Commission are listed below.

Murray River Poker Machine Company Pty Ltd
84 Batten St, North Albury

This Commission as yet has no information on the current directorships and shareholdings in this company. It notes however that Leonard Hastings AINSWORTH is known to have held an undisclosed interest in this company as discussed in the main body of this report.

This Commission recommends that a very thorough investigation of this company be undertaken prior to permitting it to operate in the gaming machine industry in Queensland.

Morrison and Bailey Pty Ltd
34 Chester St, Fortitude Valley

M&B (Queensland) Pty Ltd was registered on 170578 and describes its principal activity as "fund raising printing retailers". Its current directors are listed as Brian John CLARK, David Malcolm McQUESTIN, Bryan John McKENDRICK and Edmund Alexander ROUSE, all of Launceston, Tasmania. The current secretaries of the company are Ronald Andrew FARRELL of Launceston and John Edwin KELLY of 345 Springwood Rd, Springwood.

ROUSE recently pleaded guilty to a charge of bribery in Tasmania.

Robert Ollington
333 Howe Parade, Garden City, Victoria.

This Commission has adverse knowledge of a Robert Frank OLLINGTON, born 210357, of Victoria and also of other persons in the OLLINGTON family. Part of this information concerns charges in relation to illegal gaming and involvement in illegal gaming.

If this person is identical to the Robert OLLINGTON above, this Commission would recommend against OLLINGTON being permitted to operate in the gaming machine industry in Queensland.

Navtronics
8/245 Bayview St, Runaway Bay.

This business name was registered on 071287. The business is operated by George Colin GIBSON of 58

Lae Drive, Runaway Bay and Ronald David MAHER of Ben Hogan Crescent, Parkwood. A Christian Everest THOMSEN of 12-14 Albert Av, Broadbeach is listed as a "resident agent" for the company.

This Commission is aware of information in respect of THOMSEN which would require careful further investigation.

APPENDIX TWO: THE CASPALP DONATIONS

In 1980 AINSWORTH DISTRIBUTORS (NSW) Pty Ltd made payments totalling \$30,000 into an account under the name of CASPALP PROMOTION FUND which was connected with the then Leader of the Opposition, Mr Edmund CASEY. Following the receipt of a complaint on 23 April 1990 this complaint is being processed by the Commission in the normal way. Because of its relation to the gaming machine industry the matter of the CASPALP donations had already received some attention from the Commission before the complaint was received. The known circumstances of the donations are set out below:

THE DONATIONS AND THE POLICY CHANGE

Caspalp Promotion Fund

An account named Caspalp Promotion Fund was established on 060379 with the Minerals House (George Street) Branch of the Commonwealth Bank. The signatories to the account were Edmund Den(nis) CASEY, chairman, Leslie John YEWDAL (vice-chairman) and Malcolm James McMILLAN (secretary). Communications with respect to the account were to be made to 1 Henderson Street, Mackay. On 120880 McMillan was deleted as one of the signatories to the account.

To the best of this commission's knowledge the establishment of this account predates any AINSWORTH-backed lobbying efforts to have poker machines introduced into Queensland. There is no document which, on the face of it, contradicts Mr CASEY's subsequent claims that the establishment of this additional account was related to the split in the State ALP and the desire of one faction to have a means to deal with monies out of view of the other faction.

The formation of the ACDA

On 25 June 1979, representatives of the clubs associations of Queensland, Victoria and South Australia met at the Twin Towns Services Club, Tweed Heads, with self-described club industry analyst Edward Philip VIBERT and AINSWORTH CONSOLIDATED INDUSTRIES executive Graeme FULLERTON. The meeting endorsed VIBERT's proposal to form the AUSTRALIAN CLUB DEVELOPMENT ASSOCIATION and appointed VIBERT as executive director of the association which was to lobby for the introduction of poker machines in the member states. The minutes of this meeting, which make no reference to the funding of the ACDA, were an exhibit before the Victorian Board of Inquiry into Poker Machines. (105)

On current knowledge it appears that this meeting

originated from developments within the Licenced Clubs Association of Victoria or the offices of the AINSWORTH organisation rather than in Queensland. Victorian clubs apparently approached all poker machine manufacturers for information and assistance for their long-standing but "intermittent and half-hearted" campaign to have poker machines introduced into that state. (106) In the LCAV letter to AINSWORTH, VIBERT's name was mentioned. At some stage between the receipt of the LCAV letter and the initial ACDA meeting AINSWORTH and VIBERT reached an agreement that AINSWORTH would underwrite a campaign headed by VIBERT to the tune of at least \$150,000 a year for five years. (107) This was exclusive of the salary or consultancy of about \$100,000 AINSWORTH was already paying VIBERT. There was an additional agreement that VIBERT would receive a commission on every AINSWORTH machine sold into Queensland, Victoria or South Australia during his lifetime. (108).

ACDA lobbying and the ALP policy on poker machines

On current information available to this commission VIBERT's first lobbying efforts in Queensland appear to have been in September 1979. The first document indicating activity in Queensland is a letter to a Liberal Party State vice-president dated 190979. An attachment to this letter sets out as one of the suggested guidelines for the introduction of poker machines that "The machines must be manufactured in Australia and 80 percent of the content must be Australian made. Poker machine companies must set up assembly, warehousing, service and sales divisions within the state." Of the three major manufacturers then supplying the NSW market the AINSWORTH group was the manufacturer most clearly favoured by this suggested guideline.

At some presently unknown time in 1979 ALP deputy parliamentary leader Jack Houston and tourism spokesman Ray Jones commenced what was later (and not necessarily correctly) described as "a six month investigation of poker machine operations and administration in NSW and Canberra". The process was later said by CASEY to have taken six months which would mean it began in about June. (109) When later interviewed by police CASEY said it began after an ALP conference in Rockhampton in February. (110) It is not known who was contacted during the course of this investigation. There is no record of the HOUSTON/JONES study team coming into contact with VIBERT but this must be considered at least a possibility. There is no suggestion that there would have been impropriety in such contact - indeed it is likely that VIBERT's name would have been raised during any such investigation as a person to make contact with.

The "investigation" produced a policy which was approved by the ALP administrative committee and then the State Council on Sunday, 091279. There is an undated press statement announcing the policy. It has no letterhead

and a copy was attached to an AINSWORTH Ltd internal memorandum of 111279 from VIBERT to L.H. AINSWORTH and two of his senior executives. This statement includes that "machines would be Queensland assembled and distributed, providing at least 200 jobs, with at least 85 percent of parts Australian made".

VIBERT says in the memorandum that:

"What is especially important is the manner in which the leader of the Labour Party announced the policy. A copy of his statement is attached. I hope you will read into this all of the good things we would have wanted him to say. ... CASEY appeared on radio and television and said many of the things that are in the press release."

VIBERT told the Sydney Morning Herald (070582) that he played no part in the ALP decision to change its policy to favour poker machines. In the NSW interview, CASEY said his first contact with VIBERT was "either very late in 1979 or early in 1980". (111). On the material available to the Commission it is not possible to say whether CASEY had any contact with VIBERT prior to the announcement of the ALP policy. Casey has said however that no influence "whatsoever" on the ALP policy on poker machines. (112)

Comment

The possibility that VIBERT had some input into the policy or the ALP decision to amend its policy cannot be excluded on the information currently available to the Commission. At the time the policy was changed there appears to have been no discussion of the poker machine lobby providing any financial assistance to the ALP.

Arranging the donations

On an unknown date in early March 1980 it appears that CASEY met with VIBERT to discuss the club/poker machine issue in relation to the forthcoming state election. VIBERT "confirmed the areas of discussion and agreements" in a letter to CASEY dated 130380. If there is any reference in this letter to campaign donations it is extremely oblique and is contained in the following passage:

"As you explained, it is inevitable that your stand on poker machines will alienate hotels and they will certainly finance Liberal and Country Party candidates. I am discussing this with the club movement and the ACDA and will report back shortly. As you can imagine, I am not being helped by the seeming desire of the party to "self-destruct", but I am certain that this will be overcome soon but it will make my proposals fall on deaf ears for the

next couple of weeks."

Nevertheless, just over a week later on 250380 VIBERT wrote to AINSWORTH expressing optimism at a Labor victory in the State election due by late 1980. VIBERT enclosed a copy of his "Private and Confidential" letter to CASEY (presumably that of 130390) and proposed the following:

"I would like a decision on support for their campaign. At this stage, I would propose a \$10,000 contribution with another promised for July, if all is going well (\$10,000) and a further \$5000 in September.

"I am certain that the stronger it looks that Labor may win seats from Liberals and NCP, the better our chances of persuading the Liberals and NCP to support poker machines."

It is not currently known what meetings, discussions or correspondence occurred between VIBERT and CASEY during April 1980. CASEY had the following discussion with officers of the NSW Police:

"L.H. Was a donation discussed between you and Vibert prior to it being made?

CASEY Yes.

L.H. Discussed personally or by mail?

CASEY Personally." (113)

This discussion would seem also to have been referred to by VIBERT in the following letter to CASEY on 020580.

"Further to our discussions, find enclosed drafts of how the invoices to Messrs AINSWORTH should read. As explained, the commitment is broken into three payments of \$10,000 - one now, one in June and one in August. These payments are to be split into two invoices covering the year's advertising and promotional costs.

"Please send them to me -c/o Box 142, Beaconsfield, marked 'For the personal attention of Mr T. Vibert'. Also, indicate exactly how the cheques should be made out - we don't want them going to the wrong party!"

Two "Draft only" invoices for \$5000 were attached, made out to AINSWORTH CONSOLIDATED INDUSTRIES and dated January 1980 (March 1980) "To advertising in Labour Party newspapers, pamphlets and brochures for the months of January and February (March and April).

A confidential internal memorandum from VIBERT to AINSWORTH dated 080580 on money owed to VIBERT sets out that VIBERT was to contribute \$15,000 to the ALP

donation, with this been drawn from his "commission" of \$93,250 from sales made to the Ettalong War Memorial Club. (VIBERT had ostensibly acted as an "independent" consultant to this club).

On 230580 VIBERT directed an internal memorandum to AINSWORTH in the following terms: "As you know my philosophy has been to win Labour, get on side with the Liberals and, if necessary, kick Joh's head in."

On 020680 AINSWORTH wrote to CASEY expressing his delight at a statement issued in Mt Isa, a copy of which appears to have been forwarded by CASEY. This would most likely refer to an undated press release, which is on letterhead and issued from Mt Isa, setting out the ALP club policy and re-iterating elements of its policy on poker machines.

Comment

On the currently available material it is not possible to state definitively whether the initiative for the donations came from CASEY or VIBERT. VIBERT certainly proposed the donations within the AINSWORTH organisation and appears to have been responsible for the suggestion that they be covered by false invoices. This is consistent with the AINSWORTH organisation's pattern of conduct in relation to a suspected political donation in Victoria which appears to have been covered by documentation for payments that were purportedly for market research by an organisation doing such work for the ALP (but not, or very insignificantly, for AINSWORTH or the ACDA).

The payments and their disbursement

On 010780 a cheque for \$10,000 drawn on the AINSWORTH DISTRIBUTORS (NSW) account was made out to CASPALP PROMOTIONS.

This cheque was deposited on 030780 and represented the great bulk of the money in the account at that time. On 250780 another cheque for \$2000 was paid into the account from an unknown source. A CASPALP cheque for \$2000 cash was drawn and used to purchase a \$2000.00 bank cheque payable to the ALP.

On 241080 a check for \$10,000 drawn on the AINSWORTH DISTRIBUTORS (NSW) account was made out to CASPALP Promotions. It was deposited on 281080 and the full amount used to purchase a bank cheque payable to the ALP.

On 211180 a cheque for \$10,000 drawn on the AINSWORTH DISTRIBUTORS (NSW) account was made out to CASPALP Promotions. It was deposited on 251180 and the full amount used to purchase a bank cheque payable to the ALP.

The CASPALP Invoices

On a date unknown, CASPALP PROMOTIONS created an invoice dated January 1980 for \$5000 "To advertising in Labor Party newspapers, pamphlets and brochures for the months of January and February". Also created were an invoice dated March 1980 for \$5000 covering March and April, and an invoice dated September 1980 for \$10,000 covering July and August. No other invoices have been recovered but a confidential memorandum dated 191180 from VIBERT to the AINSWORTH accountant states: "Please find attached the July/August invoice, which we paid. A September/October one will be due next week, which will complete the deal."

CASEY was asked about these invoices by NSW police and said the following

L.H. Do you know who prepared these documents with Cas Promotions?

CASEY Possibly by me.

L.H. By you personally or by office staff?

CASEY Within my office. But I said they were drafts but the dates relate to any transaction. (114)

CASEY also said that there was advertsing for AINSWORTH in one ALP publication but that was "not directly" paid for with any of the cheques. No ALP newspaper was published in that period.

Comment

This Commission does not accept that the invoices sent to AINSWORTH were "drafts" of any document. These invoices are false and may have given AINSWORTH CONSOLIDATED INDUSTRIES the means to claim a fraudulent taxation benefit. From previous correspondence and in terms of AINSWORTH practice in Victoria, the instigation for these false invoices is most likely to have come from VIBERT. Two of the invoices were backdated and there was, in the period in question, no Labor Party newspaper. None of the material viewed by the Commission apart from CASEY's comment above suggests that the ALP or any of its organs performed any advertising services for the AINSWORTH organisation.

Disbursement of the CASPALP Monies

When the first AINSWORTH cheque was paid to CASPALP the account balance was \$1089.84. In the period from July to the end of November 1980 cheques totalling \$47,000, including the AINSWORTH \$30,000, were paid into the account. The balance at the end of the period was

\$1140.10, or virtually the same as the opening balance.

There appear to have been deliberate efforts made to prevent any outgoing payments being traced back to the CASPALP account. All outgoing payments were made by cash cheque of which the proceeds were at least on occasion used to purchase bank cheques. In most cases the recipient of the cash or bank cheque cannot be determined. The payees listed in the paragraph following have been determined from notations on the rear of CASPALP cheques.

Of the \$46,949.74 paid out from the account in the period in question, it appears that \$25,001.20 was used to purchase bank cheques to the benefit of the Australian Labor Party. \$175.55 was used to purchase bank cheques for the benefit of the Milano Restaurant and \$50 was used to purchase a bank cheque to the benefit of a St John's Cathedral dinner. The total monies expended from the account during this period which are currently unaccounted for total some \$21,722.99.

The largest outstanding withdrawal, some \$12,500, was a cash cheque used to purchase a bank cheque immediately following a \$15,000 cheque payment into the account (on 260980). The pattern suggests the possibility that this amount may have been paid to the ALP.

The remaining money was paid to the benefit of persons or organisations unknown. The largest amount was \$1019 and there were recurring payments of \$470.38.

The application of the AINSWORTH monies is as follows:

030780	\$10,000	Retained in account until withdrawn in series of cash cheques to the benefit of persons or organisations unknown.
281080	\$10,000	Used to purchase bank cheque for benefit of ALP on 281080.
251180	\$10,000	Used to purchase bank cheque for benefit of ALP on 251180.

Comment

This Commission is of the view that the investigations conducted by the police and the material referred to the Solicitor-General did not adequately determine the application of funds in the CASPALP Promotion Fund Account. In particular, the application of some \$10,000 of the AINSWORTH donations totalling \$30,000 is unknown.

Statement by Mr Casey

A document purporting to be the transcript of a radio station 4IP interview with Mr CASEY on 250680 is contained in the police file. The relevant portion reads:

"Tony Bartlett 4IP: Has there ever been an approach made either to yourself or your senior Party members offering financial assistance to the Party should you back the introduction of machines and be successful?

Mr Ed Casey: No, that's not a consideration at all. The Labour Party doesn't work that way in any respect."

Comment

At the time of this interview VIBERT had told CASEY that AINSWORTH would be donating \$30,000 but the first payment of \$10,000 had not then been made.

An AINSWORTH monopoly?

On an unknown date prior to Christmas 1980 and probably prior to the 1980 state election, an ACDA document was prepared under the title "Marketing of AINSWORTH poker machines in Queensland Clubs". The author appears to have been a Ted GREVSMUHL and the paper was directed to VIBERT. Broadly it proposed that Trade Practices and other laws be circumvented by the sale of poker machines through a body "QUEENSLAND CLUB MANAGEMENT ADVISORY SERVICES PTY LTD" which purported to be a consultancy service. Passages within the document suggest that legislation was also considered a potential way of achieving an AINSWORTH monopoly and the passage of most concern is set out below.

"Simply put, I propose the pre-contracting of clubs for their entire poker machine installation requirements, following the successful completion of feasibility studies in such clubs, these to commence in July, 1981. These contracts would be designed by the ACDA's lawyers to be unassailable in terms of the Trade Practices Act and local Contract Law requirements, and be of five years' duration, so as to be current at the time of legalisation. The contracts ... would be concluded with a Queensland-based holding company acting as the "go-between" for AINSWORTHS and other (non poker machine) suppliers, and the 694 Queensland clubs at large. This would eliminate the need for a large, costly AINSWORTH sales team in Queensland, enable the clubs to continue their current dealings with ACDA Queensland personnel already well known to them, and almost completely exclude Bally and Nuts from the marketplace, if this had not already been achieved in the enabling legislation. (Our emphasis). By this

means, Ainsworth's commercial advantage would stand to be almost absolute. (emphasis in original)"

The only element of the announced Labor policy known to have any bearing on this statement was the requirement that "machines would be Queensland assembled and distributed, providing at least 200 jobs, with at least 85 percent of parts Australian made". This would have the effect of excluding BALLY and probably PACIFIC POKER MACHINES, then a small company importing Japanese gaming machines. NUTT & MUDDLE would have been excluded if they were not prepared to invest in Queensland assembly facilities. (Poker machine assembly is not a particularly complex industrial operation.)

Mr Casey's trip to America

On 190381 VIBERT wrote to CASEY in relation to "Your trip to America" He stated the location of the AINSWORTH office in Reno and said the manager had been advised of his flight arrival on 220381.

Mr CASEY replied on 310381, basically thanking VIBERT for his efforts in arranging the contact in Reno and explained that, while he had telephoned, his party had gone no closer to Reno than Las Vegas. In his reply, CASEY stated "It was however interesting to note in our visit to the various casinos the Aristocrat machines featuring very prominently".

Comment

On 200290 the Leader of the Opposition, Mr R. COOPER, asked Mr CASEY whether he had ever visited the United States and on any occasion made a point of inspecting or noting a particular brand of poker machine in operation. Mr CASEY answered the second part of the question in the negative. This matter is included here as being among the matters complained of to the Commission.

THE INVESTIGATION

On 060382 members of the NSW Police Task Force 2 took out a warrant on the home and business office of VIBERT and took possession of a number of documents including a file containing correspondence relating to donations to the Australian Labor Party in Queensland.

The choice of investigators

On 050482 Queensland Police Commissioner Terry LEWIS was contacted by NSW Assistant Commissioner Bob DAY and then by Task Force Two commander Supt Cliff McHARDY. His diary

note reads as follows:

"A/Comm R. DAY, then Det/Insp Cliff MCHARDY, NSW, phoned re Task Force 2 investigation when (where?) Messrs VIBERT and AINSWORTH have paid secret commissions to politicians in Qld and Vic, referred to A/C MURPHY, then D/Insp BRADBURY and B. INGHAM to go to NSW re same."

Comment

In the view of this Commission this choice of investigators may have compromised the investigation. On the day of the above notation in LEWIS's diary is another, relating to another sensitive investigation being conducted by INGHAM and BRADBURY. A study of the records held by this Commission indicates that INGHAM and BRADBURY jointly performed a number of sensitive investigations on behalf of the then police administration. BRADBURY served in the Licensing Branch with Jack Reginald HERBERT and Anthony MURPHY in the period 1968-70. INGHAM and BRADBURY are included in a list of police officers and others which was included in the report of the Commission of Inquiry as Appendices 22 and 23. (115)

BRADBURY and INGHAM attended Penrith Police Station the next day, 060482 and inspected copies of the documents. They requested the opportunity of being present should a further search be made of AINSWORTH's premises. (116)

Also on 060482, Commissioner LEWIS made the following note in his diary: "Off 6.30pm. Had J. HERBERT call on request re knowledge of Vibert and Ainsworth re New South Wales police inquiry."

On 150482 BRADBURY took out a warrant to search the premises of the Registered and Licensed Clubs Association of Queensland and the ACDA at 247 Adelaide Street, Brisbane..

AINSWORTH's foreknowledge of police raid

On 210482 INGHAM and BRADBURY went to NSW to attend a raid on AINSWORTH's business premises with members of Task Force 2. Just prior to the raid they went to lunch at the Texas Tavern, Kings Cross, with Mr Paul MEADE, a Queensland businessman with Sydney organised crime connections. These connections included the owner of the Texas Tavern, Harry CALLEIA aka CALLEIH, sometimes mistaken for Harry GALEA. MEADE and CALLEIA had joint interests in "in-line" gaming machines in Queensland. When the raid took place it was apparent that AINSWORTH executives had forewarning of the raid and that they were aware there would be Queensland detectives present. A later investigation by the NSW ombudsman was unable to determine the source of the leak beyond one of two

possibilities: that CALLEIA had telephoned AINSWORTH or that a senior NSW police officer who had spoken with both the Queensland officers had informed an AINSWORTH executive at another luncheon. The ombudsman inclined to the view that the leak emanated from the Texas Tavern luncheon, despite the insistence of INGHAM and BRADBURY that they had not discussed the raid over lunch. (117)

On 040582 BRADBURY executed a warrant on the Geroge Street Commonwealth Bank Branch where the CASPALP account was located. No documents were seized.

The Channel 10 interview

On 060582 and again on the following night Channel 10 Melbourne and Channel 0 Brisbane broadcast a two part special on the poker machine lobby. The journalist had obviously obtained possession of some documents relevant to the AINSWORTH donations to the ALP. Mr CASEY was interviewed on the subject and when the interview began he appeared to be unaware that the journalist possessed the documents. The relevant portion of the interview is as follows:

"Ian GILLESPIE: In Victoria it has been suggested and rumoured that the Poker Machine Lobby put as much as \$500,000 into the Labor Party Campaign funds in that state. I understand that in Queensland you're on record as saying that no money has come from the Poker Machine Lobby into Queensland's Labor Party funds.

CASEY: Well, that sounds an awful big figure to me. I was in Victoria at one stage during the campaign, and certainly feel that's an exaggerated figure. In Queensland certainly it's not the case.

GILLESPIE: There has been no money from the Lobby put into Labor Party Campaign Funds.

CASEY: No."

The political context

On 070582 LEWIS attended a briefing of most of the State Cabinet noting it in the following terms in his diary:

"With A/C DUFFY and D/Insp. BRADBURY and INGHAM to Executive Building, briefed 14 ministers on "Poker Machines Inquiry".

Ainsworth 'in clear'

On 170582 INGHAM and BRADBURY again attended Sydney and were booked into the St Mary's Hotel. A Det Sgt LOWE of the NSW Fraud Squad was allocated to assist them. After inspecting documents at a Sydney bank Det Sgt LOWE introduced them to Gordon ALDRIDGE, a Sydney businessman

and the owner of the St Mary's Hotel.

ALDRIDGE was one of those involved in and provided the venue for a November 1981 meeting at which one of the detectives investigating AINSWORTH was allegedly told that it could be to his financial advantage not to persist with a secret commission investigation into an AINSWORTH executive George CRAGEN: the ombudsman preferred the word of the detective to that of any of the others present at that meeting. (118)

LOWE was implicated in an October 1981 NSW police internal investigation which resulted in a finding of misconduct against a Det Sgt Ron SHAW, the brother-in-law of AINSWORTH executive George CRAGEN. The investigation arose out of an approach made to a Federal police officer on behalf of solicitor Morgan RYAN via Gordon ALDRIDGE and Det Sgt LOWE. (119)

After INGHAM and BRADBURY met ALDRIDGE, he apparently kept them well entertained; the Ombudsman made mention of complimentary liquor, dinner at the Centrepont Tavern, a visit to Rosehill races and a day on the Harbour with, among others, Assistant Commissioner DAY and his wife. (120) INGHAM and BRADBURY also visited ALDRIDGE's office on three occasions. BRADBURY told the Ombudsman that on the first of these visits ALDRIDGE became aware they were investigating AINSWORTH and put them in touch with AINSWORTH's solicitor David LANDA. Written questions were delivered to LANDA on 180582, according to the detectives. (121).

Also according to the two detectives, Task Force Two interviewed AINSWORTH on 190582 and they participated in this interview. Their report states that AINSWORTH "refutes any suggestion that he had solicited the assistance of Mr CASEY in relation to the introduction of Poker Machines into Queensland and claimed that the whole of those arrangements were made by Mr VIBERT". In response to further questions the report quotes the following small speech by AINSWORTH:

"Gentlemen the donation was made to the Labour Party because we knew that they were in favour of the introduction of poker machines and they had made that a part of their policy in previous years. If they were not in favour of poker machines the donation would not have been made at all. the reason we did not give money for the funding of the National and Liberal Parties was for the same reason. They were not in favour of the Poker Machines. It is as simple as that. I would be gravely concerned if I thought that the money had found its way into someone's hip pocket and not used by the Labour Party because I am not known for my generosity." (122)

VIBERT declined to be interviewed at all.

AINSWORTH's diary for 190582 records "10 am D BRADBURY want to tape interview - now to see D LANDA Thursday." And at the bottom of the page "Gordon ALDRIDGE Bob DAY says Qld people fair dinkum. 5 pm Friday Monday."

A letter dated 240582 was subsequently delivered to BRADBURY from the office of LANDA containing a refusal on behalf of both AINSWORTH and VIBERT to answer any questions.

INGHAM and BRADBURY's last day in Sydney was 250582. AINSWORTH's diary for this day was later found to include the notation: "Gordon rang and said in clear." ALDRIDGE, however, maintained that at no stage did he become aware what the Queensland police were interested in and could offer no explanation for the entry in AINSWORTH's diary. (123) The ombudsman notes that AINSWORTH referred to a subsequent conversation with BRADBURY where BRADBURY allegedly said "... Len, how are you, I hope you got all that mess straightened out ...". BRADBURY denies this conversation occurred. (124).

Comment

Given the non-cooperation of VIBERT and AINSWORTH this element of BRADBURY and INGHAM's investigation can hardly be considered conclusive and certainly cannot justify the "clearing" of AINSWORTH as noted in his diary. However the Ombudsman's investigation appears to have been as thorough as was possible under the circumstances and any re-investigation is probably unlikely to further clarify this issue.

On 090682 BRADBURY was in Sydney and executed a search warrant on the Commonwealth Bank, recovering 11 cheques drawn on the account of CASPALP.

Queensland interviews

On 140782 CASEY was interviewed by officers of Task Force 2. An arranged interview with Queensland Police for that date did not go ahead due to CASEY's solicitor having to attend another engagement.

BRADBURY and INGHAM reported on 020882, stating that CASEY had not been interviewed and that his solicitor was intending to write to the Police Department to the effect that CASEY and YEWDALÉ would not be made available for interview and that the ALP had no complaint to make against any of its senior members in relation to their dealings with party funds. (125) Such a letter is not as yet known to this Commission.

From the NSW Police this Commission has obtained transcribed notes of an interview between Det Sgt HANRAHAN and Det Snr Const CLARK of the NSW police with CASEY and although undated, this is presumably the interview of 140782 referred to above. Although some of the issues relevant to the Queensland inquiry were

canvassed, as mentioned above, the purpose of the NSW police interview was related to misconduct by citizens of that State and largely in that State.

Comment

There is no indication on any of the material yet seen by the commission that CASEY was ever comprehensively interviewed in the course of the Queensland investigation in relation to the donations, the change of policy, his dealings with VIBERT and AINSWORTH or the disbursement of monies in the CASPALP account. Similarly there is no indication that YEWDALÉ, the other signatory to the account, was ever interviewed. There is no indication that ALP accounts were checked or ALP officials interviewed.

Solicitor General's comments

On 030882 the Commissioner of Police referred the file to the Solicitor-General.

On 120882 the Solicitor General wrote to the Police Commissioner. The relevant portion of the Solicitor-General's letter is as follows:

"In view of the very inconclusive nature of the present available material, let alone what could be regarded as evidence it is pointless to indulge in any speculation on what criminal charges might be open. Clearly there is no evidence at all in relation to any claim of bribery - Section 60 of the Criminal Act. There certainly is a complete dearth of evidence to indicate any misappropriation by Mr Casey of any of the funds which came from the Caspalp bank account. . . . There is nothing to indicate any criminal dealings in respect of any of the moneys in the Caspalp bank account, irrespective of the source of those monies. Whether any further investigation would lead to a different conclusion is, once a gain, a matter of speculation."

ALP policy

The Parliamentary Library was asked to check its holdings for any mentions of poker machines in ALP policy documents from 1977 to the present. The results are set out below:

In the ALP policy speech for the 1980 election CASEY announced legalisation of poker machines in licensed clubs. (126)

In 1985 the ALP again amended its policy to allow for the introduction of poker machines under the auspices of a Licensing and Gaming Authority. (127)

The 1988 policy allowed for a Licensing and Gaming Authority. Poker machines were not mentioned. (128)

There have been recent media references to ALP policy prior to the 1989 state election being for an inquiry into poker machines. No documentary basis for these references has been seen by this Commission.

The AINSWORTH advertisement

On 251189 or just prior to the 1989 State election the AINSWORTH organisation advertised "200 new jobs" in Queensland, mainly for service and sales personnel. The advertisement stated that "ARISTOCRAT are expanding into Queensland". ARISTOCRAT is the AINSWORTH brand name for its poker and video gaming machines.

Comment

This advertisement has been referred to in State Parliament as evidence of AINSWORTH expecting a favored position in the distribution of poker machines in Queensland. While the reasons for the advertisement and its timing are not known the possibility exists that the company was in some way responding to announced policy of the then government for the installation of Adult Entertainment Machines (Gaming Machines) in clubs as a successor to banned "in-line" amusement machines.

The Cabinet decision

State Cabinet endorsed the introduction of poker machines into Queensland on 190390. Mr CASEY, now the Minister for Primary Industries, participated in this decision and in respect of that participation the Premier made the following statement to the media: "Mr Casey has no interest in the matter, financial or otherwise, and it is quite proper for him to be involved." (139)

CONCLUSION

The complaint in relation to the Caspall donations and Mr. Casey's involvement in the March 1990 cabinet decision on poker machines was furnished to the Complaints Section of the Official Misconduct Division pursuant to Section 2.27 of the Criminal Justice Act. The Complaints Section has assessed the substance of the complaint in the light of the available material pursuant to Section 2.29

The Commission is of the view that the complaint does not involve official misconduct within the meaning of Section 2.33 on the part of Mr. Casey either in respect of his alleged activities in 1980 or his involvement in the deliberations of Cabinet in March 1990.

In view of the matters discussed in this report, the Commission does have serious reservations about the desirability of further dealings with Mr Ainsworth or his companies.

Another question which arises is as to the desirability of members of parliament receiving donations from members of the public. The Commission understands that this matter is on the agenda for consideration by the Electoral and Administrative Review Commission and does not wish to intrude improperly upon that consideration. It notes, however, that practice in some other places is for parliamentarians to be "insulated" from knowledge of such donations by their being channelled to the organisational side of the party. Such a practice obviously has considerable advantages in preserving the ability of parliamentary members to exercise independent judgments on matters arising for decision. As Fitzgerald observed:

"The possibility of improper favour being shown or being seen to have been shown by the Government to political donors must also be eliminated". (130)

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- (27) For example, Wilcox was wrong, Club News (official publication of Queensland Registered and Licensed Clubs Association) and Blanch, K, Bandits lobby still battling scaremongers, Sunday Mail 18 March 1990.
- (28) Wilcox 12.04
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