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President's Commission on Organized Crime

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Record of Hearing VI

Chicago, Illinois

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**ORGANIZED CRIME**  
**and**  
**Labor - Management**  
**Racketeering**  
**in the United States**



*April 1985*

*PRESIDENT'S COMMISSION ON ORGANIZED CRIME*

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Executive Director and Chief Counsel

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## LABOR-MANAGEMENT RACKETEERING HEARING

### INTRODUCTION

Organized crime is entrenched in the marketplace. It owns and operates legitimate businesses and unions and, in some areas of the country, it controls entire industries. Throughout the economy, organized crime distorts the cost of doing business through theft, extortion, bribery, illegal combinations, price fixing, and restraint of trade.

Created by Executive Order 12435 of July 28, 1983, the mandate is to:

" . . . make a full and complete national and region-by-region analysis of organized crime; define the nature of traditional organized crime as well as emerging organized crime groups, the sources and amounts of organized crime's income, and the uses to which organized crime put its income; develop in-depth information on the participants in organized crime networks; and evaluate Federal laws pertinent to the effort to combat organized crime. The Commission shall advise the President and the Attorney General with respect to its findings and actions which can be undertaken to improve law enforcement efforts directed against organized crime, and made recommendation concerning appropriate administrative and legislative improvements and improvements in the administration of justice.

This volume contains the Commission's public hearing record regarding the efforts of organized crime to control the marketplace. The hearing was national in scope, although many specific examples of organized crime activity arose in Chicago, Illinois, the site of the hearing.

The testimony of the witnesses who came forward and those organized crime figures and others who relied on their 5th Amendment rights in response to the Commission's questions, graphically demonstrate the ability and desire of organized crime to infiltrate otherwise legitimate corporate and union institutions. It is important to keep in mind that the majority of unions and businesses have not been tainted by organized crime. As this hearing demonstrates, however, businesses and unions are often victims of organized crime. The testimony graphically explains how members of organized crime can benefit from the control of a union or business. For example, it provides "legitimate" employment for persons who would otherwise have no valid source of income; it provides the capability to shakedown businesses; it gives organized crime access to the hard earned pension and health and welfare funds of union members.

The extensive and detailed testimony in this volume concerning two major labor unions, the 600,000 member Laborers International Union of North American (the Laborers) and the 1.9 million member International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (the Teamsters) demonstrates that these organizations have a serious problem with organized crime infiltration and control. This should come as no surprise to either of them since each has been identified publicly by the FBI as being under the thumb of organized crime. These unions contain certain local and national union leaders who are members or associates of organized crime. Sometimes there is

no distinction between a union business and the mob. The testimony also details the activities of organized crime in the small independent unions of this country. The record further details the use of threats or actual violence to gain and retain control of a number of these organizations.

The head-in-the-sand complicity and studied indifference by officials of major corporations, who benefit from the involvement of organized crime, is as chilling as the activities of organized crime dominated union officials. As one witness stated, the "system" does not work unless organized crime, unions and businesses cooperate, to the detriment of workers and consumers.

This record points a picture of racketeering in the 1980s. It discusses some of the notable individual successes of law enforcement, convicting individuals who participate in these criminal activities. It also indicates that the long term impact of these convictions is less than we might expect. There is a need for a fundamental reassessment of the strategy and tactics used to remove organized crime from the nation's marketplace. Some of the same unions and organized crime figures identified at this hearing were the focus of national attention in the 1950s. Finally, some of the testimony addresses actions which could be taken to attack organized crime's pervasive control of the construction, transportation, waterfront and service industries.

The President's Commission on Organized Crime rejects the premise that organized crime in the marketplace is a way of life which should be simply accepted by the American people.

What follows is a presentation of the view of organized crime from the victims followed by some organized crime figures who caused the harm. The hearing provides a snapshot of organized crime in America's marketplace today.

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

LABOR RACKETEERING HEARING

PRESS CONFERENCE

Chicago, Illinois

Sunday, April 21, 1985

11:00 o'clock a.m.

James D. Harmon, Jr.  
Executive Director and Chief Counsel

Arthur P. Brill, Jr.  
Director of Public Affairs

MR. BRILL: Well, good morning, ladies and gentlemen. I am Art Brill, the Director of Public Affairs for the President's Commission on Organized Crime and I want to welcome you here on this bright and shiny and warm Sunday morning. I know there are probably some things that you probably had planned, but our hearing starts tomorrow, as you know, and starts at 9:00 o'clock in the morning, with an hour break about noontime, and then we will resume again. It should end between 3:00 and 4:00 or so depending on, of course, the witnesses' testimony.

We recommend that you get here, particularly the electronic media, just as soon as you can. We would rather not have the harassment of trying to get cameras set up during the actual testimony itself. So try to get here before that.

We will have a pool camera. As the electronic media know, that has been decided already, and that will feed everyone else. We will have one pool camera on the witnesses.

The still photographers will be allowed in the front row of the jury box, but they will have to stay there and be as unobtrusive as possible. We can't have disturbances at the hearing whatsoever.

A REPORTER: Art, will there be a remote box for recording, too?

MR. BRILL: Yes, there will be.

We do have a press room; it's Room 2514. It's right across from the ceremonial courtroom on the main public corridor. Our number there is 786-9294 and it will be manned from early in the morning until early in the evening.

Also the Public Affairs staff is staying at the Americana Congress and we are in room -- I am in Room 600. And please call me if you have any questions, interview requests, anything whatsoever, we are here to please. My staff is staying there, too, Brad Marman and Connie Tatko.

We have with us today the Executive Director and the General Counsel or the Chief Counsel of the President's Commission on Organized Crime, James D. Harmon, Jr. He will have a brief opening statement; then he will be glad to take your questions.

Jim.

MR. HARMON: Good morning. It is a pleasure to share my Sunday morning with each one of you.

In July of 1983 the President established the President's Commission on Organized Crime for the

purpose of reporting to him and to the American public as well as to the Attorney-General what the nature of organized crime was today, to develop in depth information on the way organized crime exists and the way that it operates today, all with the view toward making recommendations, changes in strategy, changes in law, changes in approach to the way organized crime has been investigated in the past.

We can report to you at least in the area of labor racketeering that nothing much has changed for organized crime except the extent of its domination and the extent of its influence.

Things have changed in other areas though for organized crime. We have seen that organized crime cannot survive without access to banks, without access to brokerage firms and without access to certain attorneys whom we have come to call renegade attorneys.

For that reason the Commission has adopted a deliberate strategy following the words of the President, first, to identify the life support systems without which organized crime cannot survive at its present level; to identify those one at a time and to devise a strategy by which ultimately organized crime might be isolated and, therefore, be dealt with in a much

simpler fashion.

For that reason the Commission has turned its attention first to banks and financial institutions and has turned secondly to attorneys, as I say, neither of which organized crime can exist without in these days of their complex operations.

We have found that there is always a role for the private sector to play in combating organized crime. The solution to organized crime does not rest only with law enforcement.

For example, with banks and financial institutions, the Commission saw that banks and these financial institutions were not reporting currency as required by federal statute. The Commission, among other things, recommended that for the first time money laundering itself be made a crime primarily as a way to get at the narcotics traffic in an indirect but very effective way.

The Commission's legislative recommendations have already been introduced into both the Senate and the House as of today. Banks, led by the chairman of the Bank of Boston, have endorsed the recommendations of the President's Commission in an interim report submitted to him last October.

Bar associations, courts and grievance committees can do much to help in efforts directed at the renegade lawyer, that is, that lawyer who represents not individuals, but who acts to further the interests of the mob as an institution. That matter is under further study by the staff and by the Commission as of today.

A public understanding of the problem of organized crime and its nature today is essential to the ultimate solution of organized crime.

In the area of labor racketeering, the Commission recognizes a clear partnership, a historical partnership, extending back to the Kefauver Committee and the McClellan Committee hearings extending back some -- over thirty years ago.

Control of labor and business is another one of those life support systems of organized crime without which it cannot exist. For the mob today there is no distinction between business and labor. The combination is what the mob is interested in, which it uses for one purpose, and that is to fill the coffers of the mob throughout the country.

Organized crime and labor racketeering and infiltration of labor unions today is organized crime

up front, organized crime for all of the world to see. Members of families actually holding positions with various unions located throughout the country. This infiltration of labor unions permits, likewise, control of legitimate businesses, permits access to public officials at all levels of Government and it has its victims, those being union members, who routinely are sold out by union officials, those union officials only who are under the thumb of organized crime.

We want the rank and file to understand why it is not in their interest to have organized crime control their union. And we want by this hearing and otherwise to explain to them why it is not in their interest to have the mob control their union.

In cases where the mob controls unions, unions are that in appearance only. They are the illusion of unions, the shadow of unions, a power of collective bargaining used not for the benefit of the membership, but as I say, merely to fill the coffers, to put money in the mob's pocket.

Today mob-controlled unions act not in the interest of members of unions, but serve as a tool to exploit the labor of members of labor unions.

What has changed over time in the mob's

control of labor racketeering is the way in which there now exists in different parts of the country monopoly, an actual monopoly, of industry formed by a combination of mob-controlled companies and unions dominated by organized crime. It simply in some industries in some parts of the country is now a way of life.

Law enforcement, even at its best, and law enforcement has done good work in this area, has simply not been able to solve the problem.

The focus of law enforcement in the past has been the labor official himself, the one who has been under the thumb of organized crime, and the one who in the first instance has received payoffs. Recently there has been focus on the actual mob figures behind labor unions, but, as you look back and consider the question historically, there has been not much focus of management from the employer's side of it. What can management to do if it's willing to do something about control of mob unions?

We don't, in saying that, place all employers and place all management and place all business in the same category. Some businesses are outright owned by organized crime. Some fall into the category of what we think of as the predatory employer, one who goes out of

his way to deal with the mob for his own benefit and that of his company. It is also the true victim, a business, a representative of an employer who simply finds himself in a situation where the mob exerts a dominating influence.

And finally, we think of a fourth category of employer and, that is, the outsider; one who is actually denied entry to markets both in the way of services and the way of materials.

This hearing will focus primarily on organized crime's control of unions both in Chicago as well as in New York City. It will touch likewise upon Philadelphia and on other parts of the country.

This Commission's perspective is a national perspective. The solutions that the Commission aims at are national solutions.

In saying that, you will see during the course of this hearing some fresh investigative work done by the staff. We will focus primarily upon the Laborers' and Teamsters Unions. Other unions are under study by the Commission and its staff, including the International Longshoremen's Association.

The issue for this Commission is not whether organized crime exists, and it's not whether or not

labor unions are dominated by organized crime. The issue for this Commission is the nature of that domination today and for the future and what to do about it, understanding completely the dynamics of the way that control is instituted and maintained and continued over a long period of time.

Testimony will come and evidence will come from a number of different sources, from insiders, people who have actually participated in labor racketeering matters with the mob and on behalf of the mob.

There will be testimony also from what you might view as insiders, people who have been subpoenaed to testify and whose testimony in one fashion or another is being compelled or is being -- or attempted to be compelled.

We will present results, as I say, of fresh staff investigative work on various aspects of labor racketeering. And we think that for the first time there will be testimony presented from experts, not the kind of experts that you may have seen in the past, but insiders, people who have actually been engaged in labor racketeering who we will ask publicly and who have told us otherwise of measures that could be taken to minimize the mob's domination in the future.

We will also present electronic surveillance which has never been disclosed before, including some electronic surveillance which describes the ways in which leading bosses of La Cosa Nostra have monies funnelled to them and the extent of that money as a result of labor racketeering.

We'll present a profile of the La Cosa Nostra family operating in Chicago today, known as the Chicago Outfit, which differs in some degree and in some ways from the La Cosa Nostra families operating in New York primarily this way: That the Chicago Outfit operates basically on a territorial basis; where the New York families simply do not operate that way. It's more of a functional approach taken in New York.

We'll examine the extent of infiltration by La Cosa Nostra into Laborers' locals, both in Chicago and in New York City.

And the Commission always needs the view from the top and to get that view we seek testimony from persons at the top of various international unions, as well as their pension funds. And we seek testimony from the highest levels of corporate management in two of the largest companies operating here in the United States.

We'll also present a case study of the mismanagement of a welfare fund operated by one of these locals.

And I mean here just to talk about the high points of the hearing itself. But we will also present an analysis of the construction industry in New York, taking literally a step at a time, a hypothetical building, and explaining which families a contractor is dealing with, literally from the ground up, and which unions he is dealing with in attempting to build a building in New York City. In New York today a building cannot be constructed without dealing with several mob controlled unions along the way.

This view from the private sector and this view from the top, both from corporate management as well as union officials, is designed to inform the Commission. To some degree the Commission's choices are narrower than explained by whether or not management is in a position to do something about it, whether or not labor at the top is prepared to do something about the problem of organized crime in labor unions today.

In the event that management and labor at the top is simply not in a position to take action or is unwilling or unable to take action, the Commission's

choice is then focused upon law enforcement strategies which should be pursued in the future as well as possible changes in legislation. What you will see at this hearing is merely a sample of the evidence that we have collected as of this point in time.

With that in mind, I would be happy to answer any questions that you may have.

A REPORTER: I would like to clear up a point. Has Jackie Presser been asked to testify publicly before this Commission?

MR. HARMON: I can't disclose that. You will have to wait for the hearing itself.

A REPORTER: Well, now he went into court in Washington last week to get a subpoena to testify quashed and he lost and the Judge ordered him to testify only in private.

MR. HARMON: That's correct.

A REPORTER: Are you saying now that he has also been subpoenaed to testify in public when that was never mentioned in court? He has been asked to testify in private and in public?

MR. HARMON: The Commission's rules do not permit us to disclose what has actually taken place during the course of a private deposition.

A REPORTER: I'm not asking you that.

MR. HARMON: 'Nor do the rules permit us to disclose in advance who has been subpoenaed to testify.

A REPORTER: Has he been subpoenaed to testify publicly?

MR. HARMON: I haven't been given the authorization to tell you that one way or the other.

A REPORTER: I'm curious as to why you never mentioned it in court that you wanted him to testify publicly. You only said in court that you wanted him to testify privately. And he said that he couldn't testify, that he -- that if he testified at all, he would do so -- he would take the Fifth.

But you are leaving us with the impression that he is going to be here, or we have gotten that impression. It has been reported that he is going to be here.

Is he going to be here?

MR. HARMON: Again, without talking about this particular witness or whether or not he will be a witness, from time to time witnesses are subpoenaed in advance to give a deposition in private. We have taken the view that subsequent to that, if there is a requirement to testify publicly, a second subpoena would be

served upon the witness. So one doesn't necessarily exclude the other and litigation over one doesn't necessarily mean litigation over the second.

A REPORTER: Has he been subpoenaed to testify publicly?

MR. HARMON: I can't tell you that.

A REPORTER: I'm not asking whether he is going to appear or not. Has he been subpoenaed to testify?

MR. HARMON: I can't disclose that either.

A REPORTER: Did he give a deposition last week?

MR. HARMON: I can't disclose that.

A REPORTER: Is Judge Kaufman going to disclose that?

MR. HARMON: That is a matter before the Commission as of this point.

A REPORTER: About ten days ago you had a briefing. Art Brill was here and he indicated at that time 55 subpoenas had been issued at that point. That was indicated over a week ago. What is the ballpark figure on them now that has been handed out?

MR. HARMON: The number of subpoenas that have been served?

A REPORTER: Yes.

MR. HARMON: I would say approximately 60 subpoenas have been served as of this point. And without taking a look, I would say we have about 25 witnesses lined up to testify during the course of the three days.

A REPORTER: You indicated the top of various unions. We went through this little discussion on Mr. Presser. Then I would assume that Fosco, as head of the Laborers' Union, that he has been subpoenaed?

MR. HARMON: As I say, I cannot disclose the identity of the witnesses in advance.

A REPORTER: If you want the top of these unions, wouldn't you want to extend -- the logic is that you would want Fosco to come in since that is one of the unions under scrutiny?

MR. HARMON: Well -- again, I'm not at liberty to disclose exactly which witnesses have been subpoenaed and which ones will testify.

A REPORTER: What type of witnesses are we going to be hearing from? I mean generally who are these people? What kind of stories are they going to tell?

MR. HARMON: Persons who have actually dealt

with the mob in connection with labor racketeering over a period of time in different parts of the country, including Chicago, for one.

A REPORTER: What industries in Chicago does the mob monopolize.

MR. HARMON: Well, that is going to be the subject of a further analysis by the Commission in written form later.

What we are prepared to do as of this point is to explain the way in which the construction industry works in New York City, and that is a product of the limits of time faced by us as a result of the public hearing setting.

A REPORTER: Is the Commission uncovering any new ground that local organized crime investigators haven't known for years in doing their jobs?

MR. HARMON: Yes.

A REPORTER: What? Can you list a few?

MR. HARMON: That will be disclosed at the hearing itself.

A REPORTER: Generically.

MR. HARMON: To some degree this hearing takes on a bit of a different form than prior Commission hearings. We will go into some depth with regard to

specific circumstances with them, which will be developed more fully at the hearing itself.

A REPORTER: Generically what areas are you shedding new light on do you think?

MR. HARMON: Mismanagement of welfare funds, control of -- influence of organized crime in welfare funds, and some further explanation of the way in which payoffs are made to -- rather labor officials and the way in which organized crime actually today owns unions in the same sense that you might own a car. Unions are owned by certain organized crime figures. They are held in that fashion on behalf of the heads of families.

A REPORTER: You will be using actual names?

MR. HARMON: Yes.

A REPORTER: And what you find out will turn -- will go into legislation ultimately, or recommendations or what will you do with all of this?

MR. HARMON: Yes, the President's Commission does not make criminal cases. We do not prosecute criminal cases. To the extent that we have come up with evidence that in fact makes a criminal case or has the beginnings of a criminal case, that information is turned over to the Justice Department, if they are

interested.

A REPORTER: You have immunization powers, don't you?

MR. HARMON: Yes.

A REPORTER: In other words, if a man gets up tomorrow and -- he could be granted immunity and held in contempt?

MR. HARMON: That is a possibility, yes. The Commission has subpoena power. Whether or not there is enforcement of those subpoenas is done upon the approval of the Attorney General. Immunity is also authorized upon the approval of the Attorney General.

Once immunity is authorized, the Commission then is in power to issue an immunity order, which would then compel a witness to testify.

A REPORTER: Do you have any Valachis lined up?

MR. HARMON: That is for you to decide.

A REPORTER: Do you have somebody that is going to spill their guts and tell all?

MR. HARMON: There will be a lot of illuminating testimony. There will be things, in my opinion, that have never been said before.

For example, it has always been known -- when

I say "always," I would say within the last twenty years it has always been known that organized crime in some unions does exert a dominant influence, but nobody has ever had the job of explaining what that means and, understanding what it means, what you do about it. So that we are really interested in the dynamics of the situation. Although names will be mentioned, you are correct, the names are not so important to us as the dynamics of the situation of how organized crime itself views its ownership of labor unions.

A REPORTER: If it's a known fact that certain people are in union positions engaging in criminal activity, why hasn't something been done about it? I mean, how is it that they are allowed to stay there, if they are criminals in union positions?

MR. HARMON: That is the question that the Commission is seeking to answer. The way that this has been handled in the past primarily is through individual criminal prosecutions. There may be other ways to look at the problem and other tools to bring to bear upon the problem.

For example, the NLRB should be in a position to provide remedies for workers and employees. Whatever the NLRB has done up to this point has simply not been

any more effective than law enforcement.

A REPORTER: How can the NLRB deal with criminals?

MR. HARMON: The issue for the NLRB is a little bit different. The issue is whether or not employees' and workers' rights are protected by acts taken by employers or on behalf of employers. And if, as happens often, there is a collusion where organized crime is involved between labor and management, it reduces NLRB proceedings to a little more than form.

A REPORTER: What is the budget for the Commission?

MR. HARMON: It's \$5 million -- \$4-1/2 million.

A REPORTER: Do you need more money to continue this thing very soon?

MR. HARMON: We are funded through October as of now.

A REPORTER: Through October. And you, apparently, will be seeking more funds. That is allotted by the Congress?

MR. HARMON: That's right.

A REPORTER: Will you be seeking more money to continue it?

MR. HARMON: The Commission's mandate runs out

in October of 1986 when we are required to give a final report to the President'. We will need additional funding to carry --

MR. BRILL: March of '86.

MR. HARMON: What did I say?

A REPORTER: You said October.

MR. HARMON: I'm sorry.

A REPORTER: You're funded through October of '85.

MR. HARMON: We're funded through October. The Commission's mandate expires in April of 1986. And we would need additional funding to carry us through.

A REPORTER: You mentioned earlier in your statement that the law enforcement hasn't been able to solve the problem as far as organized crime. Are you going to have any law enforcement officials appearing?

MR. HARMON: Yes.

A REPORTER: Do you think you will get the answers that will help you to solve the problem?

MR. HARMON: What we have attempted to do deliberately over time is to bring before the Commission law enforcement officials with first-hand experience in dealing with the problem. And we will have some people who have dealt first-hand with the problem to hear their

views. And I think that they will have some constructive suggestions.

A REPORTER: Can you tell us what day we will be seeing the electronic surveillance stuff?

MR. HARMON: The third day.

A REPORTER: The third day.

Thursday?

MR. HARMON: Third day, the third day, which is Wednesday.

A REPORTER: There are a lot of labor union officials who don't like these hearings because they feel as though you are focusing just on a few unions and it gives all unions a bad name. What percentage of labor unions in the country do you think are corrupt?

MR. HARMON: We are in a position of attempting to document exactly which locals they are throughout the country. That will not be something that will come out during the course of the public hearing itself. I don't even want to begin to estimate as of this point number-wise.

A REPORTER: Is it 10 percent or 50 percent or 90 percent?

MR. HARMON: It's a small number.

A REPORTER: It's a very small percentage of

the unions?

MR. HARMON: A small percentage of unions throughout the country are controlled by organized crime.

But let me -- let me just take, for example, the idea of constructing a building in New York City. A very small union which has the job of driving in, for example, the rivets that will cause the next phase of construction to begin has an awful lot of power. It has the power to withhold and to hold up a multi-million dollar construction project. So the numbers themselves may not actually reflect the influence that can be exerted, but as I say, and I don't want this to be thought of as the final word by any means, this is something that is under actual study and we are attempting to document it literally local by local.

A REPORTER: On a different area, were you not the prosecutor who tried the FALN cases in New York?

MR. HARMON: That's right.

A REPORTER: What happened? How many convictions did you get?

MR. HARMON: There were five.

A REPORTER: Weren't they individuals who operated here in Chicago?

MR. HARMON: Well, they were linked with -- they were linked with the FALN group that was operating in Chicago, yes. Our investigation was worked in conjunction with the U.S. Attorney's Office here, Jeremy Margolis, that's right.

A REPORTER: Since you can't tell us exactly who will appear now, will there be an agenda every morning before the hearing starts?

MR. HARMON: Give you a list of witnesses the first thing in the morning.

A REPORTER: And the order in which they will testify?

MR. HARMON: Yes.

A REPORTER: Thank you, sir.

What time should the crews be in that room?

MR. MARMAN: The TV people seem to want to be there at 8:00 and we will be here by then, if not before.

A REPORTER: What kind of access will they have? Are they going to be coming in and out of the public accessway? The people who testify, will they be coming and out of a back entrance?

MR. BRILL: I can't talk about any of that.

If you want access to anyone, you have to go

through me personally or any of our staff and they will  
come in to me.

(Which were all the proceedings had herein.)

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

LABOR RACKETEERING HEARING

Chicago, Illinois

Monday, April 22, 1985

The hearing in the above-entitled matter  
convened, pursuant to notice, at 9:00 a.m.

BEFORE:

SAMUEL K. SKINNER, Acting Chairman

MEMBERS OF THE COMMISSION:

Jesse A. Brewer, Jr.  
Carol Corrigan  
Justin J. Dintino  
William J. Guste, Jr.  
Judith Richards Hope  
Philip R. Manuel  
Thomas McBride  
Eugene Methvin  
Edwin L. Miller, Jr.  
Charles H. Rogovin  
Barbara Ann Rowan  
Frances A. Sclafani  
Samuel K. Skinner

P R O C E E D I N G S

(9:00 a.m.)

ACTING CHAIRMAN SKINNER: The Chicago public hearing of the President's Commission On Organized Crime will come to order.

At the outset let me indicate that the Chairman of the Commission, Judge Irving R. Kaufman is unable to be with us this week and has asked me to preside in his absence. He very much wanted to be here, but other matters have detained him and unavoidably he has been required to stay in New York. I would, however, like to read a brief statement from Judge Kaufman as Chairman of the Commission.

I would like to welcome you to this public hearing of the President's Commission On Organized Crime. At our previous open sessions, the Commission examined some of the ways in which organized crime has evolved in recent years by investigating newly emergent criminal groups and by studying the drug trafficking and money laundering that are present activities of organized crime. At this week's hearing, the Commission will focus upon involvement by criminal groups in union and management racketeering.

Racketeering is certainly not a new

phenomenon. Organized crime has been heavily implicated in this activity for decades. Indeed, the Kefauver and McClellan hearings of the 1950s revealed extensive organized crime control over a number of labor unions. The testimony presented this week will demonstrate that thirty years after those investigations, racketeering activities continue to flourish. We shall hear evidence indicating that many of the same unions, industries, and individuals associated with racketeering a generation ago are still involved.

Our hearings this week will examine how organized crime continues to exploit the collective bargaining system for its own purposes. We will also hear from victims of racketeering, as well as from persons who participated in these activities, and that testimony will make clear that mob involvement in certain labor unions is not confined to past history.

A major area of concern for the Commission is the development of organized crime in using new and more sophisticated techniques to gain and continue to control unions and businesses. Traditionally, labor racketeering evoked images of relatively simple

and direct extortion imposed by threats of strikes or physical force. Today, however, it is just as likely to be in the form of benefit fund manipulation with the assistance of professionals including a few professional lawyers, accountants, and bankers. We shall examine not only the traditional, but the new techniques that are being used and the effectiveness that they have. The economic toll exacted by collusive and extortionate racketeering activity is felt by virtually every citizen of this country in the form of higher prices and lost economic efficiency.

In turning to this area, the Commission is carrying out the wishes of the President who has directed this Commission to investigate all facets of organized crime and recommend to the Congress and to the President new approaches to combat this activity. It is not our intention to single out a particular union or to create an impression that the labor movement as a whole is totally corrupt. This is not the fact. Testimony involving the illegal and collusive activities of management officials will make clear that racketeering occurs in the corporate boardroom as well as the union local. Our concern is with those officials of both unions and management who exploit workers

and the public for destructive and self-aggrandizing purposes. Mindful of this concern, we will explore ways in which union members victimized by racketeers can begin to reclaim control from the criminals.

The extent and duration of organized crime involvement in union and management racketeering has disturbing implications for our economy and the integrity of the trade union movement. The costs of racketeering -- measured in terms of corruption of the free market and the imposition of higher prices -- are borne by every citizen in this country. Indeed, it would not be an exaggeration to state that a percentage of the cost of virtually every commodity of service is diverted by racketeers. In perhaps no other area of endeavor has organized crime been so intractable and posed so great a threat to a fundamental aspect of our economic and political fabric. This week we will document the nature and extent of this threat today.

I would ask at this point **that** Commissioner McBride summarize the Commission's program and hearings for this week.

COMMISSIONER MC BRIDE: Those of the Federal law enforcement and local law enforcement community who are expert in the problem of organized crime and

labor racketeering have concluded that the mob or the Mafia, La Cosa Nostra, in other words, traditional organized crime elements, control in substantial degree four international unions. Those four internationals are: The International Brotherhood of Teamsters, which has about 1.4 million members, nearly half of whom are women. And, of course, while the Teamsters membership embraces truck drivers, its jurisdiction ranges from airline pilots to zookeepers; the Laborers' International Union of North America, which has 625,000 members, of whom about three-quarters are black or Hispanic; the Hotel and Restaurant Employees International Union with 400,000 members, about half women; and the International Longshoremen's Union with 200,000 members.

In naming these four international unions we are not saying that all of the locals of these unions are controlled or even influenced by organized crime. As testimony before the Commission will show, some very courageous local officers have on occasion and at great risk defied racketeer control. But of the approximately 50,000 labor organizations in the U.S. with a total of over \$9 million in assets, the law enforcement analyses are that about three to four

hundred locals are heavily influenced or controlled by organized crime syndicates. Many of these, however, are very major locals embracing thousands of members in strategic cities, enabling gangster domination of the internationals, even though in the majority of the locals the officers and the membership are not corrupt.

This week, we are going to focus primarily on the International Brotherhood of Teamsters and the Laborers' International Union of North America.

We have also examined and will continue to examine problems of racketeering influence in the Longshoremen's Association and the Hotel and Restaurant Employees Union, but our work on those two will be presented at another time and in another format.

This week, we will also take a look at certain of the so-called independent unions and the somewhat related infiltration of legitimate business in connection with those unions.

Our work to date supports this intelligence analysis and the figures on Federal indictments and convictions also supports them. Of the 930 indictments handed down against labor unions during the period 1980 to 1984, 45 percent involve those four

unions: Longshoremens, Teamsters, Laborers', Hotel/Restaurant Workers, officials. One-third of the convictions obtained during this same period were against the Big Four.

The crimes, the most common crimes, are embezzlement of union funds, RICO violations, that is, the Racketeer Influence and Corrupt Organizations Act, conspiracy, tax evasion, kickbacks, and theft from employee benefit plans.

It is worthy of note that the membership of the Big Four internationals embraces some of the poorest and hardest working and most underprivileged members of unions. They need active and vigorous union protection. For them their union should be a strong rung on the ladder of opportunity in our society. But as the testimony will show, in too many cases the unions have become a part of the machinery of exploitation.

I suppose the most graphic illustration of the problem is the fact that these same unions, and in some cases the same racketeers or a relative of the same racketeers, were highlighted at the hearing of the McClellan Committee 25 years ago. So we must persist in our resolve to rid organized crime from

the labor movement.

ACTING CHAIRMAN SKINNER: Commissioner Methvin, I believe you have a brief comment.

COMMISSIONER METHVIN: Yes. The witness who is about to testify is Ken Eto. He will be wearing a hood and robe to protect his identity in spite of the fact that he has planned to testify in court without such protection. This precaution has been requested by the Marshals Service and the FBI who worked with this witness in securing his cooperation with the Government and, most importantly, the witness himself.

Since portions of this testimony may be televised and because this witness has been given a new identity and relocated, the wide dissemination of his picture would endanger his new identity.

On February 10, 1983, John Gattuso and Joseph Jasper Campise took Ken Eto for a ride, a mob-style ride. They took him to a parking lot next to the railroad tracks in Chicago and they shot him three times in the back of the head. Miraculously, Eto survived.

A few months later on July 14, 1983, this pair of bungling hit men were found in the trunk of a car in Naperville, Illinois. They had been strangled

with nylon rope and repeatedly stabbed. Every major organ in their bodies had been slashed.

The message would seem to be to mob hit **men** Don't bungle. It's also a suggestion on the message that the next time they won't bungle the job on Eto.

Violence seems to follow Laborers' International officials. In Philadelphia, shortly after midnight on July 18, 1982, five men went to the home of the reporting secretary of Laborers' Local 332, who had just resigned his post after 15 years to run for the presidency of the local. They knocked on the door. He let them in. His wife heard him greet the callers. Obviously, he knew them. They overpowered him, came upstairs into the bedroom wearing Halloween masks, held the wife at knifepoint and bound her and then they beat her husband to death.

So you can see that these precautions we are taking today to protect this witness are necessary and they are not just an artificial drama we have added for photo opportunity.

The Commission also had a disturbing experience in New York with a witness of asking the press to stop their cameras while we brought him in. One cameraman left his camera on and the witness

wound up on the 6:00 o'clock news at night. So we are having these precautions today and we ask you to understand.

Thank you.

ACTING CHAIRMAN SKINNER: Thank you.

Mr. Harmon, Mr. Ryan.

MR. HARMON: With your permission, Mr. Chairman, Stephen Ryan will conduct the examination of Ken Eto.

MR. RYAN: The Commission calls Ken Eto.

KEN ETO,

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Mr. Eto, could you pull the microphone closer to you?

Would you state your name for the record?

MR. ETO: My name is Ken Eto.

MR. RYAN: Could you pull it just a little bit closer?

Mr. Eto, are you known by other names?

MR. ETO: Joe, Joe Montana, Joe Ponz, the Pizza Man.

MR. RYAN: During the 1980s, Mr. Eto, were you convicted of a gambling crime?

MR. ETO: Yes, I have.

MR. RYAN: Did you in fact manage gambling operations for the Chicago Outfit for a number of years?

MR. ETO: Yes.

MR. RYAN: Are you now a protected Government witness?

MR. ETO: Yes, I am.

MR. RYAN: Why did you become a protected Government witness, Mr. Eto?

MR. ETO: I was shot in the head three times.

MR. RYAN: Who shot you in the head, Mr. Eto?

MR. ETO: Johnny Gattuso and Jay Campise.

MR. RYAN: Who did they work for?

MR. ETO: Vince Solano.

MR. RYAN: Were they all members of the Chicago Outfit?

MR. ETO: Yes, they were.

MR. RYAN: Were you a made member of the Chicago Outfit?

MR. ETO: No, I was not.

MR. RYAN: Why were you not a made member?

MR. ETO: I was not Italian.

MR. RYAN: Do you have to be Italian to be a made member?

MR. ETO: Yes, sir.

MR. RYAN: What would you describe your position as in the organization?

MR. ETO: A trusted personnel.

MR. RYAN: How many years were you in this position as trusted personnel?

MR. ETO: Over thirty years.

MR. RYAN: Is Mr. Solano your boss in the Outfit?

MR. ETO: Yes, he is.

MR. RYAN: I would like to direct your attention, Mr. Eto, to several of the charts we have over here. If you look at the small white chart with a number of names on it and the pictures, do you recall that in your discussions with the Commission you reviewed that chart?

MR. ETO: Yes, I did.

MR. RYAN: And did you make certain suggestions based on your thirty years of involvement with organized crime?

MR. ETO: Yes, I did.

MR. RYAN: And are those suggestions for changes embodied in the new black and yellow chart over here?

MR. ETO: Yes.

MR. RYAN: The structure that is set up on that chart is how you understood the Chicago Family and Outfit to work?

MR. ETO: Yes.

MR. RYAN: Let's discuss that chart, Mr. Eto. At the top who is the boss of bosses in Chicago?

MR. ETO: Anthony Accardo.

MR. RYAN: Who are the two persons who work for Accardo in the highest positions?

MR. ETO: Joseph Aiuppa and John Cerone.

MR. RYAN: At the next level are the territorial bosses. Who are the territorial bosses in the City of Chicago?

MR. ETO: Vincent Solano, Alfred Pilotto, Joseph Lombardo, Angelo La Pietra, Joe Ferriola.

MR. RYAN: Mr. Eto, why are they territorial bosses? Do they control particular areas of the City of Chicago and its environs?

MR. ETO: Yes, they do.

MR. RYAN: Underneath Mr. Solano there are a number of other names. Did you suggest that those were the persons who worked for Mr. Solano?

MR. ETO: Yes, they are.

MR. RYAN: Have we accurately described that in the list?

MR. ETO: Yes.

MR. RYAN: When did you first meet Vincent Solano?

MR. ETO: In the late '50s.

MR. SOLANO: Was he a member of the Outfit at that time?

MR. ETO: Yes, he was.

MR. RYAN: How do you become a made member of the Outfit, Mr. Eto?

MR. ETO: First they recruit you as a muscleman, then breaking legs or arms, and then finally murdering people.

MR. RYAN: Did you ever travel with Vincent Solano in the course of your criminal activities?

MR. ETO: Yes, I have.

MR. RYAN: Would you describe briefly that travel?

MR. ETO: I and Vincent Solano went to Puerto Rico. I had an operation there where we lost a sum of money. Ross Prio sent Vincent Solano with me to Puerto Rico to take care of the problem.

MR. RYAN: Who was Ross Prio?

MR. ETO: Ross Prio was the boss of the North Side before Dominic Dibella and Mr. Vincent Solano.

MR. RYAN: Would it be correct to say, Mr. Eto, that there is a line of succession beginning with Ross Prio to Dominic Dibella and today to Vincent Solano?

MR. ETO: Yes.

MR. RYAN: They control an area of the City of Chicago?

MR. ETO: Yes, they do.

MR. RYAN: And all of the illegal rackets in that area?

MR. ETO: Yes.

MR. RYAN: Would you describe the territory that Vincent Solano controls?

MR. ETO: South to the river, west to the river, south of Armitage to the lake. Also he controls north of Lawrence to Devon from Western Avenue to the lake.

MR. RYAN: Mr. Eto, we prepared several charts based on your suggestions. Do these charts accurately depict the Chicago territories controlled by Vincent Solano?

MR. ETO: Yes, it does.

MR. RYAN: When did Dominic Dibella give way to Vincent Solano in control of those territories?

MR. ETO: I would say around 1976.

MR. RYAN: And Mr. Solano has been the boss of those territories since that time?

MR. ETO: Yes.

MR. RYAN: Mr. Eto, I would like to direct your attention to the dinner party photograph that is there. Do you recognize the people in that photograph?

MR. ETO: Yes, I do.

MR. RYAN: Could you name the persons in the front row?

MR. ETO: Tony Accardo, Joe Amato, Caesar Di Varco, Turk Torello.

MR. RYAN: Let's discuss those four and then we will identify the others. Mr. Accardo is the boss of bosses in Chicago?

MR. ETO: Yes, he is.

MR. RYAN: Mr. Amato was a territorial boss?

MR. ETO: Yes, he was.

MR. RYAN: What area did he control?

MR. ETO: Lake County.

MR. RYAN: Sitting next to him is Mr. Caesar

Di Varco. Was he a made member of the Outfit?

MR. ETO: Yes, he was.

MR. RYAN: What area did he work in?

MR. ETO: He was the boss on the North Side.

MR. RYAN: Did he report to Vincent Solano?

MR. ETO: Yes.

MR. RYAN: Next is Mr. Torello. Was Mr.

Torello a territorial boss of the Outfit?

MR. ETO: Yes, he was.

MR. RYAN: Let's identify the people in the background.

MR. ETO: Joey Aiuppa, Dominic Dibella, Vincent Solano, Al Pilotto, Jackie Cerone and Joe Lombardo.

MR. RYAN: Let's discuss those individuals. Joey the "Dove" Aiuppa is on the left. He is equal with Mr. Cerone, one of the two underbosses?

MR. ETO: Yes, he is.

MR. RYAN: Dominic Dibella was the boss of the North Side before Mr. Solano?

MR. ETO: Yes, he was.

MR. RYAN: Mr. Solano is also a Laborers' Union officer, isn't he?

MR. ETO: Yes, he is.

MR. RYAN: What office does he hold?

MR. ETO: President of Labor Union Local 1.

MR. RYAN: Next to him is Mr. Pilotto. Was he a territorial boss in the City of Chicago?

MR. ETO: Yes, he was.

MR. RYAN: Was he also the president of Laborers' Local 5?

MR. ETO: Yes, he is.

MR. RYAN: In the back row, Mr. Cerone is the equal of Mr. Aiuppa in the organization?

MR. ETO: Yes, he is.

MR. RYAN: Next to him, Mr. Lombardo?

MR. ETO: Yes.

MR. RYAN: He is a territorial boss?

MR. ETO: Yes.

MR. RYAN: Thank you, Mr. Eto.

What do you believe the meeting that was shown in this photograph was to celebrate?

MR. ETO: That Vince Solano was made boss of the North Side because Mr. Dibella was very sick at that time.

MR. RYAN: Mr. Eto, would you give us an idea of the illegal businesses that Vincent Solano controls in Chicago?

MR. ETO: All types of gambling, ziganetta, poker games, horse bookmaking, sport bookmaking, also extortion of topless clubs, strip joints, massage parlors, dirty bookstores, gay bars, also vending machines such as cigarette machines, jukeboxes.

MR. RYAN: In your time reporting to Mr. Solano, how would you get in touch with him to arrange meetings?

MR. ETO: I would call Local 1 and identify myself as the Pizza Man and ask for Vince.

MR. RYAN: Would he answer generally?

MR. ETO: Yes, he would.

MR. RYAN: What would you talk about then?

MR. ETO: The time and date of a meeting.

MR. RYAN: Would you say the place of a meeting?

MR. ETO: I beg your pardon?

MR. RYAN: Would you describe the place of the meeting on the telephone?

MR. ETO: No, I would not.

MR. RYAN: Was that because the meetings were at a pre-arranged location?

MR. ETO: Yes, it was.

MR. RYAN: What was that location?

MR. ETO: International Pancake House on Belmont near Central.

MR. RYAN: Is that close to Mr. Solano's union office?

MR. ETO: Relatively close.

MR. RYAN: Mr. Eto, I would like to direct your attention to two photographs we have prepared. The top photograph, can you identify it?

MR. ETO: Yes, that is the Laborers' Union Local 1.

MR. RYAN: That is Mr. Solano's local?

MR. ETO: Yes, it is.

MR. RYAN: Below that, is that the Pancake House where the meetings occurred?

MR. ETO: Yes, that is the IHOP on Belmont and Central.

MR. RYAN: This was the routine meeting place for you and Mr. Solano?

MR. ETO: Yes, it was.

MR. RYAN: Why would you not discuss the place where you were meeting or discuss your business with Mr. Solano on the telephone?

MR. ETO: Well, we considered the telephone more like a stool pigeon.

MR. RYAN: Mr. Eto, when you met with Mr. Solano at the Pancake House, did you describe what illegal and criminal activities you were engaged in?

MR. ETO: Yes, I did.

MR. RYAN: Did you seek his guidance concerning those activities?

MR. ETO: Yes, I did.

MR. RYAN: Did you tell him how your illegal bolitta game was operating?

MR. ETO: Yes, I did.

MR. RYAN: Did you receive your orders at those meetings?

MR. ETO: Yes, I did.

MR. RYAN: Mr. Eto, let's discuss the infiltration of the Chicago Outfit into legitimate businesses in the City of Chicago.

Were you the owner of a bar at 936 North Rush Street?

MR. ETO: Yes, I was.

MR. RYAN: What names has that establishment operated under?

MR. ETO: Bourbon Street, Country on Rush.

MR. RYAN: Would it be correct to say that you held the leasehold interest on that property?

MR. ETO: Yes, I did.

MR. RYAN: You didn't own that leasehold yourself, did you?

MR. ETO: No, I did not.

MR. RYAN: Did you operate through nominees and fronts?

MR. ETO: Yes, I did.

MR. RYAN: Is that how the Chicago Outfit owns and controls businesses in the City of Chicago?

MR. ETO: Yes.

MR. RYAN: At some time after you had obtained the control of the leasehold in that property, did you hear that the building itself was for sale?

MR. ETO: Yes, I did.

MR. RYAN: Did you communicate that to members of the Solano family?

MR. ETO: Yes, I did.

MR. RYAN: Did you suggest that they might want to purchase it and become your partners?

MR. ETO: Yes, I did.

MR. RYAN: Did they eventually purchase that property?

MR. ETO: Yes.

MR. RYAN: All right. What happened to your

leasehold interests that you held, the multiple-year leasehold interest, Mr. Eto?

MR. ETO: They asked me to sign it over to them and that later they would compensate me.

MR. RYAN: Was this a valuable property?

MR. ETO: It was a valuable lease.

MR. RYAN: Did you ever receive any compensation from Mr. Solano for that?

MR. ETO: No, I did not.

MR. RYAN: Did you actually convey the leasehold to his son, Vincent Solano, Jr.?

MR. ETO: Yes, I did.

MR. RYAN: Mr. Eto, in your meetings with Mr. Solano, did you seek his advice and help on how to collect monies that were owed to you?

MR. ETO: Yes, I did.

MR. RYAN: Can you tell us about one occasion where you described the problem, collecting money, to Mr. Solano?

MR. ETO: He sent Juliano and Jay Campise to help me collect monies owed me by a person.

MR. RYAN: What message did they send to the person who owed you the money?

MR. ETO: They told him that if he did

not pay me -- if he did not pay me, that they would kill him.

MR. RYAN: And Jay Campise was the person who did the hit on you?

MR. ETO: Yes, he did.

MR. RYAN: Mr. Chairman, this witness only knows the name Juliano for the individual who assisted Campise. The Commission's investigation has revealed that his name is Anthony Cirignani.

Mr. Eto, in the course of your dealings with Mr. Solano in these meetings, did you ever ask Vincent Solano if you could open a strip joint in Lyons, Illinois?

MR. ETO: Yes, I did.

MR. RYAN: What did Mr. Solano say to you?

MR. ETO: He said that he will see and get back to me.

MR. RYAN: Did he get back to you?

MR. ETO: Yes, he did.

MR. RYAN: What was his response?

MR. ETO: He says that I cannot open a strip joint in Lyons.

MR. RYAN: Did he give you an explanation?

MR. ETO: I did not ask.

MR. RYAN: Did you subsequently find out why it was that you were not allowed to open a strip joint in Lyons, Illinois?

MR. ETO: Yes. Rocky Infelice told me don't feel bad about it because he tried to get an okay to open up a strip joint in Lyons and also was turned down. He told me that was sacred territory.

MR. RYAN: Who is it sacred to?

MR. ETO: Mr. Joey Aiuppa.

MR. RYAN: The area of Lyons is sacred to Mr. Aiuppa?

MR. ETO: Yes, it is.

MR. RYAN: That is his territory?

MR. ETO: Yes.

MR. RYAN: Mr. Infelice is also a member of the Outfit; is he not?

MR. ETO: Yes, he is.

MR. RYAN: Who does he report to?

MR. ETO: Joe Ferriola.

MR. RYAN: What is Joe Ferriola's nickname?

MR. ETO: Joe Nick, Joe Ngal.

MR. RYAN: Mr. Eto, I would like to direct your attention to some time during 1978. Did you meet with Mr. Solano and tell him that you intended to

re-enter the bolitta business?

MR. ETO: Yes, I did.

MR. RYAN: What was Mr. Solano's reaction to that?

MR. ETO: He was very elated and happy. He says, "I'm glad you are going back into the bolitta business."

MR. RYAN: Why was he elated, Mr. Eto?

MR. ETO: Well, it's going to be his action.

MR. RYAN: Because the money goes to him?

MR. ETO: Yes.

MR. RYAN: Did he give you his permission to enter the business?

MR. ETO: Yes, he did.

MR. RYAN: Did you report regularly to him after that as to the success of the business?

MR. ETO: Yes, I did.

MR. RYAN: Did you also arrange a schedule of payments so that the money would flow to him?

MR. ETO: Yes, I did.

MR. RYAN: Who did you convey multiple thousands of dollars to on the first occasion you made such a payment?

MR. ETO: Mr. Vince Solano.

MR. RYAN: You paid him personally?

MR. ETO: Yes, I did.

MR. RYAN: He took the money from you?

MR. ETO: Yes, he did.

MR. RYAN: Did he set up an arrangement where the remaining payments on a monthly basis would be made to one of his associates?

MR. ETO: After the first payment he told me that from then on that I would give the money to Rocky Infelice.

MR. RYAN: Did you make those payments on a regular basis to Mr. Infelice?

MR. ETO: Yes, I did.

MR. RYAN: When Vince Solano wanted to get in touch with you, who did he use as an intermediary?

MR. ETO: I would usually get a call from Joe Arnold to get in touch with us.

MR. RYAN: Who is Mr. Arnold?

MR. ETO: Mr. Arnold was Caesar Di Varco's partner and a juice loan man.

MR. RYAN: Was he involved in the Chicago Outfit?

MR. ETO: Yes.

MR. RYAN: In late 1981 did you, in the course

of your discussion of illegal business with Vincent Solano, ask for permission to open a sports bookmaking operation in his territory?

MR. ETO: First I went to Caesar Di Varco and told him that I want to open up a sports office and that -- how much I have to pay.

And he told me -- right after that I went to see Vincent Solano and told him I was going to make -- go into bookmaking business and that I had made arrangements with Caesar Di Varco to give him X amount of dollars.

MR. RYAN: What was Mr. Solano's reaction to your interest in entering the sports bookmaking business?

MR. ETO: He told me that, "What do you want to go into the sports bookmaking business for?" He said, "You can't make no money on sports bookmaking."

But I told him I wanted to give it a try anyway and he let me.

MR. RYAN: To set up these meetings you would call him at Laborers' Local 1?

MR. ETO: Yes, I would.

MR. RYAN: Tell him the Pizza Man wanted to speak to him?

MR. ETO: Yes.

MR. RYAN: Did you pay a monthly amount in the sum of several thousand dollars concerning the sports bookmaking business?

MR. ETO: Yes, I did.

MR. RYAN: Who did you make those payments to?

MR. ETO: Caesar Di Varco.

MR. RYAN: In the course of your dealings with Vincent Solano did you see him on a regular basis?

MR. ETO: At least once a month.

MR. RYAN: What would happen if you didn't call and see Mr. Solano on a monthly basis?

MR. ETO: This was to give him information and respect. If I didn't do that, I could possibly get hurt.

MR. RYAN: Mr. Eto, in early 1982 did you have growing problems with law enforcement in the City of Chicago?

MR. ETO: Yes, I did.

MR. RYAN: Would you tell me what those problems were?

MR. ETO: I was indicted for a monte game, that is a card game, by the State. And I also was indicted on bolitta operations by the Federal Government.

MR. RYAN: Did you report to Vincent Solano on these indictments?

MR. ETO: Yes, I did.

MR. RYAN: What did he say?

MR. ETO: Well, he wasn't too concerned about the State indictment, but he acted concerned about the Federal indictment.

MR. RYAN: Did you indicate to him that, if necessary, you could just do your time?

MR. ETO: Yes.

MR. RYAN: Did you consult a lawyer as well as Mr. Solano to seek advice on these charges against you?

MR. ETO: Yes, I did.

MR. RYAN: What did your lawyer tell you?

MR. ETO: I asked him about the Federal charge and I asked him, "What chance do I have on the Federal charges?"

He told me that -- "Slim to none."

So I asked him if he would see if he could get me a plea bargaining where I would plead guilty for a reduced sentence.

MR. RYAN: Did you in fact enter plea negotiations and ultimately plead to a stipulated bench,

guilty plea, that allowed you to later appeal?

MR. ETO: Yes, I did.

MR. RYAN: I would like to direct your attention to January 28th, 1983. Did you receive a call from someone?

MR. ETO: Yes, I did.

MR. RYAN: You had been out of touch with Mr. Solano for some time, hadn't you?

MR. ETO: I got a call from Joe Arnold.

MR. RYAN: What did Mr. Arnold tell you?

MR. ETO: For me to get in touch with Caesar at the used car lot.

MR. RYAN: By Caesar, you meant Caesar Di Varco?

MR. ETO: Yes.

MR. RYAN: His picture was on that party chart and who is under Mr. Solano on the other chart?

MR. ETO: Yes.

MR. RYAN: Did you get in touch with Mr. Di Varco?

MR. ETO: Yes, I did.

MR. RYAN: What did he tell you?

MR. ETO: He told me that I haven't got in touch with Vince for some time and that he is concerned

and why don't I go see him.

Well, I told him that -- I took a stipulated bench and I was just waiting to get sentenced and there was nothing to report to Vince about.

He says, "Well, he is very concerned. Why don't you get in touch with him. Maybe he will be able to help you."

So I said I would do that.

MR. RYAN: Did you get in touch with Vincent Solano in the next day or two after that?

MR. ETO: Yes, I did.

MR. RYAN: Did you call him at his Laborers' local?

MR. ETO: Yes, I did.

MR. RYAN: Did you set up a meeting at the Pancake House?

MR. ETO: Yes, I did.

MR. RYAN: What happened when you went to the Pancake House to meet Mr. Solano on January 31, 1983?

MR. ETO: I parked at the Pancake House and got out of the car. And he started to walk towards me. He said, "Let's take a walk."

So we walked -- while we were walking down the street, he asked me about my case, Federal case.

I told him that I pleaded stipulated bench.

He asked me what a stipulated bench was. And I told him that I had a right to appeal the Judge's decision.

He told me that -- "I thought I told you to take a trial." But I knew he didn't tell me to take a trial. And then he said, "The way I see it, you have three choices. One is to go do my time. Another is to appeal the decision. Another is to run away."

I told Vince, "Vince, what am I going to run away for? It's just a gambling beef. Whatever time they give me I would have no problem doing it."

Then he says, "I want you to appeal the case."

I says, "All right. I will appeal the case."

And at that time he kind of turned his head and I thought he was going to -- he was finished and we were going to go back. So I started to turn around to go back when he told me, "What are you looking back for?"

I told him that, "I thought you were finished and going back."

He said, "No, we are not finished yet." So we continued walking.

Then he asked me -- then he told me that

Johnny Gattuso has a banker that is looking to open up a pizza parlor. Why don't I get in touch with Johnny Gattuso and sell him the club in Lyons for whatever money he can get, 50, \$60,000.

And he says that Jay Campise will be his partner. "And don't worry about the money because I will handle the money for you."

I says, "Okay. How do I get in touch with Johnny Gattuso?"

He says, "Caesar will make the arrangements for you."

So at that he says, "Now we are finished." And we went back towards where I parked.

When I got close to the place where I parked, suddenly he says, "What do you have in your pocket?"

I was clutching a pack of cigarettes so I pulled it out and said, "A pack of cigarettes, why?"

He says, "I thought I saw something."

Wow. I wondered what he thought he saw. Did he wonder whether I had a tape recorder on me or something like that?

While I was walking to the car I just felt that something is wrong; he no longer trusted me.

MR. RYAN: Several days later on February

9th did you receive a call from Joe Arnold?

MR. ETO: Yes, I did.

MR. RYAN: What did Arnold tell you?

MR. ETO: Joe Arnold told me to see Caesar at Oldsters for Youngsters.

MR. RYAN: Did you arrange a meeting with Caesar Di Varco and get together with him?

MR. ETO: Joe Arnold said the meeting would be at 9:00 o'clock the following morning so I went to Oldsters for Youngsters around that time.

MR. RYAN: What did Caesar Di Varco have to say to you this time?

MR. ETO: Caesar told me for me to go to the American Legion Hall on Fullerton and Narragansett. There Johnny Gattuso and Jay Campise will take me to have dinner with Vincent Solano.

MR. RYAN: Mr. Eto, in the 25 or 30 years that you have known Vincent Solano and the ten years that you have reported to him in the mob, had he ever invited you to dinner before?

MR. ETO: No, he had not.

MR. RYAN: Did you meet with Gattuso and Campise at 7:00 o'clock at the American Legion Hall?

MR. ETO: Yes, I did.

MR. RYAN: Please go ahead.

Did they suggest that you drive?

MR. ETO: Yes. I parked my car and I met them halfway. They got into the car; Johnny Gattuso in the back and Jay Campise in the front. I asked them where we were going, and they said -- Jay Campise said, "There is a little Italian restaurant over by Grand and Harlem that serves good Italian food."

I says that -- then he told me to go down Narragansett to Grand and turn right and he will let me know when to turn left.

So when he told me to turn left, I seen a little Italian restaurant. And then Johnny Gattuso in the back told me that there was a parking lot and the entrance is by the railroad track, so just turn in there and park in the parking lot.

MR. RYAN: What happened next?

MR. ETO: When I got into the parking lot, Jay Campise told me, "Why not park right here? Take a left and park right there because that way we won't have to walk too far to the restaurant."

As soon as I parked, bang, I got shot in the head. And I thought, "I knew it was going to happen." The second time I got shot, I thought, "Wow, it's not

taking effect." So the third time when it happened, like the first and the second shot, I thought, "I had better play dead." So I put up my hands like that and laid down on the seat.

I heard the door slam shut. I heard feet running away. I laid there for awhile and got up, looked around, seen nobody around. I walked across a vacant lot to Grand Avenue and started walking down the street. I came to a tavern, I said, "Not here." I went to another tavern and I decided not to go in there.

When I came to a prescription drugstore, and I walked in, and I asked the lady and the man that was there to please call an ambulance; that I was shot.

MR. RYAN: Did they, indeed, get an ambulance to take you to the hospital?

MR. ETO: The ambulance came and took me to the hospital.

MR. RYAN: That night did you begin cooperating with the Federal Bureau of Investigation?

MR. ETO: Yes.

MR. RYAN: Who shot you three times in the back of the head?

MR. ETO: Johnny Gattuso and Jay Campise.

MR. RYAN: Who do you believe ordered the hit on you, Mr. Eto?

MR. ETO: Vincent Solano.

MR. RYAN: Would Mr. Solano have had to receive permission to do this hit?

MR. ETO: Yes.

MR. RYAN: From who?

MR. ETO: Either Joey Aiuppa or Jackie Cerone.

MR. RYAN: Mr. Eto, why do you think Vincent Solano ordered a hit on you, a trusted associate of the Chicago Outfit?

MR. ETO: I think it's separate to kill somebody than to wonder if he will turn.

MR. RYAN: Mr. Eto, let me talk to you about Mr. Solano as a union officer. In addition to being a territorial boss, he is involved in the labor union and Laborers' Local 1; is that correct?

MR. ETO: Yes.

MR. RYAN: Based on your close association with Mr. Solano, does he spend a great deal of his time operating the rackets on the North Side of Chicago?

MR. ETO: Yes, he does.

MR. RYAN: Are you acquainted with a man named Frank "Babe" De Monte?

MR. ETO: Yes.

MR. RYAN: Is Mr. De Monte also a union official?

MR. ETO: Yes, he is.

MR. RYAN: What union is he involved in and what position does he hold?

MR. ETO: Local 1, Laborers' Union 1, business agent.

MR. RYAN: In addition to being a Laborers' business agent, he is also a member of the Chicago Outfit, isn't he?

MR. ETO: Yes, he is.

MR. RYAN: In fact, his father was a member of the Chicago Outfit?

MR. ETO: Yes, he was.

MR. RYAN: You knew him personally?

MR. ETO: Yes.

MR. RYAN: Did you ever ask Mr. De Monte if he really did anything for the union?

MR. ETO: I asked him one time -- he told me that he was a business agent. And I asked him -- if he really went onto job sites and did actually -- was a business agent. He laughed and he said, "No."

MR. RYAN: Mr. Eto, do you know a man named Salvatore Gruttadauro?

MR. ETO: Yes, I do.

MR. RYAN: Is he also involved in Laborers' Local 1?

MR. ETO: Yes.

MR. RYAN: Is he also a member of the Chicago Outfit?

MR. ETO: Yes, he is.

MR. RYAN: Does he report to territorial boss Joe Ferriola?

MR. ETO: Yes, he does.

MR. RYAN: Does Mr. Gruttadauro also have a business on the side?

MR. ETO: AAA construction site toilet business.

MR. RYAN: Do you know Mr. John Fecarotta?

MR. ETO: Yes, I do.

MR. RYAN: Is he a boss in the Chicago Outfit reporting to territorial boss Angelo La Pietra?

MR. ETO: Yes, he is.

MR. RYAN: Is he a killer and enforcer for the Outfit?

MR. ETO: Yes, he is.

MR. RYAN: You know that he is a killer because you know of one killing that he did, don't you?

MR. ETO: Yes.

MR. RYAN: Mr. Eto, I would like to ask you what is the ultimate source of power for the Chicago Outfit; how do they do what they do in the City of Chicago?

MR. ETO: Being able to corrupt and bribe city officials, politicians, policemen, instill fear in the general public by threats, intimidations, murder.

MR. RYAN: Thank you, Mr. Eto.

Commissioners, this witness is not available for questions today as part of an agreement with the United States Attorney's Office and the FBI, whose cooperation has been extremely important to the Commission. This witness is being used to develop other cases on high level individuals in the Chicago Outfit, some of whom he named today.

We wish to thank the United States Attorney's Office and the FBI for their cooperation.

ACTING CHAIRMAN SKINNER: The witness is excused.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next

witness.

MR. HARMON: Mr. Chairman, the next witness is Mr. Vincent Solano.

Would Mr. Solano please come forward?

Would the marshal please swear the witness?

VINCENT SOLANO,

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: Mr. Solano, you have been described here as an official of Laborers' Local 1, is that correct, Mr. Solano?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me. And I reasonably believe that the subpoena issued for me and these questions are based on an illegal wiretap.

MR. HARMON: Mr. Solano, so that the record is clear, none of the questions that are about to be posed to you are the product of any illegal electronic surveillance.

That having been said, Mr. Solano, would you please describe to the Commission in your own words, sir, how many members you have in Laborers' Local 1?

MR. SOLANO: On the advice of my lawyer I respectfully decline to answer that question as my truthful answer may tend to incriminate me.

MR. HARMON: What would you say, Mr. Solano, as a labor official, is the thing that your union members are most interested in from you as a labor official acting presumably in their best interests?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

ACTING CHAIRMAN SKINNER. Mr. Harmon, can I ask you a question?

MR. HARMON: Yes, sir.

(Discussion off the record.)

ACTING CHAIRMAN SKINNER: Mr. Harmon, before you go forward, let the record reflect that the witness is represented by counsel, Mr. Patrick Tuite and Ms. Cynthia Giacchetti, competent, very competent, counsel of Chicago. And, of course, Mr. Witness, sir, you can consult with them at any time, if you think that is advisable.

Mr. Harmon has some additional questions he wishes to ask to test your exercise of your Fifth

Amendment rights.

MR. HARMON: Now, Mr. Solano, does the Laborers' Local 1 have a geographical jurisdiction; in other words, does the local work in one area of the city?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question because my truthful answer may tend to incriminate to me.

MR. HARMON: Would you explain to the Commission, please, Mr. Solano, which company was the last company that you bargained with in the collective bargaining process?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question because my truthful answer may tend to incriminate me.

MR. HARMON: Now, Mr. Solano, there has been some evidence introduced here this morning and the staff of the Commission has developed other information that indicates that Turk Torello, former territorial boss of the Chicago Outfit, held a position with the Central States Joint Board, a Laborers' organization; that John Fecarotta, who has been described here as an enforcer for the Chicago Outfit, also for some time held a position with the Central States Board; that

Al Pilotto, a territorial boss of the Chicago Outfit, held a position with Laborers' Local 5.

Just so that the record is clear, Turk Torello did not actually hold a position with the Central States Joint Board but, as we will see, exerted an influence on that board.

Can you account in any fashion, Mr. Solano, for the presence of members of the Chicago Outfit, either as holding union officials within Laborers' locals and organizations or else being in a position to have an influence over their operations?

MR. SOLANO: On the advice of my lawyers I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

MR. HARMON: Did Messrs. De Monte and Gruttadaura work for you in the same fashion that Johnny Gattuso and Vince Campise have been described as working for you, Mr. Solano?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

MR. HARMON: Did you ever tell Ken Eto that he had three choices: to do time, to take an appeal or to run away when he was faced with a Federal

gambling charge?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

MR. HARMON: In the area of the Pancake House that has been shown in the photograph at Belmont and Central Avenue, did you ever ask Ken Eto what he had in his pocket?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

MR. HARMON: Did you ever wonder, Mr. Solano, in the beginning of February 1983 whether or not, because of this Federal charge, that Ken Eto might testify and cooperate against you?

MR. SOLANO: On the advice of my lawyer I respectfully refuse to answer that question as my truthful answer may tend to incriminate me.

ACTING CHAIRMAN SKINNER: Mr. Harmon?

MR. HARMON: Yes?

ACTING CHAIRMAN SKINNER: Let me ask a question.

Mr. Solano, is it your position on the advice of your counsel that if any further questions

were put forward to you, your answer would be the same as it is here today as it relates to the activities and the testimony that you heard earlier this morning?

MR. SOLANO: It is.

ACTING CHAIRMAN SKINNER: Then, Mr. Harmon, I think you have established a record. The witness has indicated that he is exercising his constitutional rights. I assume that is done on the advice of counsel that are present, that you will continue to do so. And under those circumstances I see no need to further propound any questions to the witness and I would suggest that the witness be excused.

You are excused.

MR. TUIITE: Thank you.

MS. GIACCHETTI: Thank you.

(Witness excused.)

MR. HARMON: With your permission now, Mr. Chairman, we will call the next witness.

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Harmon.

MR. RYAN: The Commission calls Frank De Monte.

ACTING CHAIRMAN SKINNER: Swear the witness.

FRANK DE MONTE,

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Mr. De Monte, where do you live?

MR. DE MONTE: 260 Bennett Lane.

MR. RYAN: Are you an officer or an employee of Laborers' Local 1?

MR. DE MONTE: I refuse to answer on the grounds it may tend to incriminate me.

MR. RYAN: How did you get your job, Mr. De Monte?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: What qualifications did you have to obtain a job as a union business agent?

MR. DE MONTE: I refuse to answer on the grounds it may tend to incriminate me.

MR. RYAN: When was the last time you were at a construction site?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: What are your duties as a business agent for the union?

MR. DE MONTE: I refuse to answer on the grounds that it might tend to incriminate me.

MR. RYAN: In your union activities do you

report to Vincent Solano, the president of Laborers' Local 1?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: In your criminal activities do you report to Vincent Solano, territorial boss of the Chicago La Cosa Nostra?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: Did you ever have a conversation with Mr. Eto where you told him you really did nothing for your union job and laughed about it?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: Have you been called before a Grand Jury in the State of Illinois and refused to testify on a previous occasion and were incarcerated as a result?

MR. DE MONTE: I refuse to answer on the grounds that it may tend to incriminate me.

MR. RYAN: Mr. Chairman, I have no need to ask further questions, if this witness is going to continue answering --

ACTING CHAIRMAN SKINNER: Ask the same

question I asked, Mr. Ryan, earlier of the earlier witness so the record is complete.

MR. RYAN: Sir, do you continue -- will you continue to answer in the same manner?

MR. DE MONTE: Yes.

MR. RYAN: And not provide testimony to the Commission?

MR. DE MONTE: Yes.

MR. TUTE: If the questions are in the same vein.

ACTING CHAIRMAN SKINNER: Let me see if I can phrase my own question, Mr. Tute.

If this Commission were to ask you further questions concerning your activities as they relate to your union position and some of the activities and the relation to the people that have been mentioned here, and the activities mentioned by Mr. Eto, would you continue to exercise your constitutional rights?

MR. DE MONTE: Yes.

MR. RYAN: Mr. Chairman, could I ask one more question?

ACTING CHAIRMAN SKINNER: One more question.

MR. RYAN: Mr. De Monte, are you aware that the AFL-CIO's policy is that union officers should not take

the Fifth as to questions related to their union duties?

MR. DE MONTE: I refuse to answer on the grounds it may tend to incriminate me.

ACTING CHAIRMAN SKINNER: The witness is excused. Thank you.

MR. TUIITE: Thank you.

MS. GIACCHETTI: Thank you.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Ryan.

MR. RYAN: The Commission calls Salvatore Gruttadauro.

ACTING CHAIRMAN SKINNER: For the record the same counsel represented the first two witnesses that were just called. Mr. Patrick Tuite and Ms. Cindy Giacchetti represented both witnesses.

And now the witness before us who will be sworn, please?

SALVATORE GRUTTADAURO,  
was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Sir, will you state your name, please?

MR. CARBONARO: May I make a statement?

MR. HARMON: Mr. Carbonaro, would you please place the microphone in front of you?

ACTING CHAIRMAN SKINNER: May the record reflect that the witness is accompanied by counsel, Mr. Louis Carbonaro.

MR. CARBONARO: May it please the Commission, I have a statement to make before this Commission before we proceed.

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Carbonaro.

COMMISSIONER METHVIN: Commissioner, I object. Was this statement submitted to us 48 hours in advance as our rules require?

MR. HARMON: No, it was not, Commissioner Methvin.

COMMISSIONER METHVIN: Well, then I don't think we should waive our rules. I think we ought to receive the statement, put in such portions as are pertinent in our judgment, but the rules are clear.

I believe the witness was given a copy of our rules with the subpoena, was he not?

MR. RYAN: That is correct.

ACTING CHAIRMAN SKINNER: Mr. Carbonaro, maybe if you could tender it. I notice you have it

typewritten. Would you mind tendering -- have the marshal tender that statement to me?

MR. CARBONARO: Surely.

ACTING CHAIRMAN SKINNER: Thank you. Let me examine it briefly and then I will rule.

It is the Commission's policy that witnesses appear before the Commission not lawyers, unless they are subpoenaed as witnesses.

If I may just have a moment, please.

(Brief pause.)

ACTING CHAIRMAN SKINNER: Mr. Carbonaro, if your witness wants to read that statement in answer to a question, he certainly will be allowed to do so.

MR. CARBONARO: Fine, Mr. Commissioner. I thought maybe it would save time.

ACTING CHAIRMAN SKINNER: I understand. If, in fact, in answer to a question put forth by a member of the staff your witness wishes to answer or make us aware of what his answer is in response as part of his answer, to the degree it's not long and it is a proper exercise of his constitutional rights, he will be allowed to do so. Because you have not provided that statement, it is not appropriate and it is the opinion

of the Commission that that is not the way to proceed.

MR. CARBONARO: Fine, your Honor.

ACTING CHAIRMAN SKINNER: Did you get the statement back?

MR. CARBONARO: I have the statement back.

MR. RYAN: Mr. Gruttadauro, where do you live?

MR. GRUTTADAURO: "It is the contention of this witness, Salvatore Gruttadauro, that the Joint Resolution Public Law 98-368, 98th Congress, July the 17th, 1984, authorizing the President's Commission On Organized Crime to exclusive orders of 1, 2, 3 --"

COMMISSIONER ROWAN: Mr. Skinner, that is not responsive to the question. Just ask the witness to answer the questions, not to read the statement, unless the statement responds to a specific question. That does not seem to respond to the question: Where do you live?

ACTING CHAIRMAN SKINNER: You are overruled.

Read the brief statement -- I believe at the end of that statement you exercised your constitutional rights, so please go ahead and do so.

MR. GRUTTADAURO: (Continuing) "-- the Public Law 98-6 -- 98-368, the 98th Congress of July the 17th, 1984, authorizing the President's Commission On Organized Crime by Executive Order 12435 of July the 20th,

1983, to compel the attendance and testimony of the witnesses -- the witness and for the production of information --"

COMMISSIONER ROWAN: Mr. Skinner, I'm sorry, I don't understand this proceeding at the moment.

ACTING CHAIRMAN SKINNER: The Chair has ruled.

COMMISSIONER ROWAN: I understand.

MR. GRUTTADAURA: Do we start all over again.

ACTING CHAIRMAN SKINNER: No, we are not going to start all over again.

Mr. Witness, let me tell you, you have indicated you challenge the constitutionality that this Commission has the right to issue subpoenas. Every court that has ruled on that so far has ruled that the Commission's subpoenas and the information provided is valid and the authority under which we are even acting is -- in fact, people are serving time for failure to comply with orders of this Commission.

So with that in mind, I would ask that you, Mr. Carbonaro, go to the end of your statement where you have indicated that you will exercise your Fifth Amendment rights and do so.

MR. CARBONARO: He is not exercising his Fifth Amendment rights. His rights are on this sheet of paper,

which the Commission --

ACTING CHAIRMAN SKINNER: Mr. Carbonaro, under those circumstances, I would direct your witness to answer the questions asked.

The question that he is left for answering is "Where do you live?"

MR. CARBONARO: His answer is on this sheet of paper, which he wishes to read and which the Commission doesn't want him to read.

ACTING CHAIRMAN SKINNER: He has read a portion of it. He can now go on and answer, if he wishes, where he lives.

MR. CARBONARO: His answer is on the paper which he wishes to read, Mr. Commissioner.

ACTING CHAIRMAN SKINNER: Are you telling me he refuses to answer the question?

MR. CARBONARO: He wants to answer the question, if allowed to.

ACTING CHAIRMAN SKINNER: Is there anything in his answer that you as a lawyer consider to be an exercise of his Fifth Amendment right?

MR. CARBONARO: No.

MR. HARMON: Mr. Chairman, if I may point out, what I hear as the beginnings of legal arguments raised

in his statement are virtually the identical arguments that Mr. Carbonaro raised in Washington when John Fecarotta was subpoenaed.

These arguments were uniformly rejected by Chief Judge Robinson, so there has been a ruling on precisely this issue.

ACTING CHAIRMAN SKINNER: Mr. Harmon, let me just caution the witness that failure to answer questions and be responsive to questions may subject you. You certainly have an absolute right to exercise, if it's properly done, your rights under the Constitution of the United States and this Commission will protect your rights in doing so.

You, however, if you fail to exercise those rights or make an informed decision on the advice of counsel not to do so, you then must be responsive to questions put forth by the Commission.

If, in fact, you are not exercising your Fifth Amendment rights and you answer questions, which are in the opinion at a later date of this Commission and the Court not responsive to the questions, it is my duty to inform you that you are exposing yourself to possible contempt and possible obstruction of justice charges.

So I would ask if that is going to be your

response and it is not an exercise of your Fifth Amendment rights, I would suggest to you that you stick to the questions, Mr. Carbonaro, because in my opinion the question, as you have currently phrased it, and the answer, as you have currently phrased it, exposed your client to possible charges for obstruction and contempt of this Commission.

I do not think that is your intention. I do not think that is the witness' intention, but that is the impression that is being left. So if you want to persist in that approach without exercising your Fifth Amendment rights, read that statement, finish up that statement. You should feel free to do so, but I must warn you that it will not be looked upon with favor by this Commission.

MR. CARBONARO: Will you finish the statement?

ACTING CHAIRMAN SKINNER: Finish reading the statement, if that is your desire.

MR. CARBONARO: That is our desire.

ACTING CHAIRMAN SKINNER: Let the record reflect the witness has been cautioned concerning what appears to be the Commission's attitude towards this answer.

MR. GRUTTADAURO: (Continuing) "And among

other things, the Joint Resolution is based upon the President's Executive Order 12435 to investigate organized crime, which term is not defined as value -- which term is defined -- and is vague, indefinite and uncertain and subjects -- uncertain and subjects too many interpretations -- that there are no guidelines, standards or other definitions -- definitive and definitions instructing the meanings of the term 'organized crime,' which restricts, define with any reasonable degree specificity the authority, scopillaries (phonetic) of the inquiry.

"There is no way of determining the jurisdiction of the Commission or relevancy and pertinency of the questions that may be propounded by the Commission.

"This leaves the definition of the meaning of the term 'organized crime' to the individual and arbitrary interpretation of each of the members of the Commission.

"In its present posture, this enactment poses a serious threat to violate the United States Commission -- violate the United States Constitution and its amendments. And the effect of organized -- in effect authorities -- in effect authorizes an inquisition.

"Two, presently this witness is subject to the

charges of a Grand Jury investigation into the activities of the union affairs of the Laborers' Union, which is subject -- a subject matter of one of the investigations being conducted by this Commission and its inquiry.

"Relating to this area would greatly prejudice the witness and deny him due process of law and a fair trial.

"Three, that the subpoena and the questions to be asked are based upon information obtained illegally by wiretapping and electronic surveillance.

"Four, the questions to be propounded to this witness by the Commission lack of pertinency and relevancy for the reasons as herein set forth."

ACTING CHAIRMAN SKINNER: Is that all you have to say, Mr. Carbonaro?

MR. CARBONARO: That is all. That is his answer.

ACTING CHAIRMAN SKINNER: Mr. Carbonaro, let me make another comment.

MR. CARBONARO: Surely, sir.

ACTING CHAIRMAN SKINNER: I noticed you assisted your client in reading words. As I have indicated, it is not the position of the Commission to allow lawyers to testify instead, but I interpreted what

you were doing as helping him interpret words which are his statements, rather than inserting your own words. In that regard we will allow it, but as a common practice it is not an accepted practice. Under these circumstances, it was obvious the witness was having trouble reading the statement. We allowed you to assist as an exception to our rule.

MR. CARBONARO: Thank you.

MR. GRUTTADAURO: Thank you.

ACTING CHAIRMAN SKINNER: Mr. Harmon, it would appear that the witness does not exercise his Fifth Amendment rights, but has challenged the process of the subpoena and his appearance here on a number of grounds.

Mr. Carbonaro, his counsel, is familiar with the rules of the Commission as far as challenging the subpoena. It is my understanding that no challenge has been made, even though the subpoena was issued some time ago, and it is not appropriate to challenge them at this point. There are procedures under the rules to challenge them prior to this.

That is not a correct answer by any stretch of the imagination to the question that was asked. I am not anxious to have the witness re-answer that same answer again and again to a number of questions and I'm

not so sure that time would allow it.

I would take the suggestion from your, Mr. Harmon, as to how you -- Mr. Ryan, how you would phrase a question to this witness or question to this witness that would allow him to encompass what I assume would be the same answer to additional questions, without subjecting him to re-reading his answer again and again.

I would also suggest that the witness should be directed and is directed to answer the last question. That answer, it is ruled, is not responsive.

MR. RYAN: Let me refresh your recollection, sir. What is your address?

MR. GRUTTADAURO: I refuse to answer on the same grounds, sir.

ACTING CHAIRMAN SKINNER: Are there some additional questions you want to ask? I assume he is going to incorporate by reference his earlier remarks into a subsequent answer so, therefore, Mr. Carbonaro seems to have found a solution to our dilemma, so go ahead, Mr. Ryan.

MR. RYAN: Are you a union officer, sir?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Are you vice-president of Laborers'

Local 1 in Chicago?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: What do you do for the rank and file members of your union?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Would you agree that laborers do the hardest, dirtiest work on construction sites?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Did you answer yes? I saw you nod your head up and down.

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: How often do you go to the union hall, Mr. Gruttadauro?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Do you have a special relationship where your paycheck can be picked up at a different time and place?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: In the union you report to Vincent Solano; do you not?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: But in the Chicago La Cosa Nostra you report to Mr. Ferriola; don't you?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Mr. Gruttadauro, you have AAA Construction -- excuse me -- it's AAA Chemical Toilets Company that you are associated with, don't you?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Do you rent those chemical toilets to construction sites and to the City of Chicago?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Who are the people you deal with who rent these port-a-johns from you, Mr. Gruttadauro?

MR. GRUTTADAURO: Would you repeat that, please?

MR. RYAN: Yes. Who are the people who rent the johns that your company puts out?

MR. GRUTTADAURO: I refuse to answer on the

same grounds.

MR. RYAN: Are you familiar with the law prohibiting union officers from taking anything of value from employers?

MR. GRUTTADAURO: I refuse to answer on the same grounds.

MR. RYAN: Mr. Chairman, I have no further questions considering that his response will be the same.

ACTING CHAIRMAN SKINNER: I would indicate that it is the consensus of the Commission that those answers are not responsive nor proper answers to the questions.

I would direct the staff to take whatever necessary legal proceedings are appropriate under our rules to require this witness to answer by appearing before a Judge of the United States District Court for this District at the staff's earliest convenience so that we can possibly get an interpretation from the Court as to what we believe is a clear, concise failure to respond to our questions.

MR. HARMON: We will do that, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Let me say this. Given that I will excuse the witness, but your subpoena

is directed, Mr. Witness, and you are directed to appear here again Wednesday morning, day after tomorrow, at 9:00 a.m.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Harmon.

MR. HARMON: Mr. Chairman, among other reasons, the main one being to understand the policy of the Laborers' International Union of North America with regard to what appears to be an influence of organized crime on various of its locals, the Commission has subpoenaed the general counsel of the Internationals, Robert Connerton, to testify here today.

We received in writing notice for the first time at ten minutes till 9:00 this morning that Mr. Connerton has refused to appear to testify before the Commission today.

With your permission and with the approval of the Commission, Mr. Chairman, the staff will undertake enforcement proceedings with regard to the subpoena served upon Mr. Connerton.

ACTING CHAIRMAN SKINNER: First of all, let's make sure Mr. Connerton, through his lawyer, has indicated he will not appear before this Commission, even though he is general counsel to a major labor union in

this country. That is particularly disturbing to the Commission, but just in case Mr. Connerton has a change of heart, I will ask if Mr. Robert Connerton is in the courtroom today. Mr. Robert Connerton, general counsel, Laborers' Union International is he present?

The record will reflect that Mr. Connerton is not present in the courtroom.

The staff is directed to take proceedings immediately before a Judge of the United States District Court for the Northern District of Illinois to compel Mr. Connerton's testimony at the earliest possible time. Mr. Connerton's subpoena -- he is directed to appear here forthwith and is also -- his subpoena is continued until such time as he appears to before the Commission.

Mr. Harmon.

(Discussion had off the record.)

ACTING CHAIRMAN SKINNER: The Commission will be in recess for approximately ten minutes.

(Brief recess had herein.)

ACTING CHAIRMAN SKINNER: The Commission is back in session.

Mr. Harmon, you have a statement regarding our next witness?

MR. HARMON: Yes, Mr. Chairman.

The next witness who is scheduled to testify, without his identity being disclosed, has at the last minute communicated to us that even testifying with his identity protected will not, in his opinion, provide adequate security for his testimony before the Commission.

This witness is a person who has been debriefed at length by the staff of the Commission and has over a period of time provided extensive information to law enforcement basically on the construction industry in the New York City area.

At some point in the future the deposition of this witness will be released publicly in such a fashion as to not identify him.

The witness is a labor official and also has had experience in the management side of the fence for many years in the New York City area.

In substance, Mr. Chairman, the situation that this witness painted was as follows and is as follows today:

That in New York City organized crime controls all construction contracts of a half million dollars or more extending up to amounts of approximately \$100 million.

That the prime source of influence and the prime point of contact for organized crime are the 20 or so largest general contractors in New York City who from time to time, through collusive bidding, decide among themselves who will get a particular construction project.

The crucial point in time, according to this witness from his own personal experience, is at the point of the winning of a construction bid. At that point in time, a bid having been submitted with the knowledge of the general contractor that he can count upon the influence of organized crime to ensure his profit and to ensure that the project will be completed on time in the way that it was bid in the first place.

At that point, the point of the winning of the bid, either an emissary of organized crime or a union official, most likely an official from the strongest union, the union with the most power, expected to work on the job, approaches the contractor and tells the general contractor who his suppliers will be, who his subcontractors will be, from whom he will purchase materials and at what price those materials will be purchased, and, on occasion, designating to the general contractor which unions he will use during the course of

the construction of the building and other construction jobs in the New York City area.

Based upon his experience, this witness has explained to the staff of the Commission that an average construction project in New York City can produce a rake-off or skim for organized crime of approximately 20 percent.

If a general contractor should choose to deal with a materials supplier other than that designated by organized crime, the job simply will not get done to the use and control of the unions expected to work on that job.

General contractors cannot enter New York City unless they have the blessing of a Mafia family located either in New York or in another part of the country.

Organized crime makes money from this system in any number of ways, limited only by their own imagination through the use of no-shows, through the use of supplier kickbacks, and, in some cases today, through the actual ownership of construction companies who this witness has named for the staff of the Commission.

The cash ultimately is funnelled to organized crime figures, sometimes through union officials, more often through the emissaries of organized crime who deal

directly with the subcontractors and the general contractors.

Aside from the cash generated in this fashion, organized crime also seizes other opportunities on construction projects in the New York City area and gains profits either by stealing or skimming materials from the job site, from lending payroll money at shylock rates, loan sharking rates, to general contractors and to the subcontractors and also by providing inferior materials as well as using inferior construction techniques.

If organized crime profits in this fashion, the price is paid ultimately by the working man who works less, receives no union benefits and by the taxpayer, since organized crime escapes the taxation of what otherwise would be **taxed** from the general contractor.

The average person also is made to pay the price of the cost of increased materials. When organized crime sets the price for concrete in New York City, that price is the price charged the average consumer also in the construction of his home, for example.

In the view of this witness, if this system did not exist, the system of collusive bidding with the

backing of organized crime, the result would be this: That job prices, construction job prices, would not be inflated; that there would be more work and more jobs for union officials, and that collective bargaining agreements in New York City would mean something, and that union officials would be in a position to adequately represent the interests of their employees.

This witness has explained that today in the New York City area that organized crime actually owns labor unions in the same way that persons own property, in the same way that persons have an interest in companies, and that that interest, that ownership interest by organized crime can be passed on from one organized crime figure and one organized crime family to another because ownership of the union is a complex issue. There are human interests involved. On occasion, members of unions simply do not want the continuation of organized crime's domination. So upon occasion a member of a family will run for election in one union with the clear understanding and knowledge of the controlling family that at some point, if elected, he will be tapped upon the shoulder and at that point the ownership of the local will be shared.

This witness has literally taken the

construction of a building from the ground up and explained how in New York City, from the clearing of the job site to the final construction, unions dominated and controlled by and belonging to organized crime are involved at every step of the way.

For example, this witness, who has been corroborated by other means, has explained to the staff of the Commission that several Laborers' locals in New York City belong to specific members of specific crime families operating in New York City; that Local 95 of the Laborers' is owned by Vincent, "Vinnie the Chin," Giganti of the Genovese family; that Local 1298 is owned by Paul Vario, a capo of the Lucchese family; that Local 731 is owned by Christopher Fornari, consigliere of the Lucchese family, and that he controls this local through three of its officers: Andy Arena (phonetic), the president; Mario Camponella (phonetic), a vice-president; and Paul Panico (phonetic), a business agent of Local 731; Blasters Local 29 is owned and belongs to Samuel Cavalieri of the Lucchese family; Local 18-A of the Laborers' in New York City is owned by Vinnie DiNapoli, a member of the Lucchese crime family, himself the owner of several dry wall

businesses in New York City.

And that the District Council of Concrete and Cement Workers, also a Laborers' International Organization, belongs to the Columbo crime family.

The witness has further explained that concrete is an especially important way to control the construction industry in New York City because that is where the big money is and that is where organized crime can control in a very direct way access to the materials needed to be used in every construction project in New York City. And that the primary way that this influence is exerted is through the District Council of Concrete Workers which, by the way, the ruling commission of the La Cosa Nostra is presently charged with having exercised control over through a pattern of racketeering.

The witness has further explained there are geographic jurisdictions within the Concrete Workers District Council, and that the person who has the authority to ensure and to guarantee that these locals can move from one geographical area to another is Michael Lorello, a vice-president of the Laborers' International Union. And that, in the view of the witness, Michael Lorello could not permit any jurisdictional crossover in the Concrete Workers Union without and contrary to

the wishes of organized crime.

And, in the view of this witness whose deposition will be released at a later point, Angelo Fosco, the head of the Laborers' Union, is simply a figurehead.

The witness also made certain recommendations, which will be gone into in more detail at a later time, which may be summarized as follows:

That the National Labor Relations Board is simply not effective to handle organized crime's influence in the construction industry in New York City;

That OSHA, which is designed as a way to ensure workers' safety, simply provides more leverage for organized crime as a way to ensure continued payoffs;

And finally, that in New York City, the view of this witness, who has spent virtually his life in the business, collective bargaining agreements in New York City, because of the control of organized crime, are simply not worth the paper that they are written on.

And with that general background, -- Mr. Chairman, and also to complete the record on this score, this witness is in a position to continue providing information to the staff of the Commission and to law enforcement, we felt it incumbent upon us to honor his

request that he not be required to testify here today and, in fact, he has elected not to do so.

ACTING CHAIRMAN SKINNER: Mr. Harmon, you have indicated the summary of his testimony is in the form of a deposition, which will be made part of the public record once it's excised sufficiently enough to protect his identity. And it would be the direction of the Commission that you do so in an appropriate manner.

Commissioner Methvin, one of the coordinating commissioners for this hearing, has some additional comments to make on this particular issue.

COMMISSIONER METHVIN: Thank you, Mr. Chairman. I would just like to emphasize that we had a live witness who came out here to testify and got cold feet and we can all understand why. As a lifelong journalist, I don't like to use anonymous sources or confidential sources, but I have done it. My profession has fought all of the way to the Supreme Court to protect the confidentiality of sources.

And I would just like to emphasize that that is what this Commission is doing here and now. We are having to pay a price in order to understand and be able to expose the story to the executive director, as Mr. Harmon has just laid before this Commission.

Thank you.

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

(Discussion had off the record.)

MR. HARMON: Before swearing the witness, Mr. Marshal, I think, Mr. Chairman, it is important to describe this witness as much as possible in a way that still protects his identity.

This witness has spent over 20 years in labor and management in the construction industry. Although he has worked in other parts of the country, his testimony today focuses primarily on the northeast.

As a labor official, the witness has represented employees in one of the heavy construction trades, which include operating engineers, steam fitters, iron workers, laborers, boilermakers, electricians, plumbers, wire lathers, teamsters and others.

The witness has worked on many construction projects costing more than \$50 million. His testimony today will deal exclusively with those projects, that is, the large construction projects which, on occasion, include utilities.

The witness has provided much information to law enforcement, which we have been advised has never

proven to be inaccurate and that has been our experience also.

The witness is active today in the construction industry. His identity will not be disclosed nor will he identify his union or the companies for which he has worked or which he may be working for so as to preserve his usefulness for the future.

In anticipation of this witness' testimony, and we had arranged to use a voice distortion microphone, which we have been advised is not functioning. In that event we will ask the witness to relay his answers through the individual who is sitting next to him.

In that event I would ask, first, that the witness be sworn by the marshal.

THE WITNESS

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: I would ask that the person relaying the answers from this witness -- Mr. Marshal.

ACTING CHAIRMAN SKINNER: We have a human scrambler here and I wonder if you would swear the --

THE TRANSLATOR

called as a translator for the witness, having been first duly sworn, translated for the witness as follows:

ACTING CHAIRMAN SKINNER: It appears we can get a United States Senator into space, but we can't get our human scramblers -- our scramblers to work so we appreciate the fact that we have a device that will allow us to do that.

MR. HARMON: Mr. Witness, you have heard the way in which I have introduced you to the Commission. Do you accept that introduction as being correct?

THE WITNESS: Yes.

MR. HARMON: Please place the microphone a little bit closer to you.

Now when you first became a union official, did you expect to receive or to be given payoffs?

THE WITNESS: I did not expect to be given payoffs when I first became a union official.

MR. HARMON: In general terms, when you became a union official in the construction industry, what did you find with regard to payoffs?

THE WITNESS: Shortly after taking my union position, I was approached by a major contractor and offered a vacation in the Caribbean, which I accepted.

MR. HARMON: Were you asked anything in return for this trip to the Caribbean?

THE WITNESS: I was not asked for anything

specific in return.

MR. HARMON: Did you view this as a payoff or a bribe of any fashion?

THE WITNESS: At that point I did not know what to expect. It was the first time I had ever really been approached.

MR. HARMON: Generally after that, were you approached otherwise for the purpose of actually taking cash?

THE WITNESS: Please repeat that.

MR. HARMON: After the trip to the Caribbean, did you find yourself being approached on a regular basis for the purpose of taking cash?

THE WITNESS: After this particular Caribbean trip, I had other dealings with contractors, specifically at Christmastime at various parties where the contractors had approached me and given me gifts.

MR. HARMON: Gifts in the form of money?

THE WITNESS: Yes.

MR. HARMON: So an envelope at Christmastime was the first time that you actually were offered and received amounts of cash; is that right?

THE WITNESS: Yes, that's correct.

MR. HARMON: Now, did a system evolve over

time by which you were offered and later received amounts of cash?

THE WITNESS: Yes, a system did arrive whereby we dealt with each other. Essentially any contractor coming into my area would give me a reference, someone to vouch for him, someone he had dealt with before.

MR. HARMON: And who were these people in general terms whose names were given to you?

THE WITNESS: Essentially the contractor would give me names of other union officials he had dealt with in various parts of the country with whom he had had relationships, whom he had taken care of, and I would contact them to see if he could be vouched for.

MR. HARMON: Did you do that?

THE WITNESS: Yes.

MR. HARMON: So you found a nationwide network of contacts that were presented to you from various and by -- general contractors; is that correct?

THE WITNESS: It exists in a somewhat loose form from coast to coast.

MR. HARMON: Is that the system that exists today where union officials' names are given by contractors, so to speak, to vouch for the contractor?

THE WITNESS: This system is still being used

today.

MR. HARMON: When you talk about contractors, what kind of companies are you referring to, Mr. Witness?

THE WITNESS: The companies range from small father and son operations all the way up to multi-national, Fortune 500-type companies.

MR. HARMON: Now does this system of payoffs insofar as you were concerned, does it depend in any way on organized crime from your perspective?

THE WITNESS: It does not have to involve organized crime. It's an ongoing system which does not have to encompass organized crime.

MR. HARMON: Now how much money have you received in payoffs over the years personally?

THE WITNESS: As an example, over a ten-year period I collected over a quarter million dollars.

MR. HARMON: Now, Mr. Witness, did you ever have to demand that money from these contractors which you have described?

THE WITNESS: I never demanded anything. The nature of the industry was such that I was constantly approached.

MR. HARMON: It was a way of life; is that right?

THE WITNESS: It was most assuredly a way of life.

MR. HARMON: Now were you ever, on the other hand, asked for anything in return for this cash?

THE WITNESS: If a contractor was from out of town and came into my area, he basically asked for two things: number one, a good work force; and number two, general overall labor peace.

MR. HARMON: Now did you ever steal from the pension fund of your union, Mr. Witness?

THE WITNESS: I never took a penny from any of my funds.

MR. HARMON: Did you ever steal any money or engage in any fraud through the health and welfare funds of your union?

THE WITNESS: I never had to.

MR. HARMON: Why?

THE WITNESS: My relationship with the contractors was more than adequate. I did not have to steal from any of my people.

MR. HARMON: Did you feel, in accepting these monies from contractors, that you were still able to look out for the best interests of the members of your union?

THE WITNESS: None of the monies I took from these contractors ever caused me to hurt any of my members; they were always well protected.

MR. HARMON: Did organized crime control your particular union?

THE WITNESS: Organized crime did not control my particular union.

MR. HARMON: Did organized crime ever make a move in any fashion on your union?

THE WITNESS: There were occasions when I was approached by organized crime seeking certain favors, such as union membership cards, which would give access to their people to get on construction sites and allow them --

MR. HARMON: Why was organized crime interested in getting union books so as to get access to construction sites?

THE WITNESS: Constructions sites tend to be sealed off and guarded. In order to gain access to a site, you would have to show some sort of union membership and show that you were working on that site.

MR. HARMON: And why did organized crime want to get onto a construction site, to engage in what kinds of activities?

THE WITNESS: On a typical construction site on a large scale project you may have many, many workers who are literally on the site all day. There are dice games, card games, bookmaking going on, loan sharking. By gaining access to the site, the organized crime members can engage in those activities and control it.

MR. HARMON: Does that complete your answer?

So that organized crime wanted access to gain -- to gain access to these field construction sites to engage in the same kind of activity it had engaged in otherwise; loan sharking, gambling, that sort of thing, is that correct?

THE WITNESS: That is correct.

MR. HARMON: As a result of these overtures, did organized crime get onto the particular job sites in any event?

THE WITNESS: Yes, they did get on the job site, although they did not get in through my union. There are numerous unions working on any construction site and they were always able to come in through several different unions.

MR. HARMON: How could you, as a union official in an industry where organized crime did have an influence, how could you say no to organized crime; that

you were not going to give them the union book?

THE WITNESS: Basically it was easier for organized crime to deal with the other locals since they could gain access anyway. It wasn't worth their while to continue an attempt entrance to my union.

MR. HARMON: Did you have the support of the members of your union?

THE WITNESS: Yes, I had the support of my membership throughout the years I had at the union.

MR. HARMON: Now, in your experience, Mr. Witness, have you seen a mob controlled union undercut a legitimate union in some fashion?

THE WITNESS: Yes, I have.

MR. HARMON: Would you explain that, please?

THE WITNESS: Through various arrangements contractors can bid on certain jobs. For example, using a rate that they would pay electricians, when they actually perform the job they may use another trade to do it once they clear this with certain organized criminal elements or certain labor union officials, and thus they can use the trade that gets the lower amount of money on the site.

MR. HARMON: Who loses by that?

THE WITNESS: Obviously, the trade people

that would normally perform that function lose in this particular case.

MR. HARMON: Now finally -- and this undercutting of a legitimate union by a mob controlled union is, I assume, in conclusion, a way of maximizing organized crime profits, one of the ways in the construction industry, is that right?

THE WITNESS: That's correct. And by way of example, in the case just cited we would use another trade getting a lower amount of money. That profit that the contractor makes is not reflected in lower prices to the consumer or to the people who occupy that particular project when it is completed; it's pocketed, it is divided up with other corrupt people.

MR. HARMON: Now if I could ask you for one minute, and by way of final question, to look at the problem of labor payoffs and organized crime influence in construction unions, look at that through the eye of law enforcement, and I would ask you this. What recommendation would you make, if you were the person assigned to conduct criminal law enforcement in this area?

THE WITNESS: The history of these type of law enforcement investigations has been such that when

an employer is caught paying off a union official, he inevitably receives some sort of immunity and testifies against the union official. That union official is almost always replaced by another official who will come up and make the same demands. The industry has never really been cleaned up. The thrust should be towards both the union official and the employers.

MR. HARMON: So that prosecution should look at the person making the payoff and the person receiving it as equally guilty and act appropriately; is that the basis and the heart of your recommendation?

THE WITNESS: That's correct. I have been on both sides of the fence and it would be just as effective to go after the employer as after the union official.

MR. HARMON: All right. No further questions, Mr. Chairman. The witness is prepared to answer questions.

ACTING CHAIRMAN SKINNER: Questions from members of the Commission?

Yes, Commissioner Rowan.

COMMISSIONER ROWAN: When you were on management side, did you continue the tradition of paying off union officials?

THE WITNESS: Absolutely.

COMMISSIONER ROWAN: Without there being a demand for the money or whatever other favors?

THE WITNESS: It's a way of life. It was understood that was the way it was done.

COMMISSIONER ROWAN: I think Mr. Harmon asked you how you could avoid your union being taken over by organized crime, and I would like you to expand a little bit on that answer, if you can safely.

THE WITNESS: In my particular case the organized criminal element that approached me was basically interested in gaining access to a site for the gambling, the bookmaking, the loansharking activities.

When they were able to gain access in a much easier fashion, it wasn't worth their while to continue dealing with me after I refused.

COMMISSIONER ROWAN: What gave you the strength to refuse?

THE WITNESS: There was a certain amount of luck involved. They did not press beyond a certain point.

COMMISSIONER ROWAN: That is all.

ACTING CHAIRMAN SKINNER: Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Witness, can you give us an estimate based on your experience the

particulars of the cost to union members in the skilled trades perhaps or even in other unskilled trades of the cost of this system in terms of lost wages? How much does it cost union members in a -- if you want to take a hypothetical or a particular instance? Can you give us a quantification?

THE WITNESS: Could you be more specific in your question?

COMMISSIONER METHVIN: Well, I'm trying to leave you plenty of latitude to be inspecific, but let us take a project such as a bridge or tunnel or a nuclear reactor or some such project. Let's say a \$50 million project. How many workers would be involved in that project and what percentage of their wages would end up in the pockets of corrupt union and management officials instead of the pockets of the workers?

THE WITNESS: There are various ways that a job site could be influenced. In return for kickbacks a contractor may only have to bring on less members than would otherwise be necessary on a site. He may also use other trades, cheaper trades, instead of those that are required on the jurisdictional parameters to do that job. He may also pay in such ways as off the books. He may misrepresent or misreport certain reports to the union.

COMMISSIONER METHVIN: Did you want to add something?

I have no further questions, Mr. Chairman, except to say in our conversations about this witness, we have given him the code name of Bravo and I would like to say that he deserves it.

ACTING CHAIRMAN SKINNER: Commissioner McBride.

COMMISSIONER MC BRIDE: Mr. Witness, you mentioned the problem with the NLRB oversight. I take it that is in connection with these ostensible jurisdictional disputes where one craft, a lower paid craft, would be substituted for a higher paid craft, both to the disadvantage of the workers and to the benefit of the contractor and any organized crime allies.

Have you got any suggestions as to what oversight by the NLRB or anyone else could detect and protect the members against these kinds of problems?

THE WITNESS: The basic problem with the National Labor Relations Board is that grievances sometimes take two, three, four years to be resolved. By that time it's a moot issue.

COMMISSIONER MC BRIDE: Do you have any other

recommendations with regard to the federal oversight of these kinds of problems, either through the Department of Labor, which administers the oversight of union funds and union health and welfare funds, or through any of the other federal investigative agencies?

THE WITNESS: I wouldn't be qualified to give an answer to that question.

COMMISSIONER MC BRIDE: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Dintino.

COMMISSIONER DINTINO: Yes, sir. Mr. Witness, you stated in the past ten years that you have been paid over a quarter of a million dollars by contractors. As I listened, the thrust of your testimony has been that contractors have initiated payoffs to you, not organized crime. I haven't heard what the quid pro quo was in these payoffs. I know you said you didn't take anything from the union funds and you represented your union members responsibly, but I wonder, could there have been times when you turned your back as to certain problems or complaints such as safety hazards on the job or whatever?

THE WITNESS: The contractors accept this as a way of life. By giving them labor peace, by making sure there were no wildcat strikes, that was the quid

pro quo.

COMMISSIONER DINTINO: In other words, you are saying, and I think you used the term "nationally," that contractors initiate things to union officials to ensure labor peace?

THE WITNESS: It's a way of life in the construction industry, Commissioner. Essentially in order to get a job done you need proper workers; you need people who can give you production on the site. Contractors know that. They have been dealing in the area for many years. It's the cost of doing business. They initiate the original payments to put you in the proper frame to give them workers who will produce and help them complete the contract.

ACTING CHAIRMAN SKINNER: Commissioner Methvin has another question.

COMMISSIONER METHVIN: I would like to follow up on Commissioner Dintino's question and ask you, your union has worked alongside unions that are controlled by organized crime on construction sites. What happens to job safety on a site where you have got the management and corrupt union officials in bed together in a sweetheart deal?

THE WITNESS: Safety was never really a big

consideration on the job site. There were never really that big a problems that arose. The OSHA people seem to do their job.

ACTING CHAIRMAN SKINNER: Mr. Rogovin.

COMMISSIONER ROGOVIN: If contracting company officials pay off union officials and one of their purposes is to guarantee that the best union workers will be put on their job, and you have testified, I think, that all contracting companies pay off, then what happened to the inefficient workers, what jobs do they work on?

THE WITNESS: Ironically enough there is in effect today in most unions a referral system whereby, on the basis of seniority or length of time on lists, a man is referred for a job. When he gets to that job, the contractor has the right to remove certain people that he does not feel are doing the job.

The unions can be very flexible in how far they fight them on this, and that is one way around the referral system; that is one way you can be sure of getting certain workers to certain sites.

COMMISSIONER ROGOVIN: Second question: If contractors are paying off union officials for the purposes you have testified to, then that money is coming

out of what otherwise would be their profits on the jobs, and I assume that construction companies are in business to make profits. That would suggest that jobs are being overpriced at the bid level because there is a sludge factor in there for payoffs.

THE WITNESS: That's correct.

COMMISSIONER ROGOVIN: One more question. Is what you have testified to with regard to payoffs to union officials true on both private and government construction work?

THE WORKER: In my experience it has been, any construction job.

COMMISSIONER ROGOVIN: Thank you.

ACTING CHAIRMAN SKINNER: Seeing no further questions, Mr. Harmon, does that prompt any additional questions for you or Mr. Ryan?

MR. HARMON: No, sir.

ACTING CHAIRMAN SKINNER: If not, I would excuse the witness. And on behalf of the Commission, because this witness has spent a great deal of time with our Commission staff in gathering information, I would on behalf of the Commission thank him for allowing us to probe into his activities and for sharing with the American people some of the problems that exist in the

relationships between management and labor in certain parts of this country. Thank you very much.

The witness is excused.

(Witness excused.)

ACTING CHAIRMAN SKINNER: I should also thank our human translator for his assistance as well.

Mr. Harmon, to my understanding it's almost near the hour of noon. Is it your desire to adjourn at this time and to reconvene at approximately 1:00 p.m. to hear additional testimony with testimony on a more positive side as it relates to labor and management relations?

MR. HARMON: Yes, Mr. Chairman.

ACTING CHAIRMAN SKINNER: There will also be some additional insights into the problems that result from these type of insidious relationships.

With that in mind, the hearing is adjourned until approximately 1:00 o'clock this afternoon in this same courtroom.

(Whereupon, at 12:00 noon, the hearing in the above-entitled matter was recessed until 1:00 p.m. of the same day and date, April 22, 1985.)

ACTING CHAIRMAN SKINNER: The afternoon session of the President's Commission on Organized Crime will come to order.

Call your next witness.

MR. RYAN: The Commission calls Robert Powell.

Swear the witness, please.

ROBERT E. POWELL

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Sir, would you state your name for the record, please?

MR. POWELL: Robert E. Powell, P-o-w-e-l-l.

MR. RYAN: Mr. Powell, were you subpoenaed to be here today?

MR. POWELL: Yes, I was.

MR. RYAN: Would it be correct to say that you did not volunteer to come here?

MR. POWELL: That is correct.

MR. RYAN: And that the Commission has sought your testimony?

MR. POWELL: That is correct.

MR. RYAN: Mr. Powell, when did you retire from the Laborers' International Union of North America, which we will call the Laborers'?

MR. POWELL: August 15th, 1984.

MR. RYAN: At the time you retired, sir, what was your position?

MR. POWELL: First vice-president.

MR. RYAN: That is you were an International vice-president?

MR. POWELL: International vice-president.

MR. RYAN: At the time of your retirement was Angelo Fosco the president of the union and Arthur Coia secretary-treasurer?

MR. POWELL: Correct.

MR. RYAN: Did you begin your career as a laborer?

MR. POWELL: Yes, I did.

MR. RYAN: Did you work on construction sites?

MR. POWELL: I worked on construction sites, dug ditches, poured concrete, helped the brickmason, carpenters, electrician, plumbers, et cetera.

MR. RYAN: Would you describe for me the positions that you have held in your union career?

MR. POWELL: As to labor, I worked as a laborer; from there as a foreman; from a foreman to a general foreman; and then I moved into the Laborer organization as a delegate, and as a steward, as an executive board

member of the local, as a field representative of the local, to an International representative; from there to vice-president.

MR. RYAN: What year were you elected vice-president of the Laborer's International?

MR. POWELL: 1961.

MR. RYAN: So computing that from your date of retirement, you were a vice-president of the union for 23 years?

MR. POWELL: Yes, I was elected as a vice-president, and due to death or resignation I moved up to the first vice-president.

MR. RYAN: While at the Laborers' Union did you have responsibilities for coordinating the activities of your union with the civil rights movement?

MR. POWELL: Yes, I did.

MR. RYAN: Will you describe some of those activities, please?

MR. POWELL: I worked very closely with the A. Philip Randolph Institute, NAACP, the Urban League, Southern Christian Leadership Conference and other civil rights groups to bring about a perfect relationship between the Laborers and the civil rights groups. I also served on the Civil Rights Committee of the

AFL-CIO.

MR. RYAN: The president of any international union has the right and power to impose trusteeships when certain conditions occur in local unions. Did the president of the Laborers also have this power?

MR. POWELL: Yes.

MR. RYAN: For example, if organized crime had infiltrated a union, could the president find that situation so bad that he would order it into trusteeship?

MR. POWELL: Yes.

MR. RYAN: Were there times in your career as a union vice-president under the leadership of Peter Fosco, not the present president Angelo Fosco, that you were sent to take over certain locals because of problems with organized crime?

MR. POWELL: Yes, in the area of Philadelphia, Pennsylvania, Detroit, Michigan, and Columbus, Ohio. Peter assigned me to go in to clean up the corruption within those local unions.

There had been instances of murder, people shot, people cut, narcotics being flowed through, gambling, prostitution. There was just a little bit of everything, and fights.

So he asked me to go in and clean these locals out and which I did.

MR. RYAN: For example, in Philadelphia did you go in and seek the assistance of law enforcement in fact to protect your people during the time you were taking over that local?

MR. POWELL: Yes, I made contact with the Philadelphia Police Department, which they had at that time a labor squad, it was known as, and they worked with us in the Philadelphia area for a period of time.

MR. RYAN: In the Detroit situation was there ever instances of violence that were directed at you personally?

MR. POWELL: Yes, one time I was coming into Detroit from Washington and one of the staff members picked me up at the airport. And on our way into the city, on Highway 94, we was pushed off of the road by another car and then shots were fired at us. No one was hit. The driver, he had a pistol with him. He returned the fire, but he did not hit anyone. And he tried to catch up with the car so he could get the license number, but we was not able to do so. It was an incident that was reported to the Detroit Police Department.

MR. RYAN: While the exact year may not be

remembered, could you tell me approximately what time period these trusteeships were entered into?

MR. POWELL: In Columbus, Ohio, it was 1967, '68, I think. And in Philadelphia -- Columbus was the first one; that was in 19 -- 1964, '65. And Philadelphia was '68, '69, and Detroit '73.

MR. RYAN: One of your friends was employed in the Philadelphia Laborers' local, a Mr. Medina, isn't that correct?

MR. POWELL: Yes, I put him to work during trusteeship.

MR. RYAN: What eventually happened to Mr. Medina in the early 1980s?

MR. POWELL: Bennie, it was brought to my attention, he had made an announcement he was going to run for office. And at some point after the announcement was made, some men called upon him at his home and beat him to death.

MR. RYAN: Have you had other friends who were clean Laborers' officials who also have been killed?

MR. POWELL: Yes, there was another good friend of mine, Bobby Love out of Local 195 in Baltimore, Maryland, who came into the office that morning to unlock the office as usual to start dispatching

men to work; he was shot and killed.

MR. RYAN: Is it Local 332 in Philadelphia that was the local Mr. Medina was involved with?

MR. POWELL: Yes, Local 332.

MR. RYAN: How would you describe the work that laborers do, Mr. Powell?

MR. POWELL: The work the laborers do is very dirty and dangerous work. I always like to describe it as work -- we work from the bowels of this earth to the highest building that has ever been built. It's a subject -- we have had men killed from cave-ins, falling off buildings. It's very dangerous, but it is dirty work.

MR. RYAN: How would you describe the composition of the rank and file of the Laborers' Union?

MR. POWELL: I would say about 55 to 60 percent of the membership is black; 13 to 15 percent Hispanic.

MR. RYAN: Do these men depend very heavily on the benefits that are achieved by their union so that they can retire and so there is health and welfare benefits and disability pay?

MR. POWELL: Sure, because they are now reaping the benefit of hospitalization, pension plan. And in the past they had nothing to rely on and they

worked until they was ready to drop dead, 60, 70 years old, if they lived that long.

Since we have established pension plans, hospitalization for them and their family, life expectancy has increased. The men now can retire at age 60, 65 and live the rest of his life pretty comfortable.

MR. RYAN: How did Angelo Fosco become the president of the Laborers' Union?

MR. POWELL: He succeeded his dad, Peter, upon his dad's death.

Michael Lorello, who was the vice-president, led the campaign for Angelo to be elected the general president. And with him was Arthur Coia, who is now the secretary-treasurer, Terrence O'Sullivan, the ex-Secretary O'Sullivan. There was another fellow named Joe Hauser kept twisting the arms of certain board members to get them to vote for Angelo Fosco because there was another candidate that was up, the late W. Bernard Green, who I was supporting.

MR. RYAN: Mr. Lorello was the vice-president from the New York City area?

MR. POWELL: Yes.

MR. RYAN: And is now the special assistant to Mr. Fosco?

MR. POWELL: Yes.

MR. RYAN: As well as the vice-president?

MR. POWELL: Yes.

MR. RYAN: Who is Robert Connerton?

MR. POWELL: Robert Connerton is the general counsel for the Laborers' International Union.

MR. RYAN: Does he have a fair amount of influence in the union?

MR. POWELL: Mr. Fosco would not take any action unless he consulted with Connerton. And if Connerton says don't do it, he don't do it.

MR. RYAN: Was there ever a time where Secretary-Treasurer Arthur Coia sought to dissuade you from running for the presidency of the union yourself?

MR. POWELL: We had a conversation one time, and how the discussion come up, I don't recall, but he told me that the Italians had organized the Laborers and that nobody Black or anyone else was going to ever take control.

I reminded him that the history informed me that when Sam Gompers ordered the hod carriers be organized, there were 15 men, Italian, Black, Irish and other European nations. There never was any intent that this organization become all Black, all Italian, all

Irish, or anything else. It was an organization for workers who bound together to help their own cause.

MR. RYAN: Now at the time that Mr. Coia made these remarks to you, you didn't understand him to say that the Italian rank and file of the Laborers' Union had a problem with you, did you?

MR. POWELL: No, I didn't have no problem with them.

MR. RYAN: The implication was those people that stood by hearsay behind him were the problem?

MR. POWELL: That's right.

MR. RYAN: Was there ever a time when you thought about running for president of the union?

MR. POWELL: Several members had approached me to run for president. And after giving it considerable thought, I thought that I would not run. And the reason being I did not want anyone's blood to be shed over me running for president, so I did not run.

MR. RYAN: Mr. Powell, are you saying that you believed that if you ran for general president of this union, there would have been bloodshed and violence?

MR. POWELL: Definitely.

MR. RYAN: Was there ever a time when Angelo Fosco threatened to have you killed?

MR. POWELL: Fosco told me -- this was in July of '81 -- the Joint Executive Board was in town. And that evening we were at the Hay-Adams Hotel having dinner or we had had dinner. And he had gotten a little intoxicated and he called me to the side. And he says, "I understand that you are running against me and you got certain people on the staff as your campaign manager."

I says, "Angelo, whoever told you that, bring them before me." I says, "I have no such intention."

He says, "Powell, you're dead, you're dead."

And I said to him, "We are going to have it this way. One of us is going to hell tonight or both of us. So you make your move and I'll meet you."

By this time his son Peter and one of the staff named Jim Nellwood came and got him and taken him out of the room and, I assume, they carried him upstairs to his room.

MR. RYAN: In the time that you were involved with LIUNA, had you ever heard Mr. Fosco threaten anyone's life before?

MR. POWELL: No one particular, but I have always heard him use the phrase, "I'll break his legs."

MR. RYAN: Did you ever hear him say that

"You're dead," other than the time --

MR. POWELL: Not to no one but me.

MR. RYAN: Did you take this threat seriously?

MR. POWELL: Yes.

MR. RYAN: Why?

MR. POWELL: Because of the allegations of his connections here in Chicago with the Family. Knowing that he would not do it himself, but the possibility that he could make a telephone call. And I started preparing myself and being very cautious with where I moved.

MR. RYAN: These events took place in July of 1981. What was going to be happening later in 1981?

MR. POWELL: The convention of LIUNA in September of 1981.

MR. RYAN: What happened at the convention, Mr. Powell?

MR. POWELL: At the convention there are several resolutions, et cetera, et cetera, that be brought up. But the most important thing is the election of office for the next five years is conducted.

MR. RYAN: The Laborers have a five-year term of office for their International officers?

MR. POWELL: Yes.

MR. RYAN: Is the convention made up of

representatives of the Laborers?

MR. POWELL: The convention consists of delegates elected from local unions by the local union membership to be representative at the convention.

MR. RYAN: The members don't vote directly for the president then; they vote for the representatives who then vote for the president?

MR. POWELL: That's right.

MR. RYAN: In certain cases they don't even vote for the representative because they've been elected; as local officials they are deemed to be the representative?

MR. POWELL: No, no, no. Every time there is a convention called, the delegates have to be elected by the membership of that local.

MR. RYAN: Was Mr. Fosco re-elected in 1981?

MR. POWELL: Yes, he was.

MR. RYAN: Were there any incidents of violence directed at candidates or supporters who ran against him?

MR. POWELL: Yes, there was.

MR. RYAN: Can you describe them, please?

MR. POWELL: During the time of the nomination for presidential office, Arthur Coia was sitting in the chair at that time conducting the nomination. After

Fosco's name had been nominated, a second motion was given. Then there was a call for further nominations.

I was up on the platform and I noticed to my right down the hall, it was quite far from me, I couldn't tell who was who down there, there was a commotion around the mike. So I called it to Arthur's attention that someone down there at that mike was trying to get his attention, but there is a commotion down there and he proceeded on. At that time Bernstein and Connerton told him to hold it and they went down to see what it was.

There was a fellow trying to make the nomination. And they did grant him the permission to make the nomination, but he had been jumped on and beaten there on the floor.

MR. RYAN: Were there other times subsequent to the convention that you received threats to your life or messages in no uncertain terms that you still were considered a threat?

MR. POWELL: Yes, there was a time. There was one time I found a dead rat in my car, dead pigeon, receiving telephone calls, wanted to know if any insurance was paid up, does I breathe very comfortable and things of that nature.

MR. RYAN: Did you take any steps in response to these threats?

MR. POWELL: Yes, I had notified the FBI that I have received these and what happened about the animal. Then I made an affidavit and turned it over to some friends in the event anything happened to me that they are to turn it over to the U.S. Attorney or any law enforcement agency. I removed my family from the District of Columbia.

MR. RYAN: You were living in the District of Columbia at the time these threats were occurring?

MR. POWELL: Right.

MR. RYAN: You sent your family to live in another city?

MR. POWELL: Right.

MR. RYAN: Did you change any of your personal habits? Did you begin to carry a gun?

MR. POWELL: Yes, I did.

MR. RYAN: Did you take any other steps and precautions?

MR. POWELL: I began to wear a bulletproof vest and was armed wherever I went.

MR. RYAN: Mr. Powell, what was the reason that these threats were still coming in since the convention

occurred in 1981 and Mr. Fosco was re-elected for another five years, what reasons could there have been for anyone to threaten Bob Powell?

MR. POWELL: There had been some members who had filed a lawsuit under civil action against Fosco, Coia, Sullivan, Connerton, Bernstein and young Peter Fosco. And I was to give a deposition at that hearing.

Several instance I was told on the phone that, "Make sure that you give the type of information that will not hurt our friends or our people."

Who made the call, I don't know.

MR. RYAN: Were you intimidated by these threats, Mr. Powell?

MR. POWELL: As I say, I gave it very serious consideration and thought that I again didn't want any bloodshed, if I could avoid it.

MR. RYAN: Mr. Powell, did you give untrue testimony under oath in the civil case of White v. Fosco as a result of these threats?

MR. POWELL: Yes, I did.

MR. RYAN: Did you do that to protect your family?

MR. POWELL: Correct.

MR. RYAN: Have you always told the truth to

agents of the United States Government including this Commission?

MR. POWELL: I have.

MR. RYAN: Mr. Powell, why did you retire from your union office?

MR. POWELL: Well, it got to the point I could no longer give the service to the membership and I felt for me to sit there and draw my salary, and the membership is asking for help, and no help coming forth for them, it was time for me to go and I left.

MR. RYAN: Did you also want to begin living with your family again?

MR. POWELL: Yes, I wanted to go to them, live with them. I felt if I left, that would remove the possibility of me being a threat to my colleagues.

MR. RYAN: Mr. Powell, what do you believe is the solution to corruption in union and management in this country?

MR. POWELL: I would take a phrase of Lane Kirkland, when he testified before a Congressional hearing, that "If the Government cannot clean out corruption in organized labor, how can you expect us to do it?"

The only way that I feel to clean out this

corruption where the Government knows where it is, is to place that organization under trusteeship of the Federal Government until it is cleaned out and then return it back to its membership so that they can carry on.

MR. RYAN: In our discussions, would it be fair to say that you have been skeptical that the Government is actually going to do anything that will make an effective and permanent change in the situation?

MR. POWELL: I have felt the Government has made a lot of promises to the Justice Department, through the Department of Labor, through the FBI, that they were going to clean corruption and they have never done it. Not only the Laborers', you see it in other organizations where they allege that corruption is in there, but it's still there because they have never done anything to clean it out.

MR. RYAN: Is that discouraging to legitimate trade unionists?

MR. POWELL: Very discouraging for legitimate trade unions, to the membership at large. You can go around and ask any union member. They say, "The Government ain't going to do nothing about it."

It's going to continue.

MR. RYAN: Mr. Chairman, I have no further

questions for this witness.

ACTING CHAIRMAN SKINNER: Questions from the Commission? Yes, Commissioner Brewer.

COMMISSIONER BREWER: Mr. Powell, have you had any specific problems that you could bring to the attention of this Commission in trying to assist your membership, as far as law enforcement or the Government is concerned?

MR. POWELL: The only specific problem that I can say the Government knows more than I or any member of the union as to corruption. The only thing that we as members know, is what we hear alleged or has been alleged of connections. If this is true that the Government knows this, then the Government should move to correct it and clean it out and return the union back to the responsible membership to where they can carry on and try to improve their lot. That is the best way I know to answer you, sir.

COMMISSIONER BREWER: Did you think that there was anyplace else that you could go for help, other than Government, at the time that you were having your problems?

MR. POWELL: There was no place else to go because most of your membership are frightened. They

don't want to get into a hassle. They depend on who they have elected as leaders to clean things up. Our hands are tied to a point. So we have no place else to go.

ACTING CHAIRMAN SKINNER: Commissioner Dintino.

COMMISSIONER DINTINO: Mr. Powell, you had 40 years experience in the labor movement, both as a laborer and also 20 years as an official. And over the years we have had the Kefauver hearings, we have had the McClellan hearings, today we're having the Presidential Commission hearings, and numerous Congressional hearings involving labor.

In your expertise, is the problem today reduced or has it increased over the years? What is the problem today?

MR. POWELL: The problem today is that the United States Government, including Congress, has failed to recognize and do anything about corruption in the trade union as well as in some business. The business is as much involved with the corruption in the trade union, too. It's not all on the back of the trade union some business is tied into that. But they fail to do anything about it.

I can remember when all of these other hearings was held, but what happened? A watered down solution, just enough to pat somebody on the shoulder and go ahead on; business as usual.

Gentlemen, I don't know how much influence you all have, and ladies, too, excuse me. Until the United States Government takes and clamps down on this situation and place these groups under trusteeship and gets someone in there to operate those organizations until the time it's turned back over to its membership, you will never clean it out. Because as soon as you put one in jail, there is another one to step in his place.

So let's not kid each other, sir.

COMMISSIONER DINTINO: Just one follow-up, Mr. Powell, and I appreciate your response, and I know the entire Commission appreciates your appearing here, is, I take it in your response, is the problem is at least the same if not it's increasing?

MR. POWELL: Yes, and in some instances it might have increased some.

COMMISSIONER DINTINO: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Rowan.

COMMISSIONER ROWAN: Mr. Powell, you said there is corruption. Can you link that corruption to

an organized criminal element?

MR. POWELL: When you said for me to link it, it's very difficult for me to tie it in. The only thing I can base my information on is the allegations that have been made from all levels of Government and other parts of our society.

The organized crime element do not sit and talk with me, nor do they have anyone come to me and tell me that they are involved. So I cannot point my finger at organized crime per se, but from what we know that organized crime is involved in and things that we see, we know there must be a connection somewhere, but if you ask me to identify it, I can't.

COMMISSIONER ROWAN: When you were told "we" won't let you run for a president of this union, who did you think the "we" referred to?

MR. POWELL: Knowing the association of that individual and what has been alleged as his connections, I felt that he meant the Family.

COMMISSIONER ROWAN: Thank you. I have no further questions.

ACTING CHAIRMAN SKINNER: Commissioner Methvin

COMMISSIONER METHVIN: Mr. Powell, was Ben Medina a friend of yours, an associate of yours?

MR. POWELL: Ben Medina was one that I -- he was working on the job site. I was looking for someone of Hispanic descent to go to work for the organization. I found him. I trained him. When I left the organization, I left him there. He was doing a very good job.

COMMISSIONER METHVIN: That was in the Philadelphia Local 332?

MR. POWELL: Right.

COMMISSIONER METHVIN: Could you tell us -- I'm not quite sure that I understand how it happened that Peter Fosco, who was the president in the '60s when you went to Philadelphia, put these locals in trusteeship at that time. Do I understand it was because he felt that the corruption had gotten too bad in those locals?

MR. POWELL: Yes. Peter was a very strong man. Now there have been allegations that he was tied with the Family. Maybe he was and maybe he wasn't, but the Family never did take it to him, if he was.

Right here in the City of Chicago there was a member and an officer of a local union that was very much involved in narcotics. When it got to Peter, Peter came to Chicago, personally removed that man from office. So he was very strong in his conviction that corruption

has no place in the trade union.

COMMISSIONER METHVIN: And in your association with him, you felt that he was independent and the International was not controlled?

MR. POWELL: From his attitude and action, yes, he was independent and kept that International clean.

COMMISSIONER METHVIN: When did you sense change?

MR. POWELL: After his death.

COMMISSIONER METHVIN: Did you maintain contact with Ben Medina in Philadelphia during the years?

MR. POWELL: Up until his death about two or three times a year I would either talk to him or see him. For a period of time we would be attending some conference or something and he would be there.

COMMISSIONER METHVIN: You know that he was planning to run for -- had he announced for higher office in the union for the local presidency when he was killed?

MR. POWELL: I don't think it was president that he was running for. I was told this. Now Benny never discussed this with me. He was going to run for office, and it seemed to me it was around secretary,

treasurer, but I could be wrong. Maybe it was president. But after his announcement was made clear that he was going to run is when he had visitors to call at his home. And he was upstairs and they beat him to death is my understanding.

COMMISSIONER METHVIN: In his conversations with you, had he talked to you about any problems with his local and about his motives perhaps for running for office at a higher level?

MR. POWELL: No, he had talked about the problems. After I left there was a fellow that was named Chico. I couldn't tell you his name. You get involved in nicknames and sometimes you forget the name. Chico was the president at the time and something had come up and they seemed to have ousted him. And Chico and Medino were very close friends and they worked together.

COMMISSIONER METHVIN: So there, apparently, was a falling out in the leadership of this local --

MR. POWELL: Yes.

COMMISSIONER METHVIN: -- prior to his death?

MR. POWELL: Yes.

COMMISSIONER METHVIN: Did the news of his murder spread widely within the Laborers' International?

MR. POWELL: I would say along -- no, not widely. Along the eastern quarter it was probably circulated.

COMMISSIONER METHVIN: Did that news have an intimidating effect upon the membership or upon officers of the local?

MR. POWELL: Well, I wouldn't say it had an intimidating effect upon the officers, but if any other member had any intentions of running for any office, I think there was a message delivered.

COMMISSIONER METHVIN: Mr. Powell, I want to thank you for coming here today.

MR. POWELL: Thank you.

ACTING CHAIRMAN SKINNER: Mr. Powell, I want to take a minute and explore the process that exists in the Laborers' Union which you are familiar with concerning the election of officials at the national level and see if you have any recommendations concerning how that process should be held in the future to ensure that the people who lead the union are truly representative of the laborers who are the membership.

Now it's my understanding that official -- that members of the union do not vote, in the Laborers' Union, do not vote at the local level for a national

president; is that correct?

MR. POWELL: That's correct.

ACTING COMMISSIONER SKINNER: They elect a local official who then carries a vote forward on behalf of that union to a national election and that is the process?

MR. POWELL: Yes. Most of the time the delegates from that local union are the officers of the local union. In some instance, if a local has a large enough delegation to come out of that local, then you probably have some rank and file members who had been elected by the members to represent the local.

ACTING CHAIRMAN SKINNER: But generally if it's a smaller union, the delegation that would go forward would be the elected officers?

MR. POWELL: Most likely the elected officers.

ACTING COMMISSIONER SKINNER: How do officials who are not representative of laborers in general, which is, I gather from your testimony and the cooperation that you have provided this Commission, it's your position that the people who represent these unions as officers and at the national level really are not truly representatives of the union. In one case the job was inherited it appears almost. Many of them do

not have the background as a laborer that you do.

What recommendations can you make to this Commission, which we can then make to the President and to Congress, concerning the steps that should be taken to ensure that we have honest, free and open elections for officers at the national level?

MR. POWELL: I have been thinking along the line -- I think it's the steelworkers and a few other Internationals that, prior to their convention, they have an election of officers that was done through a mailing to the membership at large. I have given that some thought as to whether that would be a feasible way that every member would have a voice in whom the elected International people should be. But then you have a problem -- some of that membership understanding how to mark a ballot. And we have a very large amount of people that does not understand English. And I just have not come up with the solution yet.

You see the local union does not instruct the delegation which way to vote at a convention. The local union is pretty much on its own or the delegate is pretty much on their own to vote whichever way they desire to vote.

But I do feel that there should be some type

of control to where the membership can control the elected officials of the organization and not possibly left into the hands of a few delegates. And we might have to go to the total membership.

ACTING CHAIRMAN SKINNER: Seeing no further questions from the Commission, on behalf of the Commission, the staff, and directly on behalf of the President I want to extend on behalf of all of us our deep appreciation to you, Mr. Powell, not only for your efforts here today, but your longstanding efforts in litigation and in other parts of the country in bringing home to the American people what is a very, very serious problem in one of the major labor unions in this country. It's very seldom, as you can tell from people who have been present here today and in other parts of the hearings, that we get the candid kind of assistance and cooperation from people who have first hand knowledge that you have provided us. It takes a great deal of courage and there are many people who do not have that courage, do not have that strength, are not at peace with themselves, and are not dedicated to the traditions of Samuel Gompers. You certainly are and he would be very proud of you.

MR. POWELL: Thank you.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Mr. Harmon, call your next witness.

MR. HARMON: Will Angelo Fosco please come forward?

ACTING CHAIRMAN SKINNER: Will you swear the witness, please?

ANGELO FOSCO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

ACTING CHAIRMAN SKINNER: May the record reflect that the witness is represented by Mr. Thomas A. Foran of the law firm of Foran & Wiss and his associate --

MR. CARRIGLIO: Jack Carriglio of the same law firm.

ACTING CHAIRMAN SKINNER: -- Mr. Carriglio from the same law firm.

MR. FORAN: It's Foran, Wiss & Schultz, Mr. Skinner.

ACTING CHAIRMAN SKINNER: I'm sorry, Foran, Wiss & Schultz.

Let me advise counsel that I know counsel is familiar with the rules of this Commission because they

have already been involved in litigation with this Commission.

It is the position of the Commission that witnesses be asked questions and respond to questions.

Any statements that they wish to make, they, of course, will be allowed to make, but that we would like to hear from the witness rather than counsel.

With that in mind, -- but, of course, let me reiterate that at any time Mr. Fosco wishes to consult with his attorney he should just interrupt his chain of thought and take whatever time is necessary to consult with his attorney. And if he has any questions at all concerning the question, he should not hesitate to ask his counsel or to seek clarification of the question as well. It's not our intention to ask him questions or elicit responses which he does not understand or has not been fully advised prior to answering.

With that, Mr. Harmon, please go forward with your questioning.

MR. HARMON: Please state your name for the record.

MR. FOSCO: Angelo Fosco.

MR. HARMON: What is your present occupation, Mr. Fosco?

MR. FOSCO: General President of the Laborers' International Union.

MR. HARMON: And how long have you held that position?

MR. FOSCO: About ten years.

MR. HARMON: When did you first become associated with the Laborers' movement, Mr. Fosco?

MR. FOSCO: Roughly around 1938.

MR. HARMON: And in what way did you first become involved with the labor movement in about 1938?

MR. FOSCO: As a laborer.

MR. HARMON: And where was that, sir?

MR. FOSCO: On the south side of Chicago.

MR. HARMON: Mr. Fosco, do you have a number of International vice-presidents upon whom you find you rely from time to time?

MR. FOSCO: On the advice of my counsel, I exercise my rights under the Fifth Amendment and refuse to answer the question on the grounds that any answer I might give might tend to incriminate me.

MR. HARMON: Mr. Fosco, are you aware that the AFL-CIO Ethical Practices Code indicates that union officers should not rely on their Fifth Amendment rights when asked about their union duties?

MR. FOSCO: On the advice of my counsel I exercise my rights under the Fifth Amendment and refuse to answer the question on the grounds that any answer that I might give might tend to incriminate me.

MR. HARMON: Have you had occasion from time to time, Mr. Fosco, to discuss trusteeships, for example, with Mike Lorello and John Serpico, two of your International vice-presidents?

MR. FOSCO: On the advice of my counsel, I exercise my rights under the Fifth Amendment and refuse to answer the question on the grounds that any answer I might give might tend to incriminate me.

MR. HARMON: Mr. Fosco, are you aware that a number of Laborers' International Union officers are also members of the criminal syndicate known as La Cosa Nostra?

MR. FOSCO: I exercise my rights under the Fifth Amendment and refuse to answer.

MR. HARMON: There has been some evidence here today, Mr. Fosco, that Laborers' locals in both New York and Chicago have a substantial influence upon them by elements of La Cosa Nostra. Do you have any intention, Mr. Fosco, of taking action which might lead to trusteeships being imposed upon those locals?

MR. FOSCO: I exercise my rights under the Fifth Amendment and refuse to answer the question.

MR. HARMON: Mr. Fosco, as the International General President of the Laborers' Union, are you able to offer any explanation for the fact that in the years 1980 to 1984 that 156 indictments were returned charging Laborers' officials with various federal crimes?

MR. FOSCO: On the advice of my counsel I exercise my right under the Fifth Amendment and refuse to answer the question on the grounds that any answer I might give might tend to incriminate me.

ACTING CHAIRMAN SKINNER: Mr. Harmon.

MR. HARMON: One last question, if I may, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Go ahead.

MR. HARMON: There has been a suggestion, which I know you heard here this afternoon, Mr. Fosco, that the Federal Government in some circumstances should impose trusteeships upon unions. Would you as a matter of Laborers' policy favor the imposition of trusteeships upon locals which are controlled by organized crime?

MR. FOSCO: I exercise my rights under the Fifth Amendment and refuse to answer the question.

MR. HARMON: If I may, Mr. Fosco, or perhaps

direct this to Mr. Foran. Will you persist in declining to answer questions, Mr. Fosco, which pertain to your duties as a labor official?

MR. FORAN: Mr. Harmon, as I previously notified this Committee, Mr. Fosco intends to exercise his rights under the Fifth Amendment in response to all substantive questions on that subject matter.

MR. HARMON: Thank you, sir. In that event, Mr. Chairman, I have no further questions of this witness.

ACTING CHAIRMAN SKINNER: The witness is excused.

(Witness excused.)

ACTING CHAIRMAN SKINNER: I apologize, Mr. Foran, to Mr. Schultz for leaving his name out.

Let me first of all say that the Commission has received a request in writing from counsel for Mr. Jackie Presser asking that he -- his appearance before this Commission, which is scheduled for tomorrow, be continued.

The Commission has reviewed the request of counsel and has indicated unanimously that that request is denied.

And, Mr. Harmon, I would like that made part

of the record. And you should advise immediately counsel for Mr. Presser, Mr. John R. Climaco of the law firm of Climaco, Climaco, Seminatore & Lefkowitz in Cleveland, Ohio that his request was heard by the Commission, was denied, and he is not excused from appearance and is scheduled to appear before this Commission tomorrow morning.

MR. HARMON: Mr. Chairman, Mr. Climaco is present and I am sure he now has had adequate notice of that.

ACTING CHAIRMAN SKINNER: For the record, the Executive Director has identified counsel in the room and we assume counsel heard that. We are going to adjourn this afternoon's session. The staff must appear before Judge Frank J. McGarr, Chief Judge of the United States District Court, to institute proceedings for contempt and to compel testimony on certain witnesses who are not present here today.

With that in mind, seeing no other further indications from the commissioners otherwise, this session of the President's Commission on Organized Crime is adjourned until tomorrow morning at 9:00 a.m.

(Whereupon, at 2:00 p.m., the hearing in the above-entitled matter was adjourned.)

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

LABOR RACKETEERING HEARING

Chicago, Illinois

Tuesday, April 23, 1985

The hearing in the above-entitled matter  
convened, pursuant to notice, at 9:00 a.m.

BEFORE:

SAMUEL K. SKINNER, Acting Chairman

MEMBERS OF THE COMMISSION:

Jesse A. Brewer, Jr.  
Carol Corrigan  
Justin J. Dintino  
William J. Guste, Jr.  
Judith Richards Hope  
Philip R. Manuel  
Thomas McBride  
Eugene Methvin  
Edwin L. Miller, Jr.  
Barbara Ann Rowan  
Frances A. Sclafani  
Samuel K. Skinner

ACTING CHAIRMAN SKINNER: The second session of the President's Commission on Organized Crime hearing on labor racketeering and the influence of organized crime into organized labor come to order.

Mr. Harmon, are there any preliminary matters before you call your next witness?

MR. HARMON: No, Mr. Chairman

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. HARMON: Robert Cantazaro.

MR. ECHELES: I'm not Robert Cantazaro.

ACTING CHAIRMAN SKINNER: Let the record reflect that the witness is accompanied by counsel, Mr. Julius Lucius Echeles from the City of Chicago. Mr. Echeles is present at counsel table with the witness.

MR. HARMON: Would the marshal please swear the witness?

ROBERT CANTAZARO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: Mr. Cantazaro, you have been directed by Chief Judge Robinson of the United States District Court in the District of Columbia to testify in a private deposition before the President's

Commission. You declined to testify after having been ordered to do so by that Judge and for a period of some time you have been incarcerated as a result of being held in civil contempt.

During the course of those proceedings, you, Mr. Cantazaro, made it clear that among the reasons that you declined to testify were reasons of self-preservation.

In addition to litigating this issue in Chicago, sir, or rather in Washington, you have also brought this matter to the attention of a Judge in the Federal Court here in Chicago and he has likewise directed your appearance here before the Commission today.

The purpose in asking you to appear before the President's Commission today, Mr. Cantazaro, is to ask you whether or not you have reconsidered that decision on your part not to testify, having considered these additional facts which I would like to bring to your attention at this point, Mr. Cantazaro.

The Commission has done extensive investigation, the Commission's staff, that is, which will be disclosed in some more detail tomorrow. As an accommodation to your attorney, and in connection with

conversations with the Judge here in Chicago, your appearance was permitted here today.

MR. ECHELES: May I interject? Both Mr. Cantazaro and I appreciate the accommodation given to his counsel because I have other out of state commitments, and we appreciate it.

MR. HARMON: You are welcome, sir.

These additional facts I would like to bring to your attention, Mr. Cantazaro, are this. Our investigation generally concerned a dental program established for members of laborers' organizations, a dental program administered through the Central States Joint Board here in Chicago. Our investigation, which will be disclosed in some more detail tomorrow, disclosed that over, well over, 50 percent of the monies paid into this program went not for the payment of claims for dental services provided to members of laborers' organizations, but in fact went to other places.

We would like to ask you about where that money went to, for example, Mr. Cantazaro.

We would also like to ask you about a meeting which was picked up during the course of a surveillance--

MR. ECHELES: Excuse me, Mr. Harmon. I object to your making statements. The purpose of the witness

being here is to listen to a question and to respond to a question.

ACTING CHAIRMAN SKINNER: Mr. Echeles, you are here to advise your client. You do not -- you are not called as a witness. You are not subpoenaed as a witness. You are here to advise. Under the rules you can advise your client. You cannot testify for your client. The Commission has ruled on this in a number of other circumstances.

Mr. Harmon is laying out some foundation facts, which all we want you to do -- and I assume that that is the foundation for a question. So if you will just let Mr. Harmon finish the facts that they have gathered, then ask, based upon listening to those facts, whether or not you wish to change your position, we are affording you an opportunity to change your position after listening to this information. And your client can either say yes, I want to change my mind; or no, I don't, but that is the way that he will at least have -- you and he -- will have full disclosure in the information areas we want to inquire of. So I treat this as a foundation for a question. And rather than trying to put it in exact question form, I think if you will treat it as a long, long question, it will facilitate not only

your appearance, your client's appearance, but the Commission's work.

MR. ECHELES: All right.

MR. HARMON: The second area that we would like to draw to your attention, Mr. Cantazaro, is a surveillance done by the Chicago Police Department at a time at which you had engaged in a business relationship with the Central States Joint Board, a surveillance of a meeting which you attended along with Joey Aiuppa who has been previously identified as a leader of the Chicago Outfit, as well as John Fecarotta, who has been identified by Ken Eto as a hitman for the Chicago Outfit, as well as a person who held a position in the labor movement.

Understanding that those are two of the areas only, Mr. Cantazaro, that we would like to ask you about, I would like to direct your attention to the first one and ask you, are you prepared to answer questions about the dental program which you participated in the establishment of on behalf of the members of the locals of the Central States Joint Board?

MR. CANTAZARO: I respectfully decline to answer on the grounds that any answer that I may give may tend to incriminate me.

MR. HARMON: Are you prepared, Mr. Cantazaro, to answer any questions about a meeting which you attended in the presence of Joey Aiuppa, John Fecarotta, and other members of the Chicago Outfit at a time at which you had engaged in a business relationship with the Central States Joint Board?

MR. CANTAZARO: My answer would be the same.

MR. HARMON: Mr. --

ACTING CHAIRMAN SKINNER: Your answer is the same?

MR. CANTAZARO: Is the same.

MR. HARMON: Mr. Chairman, I believe that, so the record is clear, there has been an order of immunity entered with regard to Mr. Cantazaro and, therefore, I respectfully submit, Mr. Chairman, that in no way could this testimony be considered in any fashion to have incriminated Mr. Cantazaro.

Understanding that, sir, --

MR. ECHELES: The immunity is of dubious legal nature. The immunity was not given by Judge Robinson, but by a Commission member, Mrs. Judith Hope. And it has some questionable legalities in the opinion of counsel.

ACTING CHAIRMAN SKINNER: The opinion of

counsel notwithstanding, you have been ordered here after that order of immunity has been issued. Your client has been asked questions. Mr. Cantazaro has been asked questions. He has declined to answer those questions.

MR. ECHELES: He is responding to the questions.

ACTING CHAIRMAN SKINNER: He is responding to the questions.

Mr. Echeles, -- I'm sorry, Mr. Cantazaro, is it your position that you will take -- as to the areas of inquiry that were outlined by Mr. Harmon, is it your position that your answer would be the same; that you would decline to answer on the same grounds that you moments ago indicated to the Commission?

MR. ECHELES: Yes.

MR. CANTAZARO: Yes.

MR. HARMON: At this time --

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Harmon. Under the circumstances this witness is currently serving a sentence by order of a District Judge.

May the record reflect that, being fully advised, this witness continues to decline to respond to questions put forth by the Commission and its staff;

that that refusal is made a part of the record. And the staff is directed to take whatever further action is necessary under the circumstances to continue to attempt to obtain the testimony of this witness.

You understand that at any time you wish to change your testimony or your decision while you are in custody, this Commission will be having ongoing hearings. We will take your testimony at a later date, if you change your mind.

MR. CANTAZARO: My answer would be the same.

ACTING CHAIRMAN SKINNER: I think under those circumstances, because it is the position of judges who have reviewed on this matter that an order of immunity granted by a Commission member is the effect of an order granted by a United States District Judge, that it would do no -- serve no further purpose, Mr. Harmon, at this time to ask this witness to remain any longer and we would ask that he be excused.

MR. ECHELES: Thank you.

MR. CANTAZARO: Thank you.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

MR. HARMON: With your permission, Mr. Chairman

Mr. Ryan will handle the questioning of the next several witnesses.

MR. RYAN: The Commission calls Brian Hitt and Officer Van Poelvoorde.

Please swear both witnesses.

BRIAN HITT and RAY VAN POELVOORDE were called as witnesses and, having been first duly sworn, were examined and testified as follows:

MR. RYAN: Mr. Hitt, would you state your name for the record, please?

MR. HITT: Brian Hitt.

MR. RYAN: Are you an investigator for the President's Commission on Organized Crime?

MR. HITT: Yes, I am.

MR. RYAN: Officer, will you identify yourself for the record, please?

OFFICER VAN POELVOORDE: Ray Van Poelvoorde.

MR. RYAN: Sir, are you an officer of the Romulus, Michigan Police Department?

OFFICER VAN POELVOORDE: I am.

MR. RYAN: Thank you. Mr. Hitt, you have submitted a written statement to the Commission. I would ask, Mr. Chairman, that that written statement be made a part of the record here and that Mr. Hitt be permitted

to give an abbreviated version of that statement.

ACTING CHAIRMAN SKINNER: Permission is granted. The statement is made a part of the record. And we would ask that the witness summarize that statement for the benefit of those who haven't yet seen it.

MR. RYAN: Mr. Hitt.

MR. HITT: Thank you, Mr. Chairman.

The International Brotherhood of Teamsters has had a long, documented history of affiliation with organized crime. As a result of this affiliation and corruption on the part of some Teamster officials, an organized reform movement arose within its membership.

The members participating in this reform movement are protected under Title I of the Labor Management Reporting and Disclosure Act. All members of any labor organization have the right to nominate candidates, to vote in elections or referendums of the labor organization, to attend membership meetings, and to participate in the deliberations and vote on the business of such meetings. They have the right to meet and assemble freely with other members and to express any views, arguments or opinions.

Within the IBT, one group of Teamster members meet under the name of Teamsters For A Democratic Union

or TDU.

On October 15 and 16, 1983, TDU chose to hold its annual meeting of its members at a Hilton Hotel in Romulus, Michigan, located near the Detroit airport. They rented most of the rooms at this hotel as well as the meeting hall where they could express their views, arguments and opinions.

As TDU was about to start its meeting, another group of Teamsters were gathering a few hundred yards down the road in a parking lot of a Ramada Inn Hotel. This group, operating under the banner of the Brotherhood of Loyal Americans and Strong Teamsters or BLAST, was formed to oppose TDU and to support Teamster leadership. BLAST is composed of Teamster members, but is backed by Teamster officials in Ohio and Michigan, including the International Brotherhood of Teamsters president Jackie Presser. This group of BLAST members traveled to Romulus, Michigan via cars and chartered buses. As the chart indicates, they came from the cities of Cleveland, Youngstown, Columbus, Dayton, and Toledo, Ohio. Others came from Jackson, Flint and Detroit, Michigan. BLAST was using the Ramada Inn parking lot as a staging area to prepare for a raid of the TDU convention.

It was at this time that Sergeant Van Poelvoorde of the Romulus Police Department was called to the scene.

MR. RYAN: Sergeant, could you give me some idea of your experience as a police officer?

OFFICER VAN POELVOORDE: I have been a police officer for seven years; three and a half in Detroit, the rest in Romulus.

MR. RYAN: Were you on duty on Saturday, October 15, 1983?

OFFICER VAN POELVOORDE: I was.

MR. RYAN: What was your duty assignment that day?

OFFICER VAN POELVOORDE: Mainly monitor of the picket line that was supposed to be put up by BLAST on Whitten Road.

MR. RYAN: How many police officers were so assigned?

OFFICER VAN POELVOORDE: One, myself.

MR. RYAN: When you went to the Ramada Inn, what did you see?

OFFICER VAN POELVOORDE: I saw several buses and a large group of people gathering in front of the Ramada Inn.

MR. RYAN: Were you responding to a call from the management of that hotel?

OFFICER VAN POELVOORDE: There was a complaint that they were blocking the driveways.

MR. RYAN: What happened when you went to the Ramada?

OFFICER VAN POELVOORDE: I informed them that they were just going to discharge passengers there and then move on to the Hilton and form a picket line.

MR. RYAN: What did the hotel manager say to you in response to that?

OFFICER VAN POELVOORDE: He said, "No problem.

MR. RYAN: Did you then proceed to the Hilton?

OFFICER VAN POELVOORDE: I got a call through the Hilton that they were having trouble there.

MR. RYAN: Who was the call from?

OFFICER VAN POELVOORDE: From the management of the Hilton.

MR. RYAN: What description did he give you of the problem?

OFFICER VAN POELVOORDE: Customers were being harassed. Their drivers were being blocked. There were people inside the Hilton that were being disorderly, loud.

MR. RYAN: When you responded to this call, what did you do next?

OFFICER VAN POELVOORDE: I went to the Hilton and attempted to locate a leader, someone in charge of the BLAST group.

MR. RYAN: Were they picketing outside the hotel?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: Did you go out and seek to find a leader amongst this group?

OFFICER VAN POELVOORDE: I did.

MR. RYAN: What was their response to you?

OFFICER VAN POELVOORDE: As I approached one man carrying a picket sign, I asked if he could point out someone who was in charge there.

MR. RYAN: What did he say to you?

OFFICER VAN POELVOORDE: He didn't have a chance to respond. I had about four or five different people run up to me and begin to yell that nobody was in charge there; they were all equal. They were going to demonstrate where they wanted. They were going to picket where they wanted.

MR. RYAN: Would it be fair to characterize it that they were hostile to you as an officer of the

police?

OFFICER VAN POELVOORDE: Yes, they were.

MR. RYAN: What did you do next, officer?

OFFICER VAN POELVOORDE: I entered the hotel to call the station and have them send more police officers there.

MR. RYAN: What were the exact words that you said to the police desk officer?

OFFICER VAN POELVOORDE: I told him to send everybody he could.

MR. RYAN: What happened next?

OFFICER VAN POELVOORDE: As I was on the phone, management came running back to the office and informed me they were having trouble at the front door.

MR. RYAN: Did you go to the front door and see what the trouble was?

OFFICER VAN POELVOORDE: I did.

MR. RYAN: What happened next?

OFFICER VAN POELVOORDE: There was a mob of people at the front door. And at that time I informed the TDU people to make sure their people were in the rooms and meeting rooms, and lock their doors, not to have any confrontation with anybody from BLAST.

MR. RYAN: Did they comply with your request?

OFFICER VAN POELVOORDE: Yes, they did.

MR. RYAN: What did you observe at the front door?

OFFICER VAN POELVOORDE: The BLAST members were demanding entrance to the hotel. Management was telling them they couldn't enter; that they were closing down the hotel except for the meeting that was taking place there then.

MR. RYAN: Was there a particular group of the BLAST members that were causing the problem?

OFFICER VAN POELVOORDE: I would say there were approximately 15 to 20 people dressed in work clothes and wearing hard hats. Some of them had picket signs.

MR. RYAN: Did you say anything to this group?

OFFICER VAN POELVOORDE: Management told them they couldn't enter. At that point they started yelling that they were going to come in. If somebody got hurt, that would be too bad, but they were going to come in.

MR. RYAN: What was the next thing that happened, officer?

OFFICER VAN POELVOORDE: I stood in the doorway with, I believe, there were a couple of security people, and a lady from the hotel management, and a couple of

other people there. A leader of the group said, "We're going in. Let's go." Counted to three and they rushed the door.

MR. RYAN: How many people rushed at you?

OFFICER VAN POELVOORDE: It would be difficult to say, but I would say at least 20 at that time.

MR. RYAN: Had you propped the doors to the hotel open so that people wouldn't be pushed through glass doors?

OFFICER VAN POELVOORDE: That's correct. The manager wanted to close the doors and I informed him it would probably cause more danger.

MR. RYAN: What happened when the group of BLAST demonstrators surged forward?

OFFICER VAN POELVOORDE: There was a scuffle, a momentary attempt to keep them out, but too many people to actually keep them out.

MR. RYAN: Did they shoulder a police officer from the Romulus PD out of the way?

OFFICER VAN POELVOORDE: It was a pretty good tussle. It was kind of difficult to say who was doing what.

MR. RYAN: Would it be correct to say that you were pushed back into the lobby physically?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: Were the security guards pushed back into the lobby as well?

OFFICER VAN POELVOORDE: Yes.

MR. RYAN: When you were pushed back into the lobby, were parts of your equipment taken from you by the BLAST demonstrators?

OFFICER VAN POELVOORDE: I had my hat ripped off, thrown away. My keys were ripped off my belt.

MR. RYAN: During the time that you were being pushed back into the lobby, what were you doing?

OFFICER VAN POELVOORDE: Trying to -- I had one hand on my gun trying to make sure nobody got that.

MR. RYAN: Did you believe people were reaching for your gun?

OFFICER VAN POELVOORDE: I couldn't say for sure, but hands were all over.

MR. RYAN: What did you observe after you and the other security guards were physically pushed back into the lobby?

OFFICER VAN POELVOORDE: At that time, BLAST members started to stream into the lobby. And I went back in myself, observed a man carrying a picket sign, apparently going after -- one of the security people had fallen

down.

MR. RYAN: Was this man hitting him with the picket sign?

OFFICER VAN POELVOORDE: He had it raised as if he was going to strike him.

MR. RYAN: What did you say to this individual with the picket sign?

OFFICER VAN POELVOORDE: I grabbed him and took him around the corner into the lobby.

MR. RYAN: Officer Van Poelvoorde, I showed you a picture earlier today of this individual. Do you have that picture with you?

OFFICER VAN POELVOORDE: I believe I do.

MR. RYAN: We will come back.

In any case we identified together the individual with the picket sign?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: That is his picture?

OFFICER VAN POELVOORDE: Yes, sir.

MR. RYAN: What is the name that is written on the back of that picture?

OFFICER VAN POELVOORDE: It's one John Berge.

MR. RYAN: Did you inform him that he would indeed be the first to be arrested, if any further violence

ensued?

OFFICER VAN POELVOORDE: I told him if there was any further violence, he would be arrested.

MR. RYAN: It was a pact between you and him?

OFFICER VAN POELVOORDE: Sort of an unspoken pact.

MR. RYAN: What happened with the other BLAST members when you informed this individual that he was going to be the first to be arrested?

OFFICER VAN POELVOORDE: When I took Mr. Berge aside, I had several -- several, approximately ten BLAST people run up to me saying that I was not going to arrest Mr. Berge; that he was not going anywhere with me.

At that time I informed them that if there was any violence, any further violence there, that arrests would be made.

MR. RYAN: If you had been assisted by eight or ten other police officers, would you have arrested this individual at that time?

OFFICER VAN POELVOORDE: I would have arrested everyone that came through that door forcibly.

MR. RYAN: Because you told them that they were not to come in?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: The reinforcements had not arrived yet from the police station, had they?

OFFICER VAN POELVOORDE: No.

MR. RYAN: What happened next?

OFFICER VAN POELVOORDE: I gave a radio call for reinforcements.

After approximately ten minutes -- at that time I believe TDU had pretty much locked themselves in these meeting rooms. BLAST members were all over. I positioned myself near one of the meeting rooms where most of the TDU members were, kind of kept them separated, made sure nobody went in there that didn't belong in there.

MR. RYAN: Were the BLAST members taunting the TDU people?

OFFICER VAN POELVOORDE: Yes, they were.

MR. RYAN: Were they tearing down their banners?

OFFICER VAN POELVOORDE: I don't recall the banners.

MR. RYAN: Did they take over the microphones in some of the meeting rooms that TDU had paid for?

OFFICER VAN POELVOORDE: That I couldn't tell you. I didn't see that, although I heard that they had

gone around to the back to another meeting room where a meeting was going to take place and they took that room over.

MR. RYAN: You were informed by employees of the hotel that that had occurred?

OFFICER VAN POELVOORDE: And another police officer.

MR. RYAN: Did the initial group of 15 or 20 that rushed the door, were they reinforced by many other individuals who streamed into the hotel after you were pushed out of the doorway?

OFFICER VAN POELVOORDE: Yes.

MR. RYAN: How long did it take to clear the BLAST members from the hotel after police reinforcements arrived?

OFFICER VAN POELVOORDE: I would say approximately an hour.

MR. RYAN: During the time that this incident was occurring, did you have the impression that the BLAST members were willing to use whatever force was necessary to enter the hotel and to interrupt the meetings that were going on?

OFFICER VAN POELVOORDE: Yes, I did.

MR. RYAN: Police officers, yourself in

particular, were pushed aside so that they could enter the hotel?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: What kept serious violence and bloodshed from occurring?

OFFICER VAN POELVOORDE: I think the TDU people removing themselves from the presence of the BLAST members was a major factor. I think some newspaper people were there and I think that was another factor. And I think having at least one police officer there helped also.

MR. RYAN: Was this group from BLAST under control at all times from their own leadership?

OFFICER VAN POELVOORDE: I believe they were, yes.

MR. RYAN: They were well coordinated?

OFFICER VAN POELVOORDE: Yes.

MR. RYAN: Officer, did the employees of the hotel tell you that they were apprehensive of violence against themselves and other customers in addition to the TDU people?

OFFICER VAN POELVOORDE: They were terrified.

MR. RYAN: Officer, have you ever had occasion to go back to that hotel and ask the manager of the

hotel if he would rebook the group, TDU group?

OFFICER VAN POELVOORDE: Yes.

MR. RYAN: What was his answer?

OFFICER VAN POELVOORDE: No.

MR. RYAN: Why?

OFFICER VAN POELVOORDE: Because of the incident that took place there.

MR. RYAN: Did he say he was sorry he couldn't do it, but he wouldn't anyway?

OFFICER VAN POELVOORDE: That's correct.

MR. RYAN: Officer, you ran certain license plates from the cars that showed up potentially carrying demonstrators, didn't you?

OFFICER VAN POELVOORDE: Yes, I did.

MR. RYAN: What did you find when you ran those license plate numbers back?

OFFICER VAN POELVOORDE: I believe two of them came back to a trucking firm. One came back to a meat-packing firm.

MR. RYAN: That is they were registered to the companies themselves?

OFFICER VAN POELVOORDE: Yes, sir.

MR. RYAN: Mr. Hitt, would you please continue with your statement?

MR. HITT: On October 15, 1983, an article in the Detroit News headlined "Teamster Unit Invades Meeting of Dissidents," described the takeover of the TDU convention by BLAST members. The pictures with the articles show BLAST members surging through the hotel doors. The top photo shows BLAST members pushing and shoving a TDU member to gain entrance to the hotel. The bottom photo shows a BLAST member scuffling with Sergeant Van Poelvoorde.

MR. RYAN: Sergeant, that is your picture, is it not?

OFFICER VAN POELVOORDE: Yes, it is.

MR. RYAN: There is a shoulder in your mid-section?

OFFICER VAN POELVOORDE: Yes.

MR. RYAN: You were being physically pushed through the lobby?

OFFICER VAN POELVOORDE: Yes.

MR. HITT: The three individuals in the picture with Sergeant Poelvoorde have been identified by those present at the scene as officers of Teamster locals in Michigan.

On October 16, 1983, the second day of the TDU convention, an anonymous bomb threat was received

at the Hilton Hotel. The callers stated two bombs were placed in the TDU meeting room and that they were set to go off at 1:00 p.m. A search of the premises was performed; fortunately, the threat failed to materialize.

Witnesses present at the Hilton Hotel on October 15, 1983 have identified over 20 Teamster officials that led or participated in this BLAST raid. That list of names is included in my written statement.

Mr. Chairman, Joint Council 41 is an umbrella organization of Teamster locals in Cleveland, Ohio. At the October 31st, 1983 meeting of the Teamsters Joint Council 41, International Brotherhood of Teamster president Jackie Presser, who holds the position of president of that Joint Council 41 also, addressed this council and praised Teamster officials who led the raid against Teamster members attending the TDU convention. Mr. Presser remarked:

"I want to say something to you. I know all about the BLAST program taking place in Michigan. I must have gotten a hundred calls. I know exactly what happened there. I was pleased to see that there are Teamsters there that want to stop all that crap, but I want to say something to you that I think is

very dramatic, okay.

"The thing that affected me most about Sunday in Detroit, Michigan, was that there were a lot of guys there. I got the pictures of who was there. I could have imagined a lot of stronger, tougher guys there and tough truck drivers, but I was looking through the pictures and you know who was in the front line of a real wild fight with state highway patrolmen and police there?"

Mr. Presser identified the secretary-treasurer of Joint Council 41, Bill Evans.

"He was screaming and fighting and shoving and pushing and swinging like the rest of them, so you know, when the chips are down, that's where it's all at."

Mr. Presser went on to say:

"I'm going to tell you something. We should be doing more of this. I'm going to tell you, I'm not going to let up on these people...."

Presser went on to praise another union officer from a local in Michigan who participated in the BLAST raid. Copies of Presser's comments to the

Joint Council 41 meeting were distributed for display at local unions in Ohio to show every member that Presser endorsed the BLAST activities against his own union members.

During the course of the staff's investigation, Jackie Presser was subpoenaed.

MR. RYAN: Mr. Chairman, to summarize the results of that subpoena, Mr. Presser sought a continuance initially, which was granted. He filed a motion to quash and a motion to have those proceedings sealed. Both of these motions were denied by United States District Judge Gerhard Gesell.

In a deposition on March 26, 1985, Mr. Presser refused to answer any questions on the grounds that it might incriminate him, when he was asked about this particular issue.

MR. HITT: To obtain more information about the BLAST raid, the Commission subpoenaed William Evans, the secretary-treasurer of Joint Council 41 and the individual so prominently mentioned by Jackie Presser for his role in the raid.

MR. RYAN: Mr. Chairman, to summarize the results of that subpoena, Mr. Evans sought to quash his subpoena. Chief Judge Robinson of the United States

Court for the District of Columbia ordered Mr. Evans to appear. Mr. Evans indicated through his attorney that he would refuse to answer any questions based on his Fifth Amendment rights. The Commission sought and obtained an order compelling Mr. Evans' testimony by a grant of immunity. Pursuant to that compulsion order Mr. Evans was deposed for several hours by the Commission. That deposition will be made public at some point in these proceedings.

Mr. Evans was also subpoenaed to be here today and he sought to be released from that subpoena and his release was granted.

MR. HITT: The depth of loyalty which Presser commands was evident in Evans' deposition. In an effort to exonerate himself and Jackie Presser, Evans tossed off Presser's remarks as exaggerated and boastful. On other points, Evans' testimony was different from other accounts. Evans claimed he only went to Romulus because he heard TDU had open meetings and he thought it would be an "educational experience" to attend this convention.

Evans stated he did not know who organized the trip, who arranged or paid for the buses, and which persons led the group.

Evans claimed that he recognized only two

other persons who traveled from Ohio to Romulus for the event.

Evans stated he was simply trying to obtain breakfast when he entered the fracas at the hotel.

Evans claims he cannot remember any violence or threats of violence.

Evans also claimed he had heard of BLAST, but he did not know anything about it.

Mr. Evans claimed he did not see any BLAST signs or hear any conversation to indicate that activities at the Romulus convention were in any way sponsored by BLAST.

Mr. Chairman, I submit the importance of this raid is the clear statement of sanction and support given these events by the leadership of the IBT, in particular Jackie Presser.

ACTING CHAIRMAN SKINNER: Let me just interrupt you for a minute. From the records of the National Labor Relations Board, just so the record is correct, my computations are accurate, there were two local presidents who participated in this activity, one local vice-president, two secretary-treasurers, three trustees, one organizer, and ten business reps. So lest anyone present think that this was individual

Teamster members, these were leaders of several Teamster unions in the central part of Michigan and Ohio, is that correct, Mr. Hitt?

MR. HITT: Yes, sir.

ACTING CHAIRMAN SKINNER: And these are the people whose activity was lauded by President Presser at the convention that you have talked about earlier?

MR. HITT: Yes, sir.

ACTING CHAIRMAN SKINNER: Go ahead.

MR. HITT: Incidents of this kind with varying degrees of violence are all too frequent occurrences. I will only give one further example.

On December 4, 1983, the Detroit Metro Chapter of TDU held a membership meeting in Detroit, Michigan. Witnesses present at the scene relate that about 30 minutes prior to the meeting, BLAST members began picketing outside the meeting hall. Shortly after the meeting started, four or five BLAST members entered a foyer outside the meeting room and refused to leave when asked to do so by TDU members. The BLAST members finally left the building when the police arrived on the scene.

Towards the end of the meeting the BLAST members returned. They pulled on the door until it

snapped open. Several TDU members were assaulted in BLAST's attempt to gain entry to the meeting. One TDU member was hit in the face and required stitches at a hospital. Another TDU member was cut with a knife. The police were called again and upon their arrival, all parties left the scene.

Witnesses observed several Teamster Union officials take part in this raid.

In closing, Mr. Chairman, there are numerous incidents of violence against dissident union members throughout the country. Other incidents will be addressed further in the final report of the Commission.

MR. RYAN: Mr. Hitt, I have several questions for you before the Commission will question you.

I would like to discuss with you from your experience the remedies that are available to union members when an event of this kind takes place.

Can these union members file an unfair labor charge?

MR. HITT: Yes, they can.

MR. RYAN: In this particular case was an unfair labor charge filed?

MR. HITT: Yes, it was.

MR. RYAN: What was the result of the

successful outcome of those charges?

MR. HITT: The National Labor Relations Board investigated the matter and found there was cause to issue a formal complaint. They informed the parties involved of a hearing. They then, to avoid litigation, sought a settlement and received a settlement, the end result being that a notice was placed in the responding union halls stating they would not violate the National Labor Relations Act.

MR. RYAN: In summary it was they wouldn't do it again?

MR. HITT: Well, in the course of the settlement the responding unions admitted no violations of the Act. However, the notice just states that they would not violate the Act.

MR. RYAN: Is that typical of the relief that is offered through the National Labor Relations Board process in these kinds of cases?

MR. HITT: In these types of instances, yes.

MR. RYAN: Mr. Hitt, can union members sue for civil violations, violations of their civil rights in tortious interference or assault?

MR. HITT: Yes, they can.

MR. RYAN: Did they do that in this case?

MR. HITT: Yes, they did.

MR. RYAN: What is the result of that, Mr. Hitt?

MR. HITT: They have a suit filed in Wayne County Court and it's still pending.

MR. RYAN: What federal statutes, Mr. Hitt, can be used, particularly when union members are deprived of their rights under the National Labor Relations Act?

MR. HITT: 29 USC 530 is entitled Deprivation of Rights by Violence.

MR. RYAN: Mr. Hitt, in your experience as a Department of Labor investigator, before coming to the Commission, what is the defect in that statute?

MR. HITT: The problem with it is that it's only a misdemeanor. And it -- with the caseload in Federal Court, it's sometimes difficult to get prosecutors interested in prosecuting a misdemeanor.

MR. RYAN: Would it be fair to say that prosecutors don't do misdemeanors; they do felonies?

MR. HITT: I'm sure if they had their choice, they would do felonies.

MR. RYAN: Officer, one last question for you. When you were on the scene that day, were you fully uniformed as a police officer of the Romulus Police

Department?

OFFICER VAN POELVOORDE: Yes, I was.

MR. RYAN: Thank you.

I have no further questions for these witnesses.

ACTING CHAIRMAN SKINNER: Any members of the Commission have any questions? If not, I thank the witnesses for their assistance.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

MR. RYAN: The Commission calls Wendell Quillen.

Mr. Quillen is represented by counsel today, Mr. Mark DeVan of the Climaco, Climaco, Seminatore & Lefkowitz law firm in Cleveland, Ohio.

MR. CHAIRMAN, I would tell the Commission that this witness has indicated that, in all probability, he will not answer any questions, relying on his Fifth Amendment rights. We will ask several questions and see if that is the case.

ACTING CHAIRMAN SKINNER: Let me explain to those present that, under the law, the fact that a lawyer indicates to the Commission that he has advised

his client to exercise his constitutional rights and the client has indicated that he will in fact take that lawyer's advice; that is not always the case. There are situations where that has not been the case when the witness is actually called.

Under the law the only way that legally an individual can exercise his constitutional rights is when questions are put forth to him and he has a chance to respond under oath. So with that in mind, go ahead, Mr. Ryan.

MR. RYAN: Sir, would you state your name for the record -- excuse me. Swear the witness, please.

WENDELL QUILLEN

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Sir, will you state your name for the record, please?

MR. QUILLEN: Wendell Quillen.

MR. RYAN: Sir, are you a trustee of Joint Council 41?

MR. QUILLEN: Yes, sir.

MR. RYAN: Is Jackie Presser the leader of Joint Council 41?

MR. QUILLEN: Yes, sir.

MR. RYAN: And, indeed, the leader of the International Brotherhood of Teamsters?

MR. QUILLEN: Yes, sir.

MR. RYAN: Did you attend, participate, and indeed lead a group of IBT demonstrators to the TDU convention on October 15, 1983?

MR. QUILLEN: Sir, upon the advice of counsel I hereby invoke my Fifth Amendment right not to testify.

MR. RYAN: Mr. Quillen, you always haven't been reticent to discuss your role in these particular events, have you?

MR. QUILLEN: Same answer, sir.

MR. RYAN: Do you recall that in the meeting with Mr. Presser on October 31st, 1983 you stated, and I quote, "Jackie, all of the people that were out protesting in Detroit the other day weren't all from Ohio. We were all up there, but we contacted a bunch of guys out of Flint, Michigan out of Local 332, the worst local in the state, probably, but those guys are going bananas fighting people on this TDU program."

Do you recall saying that at the meeting?

MR. QUILLEN: Same answer, sir.

ACTING CHAIRMAN SKINNER: Mr. Witness, I'm going to ask that you respond, rather than saying,

"Same answer."

MR. QUILLEN: On the advice of counsel, I hereby invoke my Fifth Amendment right not to testify.

ACTING CHAIRMAN SKINNER: Thank you.

MR. RYAN: Do you recall what Mr. Presser had to say about those events that day?

MR. QUILLEN: Upon the advice of counsel I hereby invoke my Fifth Amendment right not to testify.

MR. RYAN: Mr. Chairman, I have no further need to question this witness in light of his representation that he will not answer.

ACTING CHAIRMAN SKINNER: Mr. Harmon, do you have any further questions of this witness?

MR. HARMON: No, Mr. Chairman.

ACTING CHAIRMAN SKINNER: I ask that the witness be excused.

(Witness excused.)

MR. HARMON: With your permission, Mr. Chairman, we are prepared to proceed further.

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. HARMON: In advance of the next witness we have a brief statement from the staff coming from Mr. Ryan to introduce the subject of labor leasing and the

way that it has been used to produce monies to corrupt labor officials as well as organized crime.

MR. RYAN: Mr. Chairman, the next witness will be Robert David Rispo, a protected witness, who testified against Eugene Boffa, Frank Sheeran, and Robert Boffa, and other defendants in the case of United States vs. Boffa.

Mr. Rispo's testimony led to the conviction of the Boffas and Mr. Sheeran. It has been corroborated and deemed credible by many sources. The Commission has taken a full deposition of Mr. Rispo in addition to the testimony that it will take this morning.

In summary, Mr. Rispo will testify about the operation of Eugene Boffa's and Robert Boffa's labor leasing scheme, the willing involvement of corporate management, and the collusion of union officials as necessary ingredients to that scheme.

Mr. Rispo will testify that organized crime, through Mr. Russell Buffalino, Tony Provenzano and others, received cash payments, cars, and other compensation for their role in the scheme.

In addition, the Commission will review the events of United States vs. Boffa because there is a continuation to that matter. Eugene Boffa owned or

controlled over 30 labor leasing companies throughout this country. The companies were located in a number of states including Pennsylvania, New Jersey, Florida, Massachusetts, Virginia, California, Illinois, Ohio, and New York, Missouri, and Texas, as well as some areas of Canada and Puerto Rico. These labor leasing companies had contracts with major corporations and those major corporations will be discussed in the testimony this morning.

These labor leasing companies earned millions of dollars a year in revenue. Through each of these labor leasing companies Eugene Boffa was the employer of truck drivers who he contracted with a major corporation to rent back to that corporation. These truck drivers were usually members of the International Brotherhood of Teamsters.

Evidence was secured to show that in some instances these labor problems, which led to the introduction of Mr. Boffa's labor leasing company, were instigated by organized crime, by members of Boffa and his crew as a way of obtaining corporations, contractual guarantees and labor peace.

In addition to these assurances of labor peace, corporations contracting with Mr. Boffa no longer had

the responsibility of dealing with their drivers.

Mr. Boffa's charge to his corporations was some percentage of the gross payroll. If, after a period of time, the drivers caused unrest for the companies because of below scale wages or reduced benefits, Mr. Boffa would terminate his leasing contract with the corporation with whom he dealt. Just as soon as one Boffa company terminated its contract, another Boffa company under a new name would take its place on the scene. Usually the new labor leasing company would rehire the same drivers, except those drivers who had been deemed by corporate management or by the Boffa companies to be troublesome, unusually worried about safety or in other ways a problem for the Boffa companies.

Sometimes in these switches of corporations drivers' wages and benefits were lowered. This was part of the scheme.

In July of 1980, Mr. Boffa, Francis Sheeran of IBT Local 326, and a number of other individuals, including Robert Rispo, were indicated and charged with RICO violations, mail fraud, Taft-Hartley violations and obstruction of justice.

In July of 1981, Eugene Boffa was sentenced to

20 years in prison and fined \$47,000. Frank Sherran was sentenced to 18 years in prison and fined \$27,000. Robert Boffa was sentenced to 12 years in prison. His conviction was overturned on appeal. He was subsequently re-indicted and pled guilty to a charge. Mr. Rispo received five years of probation for his activities in this scheme.

At this point, Mr. Chairman, I would like to turn the proceedings back over to Mr. Harmon to call the next witness.

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

MR. HARMON: Would Robert Rispo please come forward?

Would the marshal please swear the witness?

ROBERT DAVID RISPO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: Is your name Robert Rispo, sir?

MR. RISPO: Yes, sir.

MR. HARMON: And, Mr. Rispo, are you now in the Witness Protection Program?

MR. RISPO: Yes, sir.

MR. HARMON: Mr. Chairman, I think it's

important to point out that the United States Marshal's Service, because Mr. Rispo is living under an assumed name and has a new identity, has requested that he testify in this fashion so that photographs today do not disclose his current appearance.

ACTING CHAIRMAN SKINNER: Mr. Harmon, let me just make a comment here because there has been inquiries. The United States Marshal's Service and the investigative agencies that have the responsibility for protecting witnesses under Federal Witness Protection Programs have a very difficult job. They unanimously requested this Commission, in calling witnesses who were subject to such protection, have asked that they use this type of dress to ensure that this witness' -- most of whom have been relocated into other locations -- so that this witness' picture in his changed identity is not disclosed on national television for everyone throughout the United States to see.

It is the position of this Commission that we should honor the request. We would prefer that there were a better way to do it; there is not. But it is the responsibility of this Commission to protect witnesses such as the one here today and to do everything we can humanly do to ensure that these witnesses are

fully protected in the Witness Protection Program.

It is on that basis that this Commission has, is, and will continue to honor the request of those law enforcement agencies who have a responsibility for protecting these witnesses and at the same time ensuring that the American people through the medium of television have the opportunity to hear and see these witnesses first hand.

Thank you, Mr. Harmon.

MR. HARMON: Mr. Chairman, I think it's also important to point out that the staff wishes to express its thanks and appreciation to the Philadelphia Strike Force, as well as the Department of Labor, for helping us to work with Mr. Rispo, as well as to understand the complex nationwide scheme about which he is about to testify.

Now why was it, Mr. Rispo, that you entered the Witness Protection Program?

MR. RISPO: Because I was arrested on labor racketeering and mail fraud and a few other charges while I was working for various companies owned by Eugene Boffa. And I decided I wanted to cooperate with the Government. And there were threats made against me and my family so the only out for me was the Witness

Protection Program.

MR. HARMON: Now how long -- prior to your arrest, how long had you been involved in the field of labor relations?

MR. RISPO: Over 20 years.

MR. HARMON: Beginning approximately when?

MR. RISPO: I was 19 years old.

MR. HARMON: What was your first job in this field?

MR. RISPO: I worked at Teamsters Local 470 with some relations of mine as a goon for the union, for the Teamsters.

MR. HARMON: What do you mean by that, "as a goon," what does that involve?

MR. RISPO: Well, at that time there was a lot of unrest in the Teamsters. There was a lot of dissident groups starting up, Voice of the Teamsters, various different groups. And each local more or less needed these guys -- to have these guys around in case any trouble started or any drivers started striking and that. Whatever needed to be done, they were there.

MR. HARMON: What kinds of things were done?

MR. RISPO: Sometimes you had to go out and threaten a guy. Sometimes you had to physically hurt

him.

MR. HARMON: Did Teamsters Local 470 have ties to organized crime?

MR. RISPO: Yes, sir.

MR. HARMON: Will you explain that, Mr. Rispo?

MR. RISPO: Well, at that time there was a gentleman by the name of Angelo Bruno, which was the Bruno family in Philadelphia. And one of his lieutenants was a guy by the name of Harry Ricobeen and I worked off and on for Harry Ricobeen.

MR. HARMON: Now did Local 470 have any sort of relationship or connection with Teamsters Local 107 in Philadelphia at that point in time?

MR. RISPO: Yes, 107 was a spinoff, you could say, to Teamsters Local 470. They handled different types of drivers.

MR. HARMON: At this point in time, which is the late 1960s, Mr. Rispo, was Teamsters Local 107 viewed as too powerful by the International Brotherhood of Teamsters?

MR. RISPO: By that time, sir, we had 14,000-man membership. We were getting to the point where the International said we were too big and had too much to say, had too much power. And they wanted to put a stop

to it.

MR. HARMON: And who in particular was the president of the Teamsters at that point in time?

MR. RISPO: James R. Hoffa.

MR. HARMON: What was the solution to this that Local 107 at that time was too powerful in the view of the International?

MR. RISPO: The way it came about, their solution was they come in and they broke up Teamsters Local 107 and they created like Teamsters Local 500. They took the fleet drivers; Teamsters 470 took back dumptruck drivers, tankloaders; 326 took back the chemical holders, and they just split the union up so these guys couldn't all get together with one voice.

MR. RYAN: When you say they took Teamsters Local 107 and split it up, did Anthony "Tony Pro" Provenzano have anything to do with the splitting up of Local 107?

MR. RISPO: I was -- I was in at that time Lake National as secretary-treasurer of the Teamsters local in 107 and I was in the office with a group of other guys when this gentleman come in and then they explained it was Tony Provenzano and they explained what was going to be done, and how it was going to be

done; that was the end of it. It was going to be this, this and this and that is how it's going to be.

MR. HARMON: And what this, this and this was, according to Tony Provenzano, was that the members of Local 107 were going to be taken, whether they liked it or not, and put into other locals, is that correct?

MR. RISPO: Well, I tried to stop getting -- they were taking my Teamsters 107 apart and giving me 500. And I was against it. And I had no choice; I had to go. I had to go into Teamsters Local 500.

MR. HARMON: What choice did the membership have in that?

MR. RISPO: Like I said, sir, we had none. There was no choice. The local was split up and that was the end of it. They said where you went and that is where you went.

MR. HARMON: Now would you explain at the beginning of your career, Mr. Boffa, how you would shake down employers who were afraid of having unions organized?

MR. RISPO: My name is Rispo.

MR. HARMON: I'm sorry. Yes, Mr. Rispo.

MR. RISPO: The way -- I'm in enough trouble on my own.

At that time Teamsters 107 had freelance -- what they call freelance organizers. And I had become friendly with Francis Marino. Since he has been -- he got killed about three years ago; he got shot. But anyway he was a freelance organizer for Teamsters 107 and I became friendly with him. And I went working with him and he took me out and showed me how to do this.

And after awhile it got to be a good idea how to shake down these employers. So what we would do, how this scheme worked, you just pick out a company at random, a small company, 10, 15 drivers. And you go into the company and you bring them -- they call it a letter of recognition. You already had the right to use Teamsters 107 name. So you go in and you find out who the boss was. And you hand him a letter and you say, "Sign this or tomorrow morning I'm putting you on strike," all right?

So the guys, you know, naturally wanted to -- "Who are you?"

"I'm from Teamsters Local 107. I've got majority of employees signed up and they want to be in the union." Right? So naturally the guy wouldn't recognize it.

So the next morning you go down with three

or four guys and you put up a picket line and you just hold the company down. All right?

Now after three or four days of this, and this guy running back and forth between the NLRB and the police department and everybody else, the guy would kind of give in.

Like one gentleman in particular, he handled live lobsters. And he had a truckload of lobsters. He had 5,000 lobsters in water tanks. And the guy kept riding around with them. He had no place to put the lobsters and the lobsters were dying. At that time, which I'm not proud of, it was a big joke because I said, "I heard all these little voices hollering, 'I want water.'"

And he turned around and gave us \$15,000 to get away from his place.

MR. HARMON: And in fact you really had no position with Teamsters Local 107, is that right, Mr. Rispo?

MR. RISPO: No, I'm a payroll merchant.

MR. HARMON: You can't look on a table of organization of Teamsters Local 107 and see this position of freelance organizer?

MR. RISPO: No, sir.

MR. HARMON: But you were permitted to use the union offices for that purpose?

MR. RISPO: Yes, sir, through Bobby.

MR. HARMON: Excuse me?

MR. RISPO: Through Bobby Marino.

MR. HARMON: You say you were permitted even though you had no official position with Local 107, you were permitted to use their name. Who would give you that permission?

MR. RISPO: Well, at that time I -- it was Big Bobby we got the permission from. He was working with Harry, too, and that is how I got tied up with everybody was through Bobby Marino.

MR. HARMON: This was done in collusion with the union then, is that right?

MR. RISPO: It was done in collusion with the union and organized crime in Philadelphia.

MR. HARMON: Did the employees, the ones who worked for this company, for example, that had the live lobster trucks circling the block, did the employees know what was going on?

MR. RISPO: No, sir.

MR. HARMON: In fact, had you ever approached the employees and got them to sign up for Teamsters

Local 107?

MR. RISPO: No, sir.

MR. HARMON: What was their view of the situation in other instances where the employees did find out about it?

MR. RISPO: Well, because of this secret ballot thing that the NLRB has, you can't disclose the names of who signed up. If it got touchy, you could usually tell the guy, "Look, Jack Smith signed, but he don't want you to know he signed, so you could sign the card," if it ever came down to that. Sometime we could force the guys into signing; other times they were just too scared to even bother asking.

MR. HARMON: So violence and the threat of violence was a typical part of these kinds of shakedown schemes, is that right, sir?

MR. RISPO: That particular instance a man from Greece lost his eye, the driver of the truck.

MR. HARMON: Now when Mr. -- I withdraw the question.

Did you at some point begin to work in the labor leasing business?

MR. RISPO: Yes, sir, I did.

MR. HARMON: How did that come about?

MR. RISPO: At that time I was on the payroll at Food Fair Stores in Philadelphia. And we had heard this here leasing company was coming in to take over the drivers and dispatchers and everybody. And at that time I was the chief steward for the dispatchers.

So we pulled a strike and we went out on strike. We said we didn't want this leasing company. You know, we wanted to stay employees of Food Fair Stores. So we put up picket lines and everything else.

And a guy by the name of Eugene Boffa tried to approach me and talk to me. He said, you know, "Let's try to get this thing worked out."

And I said, "No. I want nothing to do with it. Local 500 don't want nothing to do with it."

So then later on a fellow by the name of Greg Karchigi (phonetic), he came in and he said, "Look, why don't you talk to this guy? He can help you and you will make some money."

At this point I was still refusing. Then they started bringing in the heavy guns. Frank Sheeran come down to see me. He was the president of the Teamsters Local 326. And I had known him and he had known my family for years, me and my brothers. We discussed it

and I finally agreed okay, I will go talk to these guys.

So they said, "Well, John Francis is going to be there from New York."

I said, "John Francis? Who is John Francis?"

He said, "John Francis works in with Russell. Russell -- it's the same thing as talking to him as talking to Russell Buffalino."

MR. HARMON: Who was Russell Buffalino?

MR. RISPO: From what I understood he was the head of the Family in the tri-state area at that time, or he was one of the big shots. I never really got in to find out. I knew he was a powerful man; that he could wheel and deal, nobody to monkey around with.

MR. HARMON: At the beginning of your introduction to Eugene Boffa and before you worked for him, did you get a chance to meet with Russell Buffalino?

MR. RISPO: Yes, sir.

MR. HARMON: Will you explain that, please?

MR. RISPO: John Francis and Eugene Boffa and Frank Sheeran, we went up to Vesuvio's Restaurant in New York. And I went up there and had a meeting with Mr. Buffalino in the bathroom up there. And I explained to him the problem I was having in Philadelphia; that I couldn't go along with this thing because there were

some people in Philadelphia -- there was a gentleman by the name of Long John who belonged to the Bruno family in Philadelphia.

And he said, "You know, this thing belongs in Philadelphia. You know you have no right talking to these guys from New York." So they kind of had me between a rock and a hard place.

So the way I more or less explained it, I'm one guy; I don't want to fight for everybody. So Mr. Buffalino informed me that it was all right to tell Raymond that he was going to come down and he was going to talk to Angelo Bruno to get this straightened out. And they were going to meet at a bar called Frankie D's, Frankie DiAlfonso's on Seventh Street in Philadelphia.

So I went back and I relayed the story to Long John. I said, you know, like more or less get off my back. When McGee comes down here, that was the nickname for Russell, when he comes down here we will get things ironed out one way or the other.

Well, they went in and they come back out again and they all got in this limousine and they rode around the block for a few times.

MR. HARMON: This was who that rode around the block?

MR. RISPO: Russell and Mr. Bruno, Russell Buffalino and Angelo Bruno. And then they all went back in the bar.

Meanwhile I had to stay outside; I wasn't allowed in while they were discussing it. And then they come out. They all got in the car and left.

John Francis come over and he said, "Hey, look, don't worry about nothing. From now on you work with Gene. Nobody has nothing to say about it so you go up and work for him."

MR. HARMON: So the okay was given between Bruno and Buffalino and, as a result of that, you began working for Gene Boffa, is that right?

MR. RISPO: Yes, sir.

MR. HARMON: Now in general terms will you explain to the Commission what labor leasing is and how it works?

MR. RISPO: I guess the simplest way to put it, labor leasing uses, supposed on paper, is a buffer between the unions and the employer. The leasing company comes in and kind of takes all of the heat for everybody. So that the -- without mentioning the company the company itself doesn't have to deal direct with the union or deal direct with the employees, but just deal

with, like, for example, Universal Coordinators. They used to deal with us. They don't have to deal with nobody else.

MR. HARMON: So that these labor leasing companies in effect leased labor, in your case, to large corporations located throughout the country, is that right?

MR. RISPO: Yes, sir.

MR. HARMON: Now for what labor leasing companies did you work during your years?

MR. RISPO: I worked for Countrywide Personnel of Jersey City, Universal Coordinators, Elmwood Park, New Jersey, Countrywide Personnel of St. Louis, Missouri, Countrywide Personnel of Chicago, Countrywide Personnel of California, Countrywide Personnel of Virginia, just all through the country. I mean, we could sit here and keep on naming them.

MR. HARMON: What type of things did you actually do for Mr. Boffa in these labor leasing companies?

MR. RISPO: On paper, after I was there a couple of years, I went on the payroll. When I first started, I wasn't on the payroll; I worked strictly for cash.

And then a couple of years later the guy who was in there, the director of personnel, he passed away and Gene brought me into the office to be director of personnel, and that was my status.

MR. HARMON: Now were the Boffa companies covered by a single nationwide labor contract?

MR. RISPO: When it came to the truck drivers, they were supposed to be covered by a master freight agreement across the country.

MR. HARMON: That is the Teamsters Master Freight Agreement?

MR. RISPO: Yes, sir, client agreement.

MR. HARMON: What happened to change the use of the Master Freight Agreement?

MR. RISPO: We would still use the Master Freight Agreement in essence, but what we would do is put what they call a white paper contract. And the local union would agree to this white paper contract. So that if you look on the surface, you would see Teamsters Master Freight Agreement. So everything was right, you know, the guy was getting his proper money and stuff like that. But if you looked on the back, then you would see that we took away his clean-up time, we took away the road drivers radius, we took away --

the way it boils down the back of the paper, took away all his rights under the union; he had none. He had nobody to turn to. He worked for one company. We paid him, right. So he couldn't go to either person or to the union; he couldn't go to nobody.

MR. HARMON: Now was there a combination essential to make this scheme work?

MR. RISPO: Yes, sir. In order for the scheme to work across the country, like I had said before, you have to have the cooperation of the union that is involved, the company that is involved, right, and then our company. It has to be all three or it won't click, it won't come off the right way. So it has to be all three companies.

MR. HARMON: What was the role of corporate management in the schemes?

MR. RISPO: Well, corporate management in different instances they would direct us on what they want done on a certain site. Like drivers in the Chicago area for such and such company is causing problems, all right. How do we straighten this problem out?

Well, we get rid of Charlie Smith, or Joe Blow, whoever it is; maybe things will quiet down. So then we would have to go out there and we'd have to try and get

this thing straightened out.

If we get rid of this driver, put in that driver, or maybe get rid of all of the drivers, bring in the new contract and put new drivers in there under another company.

And the local union would go along with it knowing that we are both -- that both companies are owned by the same people and I represent both companies. The corporation would sit back and make like they haven't touched anything, that this is two separate companies I'm dealing with. Yet they would call the same man, Bobby Rispo sitting in New York, to deal for Countrywide Personnel, Universal Coordinators, or Countrywide Personnel in Chicago or whatever. So it was all three. Labor racketeering can't work just with a guy like me. I'm not an attorney, you know, no big brain. All right, I started out as a laborer. If somebody doesn't give me the leadway, provide money and the cooperation, this thing would never exist.

MR. HARMON: Now what were the companies across the country with which Boffa companies did business?

MR. RISPO: Well, we did business with Continental Can, Crown Cork and Seal, Crown Zellerbach,

Coca-Cola, Spiegel's, J.C. Penney stores. Well, off the top of my head I can't think. There is a whole list of them, but that is some of the companies.

MR. HARMON: Was GAF one of those companies?

MR. RISPO: GAF, the camera people, the Oakland location --

MR. HARMON: Did these companies know that they were dealing with Eugene Boffa?

MR. RISPO: Yes, sir.

MR. HARMON: Now a couple of other questions, Mr. Rispo. What is in it for corporations, what advantages are there to them in dealing with a company controlled by Eugene Boffa or similar labor leasing companies?

MR. RISPO: Well, part of it is monetary, part of it is. But I think the real bottom line when you are dealing with a leasing company, is that you go back to the plantation days so far as your employees are concerned, all right? These employees, after we come in and make all of the switches and everything, these employees had nobody to run to, they had no recourse. They can't strike, say, for example, Continental Can, we'll just use that hypothetically. If we pull out, if the drivers at Continental Can location anywhere, if

they pull out on strike, all right, we break the strike the same day because it's a secondary boycott so they can't strike Continental Can. They go to the local union. The local union is already working with us so they got no recourse there, all right?

MR. HARMON: Are you aware of any situations where in fact employees of Boffa companies did picket and strike directly against Continental Can?

THE WITNESS: At one time there was a picket line -- I was in California doing something else and I had a call from Gene Boffa. They were picketing the Continental Plant in Pennsauken, New Jersey, right across the river from Philadelphia.

I took a plane to get up there. And when I got up there, they took me from the airport, took me over to Pennsauken to see what was going on. I talked to the pickets. I told them they couldn't picket; that they would have to go into work.

Then I went inside and talked to the plant. I was back and forth on the phone with like Mr. Kelley, the head of the transportation for Continental Can. So it all boiled down for the next couple of hours I spent my time calling around Philadelphia. I got some of the guys I used to work with in Philadelphia and I brought

them over to Pennsauken. I had them kind of in the background because, if worse come to worse, we have to get the trucks in. So we had to get rid of the pickets because there were a lot of trucks sitting out there.

After three or four hours, we decided to move the trucks. We started moving the trucks. So I started driving the trucks in.

I'm trying to think of the guy's name in management that come out, was going to hold the gate for me. But anyway one of the pickets threw a brick at me. And I went back into Continental's plant and got the shotgun that I left in there, took it back out in the truck with me so that I could go in and out without anybody bothering me.

Now the end result was Continental Can got aggravated over this trouble with Pennsauken and Teamsters Local 470. The next day we just closed it up. Fired all of the drivers and moved all of the work up in New Jersey, just drove around that plant. So that plant was non-existent after that.

MR. HARMON: This was Continental Can that moved the plant, is that correct?

MR. RISPO: They told us to fire the drivers and move the work.

MR. HARMON: Were individuals at these corporations with whom you worked given certain benefits, so to speak?

MR. RISPO: Yes, from time to time there was presents and stuff handed around, and little trips and stuff. Like a prime example, on one occasion Mr. Kelly and Jay from Continental Can, they would come down to the office in Elmwood Park and they would come down because Jay wanted to get a watch, real good watch. And at that time I was in the process of taking these watches off this jeweler that owed Gene money.

We got the watches, that is why it sticks in my head so much. Gene gives the watch to -- it's like a \$1500 watch. My brother just went through all of the trouble of going around here and now I'm training the guy. So he gets a watch. I think the other guy wants a TV or something, vice-versa. But at that point I was just so aggravated I didn't even want to pay attention. They're all sitting in the office.

MR. HARMON: Now, Mr. Rispo, what did the Boffa companies charge for this labor leasing service to these large corporations?

MR. RISPO: It varied between -- from seven percent right on up to ten of the gross payroll. In

other words, whatever the drivers earned for that week, we got ten percent.

MR. HARMON: The labor officials were paid off in order to ensure the success of the scheme?

MR. RISPO: Yes, sir.

MR. HARMON: Everybody benefitted here except for the union members, is that right?

MR. RISPO: Yes, sir.

MR. HARMON: Now did you ever have a Teamster official turn you down; in other words, say that he wouldn't go along with the scheme?

MR. RISPO: Yes, sir. It happened to me a few times.

MR. HARMON: Would you explain that? Was that a common experience?

MR. RISPO: No, sir, it wasn't. But I had went to South Carolina to Crown Cork and Seal operation. And there was a Teamsters official out there by the name of Frank Wood, Teamsters Local 28. I went in and explained to him what I was going to do; that I was going to fire this guy.

And he said, "No, you are not." He said, "You are in my jurisdiction. You ain't firing nobody. You ain't changing nothing. I want you to get out of

my office."

He made it pretty clear he wasn't going to talk to me.

MR. HARMON: What happened when Frank Wood turned you down?

MR. RISPO: I went back to the telephone and I called Eugene Boffa.

MR. HARMON: What did he say?

MR. RISPO: I explained to him what was going on, what was the problem. I said, "This guy ain't going to cooperate. He doesn't want no part of us."

He said, "All right." He says, "What you do is go back to the motel." He says, "Hang around down there." He says, "Let me reach out and get a hold of Sam and Roy."

MR. HARMON: Who did you understand him to mean when he said Sam and Roy?

MR. RISPO: That was Sam Ancona and Roy Williams of the Teamsters.

MR. HARMON: Was Sam Ancona at that point head of Teamsters Joint Council 56 in Kansas City?

MR. RISPO: Yes, he was with the Joint Council at the time.

MR. HARMON: What happened next then after he

said he would call Williams?

MR. RISPO: He puts out the call for these two guys. And evidently they must have called Frank Wood and tried to talk to him because I went back like I was supposed to and at that point Frank Wood told me he don't care if I call Hoffa; to get the hell out of his office; he wasn't going to deal with us.

I called Gene. I said to Gene, "He said no go."

So Gene said Feshkin called. He is the head of transportation for Crown Cork and Seal. He said, "You can't make it go? Close it down and move it up the road. Move it out of his jurisdiction."

MR. HARMON: What did you do there?

MR. RISPO: I went in and told him we are closing down the operation.

Gene meanwhile made the connection with another local a couple of miles down the road, another jurisdiction of the Teamsters, and we just moved the trucks up there.

MR. HARMON: Now when you say you closed down the operation, what does that do to the members and what does that mean for them day to day in their own lives?

MR. RISPO: It means like, for example, when

we close up an operation, if this guy still wants to work, if he still wants to drive Crown Cork and Seal's truck, like he might be making \$6 an hour like there at that particular installation, but if we go through the trouble changing it over to Countrywide and all of this, and moving it up the road, the added expense, we move it up the road, he might lose a half dollar an hour. Plus he loses seniority; he has no seniority, see. Nobody that works for us has seniority. There is no seniority. There is no master seniority list.

So basically the leasing company can put you any place they want. We can refuse to take you. We can take you. Whatever we want to do with you, we do.

MR. HARMON: Now did you ever personally meet Sam Ancona from Kansas City?

MR. RISPO: I was in his company with Gene Boffa.

MR. HARMON: Would you explain that, please?

MR. RISPO: Well, at various times when Gene and I used to travel around the country and, you know, I would be in different people's company. Sam was one of them that I was in his company; that Gene was there to do business with him, talk to him. He had business to do with Sam and I would naturally sit in the

background when he was doing his business.

MR. HARMON: When you say "business," what do you mean by that?

MR. RISPO: Well, Gene had told me on various occasions, like when we went out, he complained he had to go take money to, say, for example, Sam Ancona. Sam Ancona gets his end, then this other guy gets his end, then the boys in New York they get their end. There is nothing left here, right?

Now he would always be complaining about money, you know, that everybody was taking a piece and he wasn't keeping none for himself.

MR. HARMON: Other than money, are you aware of whether or not Sam Ancona was given anything else of value?

MR. RISPO: Well, we had a car. The company leased cars, too. At that time I think he wanted a 280 Z or something like that. It was one of them fancy little sportscars and they gave him that. They gave his kid a no-show job where the check would be drawn in the kid's name and it would go to Sam Ancona.

MR. HARMON: Were these kickbacks to union officials a routine part of these labor leasing schemes?

MR. RISPO: Yes, sir.

MR. HARMON: Now, for example, Frank Sheeran, one of the people convicted as a result of your testimony, was one of the persons that received payoffs from the Boffas, is that right?

MR. RISPO: Yes, sir.

MR. HARMON: Now did Russell Buffalino, through Frank Sherran, share in this money?

MR. RISPO: Well, the way the scheme was broke down to me, everybody was sharing. Frank Sheeran was getting something like two or three percent, I don't remember exactly, of our seven to ten percent. Whatever we made, he got a certain percentage of it. And Gene would give him that percentage and then he would complain that he had to take care of McGee at his end, Frank Sheeran. But then sitting talking to Gene, Gene was complaining that he was taking care of McGee, meaning Russell Buffalino; that both parties were kicking back to Russell.

MR. HARMON: Now did the Boffa companies make payments to Nick Robillato, a Teamsters local official in Albany, New York?

MR. RISPO: I was told they were making payments to Nick Robillato and his son, and that they had automobiles like other Teamsters had, other

Teamster officials had cars.

MR. HARMON: Was there a different relationship with the Boffa companies and Teamster Local 560 controlled by "Tony Pro", Provenzano?

MR. RISPO: Well, the relationship there was that we didn't do like we do in most locals and walk in and we tell the guy what we want. The Teamsters Local 560 told us what was going to be done and how it was going to be done and when we were going to do it. So it was more or less they would direct us or Gene, you know, on what he was allowed to do and what he wasn't allowed to do.

We pulled a switch. To show you an example, there was a small local up there, Teamsters Local 84. It was headed up by a guy by the name of Gabe Briguglio and his brother's name was Salvatore Briguglio; they used to call him "Sally Big." He worked at 560.

So somehow or another, Sally and Gabe talked Gene into moving these drivers from Continental Can out of Edison, New Jersey, take them out of Teamsters Local 560 and move them into Teamsters Local 84.

After all of their agreements were made, then they gave me the deal and said, "Okay, go out and put in the works," which I did. And I switched these guys

over and everything, had it all done. And then the whole thing blew up.

After that, you know, we got caught and -- what I mean by "caught," Sammy Provenzano called and wanted us up at the office. Gene said, "I'm busy. You go up there."

I told Sam that and Sam said, "No, you tell him I said I want him now, right now."

I told Gene, I said, "I think we had better get up there. It sounds like everybody's mad."

We went up there. We had the office -- they just started -- it was a big commotion, you know, who gave us the right to do this, and take drivers out of Teamsters Local 560 and put them in Teamsters Local 84 and who told you to do it.

To make a long story short, we were told that, okay, we are going to let this thing run the way it is now, but the minute that contract is up, these drivers come back to Teamsters Local 560 and we are not to pull that anymore. We are not to move any of 560's drivers around.

MR. HARMON: Now you described here a nationwide scheme involving collusion of Teamster officials around the country along with some very large

corporations.

Did the Boffa companies also operate in Ohio during the mid '70s?

MR. RISPO: Yes, sir.

MR. HARMON: Did Eugene Boffa know Jackie Presser who is now president of the International Brotherhood of Teamsters?

MR. RISPO: Yes, sir.

MR. HARMON: Was there a situation which you can describe where Mr. Presser had a role to play in a union grievance proceeding which occurred in Ohio and which concerned one of the Boffa companies?

MR. RISPO: I think you are talking about, sir, is I had a meeting -- I had a grievance hearing.

MR. HARMON: What were the circumstances that led up to that?

MR. RISPO: I had -- I was going down to present grievances in Columbus, Ohio. And I had to meet a gentleman out there by the name of Ed Strickland, Teamsters Local 20. And Gene had given me an envelope Robert had given me an envelope to give to Strickland, all right. And Gene called me in the office and he said, "Well, you're going to be down there. While you are down there, all right, --" he took an envelope and

he said, "I want you to give this to Jackie Presser, all right?"

So I said, "Fine. I'm down there anyway. If he is there, I will give it to him."

MR. HARMON: Did Gene Boffa tell you what was in the envelope?

MR. RISPO: Yes, sir, he told me it was money to give to Jackie.

MR. HARMON: Did you actually see it?

MR. RISPO: No, sir, I never opened the envelope.

MR. HARMON: So that you were given by Gene Boffa prior to going to Columbus, Ohio, two envelopes; one for Strickland in Local 20 and one for Jackie Presser, is that right?

MR. RISPO: Yes, sir.

MR. HARMON: Did you then go to Columbus, Ohio?

MR. RISPO: Yes, sir.

MR. HARMON: Would you describe what took place there?

THE WITNESS: I had the grievance hearing and, naturally, we won the hearing; the drivers were terminated.

I went down to the bar to talk to Strickland. And me and Strickland -- the reason why it stands out, me and Strickland were talking about it and I was kind of joking with him, "I beat you again," and all of this stuff. And out from behind him steps this driver, the one that we had just terminated. And this driver starts cursing me and he is cursing Strickland. He says, "These guys are pretty good." And he is using all kinds of foul language.

Then he turned around and said that -- you know -- he said he would have to get some of his buddies and come back and work us over.

So I figured the best thing to do was to pack up and split. So in the meantime I got Jackie to come in, I got a hold of him. I gave him his envelope. I said, "Gene told me to give this to you." And I went about my business. I'm upstairs, got everything, got in the car and left.

And I went back because I figured this driver is going to come back and there will be a lot of commotion; somebody is going to get locked up.

MR. HARMON: Did Gene Boffa speak to you after you had given this envelope to Jackie Presser in Ohio?

MR. RISPO: When I got back to New York maybe a week later or something like that, Gene called me in his office and asked me what was the problem out there, what did I say or what did I do, you know, what was all of this commotion.

I said, "I didn't cause any commotion." I said, "What was the matter?"

What it all boiled down to, from my understanding of what Gene was saying, is that Gene is never to do that again or give me anything to give to -- for example, at that time, it was Jackie, this here -- I call him Jackie, I don't know him that well, Mr. Presser, to give him that money or give him an envelope.

MR. HARMON: As best you recall as of now, Mr. Rispo, did this incident occur sometime during the course of the mid 1970s?

MR. RISPO: To the best of my recollection, yes, it did.

MR. HARMON: Mr. Chairman, the staff has done some investigation in order to determine the precise date of this incident. As of now, since the precise date, the exact date, is still under investigation, it's appropriate to preserve our further options not to disclose what appears to be a precise date as of this

point.

Now was this the only time that Jackie Presser had any connection with one of the Boffa controlled companies?

MR. RISPO: Well, it was the only time that he came -- that I came into direct contact with him, but there were other times when we had problems in different places and Gene would tell me that he called Jackie, referring to Mr. Presser, and he would get this straightened out or that straightened out.

MR. HARMON: Now was there a situation with Ready Central Mix Concrete in Ohio which concerned Jackie Presser?

MR. RISPO: Yes, we were having a problem with a local out there. We were taking over the Concrete Drivers in Ohio, the whole association. And it was, you know, high dollar job. We were going to wind up with maybe a thousand drivers.

We were trying to make this thing work. The first thing we did, the company shut down so we put all of the drivers out of work. So we shut the company down, got all of the drivers out. Then we went to the local and made them close it. Told the local how we were going to work it; that we were going to be the leasing

company. The drivers -- basically we explained the whole scheme to the local.

I don't remember the local's number, but I'm pretty sure it's a matter of record. The local started raising all kinds of hell and said, "No way." These guys are going to go back to work and the right seniority and the whole bit.

Gene said he would get a hold of Jackie Presser to talk to this guy to get it straightened out, all right? And supposedly he did get a hold of Jackie and Jackie was supposed to straighten it out. But in the meantime while they were straightening things out, the local union was getting us all arrested and serving us all subpoenas to run us out of Ohio, which he did.

MR. HARMON: Presser's intervention didn't work in that case, is that right?

MR. RISPO: No, this gentleman -- I don't really recall his name, but I can remember all of the commotion. He said no way he was doing anything for any of us.

MR. HARMON: Did Eugene Boffa also have Jackie Presser intervene in a situation in Van Wert, Ohio, when a union official, Robert Groves, said that his payoff in a labor leasing scheme there wasn't what it should have

been?

MR. RISPO: Yes, sir.

MR. HARMON: Would you explain that?

MR. RISPO: Well, Van Wert, Ohio, there was a Continental Can installation. And we were going to change the drivers. We were going to take them from one of our companies into another company so that we can get a lower contract and break up the Master Freight contract.

And Robert Boffa was handling it with a gentleman by the name of Bob Groves.

And they called me into the office, him and Gene, and said, "Okay. Everything is set. Go out there and just make the switch."

So I said, "Okay." So he sent out letters to Universal Coordinators to terminate all of the drivers. I terminated them. I fired all of the drivers.

Once they were fired, the next step was I took the plane and we went down there and then we started trying to rehire the drivers, put them on cheaper contract. We were Countrywide Personnel, I think, with Chicago; that is who we represented ourselves as such, all right? And I had the contract. It was supposed to be all down pat. It was just a matter of putting on a

little show for members and then Mr. Groves was going to go along with it.

MR. HARMON: Was that a term that you used within the Boffa companies, "putting on a show for the members"?

MR. RISPO: Yes.

MR. HARMON: What was the purpose of putting on a show for the members?

MR. RISPO: It looks like the union was arguing. I mean we would stand around and scream at each other and threaten to close the company down and everything else. Naturally, the union head there would get all kind of credit even though the guy got cheated. They would still think he was fighting like hell for us.

MR. HARMON: The deal was set in advance?

MR. RISPO: That was all done. It was over and done with. The membership had nothing to say about the outcome one way or the other.

But anyway Gene -- Robert and Gene told me this guy was going to sign us all up; everything was fine, it was all taken care of.

Me and Jackie -- me and Bob Rose got into this discussion in front of these guys, but then they got away from the show and started getting a little heavier,

you know, threats back and forth, hollering and screaming. So we excused ourselves for a minute and went in another room.

I said, "Rose, what the hell are you doing? You know, you can drag this thing out for two weeks. Let's get this paper signed, you know, get this thing over with. I want to go home."

He said, "No. Look, get a hold of Robert. He knows what is going on," meaning Robert Boffa. I get a hold of Robert, right. He said, "Robert was supposed to send me something, but I didn't get all of it."

MR. HARMON: So Groves was complaining his payoff was short then?

MR. RISPO: That is what I found out later; it was a payoff. So he didn't want Gene to know. So he said to me, "Don't go telling Pop this and that."

So we were trying to deal with this guy and can't deal with him. So finally I tell Gene. So Gene said, "All right," he said, "Let me make calls. I'll reach out and get a hold of Presser, all right?"

To make a long story short the switch all went through, everything was over and done with. And I got back up to New York and me and Robert went at it. And Robert swore up and down -- he said I told his

father that I skimmed off the gross.

I never said a word about it to his father. It must have been this Presser intervened. He must have told Presser and Presser told Gene; I guess that's how it worked.

MR. HARMON: And what was the result of that?

MR. RISPO: The result was everything worked along smooth. Everything was over and done with. We switched the drivers.

MR. HARMON: Switched them from what to what?

MR. RISPO: We took them from Universal Coordinators Master Freight and we give them Countrywide Personnel of Chicago.

Now they were earning \$5.50 an hour. I think we dropped them a half dollar in rate. The overall package, I think, come to something like -- they lost a little bit over \$2 an hour, the overall package, the benefits, and health and welfare, and clean-up time, stuff like that.

MR. HARMON: Was this reduction in wages and benefits, was that discussed with Continental Can corporate management?

MR. RISPO: Well, see in order to understand how it works, we don't make up the pay scale. The

corporation makes up the pay scale. They tell us what they'll pay in that area.

Like they may say, all right, I'm going to put five trucks in Chicago, all right, but I only want to pay these guys \$6 an hour.

We have to get a contract for \$6 an hour for these guys to start this operation. See it has to be going back to the same thing. It has to be a full circle or else this whole thing won't work.

MR. HARMON: Did you use exclusively Teamster union, Teamster locals around the country, as part of the labor leasing scheme?

MR. RISPO: No, sir, we used various independent unions. We used BRAC, the Brotherhood of Railway Workers, we used them. In all depended on the situation, what we could get away with.

MR. HARMON: Where did you get the idea for using independent unions?

MR. RISPO: That is way back when I first started with -- when I was first starting to monkey around with labor. My brother had formed an independent union. They called it Independent Teamsters Local 107.

How he got the charter, he come up here to Chicago and see a gentleman by the name of Glimco. And

him and Bobby Marino got this charter to start this local union. And it worked. I mean he made a lot of money with it. They didn't have a lot of members, but they made a lot of money with shakedowns and stuff. It was real easy to do so I formed two of my own.

MR. HARMON: You formed your own?

MR. RISPO: I had two of them, sir.

MR. HARMON: Did you also form an International at some point?

MR. RISPO: Yes, sir, I had an International.

MR. HARMON: These were used as part of the labor leasing schemes?

MR. RISPO: We were in the process of using them. If -- what we were going to use them for -- like somebody wanted to open a company someplace, put in three or four drivers, two or three people, whatever, I would just write up a contract, all right, leave my name off it, and put the secretary-treasurer's name off it, and I would sign for the company.

MR. HARMON: Now, Mr. Rispo, what was the effect of these labor leasing schemes on the union members themselves? You talked about what happened when an operation was closed down, but otherwise, what was the effect on their day-to-day work?

MR. RISPO: Well, I guess the best way to explain it, when I was a kid before I went in the Marine Corp I wanted to be a truck driver because I wanted to be a Teamster because the Teamsters are a big thing, especially in the Philadelphia area. It was a popular thing to be a Teamster. It always meant whatever you did, you got away with it.

They got the best wages, they got the best cars, these guys that drove trucks. I mean that is the picture I had.

But then when we started in with this, the thing that you are doing to the employee, not necessarily the driver, the employee of the leasing company -- today any leasing company that operates in this country I wouldn't take a job with him. If they offered me \$50 an hour as a regular employee, I would take the job because tomorrow I have no job. You have no benefits. You have no seniority. You have no rights. You have nobody to turn to. You can't even turn to the Federal Government because the way the Government's laws are laid out, they don't protect the guy working for the leasing company. We just do away with everything. We do away with the government, the whole bit.

MR. HARMON: Now if the International

Brotherhood of Teamsters at the top had wanted to do something about this at the time, could it have done something?

MR. RISPO: I would say yes, they could police their local unions. And when there is a leasing company involved, I mean look below the surface, don't just look and say, "Hey, Mac, what is Continental Can of Ohio working under?"

And Mac says, "Oh, it's got Master Freight."

Let Mac produce the Master Freight, all right, and then look at the back of it and see if there are any addendums or any white sheets of paper, what we used to call white paper contracts.

Our drivers -- we never gave our driver a copy of the contract. I don't think any of the drivers that ever worked for any of our companies could ever tell you what contract they worked under other than just Master Freight.

MR. HARMON: They weren't given copies of these white paper additions to the contract?

MR. RISPO: They weren't even given copies of the Master Freight that the Teamsters would send us.

MR. HARMON: Is it correct that the dispatchers of these major corporations are the ones that really

did enforce the contract, that hold the employees to the contract?

MR. RISPO: Well, yes, that is -- you see in order to make a contract work the right way the people at the particular installation that worked for the company, the company that we were working for, they had a copy of the contract. So that the dispatchers and the bosses, the trucking bosses, knew what they could enforce and couldn't enforce. On the daily -- see they gave the daily instructions; we didn't. The company themselves gave them the instructions.

MR. HARMON: Now in fact did Department of Labor agents do what you are suggesting here, go below the surface and actually go out into the road and pull over drivers from Boffa leasing companies and ask them what was going on?

MR. RISPO: Yes, when the investigation started, that is when they were starting to grab our drivers here and there and talk to them and ask them questions. Like talk to a guy -- I found out later they talked to a guy in Ohio, said who did he work for. He said, "I work for Universal Coordinators."

"Who's your boss?"

"Bobby Rispo and Eugene Boffa."

Then they talked to one in California and said, "Who do you work for?"

"I work for Countrywide of Chicago.

"Who is your boss?"

"Bobby Rispo and Eugene Boffa."

The Labor guys were starting to put the whole thing together that all of these various companies are running around and all of these different contracts, but it's always the same people that are involved that is the head of the thing.

MR. HARMON: Were pension fund payments to the International, were they from time to time delayed by the Boffa companies?

MR. RISPO: Yes, that was one of Gene's favorite tricks, to delay paying it because he said, "Where else could you get a loan for two or three percent?"

You are talking -- if you had 200 drivers -- I think at that time it was like \$17 or \$18 a week plus health and welfare, all right. You are talking about a few thousand dollars in the course of a month you could monkey around with. And then when you have got to give it back, you give it back, you gave back one or two percent. It's no big deal, but you could use

it in other ways.

MR. HARMON: Now if you had the chance, Mr. Rispo, to ask some of these representatives of these large companies some questions about their dealings with you, how would you pose those questions, Mr. Rispo?

MR. RISPO: Well, I guess at this point in my lifetime I wouldn't say I'm getting holy or anything, but I'm guess I'm getting a little mellow. And as I look back and think about the different things that happened, I think the corporation has an obligation to the people that work for them. I think that they should protect their employees just like they want their employee to protect their truck or their piece of machinery.

I think if companies like Crown Cork and Seal, and Continental Can and Coca-Cola, and various companies like that, I think if they would have investigated us at that point, because half the people they were dealing with had police records, if they would have investigated us and seen what type of a company it was, and who they were dealing with, okay?

And like I understand the last time that this thing came about, everybody in the company denies knowing anything, but that is not true. And I feel that the

Government's obligation there is to look into the corporation to stop this once and for all because it's just going to keep going on and on and on. We'll be here for the next ten years going back and forth if it doesn't stop now.

The corporation is the biggest part of this and I would ask the corporate head why, why do you deal with these people, all right?

So his answer -- I'll tell you his answer now. His answer is because I save money, right?

So I say you save money? You give this guy nine percent of a million dollar a year payroll, all right, you give him nine percent, you are saving money?

Oh, in the long run I save money.

But that is not the answer. The Government should look a little bit further. The Government should turn around and say, isn't it true you also go back to plantation days, that you can do anything you want with these drivers, you can move them anyplace you want, you can get rid of them, you can refuse to let them on your property. We had that incident at Continental Can. We had a driver that really did nothing wrong. I felt bad for the guy. They refused to let him on the property to drive the truck. Later on they turned around and

tell me to offer him a job in South Carolina. The guy lived in New York.

MR. HARMON: Explain that.

MR. RISPO: They had a loud mouth up there; that is what he was considered. He was always -- what I mean by a loud mouth, this guy wanted what he was entitled to. So he was a loud mouth; he was a trouble-maker.

He wanted to clean his windshield and he wanted to be paid for it, stuff like that.

So to make a long story short, we had to get rid of him. His first name was Ron. I can't think of his last name. Anyway, we had to get rid of him so we did. We went in there, terminated him, right. So he was a little educated, right? He said he was going to go to the Labor Board.

So I said, "Okay." So I called Ed Feshkin, Crown Cork and Seal in Philadelphia. I said, "Look, I have got a situation here. I have a driver from Continental Can that I had to dump off the list, but he is going to the NLRB. Instead of me getting all involved with these hearings in the NLRB, give me a job someplace in the country where I could send this guy. I'll offer it to him."

He said, "All right. Tell him he can work for Crown Cork and Seal of South Carolina."

I said, "All right." So I got on the phone, sent a telegram to his house, "Monday morning, 8:00 o'clock, report to Spartanburg, South Carolina, going to work for Crown Cork and Seal." I signed it "R.D. Rispo, Director of Personnel."

MR. HARMON: Where had he been living at that point?

MR. RISPO: He was living in New York or New Jersey.

MR. HARMON: The offer that was given to him, was that you continue working as long as you move from New York to Spartanburg, South Carolina?

MR. RISPO: But he had to do it that week.

MR. HARMON: You needed -- in order to accomplish this, you needed both the cooperation of Crown Cork and Seal as well as Continental Can, correct?

MR. RISPO: Yes, sir. But to make a long story short, the guy wouldn't go. So he filed with the NLRB. And the way the NLRB reads it with a leasing company, because they don't understand a leasing company either, they read it and everything, they awarded it to me because I was right; I offered the guy a job.

So the guy lost everything. Now that he was blackballed he wasn't working nowhere.

MR. HARMON: Excuse me one second, Mr. Rispo, while we give the reporter a chance to change her paper and I would like to address you.

If I can ask you one final question, Mr. Rispo. It sounds like you don't find that the National Labor Relations Board is effective where there is an organized crime influence in labor racketeering. And I would like to draw your attention back to the problem that you started discussing with the truck of live lobsters running around the block, and your showing up on the scene saying you represented Local 107, and you had a bunch of employees signed up when, in fact, you had none and, in fact, you didn't represent Local 107.

Can you make any suggestion to the Commission that would permit very quick action to prevent these kinds of shakedown schemes?

MR. RISPO: Well, the way we used to use the law, all right, the way I would block the law, the same law that we used to use, see, in order to strike a place and to get recognition you had to have at that time it was 55 percent of the cards. And the company has to wait until they get a hearing with the NLRB and have

me produce these cards, all right? And everybody has to agree these are the cards that these people signed and they do want to be represented, all right?

But this can take anywhere from one month to two months. Meanwhile this guy stays on strike, all right, because the letter of recognition is legal. If he don't sign it, we strike him as the bargaining agent.

The thing I would do, I think, is I would enact -- years ago we had a labor squad they called it in Philadelphia, city police, but I would enact a Federal labor squad. The only thing is I would give them the authority.

And if something like this happened where I walked in and said, or anybody else said, "Here is a letter of recognition," all right, that this employer -- and plus the employee both have a recourse that they can contact this agency and explain to him what is going on down there. Like, "I can't go into work. There is a guy out here that says I joined the union. I never even talked to him."

Now I would ask this guy -- this employee get involved himself. The Federal Government would send out these people to look into it -- I mean look into it the

same day because it is a crime, just like an accident where you send a cop to an accident, you would send these guys to the picket lines and find out what is going on. And you get the union and you get the employer and the employees and find out. And you would cut this, see?

Then when a guy like me has to go in in front of somebody and I have to swear that these cards weren't written by me, but they were written by these employees, all right, you are looking at perjury, ten years for perjury, right, you would think twice about putting up phony cards. The Federal Government could be right on top of the whole thing and stop it before it ever starts.

MR. HARMON: Thank you, Mr. Rispo.

No further questions of this witness, Mr. Chairman. He is prepared to answer questions from the Commission.

ACTING CHAIRMAN SKINNER: Yes, Commissioner Sclafani.

COMMISSIONER SCLAFANI: Thank you, Mr. Chairman.

Mr. Rispo, could you please tell us at what date did you stop working with Mr. Boffa?

MR. RISPO: I believe it was 1978, I think it

was. Wait a minute.

COMMISSIONER SCLAFANI: That you ceased your relationship with him?

MR. RISPO: That went on right up to the time the trial started.

COMMISSIONER SCLAFANI: Which was when?

MR. RISPO: 1981.

COMMISSIONER SCLAFANI: You mentioned that the number of companies that you and Boffa did business with, such as Continental Can, J.C. Penney, Spiegel's, GAF, Coca-Cola, knew that they were doing business with Mr. Boffa. How did they know that?

MR. RISPO: That is who they paid.

COMMISSIONER SCLAFANI: Him directly?

MR. RISPO: No, sir. No, ma'am. They paid his company. And he was called whenever there was a problem or whenever anything had to be done. We had three different phones in the office. One was Countrywide Personnel. The other one was Universal. And the other one was all purpose. Depending on which company was calling, that is how you answer the phone.

COMMISSIONER SCLAFANI: So these corporation officials then dealt directly with Mr. Boffa?

MR. RISPO: The higher-ups in the corporation

would deal direct with Gene. I was down like on the level with like this guy Kelley. I was just one of the little guys in there. Didn't do me no good. I'm still here.

COMMISSIONER SCLAFANI: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Rowan.

COMMISSIONER ROWAN: How many people would you say were employed across the country by these leasing companies at their peak?

MR. RISPO: The leasing companies at their peak?

COMMISSIONER ROWAN: Yes.

MR. RISPO: I would have to say it had to be in the thousands.

COMMISSIONER ROWAN: Thousands?

MR. RISPO: Maybe a couple thousand. I really don't have the figures. It's a lot of years.

COMMISSIONER ROWAN: We are not talking about any challenge to the Teamster membership. We are not talking about hundreds of thousands of people?

MR. RISPO: Oh, no, ma'am, no. You are not talking about hundreds of thousands of people.

COMMISSIONER ROWAN: You said that you thought the companies and the Government had an obligation to

examine these leasing companies. What about the unions? Don't the unions have an obligation to look at this rape of their people?

MR. RISPO: I think maybe along the line there -- maybe I didn't come across the right way. The union was working with us.

COMMISSIONER ROWAN: I understand that.

MR. RISPO: If they are working with us, why would they investigate us? We wouldn't investigate them.

COMMISSIONER ROWAN: That is the point. The labor management system is supposed to be set up with some tension between labor and management. They are not supposed to be hand in hand through an intermediary.

Were there no unions which investigated and refused to allow these leasing companies to take over? You told us about some locals. I'm talking about Internationals.

MR. RISPO: No. The Teamsters was an International union with local branches, so is the AFL-CIO; it has locals throughout the country. You are talking about a other union, like a big union like the Teamsters AFL. There is none.

The machinists come under AFL. It all comes

under two different unions.

COMMISSIONER ROWAN: What you are saying to us  
at the International was working hand in hand with  
the leasing companies and the locals and their members  
didn't have a hot?

MR. RISPO: Well, again, like I said, every-  
body was working hand in hand. It went from the union  
to the corporation to the leasing company, and the end  
result, bottom line, is the driver gets shafted. In our  
instance it was drivers. It wasn't store employees or  
whatever.

COMMISSIONER ROWAN: Are these leasing com-  
panies still in existence?

MR. RISPO: At the present time the company  
that I worked for is still operating today.

COMMISSIONER ROWAN: Whose heading it?

MR. RISPO: A fellow that is away, I under-  
stand.

COMMISSIONER ROWAN: The fellow that is away,  
is that Mr. Boffa?

MR. RISPO: I don't think I should get into  
that; that has nothing to do with me.

COMMISSIONER ROWAN: He is heading it, whoever  
it is that is heading it, is in jail?

MR. RISPO: Yes, ma'am.

COMMISSIONER ROWAN: Thanks.

ACTING CHAIRMAN SKINNER: Commissioner Manuel.

COMMISSIONER MANUEL: Mr. Rispo, to the best of your knowledge, how much money did Russell Buffalino realize as a result of your scheme, the scheme you have described here today?

MR. RISPO: I couldn't even begin to tell you that, sir.

COMMISSIONER MANUEL: You don't have any estimate?

MR. RISPO: No, sir, I have no way of estimating it.

COMMISSIONER MANUEL: How about Tony Provenzano?

MR. RISPO: I have no way of telling you dollarwise anywhere near the dollar.

COMMISSIONER MANUEL: Would the same be true of Roy Williams or Jackie Presser, two other people you have mentioned here today?

MR. RISPO: Again like I said, I have no personal knowledge or right to say -- I couldn't sit here at this time and say Roy Williams got \$30,000 a year, I couldn't do that because I would be lying.

COMMISSIONER MANUEL: But you know he got something?

MR. RISPO: Yes, sir, I just knew that there was money transactions, but amounts I knew nothing about.

COMMISSIONER MANUEL: Okay. Thank you.

COMMISSIONER METHVIN: Mr. Chairman?

ACTING CHAIRMAN SKINNER: Yes, Commissioner Methvin.

COMMISSIONER METHVIN: I would like to just note that this witness' testimony was corroborated at the trial of Frank Sherran because the FBI played tapes made with a body mike by another informant, Charles Allen, who was working for Frank Sheeran. And Sherran was recorded telling Charlie Allen how the scheme worked and explained to him that he gave half of his income to Russell Buffalino. So half of the percentage that Sheeran got went to Russell Buffalino.

Mr. Rispo, can you tell us -- can you give us an idea -- you said, I believe, a couple of thousand Teamster union members were involved in the Boffa companies across the nation?

MR. RISPO: Yes, sir.

MR. METHVIN: How many were involved under the Brotherhood of Railway and Airline Clerks?

MR. RISPO: I enacted that contract. The furthest that I could go is I would say that roughly it was 25 guys when we first got hooked up with Mr. Fitzgibbons, when we went to him with the proposal to initiate, "We'll give you members, if we can write our contract." But, again, that is another case. We gave him members; he signed the contract.

COMMISSIONER METHVIN: But you sent him additional contracts with additional numbers of people?

MR. RISPO: I was just saying at the time that I was there the best that I knew of personally was about 25 people I think I put in his local.

COMMISSIONER METHVIN: You mentioned one company, I believe, where the total savings to the company on its employees amounted to about \$6 an hour, was it?

MR. RISPO: No. I said total package might come around \$2 an hour.

COMMISSIONER METHVIN: \$2 an hour.

MR. RISPO: When you start with the total package.

COMMISSIONER METHVIN: Can you give us a rough general estimate of the total value that the companies save on their payrolls per worker?

MR. RISPO: Well, like I said, per worker, if

you look at the Master Freight contract, they would get 15 minutes, for example, to check their truck, wipe their windshield, stuff like that and they get paid for it.

You take Continental Can had 200 drivers in the system. If we took that 15 minutes in the morning and that 15 minutes in the afternoon, we took that away from the drivers. That was a half hour per day, all right, per man. So that comes to 100 working hours, comes to 500 working hours a week, all right? And \$6, \$7, \$8 an hour you are talking about a couple thousand dollars a week just on a little thing like a windshield or fueling the truck.

COMMISSIONER METHVIN: Mr. Rispo, what happened to safety standards on these trucks under these contracts?

MR. RISPO: The workers drove the truck regardless of what was going on with the truck. Under the National Freight contract, and I imagine there are a lot of Teamsters making faces, it was a good contract where they would -- you can't drive a truck because you have a crack in the mirror, crack in the windshield, light is out, something like that.

Well, that works with reputable companies, but with our company you drove the truck no matter what was

going on. You drove the truck or you didn't work. So you went home; it was that simple.

ACTING CHAIRMAN SKINNER: Commissioner Hope.

COMMISSIONER HOPE: Mr. Rispo, you said you dealt with middle management people at the companies that employed the workers that were under your control. Did these middle management people know that payoffs were going to people like Provenzano and Buffalino and Presser and Williams?

MR. RISPO: Yes, ma'am, I would say that they know because it was a common discussion.

COMMISSIONER HOPE: What about the upper management in these companies that were dealing with Mr. Boffa, do you have any opinion as to whether they knew where payoffs were going?

MR. RISPO: In order -- you know it sounds repetitious, but in order for it to work everybody had to know. And the corporate heads could have put a stop to it any time at all. I mean the middle class people I dealt with; Gene didn't deal with, all right, Mr. Boffa, okay. He dealt with the big shots, okay, the corporate heads, that is who he dealt with, all right. They had to know what was going on because if they didn't know it would never have got down to my level

to make the thing work. Everybody had to be aware and everybody had to be in on it.

COMMISSIONER HOPE: There wasn't any question, was there, that these people like Mr. Provenzano and the others were connected to organized crime?

MR. RISPO: No, ma'am, never was a question about it.

COMMISSIONER HOPE: And what about the local law enforcement people or the Federal law enforcement people, was there ever any payoff, ever any cooperation with them that you are aware of?

MR. RISPO: No, ma'am.

COMMISSIONER HOPE: So it was handled with the three groups: your group, the union and the management?

MR. RISPO: Yes, ma'am.

COMMISSIONER HOPE: Thank you. I don't have any further questions.

ACTING CHAIRMAN SKINNER: Commissioner Rowan has one more question.

COMMISSIONER ROWAN: Sorry, Mr. Rispo. Tell me whether you have -- whether you know a gentleman named R. Phillips Silver?

MR. RISPO: Not to the best of my knowledge, no.

COMMISSIONER ROWAN: Now president of the Continental Can.

MR. RISPO: No, ma'am.

COMMISSIONER ROWAN: You didn't know him at any stage?

MR. RISPO: Like I said, I never dealt with the big people.

COMMISSIONER ROWAN: He is now president. I assume he came up through the company.

MR. RISPO: I didn't bump into him going through the company.

ACTING CHAIRMAN SKINNER: Commissioner Dintino.

COMMISSIONER DINTINO: Mr. Rispo, if I may, I am from the State of New Jersey. I am very familiar with your background and Bobby Marino and I will get into a few areas other than what you testified today.

You stated you started about 20 years ago with 470, I believe, Teamsters?

MR. RISPO: Yes.

COMMISSIONER DINTINO: You started out as a goon?

MR. RISPO: Yes.

COMMISSIONER DINTINO: Exactly -- describe that a little bit. What did you do?

MR. RISPO: Well, I was in the process of getting a book when I come out of the Marine Corp. Seeing as how you are familiar with Jersey, then you know the way the system worked: You had to have the job to get the book and the book to get the job, the union card?

COMMISSIONER DINTINO: Yes.

MR. RISPO: Well, one of my brothers at that time was involved, Johnny, was involved real deep with the unions, all right? And odd jobs would come up here and there. Like they were trying to organize a place or something like that there, they wanted to put somebody on a picket line, all right, it would consist of that. If somebody tried to cross the picket line, you stop them from crossing the picket line.

COMMISSIONER DINTINO: How did you stop them from crossing the picket line?

MR. RISPO: Well, sir, you said you know my background so evidently --

COMMISSIONER DINTINO: Were you a boxer at one time?

MR. RISPO: No, I wasn't a boxer.

COMMISSIONER DINTINO: You were partners with Bobby Marino, you were good friends with him, Big Bobby Marino?

MR. RISPO: Yes, I was.

COMMISSIONER DINTINO: Would you describe his size?

MR. RISPO: Big Bob, he was about six foot seven, weighed about 330, 340 pounds.

COMMISSIONER DINTINO: Isn't it the truth that you and Bobby were musclemen and that you roughed people up on quite a few occasions?

MR. RISPO: I just got done saying that; that is how I started.

COMMISSIONER DINTINO: Did you enjoy it?

MR. RISPO: I also said that, sir, I never enjoyed it.

COMMISSIONER DINTINO: Okay. You mentioned Angelo Bruno. Did you know him personally?

MR. RISPO: Yes, sir, I met him on several occasions.

COMMISSIONER DINTINO: You also said you reported to Harry Ricobeen, is that correct?

MR. RISPO: Little Harry.

COMMISSIONER DINTINO: Did you know Phil Testa?

MR. RISPO: Yes, sir.

COMMISSIONER DINTINO: Frank Sindone?

MR. RISPO: Yes, sir.

COMMISSIONER DINTINO: How did you know these people?

MR. RISPO: It was a group of people I was working through.

COMMISSIONER DINTINO: All right. Now Bobby Marino was connected with Local 107?

MR. RISPO: Yes, sir.

COMMISSIONER DINTINO: Were you familiar with Local 107, the Hotel and Bartenders, Waiters out of Camden?

MR. RISPO: Yes, sir.

COMMISSIONER DINTINO: Were you familiar with Joey McCreo (phonetic), the president of that union?

MR. RISPO: Yes, sir.

COMMISSIONER DINTINO: And he was killed about ten years ago on Christmas Eve, shot in the back of the head. Are you aware of that homicide?

MR. RISPO: I read about it.

COMMISSIONER DINTINO: Did you have any personal knowledge of that homicide?

MR. RISPO: No, sir, I didn't.

COMMISSIONER DINTINO: Have you ever been involved in any homicides?

MR. RISPO: You mean have I ever been convicted of homicide?

COMMISSIONER DINTINO: Have you ever been involved in any homicide?

MR. RISPO: I don't understand. Directly involved?

COMMISSIONER DINTINO: Did you ever commit any homicide?

MR. RISPO: No, sir.

COMMISSIONER DINTINO: Do you have any knowledge of anybody committing homicides?

ACTING CHAIRMAN SKINNER: I think at this point, Commissioner, the staff has indicated to me that there are certain matters that are pending; that this line of questioning at this time is not appropriate. The staff has asked that you tender your questions to staff who is working with this witness.

COMMISSIONER DINTINO: One other question. You mentioned something about you had some problems in Pennsauken at an airport. Are you talking about the airport circle in Pennsauken?

MR. RISPO: No, sir, I talked about they picked me up at the airport.

COMMISSIONER DINTINO: I see. Would you

happen to know a location called Rochester Tuxedos?

Would you be familiar with that?

MR. RISPO: Rochester Tuxedo?

COMMISSIONER DINTINO: Yes.

MR. RISPO: Not right off the top of my head,  
no.

COMMISSIONER DINTINO: Were you ever involved  
in loansharking?

ACTING CHAIRMAN SKINNER: Well, Commissioner  
Dintino, I think we have about exhausted this line of  
questioning. And we are running short of time, so this  
witness -- let me say we appreciate your cooperation  
today and providing us information that is significant.  
And on behalf of the Commission I thank you.

Seeing no further questions the witness is  
excused.

(Witness excused.)

MR. RYAN: May I call the next witness, Mr.  
Chairman?

ACTING CHAIRMAN SKINNER: Please call your  
next witness.

MR. RYAN: The Commission calls Samuel Solomon.

I would say, as Mr. Solomon is coming to the  
table, he is represented by able counsel today. Mr.

Allen Zagas of West Orange, New Jersey.

SAMUEL SOLOMON

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Mr. Solomon, would it be correct to say that you are not a volunteer here today?

MR. SOLOMON: Yes.

MR. RYAN: You have been subpoenaed here?

MR. SOLOMON: Yes, sir.

MR. RYAN: How long have you been in the labor leasing business?

MR. SOLOMON: About eight or nine years.

MR. RYAN: Do you know Eugene Boffa, Sr.?

MR. SOLOMON: Yes, sir.

MR. RYAN: Do you know Robert Boffa?

MR. SOLOMON: Yes, sir.

MR. RYAN: Do you know Eugene Boffa, Jr.?

MR. SOLOMON: Yes, sir.

MR. RYAN: Were these persons who you worked for in the course of your labor leasing career?

MR. SOLOMON: Yes, sir.

MR. RYAN: You are still working in the labor leasing field, are you not?

MR. SOLOMON: Yes, sir.

MR. RYAN: What company do you work for now?

MR. SOLOMON: Employers Resources, Incorporated.

MR. RYAN: Where is that located?

MR. SOLOMON: Elmwood Park, New Jersey.

MR. RYAN: What is your position with Employers Resources?

MR. SOLOMON: President and chief executive officer.

MR. RYAN: You are not the owner of the company, are you?

MR. SOLOMON: No, sir.

MR. RYAN: Who is the owner?

MR. SOLOMON: Robert Boffa.

MR. RYAN: Is this the same Robert Boffa who was convicted in the racketeering schemes we have heard described this morning.

MR. SOLOMON: Yes, sir.

MR. RYAN: Where is Mr. Boffa now, not today, but I mean where is he located?

MR. SOLOMON: In Elmwood Park.

MR. RYAN: Was he just released from prison?

MR. SOLOMON: Yes, sir.

MR. RYAN: Very recently?

MR. SOLOMON: About a month ago.

MR. RYAN: During the course of time that he was in prison for the last several years, did he call you on a daily basis to communicate his desires to you as to how the company was to be run?

MR. SOLOMON: Quite frequently.

MR. RYAN: Mr. Solomon, will you name the labor leasing companies you have worked for?

MR. SOLOMON: Universal Coordinators, Countrywide Personnels, probably all of them, National Labor Service, American Labor Service, and Employers Resources.

MR. RYAN: National Labor Services?

MR. SOLOMON: Yes, sir.

MR. RYAN: Diversified Labor Services?

MR. SOLOMON: And Diversified.

MR. RYAN: And when you say that you worked for all of the Countrywide companies, that would be Countrywide Personnel of Chicago, Countrywide Personnel of Corbin, Kentucky, Countrywide Personnel of St. Louis, Countrywide Personnel all over the country?

MR. SOLOMON: Yes, sir.

MR. RYAN: Those were separately incorporated

companies?

MR. SOLOMON: I believe they were.

MR. RYAN: But they were all controlled by the same group of people, weren't they?

MR. SOLOMON: Yes.

MR. RYAN: And they were both named Boffa?

MR. SOLOMON: Yes, sir.

MR. RYAN: Did there come a time when the name Countrywide Personnel became too hot to commercially sell?

MR. SOLOMON: Yes.

MR. RYAN: When was that?

MR. SOLOMON: There was an article in the Wall Street Journal. I don't know what year it was. It was before I came to work for the company, and just about that time.

MR. RYAN: This article by Jonathan Quitney in the Wall Street Journal, did it detail the ties of Eugene Boffa with members of La Cosa Nostra?

MR. SOLOMON: Yes, it did.

MR. RYAN: Did some companies stop doing business with the Boffa companies as a result of those allegations in the newspapers?

MR. SOLOMON: Quite a few.

MR. RYAN: Could you name several of those companies?

MR. SOLOMON: Crown Zellerbach, Inland Container, Westavaco, many, many, others. International Paper was one of the biggest ones.

MR. RYAN: About the time that you had this problem with the names Countrywide Personnel, were you directed to open other labor leasing companies under different names by Eugene Boffa?

MR. SOLOMON: I was, yes.

MR. RYAN: Were some of those companies National Labor Services?

MR. SOLOMON: Yes, they were.

MR. RYAN: Diversified Labor Services?

MR. SOLOMON: No, sir, I didn't do anything with that.

MR. RYAN: That was one company that Robert Boffa controlled?

MR. SOLOMON: Yes, sir.

MR. RYAN: These were not companies that were very active in the labor leasing field at the time?

MR. SOLOMON: No.

MR. RYAN: Was business shifted from the hot companies to these companies with different names?

MR. SOLOMON: Yes.

MR. RYAN: Were the drivers and clients led to believe these were anything more than name changes?

MR. SOLOMON: No, not really.

MR. RYAN: Were other people held out as the corporate leadership, for example, yourself?

MR. SOLOMON: Yes.

MR. RYAN: If these companies had looked hard at these new labor leasing companies, would they have seen the same people and the same owners?

MR. SOLOMON: I am sure they would.

MR. RYAN: Is it correct that some of these same companies are still doing business with Robert Boffa today?

MR. SOLOMON: Yes.

MR. RYAN: During your course of business in the labor leasing field, did companies come to you and say, we want this employee fired, this employee not rehired?

MR. SOLOMON: On occasion.

MR. RYAN: Did Continental Can ever ask you to fire anyone?

MR. SOLOMON: Yes, sir.

MR. RYAN: Would they do that for reasons of

discipline and because the person was a bothersome employee?

MR. SOLOMON: Mostly because he was a bothersome employee.

MR. RYAN: Why would somebody be a bothersome employee?

MR. SOLOMON: In Continental's case the drivers would complain about the equipment they were driving. They would all call me up and tell me it was junk and they wouldn't drive it.

MR. RYAN: On occasion did you get rid of these employees?

MR. SOLOMON: I believe I did.

MR. RYAN: If your client wanted you to, you would do your best to get rid of them?

MR. SOLOMON: I wouldn't fabricate anything. It would probably be something else. I told the drivers to take the truck up the road and then complain it was no good rather than just refuse to drive it. I told them to at least go a mile with it. I am a former truck driver.

MR. RYAN: In 1980 and '81 there were indictments handed down in the case of Eugene and Robert Boffa, were there not?

MR. SOLOMON: Yes.

MR. RYAN: Did some of the accounts go away at that time because of those legal troubles?

MR. SOLOMON: Yes, they did.

MR. RYAN: But some corporations kept on doing business with you?

MR. SOLOMON: Yes.

MR. RYAN: Did the people that you were dealing with in these corporations have any idea that the same employees and the same owners were still around?

MR. SOLOMON: I'm sure they did.

MR. RYAN: Did they inquire deeply into the matter?

MR. SOLOMON: Not really.

MR. RYAN: For example, taking Continental Can, when did Continental Can terminate the bulk of its contract with your company?

MR. SOLOMON: 1983, I believe it was.

MR. RYAN: That would be two years or at least a year and a half after the convictions?

MR. SOLOMON: Yes.

MR. RYAN: Is it true that those agreements and the agreements you had with all of these other corporations could have been terminated at any 30-day

period?

MR. SOLOMON: Yes, sir.

MR. RYAN: Returning to Mr. Boffa's control of the company while he was in prison, did he initially get in contact with you multiple times each day to direct how the operation of the company would go forward?

MR. SOLOMON: Yes, he did.

MR. RYAN: Did he indicate to you that you should put his wife on the payroll?

MR. SOLOMON: Yes.

MR. RYAN: Did you put his wife on the payroll?

MR. SOLOMON: Yes.

MR. RYAN: Did she obtain a salary each week?

MR. SOLOMON: Yes, sir.

MR. RYAN: What was that salary?

MR. SOLOMON: I think it was \$750 a week.

MR. RYAN: What did she do for the corporation?

MR. SOLOMON: She was a clerical worker.

MR. RYAN: How much did you usually pay clerical employees?

MR. SOLOMON: About \$200 a week.

MR. RYAN: So it would be fair to say that Robert Boffa controlled those corporations?

MR. SOLOMON: Yes, sir.

MR. RYAN: Did Mr. Robert Boffa and his brother Eugene direct that certain large payments be made allegedly as legal fees that Eugene Boffa, Jr., had done for the firms that you worked for?

MR. SOLOMON: Yes.

MR. RYAN: Did you in fact authorize those checks to be paid out?

MR. SOLOMON: Yes.

MR. RYAN: For example, did you write a check for \$72,500 to Eugene Boffa at approximately the last day of 1984?

MR. SOLOMON: Yes.

MR. RYAN: Were those for services that he had rendered the corporation?

MR. SOLOMON: I didn't think so.

MR. RYAN: So in effect the money was just being taken out of the corporation and given to a member of the Boffa family?

MR. SOLOMON: Yes.

MR. RYAN: It would indicate some amount of control over that corporation, wouldn't it?

MR. SOLOMON: Yes.

MR. RYAN: Was there a time when your labor leasing company bought a \$25,000 automobile for Eugene

Boffa, Jr.?

MR. SOLOMON: Yes.

MR. RYAN: Was that while Mr. Robert Boffa was in prison?

MR. SOLOMON: Yes, sir.

MR. RYAN: Did he do anything for that car? Did he perform any work for you that would merit you having given him that automobile?

MR. SOLOMON: No, sir.

MR. RYAN: Did Employers Resources, Inc. make a "loan" of \$19,000 to Robert and Barbara Boffa in 1984 to cover their debts to the Internal Revenue Service?

MR. SOLOMON: Yes.

MR. RYAN: Was that loan ever repaid to the best of your knowledge?

MR. SOLOMON: No, sir.

MR. RYAN: Mr. Solomon, would you tell me are there any companies today that did business with Eugene Boffa and Robert Boffa before the time that Jonathon Quitney's article ran, between the time of that article and the indictment of the Boffas through their conviction and into today?

MR. SOLOMON: Yes.

MR. RYAN: Could you tell me the name of one

of those corporations?

MR. SOLOMON: Continental Can.

MR. RYAN: Another one.

MR. SOLOMON: Crown Cork and Seal.

MR. RYAN: I have no further questions for  
this witness.

ACTING CHAIRMAN SKINNER: Commissioner Hope.

COMMISSIONER HOPE: Mr. Solomon, what did you  
get out of these leasing companies? What was your  
weekly salary, monthly salary?

MR. SOLOMON: A thousand dollars a week.

COMMISSIONER HOPE: And has your relationship  
with these companies terminated or are you continuing?

MR. SOLOMON: It's being terminated at the  
end of the month. I have the resignation in my pocket.

COMMISSIONER HOPE: Do you have any idea how  
Mr. Boffa was able to communicate with you many times a  
day from prison? Do you know how that worked?

MR. SOLOMON: He would call collect.

COMMISSIONER HOPE: He had access to a tele-  
phone?

MR. SOLOMON: Yes, ma'am.

COMMISSIONER HOPE: Did you ever get any in-  
structions from anyone else on how to run these leasing

contracts?

MR. SOLOMON: No, ma'am.

COMMISSIONER HOPE: Did you ever have any relationships with or discussions with organized crime figures like Mr. Provenzano or Mr. Buffalino?

MR. SOLOMON: No, ma'am.

COMMISSIONER HOPE: How about Mr. Presser, Mr. Williams?

MR. SOLOMON: No, ma'am, never met them.

COMMISSIONER HOPE: You just took your instructions from Mr. Boifa in prison?

MR. SOLOMON: He didn't instruct me totally how to run the business. He would just say pay his wife or buy a car for his brother. I ran the business myself.

COMMISSIONER HOPE: How did you first get involved in the business, Mr. Solomon?

MR. SOLOMON: I was a truck driver at Universal Coordinators, and Bobby Rispo quit and I just happened to be in the office and he asked me to stay there for a couple of weeks and I have been there ever since.

COMMISSIONER HOPE: Okay. I don't have any further questions.

ACTING CHAIRMAN SKINNER: Mr. Ryan.

Oh, I'm sorry. Commissioner Rowan.

COMMISSIONER ROWAN: During the time you were president and CEO of Employers Resources, after the conviction and before Continental Can terminated, with whom were you dealing at Continental Can?

MR. SOLOMON: Mr. Boffa. Oh, I'm sorry, Continental Can? I only spoke to Mr. Kelley two or three times in the eight or nine years. Generally I would speak to the terminal manager.

COMMISSIONER ROWAN: You never spoke to anyone higher up in the company?

MR. SOLOMON: Only Mr. Kelley a couple of times.

COMMISSIONER ROWAN: Do you have any reason to know whether the higher-ups in the company knew the relationship of Kelley and Continental Can with these Boffa companies?

MR. SOLOMON: How high do you want to go?

COMMISSIONER ROWAN: Well, how high can you go?

MR. SOLOMON: I can go as high as Mr. Kuster, that's all.

COMMISSIONER ROWAN: Kuster?

MR. SOLOMON: Yes, ma'am. I never met anyone I never spoke to.

COMMISSIONER ROWAN: What was Kuster's

position?

MR. SOLOMON: I haven't got the faintest idea. All I know is Mr. Kelley used to go to Mr. Kuster for -- whatever he went to him for. I know that those two dealt with Mr. Boffa.

COMMISSIONER ROWAN: It's C-u-s-t-e-r or C-o-s-t?

MR. SOLOMON: I think it's K-u-s-t-e-r; I'm not sure.

COMMISSIONER ROWAN: Okay. Thank you.

ACTING CHAIRMAN SKINNER: Mr. Ryan.

MR. HARMON: I have a couple of questions, if I may, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Mr. Harmon.

MR. HARMON: We heard here a documented record of payoffs having been made to labor officials and organized crime figures in the past. At that time, at the time those payments were made, were you aware of them personally, Mr. Solomon?

MR. SOLOMON: No, sir.

MR. HARMON: Today are you in a position one way or another to say whether or not payoffs are being made today to labor officials and, as a result, today being funnelled in the same way to organized crime

figures as in the past?

MR. SOLOMON: No, I'm not. I never made a payoff to anybody and I don't know of any payoffs.

MR. HARMON: If that's being done, you don't know who is doing it, is that what you are saying?

MR. SOLOMON: Yes, sir.

MR. HARMON: Have you had any recent contact with representatives of Crown Cork and Seal as a result of the Commission's interest in this matter?

MR. SOLOMON: Yes.

MR. HARMON: Would you explain that, please?

MR. SOLOMON: Well, they asked me to come in Friday morning.

MR. HARMON: That is this past Friday?

MR. SOLOMON: Yes. And they asked me if anybody in the company knew that Mr. Boffa owned it, their attorney did.

MR. HARMON: Say that again.

MR. SOLOMON: I'm sorry, I got mixed up. I got confused.

The attorney for Crown Cork and Seal asked me if I knew anybody at Crown Cork and Seal that knew that Mr. Boffa owned Employers Resources.

MR. HARMON: And what did they want from you,

the attorneys for Crown Cork and Seal?

MR. SOLOMON: They wanted me to sign a statement that nobody knew that Mr. Boffa owned the company, and I refused to do it.

MR. HARMON: Because it wasn't true?

MR. SOLOMON: That's correct.

MR. HARMON: Now one last question. Has there been any impact on these Boffa controlled labor leasing companies as a result of the Commission's recent interest in this area?

MR. SOLOMON: Yes.

MR. HARMON: Will you describe that, please?

MR. SOLOMON: We got cancelled from Continental Can yesterday. I'm sure I'll be cancelled from quite a few others.

MR. HARMON: Okay. No further questions, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Approximately how many companies cancelled after the newspaper story or the conviction and how many cancelled recently?

MR. SOLOMON: Well, only one, Continental Can cancelled, but I have gotten phone calls. I haven't been in my office in a few weeks. I have talked to some of the customers and they are cancelling.

ACTING CHAIRMAN SKINNER: I guess -- let me put the question another way. What percentage of your business did you lose as a result of the newspaper story and conviction?

MR. SOLOMON: The newspaper and conviction?

ACTING CHAIRMAN SKINNER: Did you lose a half, did you lose a third?

MR. SOLOMON: I'm sure we lost more than half.

ACTING CHAIRMAN SKINNER: A substantial portion of the customers still stayed with the company, at least until recently, from what you have said?

MR. SOLOMON: Quite a few stayed and then we got some new business.

ACTING CHAIRMAN SKINNER: Did any of these new companies refer to in any way, when you were negotiating with them, the earlier problems that the company had had?

MR. SOLOMON: No, they didn't know that Mr. Boffa had anything to do with Employers Resources. I think they were under the impression that I might own the company.

ACTING CHAIRMAN SKINNER: Is that an impression you left?

MR. SOLOMON: I think so.

ACTING CHAIRMAN SKINNER: No further questions.  
I thank you, Mr. Solomon. You are excused.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Mr. Ryan.

MR. RYAN: Sir, I should state for the record that Mr. Solomon was testifying under a grant of immunity this morning. His attorney indicated that otherwise he would -- he would fail to respond based on his Fifth Amendment rights.

I would also say that the Commission issued a subpoena for a deposition to Mr. Eugene Boffa, Jr., who was mentioned here this morning, and he indicated that he would respond by reliance upon his Fifth Amendment rights. He has not been called to this hearing.

ACTING CHAIRMAN SKINNER: Is he still in custody?

MR. RYAN: Eugene Boffa, Jr. was never in custody. Robert Boffa is the next witness, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. RYAN: Robert Boffa.

Able counsel for Mr. Boffa, Mr. Donald Santarelli of Washington, D.C., is here to represent him this morning.

MR. SANTARELLI: May I ask the introduction of my partner, Axel Kleiboemer, who will actually undertake the representation of Mr. Boffa, with the Commission's permission. I have not had a chance to discuss that with you.

ACTING CHAIRMAN SKINNER: Mr. Santarelli, if you represent that counsel is qualified, he certainly can sit in your place.

MR. SANTARELLI: Thank you, Mr. Skinner. May I remain at the table?

ACTING CHAIRMAN SKINNER: Certainly. Go right ahead, if you want to re-arrange the table so you can be next to your partner, go ahead.

MR. SANTARELLI: This is fine. I will sit over here.

MR. RYAN: I should say, Mr. Chairman, that previously Mr. Boffa has indicated that he intends to rely on his Fifth Amendment right. We will ask a short series of questions to ensure that that is the case.

Sir, will you be sworn?

ROBERT BOFFA

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. SANTARELLI: Mr. Ryan, before you ask any

questions may we make a request under the rules for a termination of the television coverage of the event?

MR. RYAN: Please do.

MR. SANTARELLI: Mr. Chairman, may we ask that the cameras and lights be turned off pursuant to the provisions of the rules under which counsel and the witness may request same for the purpose of testimony?

ACTING CHAIRMAN SKINNER: Mr. Santarelli, we have considered that in the past and it has been the position of the Commission that the appropriate circumstances are not present to ask that the media turn off the cameras.

Seeing no other expression to the contrary, I am going to deny your request, but appreciate the fact that you made it.

MR. SANTARELLI: Thank you, Mr. Chairman. At the termination of the questioning of this witness I would like to make certain representations and requests with respect to the procedure by which the witness is here and will leave, if I may be heard on such.

ACTING CHAIRMAN SKINNER: As you may be aware, our rules require that if counsel wants to make a statement or if the witness wants to make a statement,

they should be provided 48 hours in advance.

Has that been done, Mr. Ryan?

MR. RYAN: Your Honor, I think Mr. Santarelli wants to talk with me about how his client is going to travel back to New Jersey.

MR. SANTARELLI: Correct.

MR. RYAN: I believe the discussion could be had with the staff during the luncheon recess.

MR. SANTARELLI: I will be satisfied with that, Mr. Chairman.

ACTING CHAIRMAN SKINNER: That is fine. The staff is directed to consult with counsel and work out the travel arrangements for his client.

Has the witness been sworn?

MR. RYAN: He has, Mr. Chairman.

Sir, will you state your name for the record, please?

MR. BOFFA: Robert Gary Boffa, Jr.

MR. RYAN: Sir, where do you live now?

MR. BOFFA: I live at 28 Dreamas (phonetic) Place in Elmwood Park, New Jersey.

MR. RYAN: When did you enter prison?

MR. BOFFA: April 19 -- April 15, 1983.

MR. RYAN: When were you released from

incarceration?

MR. BOFFA: I was released to a halfway house in March of this year, March 22nd, I believe, it was.

MR. RYAN: Mr. Boffa, are you the owner of several labor leasing companies?

MR. BOFFA: I would like to exercise my right under the Fifth Amendment and respectfully refuse to answer the question as to not to incriminate myself also and subject myself to any forfeiture of my property.

MR. RYAN: Is it a fact that you are the owner of Employers Resources, Inc.?

MR. BOFFA: I would like to exercise my rights under the Fifth Amendment and respectfully refuse to answer the question as to not to incriminate myself or incriminate myself to any forfeiture.

MR. RYAN: Did you direct corporate employees such as Sam Solomon to actually misrepresent the corporation as to your status and involvement in your labor leasing businesses?

MR. BOFFA: I would give the same reply as I did to the previous question.

MR. RYAN: Mr. Chairman, in light of that representation, I have no further questions.

ACTING CHAIRMAN SKINNER: Well, as the

questions seem to relate to activities that may have occurred subsequent to his conviction, let me ask one other question.

Has your appeal been resolved in this matter or is there an appeal pending?

MR. SANTARELLI: To my best knowledge there is not an appeal pending.

ACTING CHAIRMAN SKINNER: So as it relates to questions that date subsequent to your -- as it does to your conviction, you have exercised a constitutional right and that exercise will be respected. And the witness will be excused.

(Witness excused.)

MR. SANTARELLI: Thank you very much, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Thank you, Mr. Santarelli.

Mr. Ryan.

(Discussion off the record.)

ACTING CHAIRMAN SKINNER: At this point, as we approach the hour of noon, the hearings are recessed until 1:00 o'clock this afternoon for the remaining witnesses.

(Whereupon, at 12:00 noon, the hearing in the above-entitled matter was recessed.)

ACTING CHAIRMAN SKINNER: The Commission hearings will resume.

Mr. Harmon, call your first witness.

MR. HARMON: The next witness is Mr. Philip Silver. Would Mr. Silver please come forward?

Mr. Chairman, the witness is represented by Mr. John Wing who is seated at the table with Mr. Silver.

ACTING CHAIRMAN SKINNER: Counsel.

(Discussion off the record.)

ACTING CHAIRMAN SKINNER: You are with the Weil, Gotshal firm in New York?

MR. WING: That's correct.

MR. HARMON: Will the marshal please swear the witness?

PHILIP SILVER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: At present, Mr. Chairman, Mr. Silver is the president of the Continental Can Company. He has submitted to the Commission in advance a statement which he has advised us he is prepared to read at this time.

ACTING CHAIRMAN SKINNER: The Commission has

received a five-page statement from Mr. R. Phillip Silver, president of the Continental Can Company. I think it might be appropriate, if that is your desire, to read your statement into the record.

MR. SILVER: Yes, thank you.

ACTING CHAIRMAN SKINNER: Mr. Silver, some of the Commission members may have a few questions for you. Thank you.

MR. SILVER: Thank you.

As president of the Continental Can Company and, perhaps more importantly, as a citizen who wants to see this Commission succeed in its mission, I am pleased to assist today in your task of investigating organized crime. There is no doubt that the existence and operation of organized crime is a major problem in our society and I am convinced that corporate America can and should do all it can to assist law enforcement agencies in dealing with that problem.

It is because of this Commission's work thus far that many of us in the corporate community now know more than we did before. As I understand it, Continental is here today as an example of a corporation that has in the past utilized services of labor leasing companies whose employees were victimized by organized

crime. My company's unfortunate experience with Eugene Boffa is illustrative of that point.

Having assumed my present position in July of 1983 after the events in question, I was, of course, unaware of Mr. Boffa and his earlier dealings with our company until very recently. However, after learning the Commission's interest in this matter, I found the following.

Since the 1960s Continental Can has contracted with various labor leasing organizations for the services of truck drivers, warehousemen, clerks and other personnel located at locations around the country where, because of business efficiencies and economies, it seemed to make sense to utilize an outside contractor.

Among the labor leasing companies utilized by Continental Can for these purposes were several companies which we now know were owned or apparently controlled by Eugene Boffa. At the time Mr. Boffa's labor leasing companies were doing business with a wide variety of major American corporations such as ours.

In the late 1970s Mr. Boffa became the subject of a Federal investigation, which in 1980 resulted in the filing of an indictment against him, his son Robert, several associates and a union official. The defendants

were charged with violations of the racketeering and labor and fraud laws based on the allegations of a series of schemes to defraud union employees of Boffa's labor leasing companies and to provide illegal gratuities to union officials.

Continental cooperated with the Federal investigators and prosecutors by making available knowledgeable Continental employees for interviews and Grand Jury testimony and by furnishing relevant corporate documents.

Mr. Boffa and his co-defendants were convicted in July of 1981, sentenced to prison, and the labor leasing companies were forfeited to the Government. Most of these convictions were affirmed on appeal in August of 1982.

As a result of these convictions, the director of company-owned trucking division of the Continental Can Company initiated a program to discontinue doing business with all of the companies and individuals named in the indictment.

This decision was implemented in a manner that was designed to not seriously injure our business activity or adversely affect the company's economic posture during the period of disengagement.

Unfortunately, in retrospect two separate Continental group organizations, not part of the Continental Can Company or in the jurisdiction of the head of the Continental Can Company, my predecessor, apparently continued to do business with two former **Boffa** associates not charged -- who were not charged with criminal activities, but had been associates.

With the advantage of hindsight, I would say that Continental should have disengaged more promptly and completely following Mr. Boffa's conviction.

One result of the Commission's interest in this matter has been to alert our company's management to the lack of a formal written corporate policy in this area. I'm certain that if it had not been for the Commission's efforts, these issues might not have been forced up to senior management levels in companies like ours for appropriate action.

For example, in Continental, at my request, our general counsel is drafting a specific company policy to deal with this type of situation. I strongly believe in the presence of due process, whether in our legal system or in the corporate environment. I believe that a criminal conviction is more than ample evidence to cease doing business with such enterprises

or individuals involved in those enterprises.

I'm positive that neither Continental Can nor any other responsible American corporation has any interest in doing business with labor leasing companies which engage in illegal activities under the control of organized crime.

One very significant issue for corporations to decide is at what point does a corporation make a decision to disengage, balancing the twin goals of fighting crime while preserving a form of due process while they gather information on these companies.

In thinking about what corporate management could do to avoid inadvertent involvement in organized crime, I believe there are specific procedures that might achieve that purpose.

First, companies could require a thorough background check on prospective labor leasing vendors with a focus on ascertaining any criminal history or potential. By that I mean we do background checks and they are Dun & Bradstreet in nature; they are the normal background checks we do on vendors. I'm suggesting they be much more exhaustive.

Second, information concerning any illegal activity by an existing vendor should be rapidly brought

to the attention of the company's general counsel.

Third, although every case will turn on specific facts, policy should be developed for disengaging from those individuals or entities whose illegal activity has been established. It is also important to assist law enforcement agencies as much as possible to solicit their help in identifying and/or obtaining relevant information about illegal activities.

And finally, I think importantly from at least the corporate point of view, I believe it is essential that corporate leadership take a posture that sets forth its values, its policies, and its principles as it relates to the question of dealing or not dealing with organized crime. We intend to do that more clearly than we have in the past. In this area we will make it clear that in no way will we aid or abet organized crime.

Thank you.

There are, if I could now, a couple of specifics-- having been here in the morning and having heard the testimony, it raised two very specific points I would like to speak to. I can do it now or later, at your pleasure.

MR. HARMON: Please go ahead, Mr. Silver.

MR. SILVER: I came to this hearing this

morning after having about a week of exposure to this situation. And I have been learning over that week of the facts, if you will. I came to the hearing with a -- having decided that we needed, as a company, to make a decision whether we could continue doing business with labor leasing companies without regard for the question of whether they are legal or illegal. It was based upon the question of whether there is too much opportunity for illegal activity and, if you will, organized crime to take place, not that it does or doesn't, but is the opportunity more than as a corporation we should allow.

After hearing the testimony this morning, I can only say that I have great urgency, personal urgency, in making that decision because it's clear to me that there is ripe ground that can only be controlled by tremendous diligence. And we are going to make a decision as to whether we try to proceed that way or extricate ourselves from, if you will, the environment. I don't know which is the right decision yet.

And secondly, I believe the implication was left this morning, at least that is my feeling for it, that Continental Can Company management at every level of the company, and to say at every level at the company, knowingly engaged in labor leasing with understanding of

the ties to organized labor. I want to say -- I'm sorry, organized crime. I want to say that at no time during the Boffa trial, since, in the past month or as of now, has any information been presented to me nor have we been able to ascertain any information that would substantiate that.

In 1977 when the Wall Street Journal article, which was referred to this morning, appeared, our corporate auditor -- in fact, we retained Intestel, a well known private investigating firm, to investigate our employees and our operation which dealt with the labor leasing activities. They did that and they came back with a finding that there was nothing that they saw of an illegal nature.

I would say at this point if there is information, I would like to have it because it's the position of this corporation and me personally that we'll not be a part of anything having to do with organized crime and we in fact will take action against any element, if we have the information to do so.

Thank you.

MR. HARMON: Mr. Silver, there was some testimony this morning that Continental Can employees in fact did receive things of value from Boffa controlled

companies.

The record should also reflect that in a deposition your Continental Can's employee, Mr. Kelley, has specifically denied that under oath.

And I would like to ask you a series of questions that are designed to underscore the way in which you will make this decision, the decision being whether or not to discontinue any use whatsoever of labor leasing companies or else institute measures that could remove the opportunity of organized crime to take advantage of them.

In making your decision, Mr. Silver, will you take into account the fact that at least one employee was fired from Continental Can through this labor leasing company because he complained of having to use unsafe equipment?

MR. SILVER: Part of the specific facts which I will seek out is the degree to which, by using labor leasing companies, we are not giving the employees of that company ample opportunity to express their views, to have recourse, if you will, in terms of what is going on the job. That will be an example, I think, if someone felt that the equipment they were driving were unsafe. And if we concluded under the labor leasing arrangement

it was hard for that person to have recourse, that would be very important.

MR. HARMON: Do you as a manager consider the loyalty of your employees to be something important to you?

MR. SILVER: We do. Obviously, it is, I think, the backbone of a corporation and that also speaks to the question of contract labor. As I have thought about it, it's a fairly complicated question. Let me just relate where I am on that right now.

We employ something like 200 truck drivers around the country. In many places we have two or three drivers and we have no other supporting infrastructure of Continental Can Company in that location. It's been our judgment collectively as a corporation that it's in the best interest of us in terms of economics and efficiency, but also the employee that his association be with his local union in terms of what he is associated with as opposed to the company because we simply don't have the infrastructure to provide it. And that by having the association with the company and also with the labor leasing operation, an honest one, that person also builds up benefits and pension seniority rights, even though he may work for us one

year and somebody else the next year. So it's in the employee's interest working with a good, honest labor leasing operation. He can work for thirty years, but he may work for twenty different employers over thirty years, but he can end up with thirty years seniority. If he works with us, we may shut the terminal down and open up another one, and that person may be deprived of seniority. So our view has been in certain circumstances fits the employee's interests as well as ours.

MR. HARMON: I think you have heard this morning, Mr. Silver, Bobby Rispo testified there was no seniority for Boffa's leasing companies, do you recall that, sir?

MR. SILVER: Yes, I do. I guess my reaction, where in fact there is illegality or collusion between the union official and a labor leasing company, the employees are obviously totally exposed. And if we found -- again my issue there is -- obviously if it happens, we can't -- to me that is pretty straight forward. It's really do we even put ourselves in the posture of a circumstance where a susceptibility is high if that happens.

MR. HARMON: We have also heard the company known as Crown Cork and Seal persists in dealing with

the Boffa controlled company. Would you offer any advice to that company as well as others that may continue to use the services of a Boffa leasing company?

MR. SILVER: Well, I guess to try to not to be where I'm sitting now to start with.

MR. HARMON: I would like to say this, Mr. Silver. They have been invited and, as far as I know, they haven't accepted, the invitation to come before the Commission today.

MR. SILVER: The first thing I would do is advise them to do so.

Secondly, I guess perhaps, read all the testimony of this hearing and to make their own judgments, obviously, consistent with their corporate principles and policies, but look very hard at the labor leasing because of the difficulty -- the chance for problems and be very diligent about that, that is what I would advise them.

MR. HARMON: Mr. Chairman, I have no further questions of Mr. Silver.

ACTING CHAIRMAN SKINNER: Mr. Silver, I have a couple of questions. You or I assume you were selected from outside the company to assume -- were you in another division of the parent?

MR. SILVER: I was in a company that Continental's group -- the parent company of Continental Can acquired about six or seven years ago. And then I was at the corporation and I moved into the can company. So I did not work in the can company before taking this job.

ACTING CHAIRMAN SKINNER: You took this job in the summer of 1983?

MR. SILVER: Yes.

ACTING CHAIRMAN SKINNER: What kind of information was available to you as you, number one, made your decision whether to take the job that you currently have and, number two, what was available at corporate headquarters concerning this entire activity? Was there a complete file that was turned over to you when you assumed your responsibility or did you have to start from scratch?

MR. SILVER: I knew nothing of this until the subpoena a couple of weeks ago.

ACTING CHAIRMAN SKINNER: So it would appear there was a communication gap or barrier?

MR. SILVER: I suspect the conclusion would have been reached that the matter was put to rest in -- on the conviction of Boffa, and our decision to withdraw.

and also with the investigation which our auditor did, we didn't have any employees who were -- that probably put it to rest in the minds of the people who were involved.

ACTING CHAIRMAN SKINNER: Was there an informed decision made at the time that the conviction was, as you now know, that the conviction was entered into judgment, was there an informed decision by the company to disengage from all Boffa related companies?

MR. SILVER: Yes.

ACTING CHAIRMAN SKINNER: You seem to indicate in your statement there was, but somehow it seems, as I have read what you have said and what I have heard, that while you may have tried to disengage, the disengagement didn't occur until very recently.

MR. SILVER: Let me clarify that. At the time of the Boffa conviction Continental Can Company, through its company operated trucking division, made the decision to disengage from all Boffa owned or controlled companies or from companies that were managed or involved associates. There was one exception to that and that was Vanwert, Ohio where we had two drivers. The decision was made, because there were only two drivers and the alternative was to shut the operation down and put those folks on the street, that it didn't make any sense to

do that. That was a pragmatic decision. If I had to do it again, I would do it on principle. I would in fact disengage.

At the same time, there are two other divisions of the bigger company, Continental Group, that were not under the control of Continental Can Company that had relations with companies that were run by associates of Boffa. And those companies, while informed by Continental Can Company what they were going to do, continued to operate to one degree or another, and I'm not sure in the case -- but they have continued to associate up until now.

ACTING CHAIRMAN SKINNER: So it may be that another party that should be present here is the president of the parent because you can't speak, of course, for those other divisions. I'm not suggesting we would put the company through this again. I'm just suggesting that what you are indicating is that what Continental Can Company itself, with the exception of two drivers, you think all relationships were severed. There are other divisions of the company which do not fall within Continental Can, which the relationships continue.

MR. SILVER: Since that time, one of those

divisions is now part of Continental Can. And I have now told that division to disengage.

ACTING CHAIRMAN SKINNER: So after becoming president, you inherited that division that had that relationship that brought it to the --

MR. SILVER: Actually it all bubbled up in the last two weeks and I have taken the action I have described.

ACTING CHAIRMAN SKINNER: We'll see if we have anymore questions. Commissioner Rowan.

COMMISSIONER ROWAN: Mr. Silver, two sets of questions. One is, in the course of your investigation, did you determine whether Continental Can saved any money by using these labor leasing companies?

MR. SILVER: I don't have the -- what I would call hard data on that, but my judgment is that we did because of the efficiency of having small groups of people, two, three or four people supported by the existing infrastructure of the labor leasing company and then local union as opposed to us putting infrastructure in place to do that. I suspect we did save money and I'm sure that was one of our prime motivations.

COMMISSIONER ROWAN: The second set, not second set of questions, but if your corporate structure remains

the same and you have two drivers here and three drivers there and, as Mr. Rispo said this morning, the collusion is between the leasing company and the union in that locality which is supposed to represent these laborers, how are you going to extricate yourselves from a situation where the laborers are victims of the union?

MR. SILVER: I don't know. That is one of the tough things. One of the things we can do is to simply terminate those contracts, terminate the drivers, and then we'll contract with a common carrier, but that leaves again the employee being the victim. And I don't particularly want to see that happen. And I don't have a good answer for how we'll do that.

Part of the investigation I'm going to go through is to figure out how we can do it, but not ending up in a sense with kind of covering our tail, making the same employees a victim again. We are just working through that. I'm going to work through that.

ACTING CHAIRMAN SKINNER: Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Silver, you said that your company hired Intel after the Jonathon Quitney Wall Street Journal article in 1977 and they reported back to you.

I take it that report was coming within a

period of months?

MR. SILVER: I don't know the exact period. What I have been told happened is the general auditor for Continental Group, the parent company, retained the Intel Group to do an investigation of our trucking operation of the individuals. He did that and came back and he actually reported to the Board of Directors to the corporation and reported that there was no evidence of any wrongdoing. I don't know the period. I can find out, but I don't know.

ACTING CHAIRMAN SKINNER: You don't know whether the auditor conducted an investigation of the other divisions at the same time to see if they had a relationship with Mr. Boffa?

MR. SILVER: I don't know that. I know they did of the Continental Can Company, but I don't know.

COMMISSIONER METHVIN: Do you know whether your company considered or thought about sending observers to the trial of Frank Sherran, the Teamster leader in Wilmington, or to Boffa to observe and to gather evidence or to learn what evidence was presented there?

MR. SILVER: I don't know that we did that, although in the course of the past two weeks, as I have

tried to learn what has happened, my understanding is that we did have people who know of the -- of all of the information at the Boffa trial. And one of the things that I have been told is at no time during the Boffa trial was there any allegation against any of our employees or really, as I recall, any statement that we knew of organized crime's involvement, but I don't know that we sent somebody and I don't know about the other trial.

ACTING CHAIRMAN SKINNER: Well, let me -- seeing no further questions, let me say, Mr. Silver, I recognize -- I think the Commission recognizes this certainly was not in your job description when you signed on to be president of Continental Can.

MR. SILVER: That's right.

ACTING CHAIRMAN SKINNER: It's not the objective of this Commission to embarrass you in any way or your company. We are trying to gather facts as we have been through the last several days of testimony and will again tomorrow.

I would ask one final thing as you go through your decision process and maybe counsel can assist you. I would like you to share with the Commission staff your final thoughts as a corporate manager on what you can do

as a corporation to ensure that you gain the efficiencies that you are entitled to in the collective bargaining process and at the same time ensure that you have not indirectly or in your search for efficiency gotten your company and your employees into a situation which is intolerable. So as you finish that review, I wonder if -- it doesn't have to be -- it can be just in a letter, just kind of can send your thoughts to either Judge Kaufman or our executive director, Mr. Harmon, so we can benefit from those when we prepare our final report to submit to the president.

MR. SILVER: Thank you very much.

ACTING CHAIRMAN SKINNER: Thank you. Thank you, counsel.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

MR. HARMON: The next witness is Jackie Presser. Would Mr. Presser please come forth?

ACTING CHAIRMAN SKINNER: Swear the witness.

JACKIE PRESSER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HARMON: Would you please state your name

for the record, sir?

MR. PRESSER: Jackie Presser.

MR. HARMON: And what is your present position?

ACTING CHAIRMAN SKINNER: Mr. Harmon, before we proceed, counsel, I notice -- Mr. Presser is represented by counsel who is at counsel table with him. Mr. Harmon, would you identify counsel whom you have been communicating with on the record?

MR. HARMON: Yes, the attorney present with Mr. Presser is Mr. John Climaco of the law firm of Climaco, Climaco, Seminatore & Lefkowitz of Cleveland, Ohio.

ACTING CHAIRMAN SKINNER: Thank you. Go ahead, Mr. Harmon.

MR. HARMON: What is your present occupation, Mr. Presser?

MR. PRESSER: I am the general president of the International Brotherhood of Teamsters.

MR. HARMON: When did you first arrive to that position, Mr. Presser?

MR. PRESSER: I would like to make a statement for the record.

ACTING CHAIRMAN SKINNER: You have a statement, Mr. Harmon, that was presented pursuant to our rules?

MR. CLIMACO: Mr. Chairman, excuse me, Mr. Presser does not have a statement. He in fact has an answer to that question.

ACTING CHAIRMAN SKINNER: Would the court reporter please repeat the question? And if Mr. Presser has a responsive answer to the question, I would ask that he give it. If it's not responsive, we will deal with it at that time.

(Record read.)

MR. PRESSER: Mr. Chairman, members of the commission, my attorney on April the 22nd, 1985, pursuant to Public Law 98-368 requested that the Commission continue my appearance until a later date and --

ACTING CHAIRMAN SKINNER: Mr. Presser, that is obviously not responsive to the question. The question is -- would you repeat the question again, please, court reporter, and I direct that you answer.

Let me make a brief statement before we go any further. You are here under oath subpoenaed to answer questions. You have a very competent counsel who has been communicating with this Commission on a regular basis and we have been trying to deal with his request as late as 11:00 o'clock last night. We expect you to be responsive. We expect you to take the advice of

counsel and exercise whatever constitutional rights, if you want to.

We do not allow under our rules -- this is not the forum for you to give a statement or speech, unless it is directly responsive to the question. That answer that I heard coming out was not. That, in my opinion, could easily constitute, if you continue and persist, as to be an obstruction of these proceedings. And now you are directed to respond to the question. If you continue to take action which a judge at a later date or this Commission may decide is obstructive, you will be subjecting yourself to all kinds of other penalties and remedies which I'm sure and your counsel do not want to expose yourself to. So with that -- with my thoughts in mind as I speak for the Commission and for Judge Kaufman whom I have been in communication with, I would ask that you respond to the question.

Counsel is certainly well informed as to how to supply any information he wishes to supply. And you, of course, are free to speak outside this courtroom and outside this hearing and say whatever you want as an American citizen, but in this courtroom, in this hearing, you are to respond to the question.

MR. CLIMACO: Mr. Chairman, if you would have

allowed Mr. Presser, in a sense of fairness, to complete his answer to that question, at that time I'm sure you would have determined that his question was in fact responsive to the question. His answer would have clearly been responsive to the question when he completed it and he only had approximately two and a half more additional sentences to read.

May he complete it so you can rule at that time?

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Presser.

MR. PRESSER: Pursuant to Public Law 98-368, requested that the Commission continue my appearance until a later date and per the Commission's rules and procedures accord me all rights secured and guaranteed me by the Constitution of the United States. Unfortunately, the Commission denied my request.

As the Commission is aware, I have been the principal target of a four-year investigation in Cleveland, Ohio. In January 1985, the Cleveland Strike Force recommended my indictment. According to my attorney, the recommendation is under review by the Strike Force Office of Washington.

Therefore, reluctantly, but on the advice of my counsel I must respectfully advise the Commission that

I am invoking my Fifth Amendment right not to testify.

MR. HARMON: Mr. Chairman, so the record is clear, we have advised Mr. Climaco, as well as Mr. Presser, as long ago as March 26, 1985, that none of the questions that would be posed of Mr. Presser would concern this investigation of which he has just made reference to.

May I proceed, Mr. Chairman?

ACTING CHAIRMAN SKINNER: Ask your next question.

MR. HARMON: On that date, Mr. Presser, March 26, 1985 in a statement under oath during the course of that deposition you said this to the Commission staff:

"At the time that I was installed as general president, I pledged to lead this union into a new era."

What did you mean by this "new era," Mr. Presser?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Mr. Presser, the Commission has heard this morning's testimony concerning what has been referred to as the BLAST raid, a situation where various

union officials descended upon a meeting of Teamsters For A Democratic Union. And during the course of a meeting of Joint Council 41, you said this, Mr. Presser, on October 31, 1983, referring to that raid:

"I'm going to tell you something. We should be doing more of that. I'm going to tell you -- I'm not going to let up on these people."

Now when you said that, Mr. Presser, was this part of the new era for the Teamsters under your leadership?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Mr. Presser, is violence an acceptable means by which Teamsters leadership maintains control of its membership?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: As general president, Mr. Presser, would you advocate the direct election of officers of the International Brotherhood of Teamsters at the International level?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Mr. Presser, we have heard, over a period of two days, of violence being directed at union members in various unions, not only the Teamsters. Would you as general president of the International Brotherhood of Teamsters advocate that a conspiracy through violence to deprive the right of workers to organize be considered a violation of the Federal criminal -- the Federal civil rights statute?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Mr. Presser, there has been testimony during the course of this hearing that the National Labor Relations Board is not particularly effective in dealing with situations where labor racketeering involving organized crime has become institutionalized. During that same meeting before Teamsters Joint Council 41, you said this:

"You are appointing a new person as the chairperson of the National Labor Relations Board. There are two names that have been

submitted by me to the proper people for appointment. I am positive we are going to get one of the two. I interviewed both people. We have firm commitments that the armed guards will come under the jurisdiction of being unionized."

When you said that, Mr. Presser, that you had firm commitments, from whom did you have those commitments?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: During that same meeting before the Teamsters Joint Council 41, you said this, Mr. Presser, talking about the Interstate Commerce Commission:

"I have now interviewed three of the people, recommended two seats to the necessary people in Washington, and we are firm in our commitment that we are going to get those appointments. That will give us the majority under the ICC."

When you said, "us," Mr. Presser, to whom were you referring?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: I just have several more questions, Mr. Chairman.

Do you know Eugene Boffa, Mr. Presser?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Have you ever heard the term "white paper contract" as a kind of amendment to the Master Freight Agreement?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: As general president, Mr. Chairman -- Mr. President, general president -- I withdraw the question.

As general president of the Teamsters, Mr. Presser, will you favor a change in federal law which would grant an exemption from the prohibition against secondary boycotts in the case of labor leasing companies?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question

on the grounds of the Fifth Amendment.

MR. HARMON: I would like to draw your attention to one situation, Mr. Presser, before we leave the labor leasing companies.

Under any circumstances at any time did Robert Rispo ever hand you an envelope?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: Now drawing your attention to Teamsters Local 282 in New York City which had in its collective bargaining agreement a provision calling for what is known as the position of working Teamster foreman, a contract which called for this foreman to be paid for by management, in this case Schiavone Construction Company, and again addressing your attention to the fact that New York City prohibited the dumping and carting of materials during the course of the night shift, a collective bargaining agreement which called for that position on all shifts, including the night shift, thereby on its face making it a no-show job. In this situation the no-show employee of Schiavone Construction was a person known as Joe Murray who acted as the chauffeur for Harry Gross, a convicted labor

racketeer, is it Teamster policy, Mr. Presser, to build into the collective bargaining agreement itself no-show jobs which can be used to funnel payoffs to labor officials?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

ACTING CHAIRMAN SKINNER: Mr. Harmon.

MR. HARMON: Yes, sir.

(Discussion off the record.)

MR. HARMON: Again drawing your attention, Mr. Presser, to a deposition which you were asked to give on March 26, 1985, in Washington at the offices of the President's Commission, in a statement under oath you said this, referring to a case --

ACTING CHAIRMAN SKINNER: Mr. Harmon, let's make sure that counsel has a copy of that statement and refer to the page you are reading from so counsel can know what page you are referring to.

MR. HARMON: Yes, Mr. Climaco, --

MR. CLIMACO: I do not have a copy of the transcript with me at this time.

ACTING CHAIRMAN SKINNER: You are referring to the statement that he prepared?

MR. CLIMACO: Do you have an additional copy, Mr. Harmon, of the transcript?

MR. RYAN: Mr. Chairman, a copy of the transcript was available to Mr. Presser and his counsel.

MR. CLIMACO: I do not deny that, Mr. Ryan. I only said I do not have it here at the table with me.

ACTING CHAIRMAN SKINNER: I have tendered to counsel a summary of a statement I believe Mr. Presser read into the record, a 13-page statement at the deposition. It's my copy, but you are certainly welcome to use it.

MR. CLIMACO: Thank you, Mr. Chairman.

ACTING CHAIRMAN SKINNER: For the record, just one final question for the record, Mr. Ryan, has a transcript of his appearance been made available to him?

MR. RYAN: Yes, Mr. Chairman, it has.

MR. HARMON: Referring to page 9 of the transcript and referring to a portion of your statement, Mr. Presser, given on March 26, 1985, where you discussed a lawsuit brought against Centra, Incorporated, referring to that lawsuit --

MR. CLIMACO: Can you give me one moment?

MR. HARMON: Yes, sir.

MR. CLIMACO: We'll turn to that page.

ACTING CHAIRMAN SKINNER: Mr. Harmon, --

MR. CLIMACO: We have found it. Thank you.

ACTING CHAIRMAN SKINNER: Go ahead.

MR. HARMON: On page 9 of that deposition, Mr. Presser, referring to that suit, you said:

"This might be the first, but it will not be the last of the Teamster efforts under my leadership to stop unscrupulous employers from mistreating our members."

Drawing your attention to that particular statement, Mr. Presser, what other actions do you intend to take under your leadership to stop unscrupulous employers from mistreating Teamster members?

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question on the grounds of the Fifth Amendment.

MR. HARMON: If I could again, Mr. Climaco, I draw your attention and Mr. Presser's attention to a portion of the statement on page 11 of the transcript, which begins with these words since we have different page numbers, "The President's Commission on Organized Crime has announced it will hold public hearings--"

MR. CLIMACO: We have found the section, Mr. Harmon. Thank you.

MR. HARMON: In that section of the statement, Mr. Presser, under oath you said:

"I hope the Commission respects the clear distinction between individuals who may engage in illegal activity and the organization to which they belong."

Mr. Presser, the Commission has heard evidence today and yesterday which sometimes makes it hard to distinguish between organized crime and certain labor leaders and certain locals. How would you suggest that this clear distinction be made?

MR. CLIMACO: Mr. Harmon, you are only -- in the opening remarks prior to your statement you are only referring to the one sentence? You are asking that in light of the whole paragraph, including the quotes from the Attorney General Smith on July 28, 1983 --

MR. HARMON: Right.

MR. CLIMACO: -- when he made the same analogy--

MR. HARMON: Please, Mr. Climaco.

MR. CLIMACO: Thank you. I just wanted to make sure we were in the proper section.

This is the section, Mr. Presser.

MR. PRESSER: Mr. Chairman, on the advice of counsel I respectfully decline to answer that question

on the grounds of the Fifth Amendment.

MR. HARMON: Mr. Chairman, this witness has declined to answer three questions which are drawn directly from this deposition given by Mr. Presser in the form of a statement on March 26, 1985, which deal with the new era of the Teamsters, which deal with the action to be taken under Mr. Presser's leadership, which deals with his suggestion to the Commission that there somehow be made a clear distinction between individuals and labor organizations who engage in criminal activity.

The staff has provided to you, Mr. Chairman, as well as the members of the Commission, an analysis of the underlying legal principles which deal with the concept of waiver of the privilege against self-incrimination. That analysis has led the staff to recommend to the Commission that in making that statement in much the same way that Mr. Presser's father began to answer some questions before a Congressional committee and then began to refuse others; that he has waived the privilege against self-incrimination and, therefore, should be directed to answer those three questions.

That having been said, Mr. Chairman, I would ask again that Mr. Presser be directed to answer those three questions.

ACTING CHAIRMAN SKINNER: Just a moment.

(Discussion off the record.)

ACTING CHAIRMAN SKINNER: Mr. Harmon, you have raised a substantial issue which the staff has briefed for the Commission. It's the opinion of the Commission that, given the importance of constitutional rights for all Americans, it would not be at this point in the purview of the Commission to rule on whether or not this witness has waived his constitutional rights. That should be for a Judge of the United States District Court for the Northern District of Illinois.

It is our direction that you review his testimony and take this matter up with a judge and get a determination as to whether or not Mr. Presser's multi-page statement, which he, in the presence of counsel, submitted to the Commission, whether that does in fact constitute a waiver of his constitutional rights and should be, therefore, ordered to answer questions concerning those areas in his statement before this Commission.

With that in mind, I'm going to continue Mr. Presser's subpoena before this Commission until a later date, direct the staff to consult with the Commission at the conclusion of today's hearings to discuss

procedurally the steps that we should take to see whether or not the position of the staff is correct and whether or not Mr. Presser has in fact waived his constitutional rights. Until such time as we have had a determination by a judge that he hasn't waived those rights, it is the obligation of this Commission under our rules to delay any further questioning on that theory until that matter is heard and Mr. Presser and his counsel have a full opportunity to be heard on that issue. This is not the proper forum.

MR. CLIMACO: Mr. Chairman, may I say something?

ACTING CHAIRMAN SKINNER: If it relates to my comment, go ahead.

MR. CLIMACO: Yes, it certainly does, Mr. Chairman.

You are continuing it until a later date beyond the date scheduled for this hearing?

ACTING CHAIRMAN SKINNER: We are continuing it until tomorrow morning at 9:00 a.m.

MR. CLIMACO: Okay. I was just raising that question so I would know.

ACTING CHAIRMAN SKINNER: If in fact your appearance will not be required, we will notify you and

Mr. Presser after we have met in executive session on this matter.

MR. CLIMACO: Are you going into court today?

ACTING CHAIRMAN SKINNER: If we are going in court today after we have discussed it with the staff, we will advise you.

I would suggest, to ensure that we take a break -- we finish our testimony and we take a break -- we finish our testimony, we take a break, we are finished, at the conclusion you wait around and the staff will advise you as to what the next step is. It is not our desire for Mr. Presser to return here tomorrow, if it's not going to have been adjudicated. The only reason he would appear here is if there would have been a determination by the United States District Judge that he has waived his Fifth Amendment rights. If that, in fact, is the decision of the Commission and the staff to seek such a decision and the record is complete and ready to do that, it would be tomorrow, but given the current status, I can't give you a definite answer. I would just suggest that you either make yourself available by phone -- we will know shortly the answer to that question

MR. CLIMACO: Mr. Chairman, if there is a court hearing, I would like to be present. I would also like

to be provided a copy of this memorandum because the law certainly is not clear as recognized by the United States Senate Permanent Subcommittee on Investigation in a report filed as recently as August of 1984. I do not agree with the staff. There certainly was no waiver.

ACTING CHAIRMAN SKINNER: I assumed you would not.

MR. CLIMACO: We just want a fair hearing. If there is going to be a court hearing, we would like to be there.

ACTING CHAIRMAN SKINNER: That is why I said I would like you to have a full opportunity to be heard.

MR. CLIMACO: Thank you.

ACTING CHAIRMAN SKINNER: That is why I think the proper place to do that is the Judge of the United States District Court and not this Commission. We are in a position to shortly give you an answer to what our next step will be.

With that you are excused.

MR. HARMON: Excuse me, Chairman.

ACTING CHAIRMAN SKINNER: Yes, Mr. Harmon.

(Discussion off the record.)

ACTING CHAIRMAN SKINNER: Mr. Presser, you are excused at this time. We will advise counsel -- you are

excused until tomorrow morning at 9:00 o'clock. If your appearance is not necessary, we will advise counsel. Counsel will be in touch with our staff here so that we know how to get a hold of you and you know how to get a hold of us within the next hour and a half.

MR. CLIMACO: Thank you, sir.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. RYAN: The Commission calls David Williams.

Mr. Williams is a distinguished investigator who has been assigned to the President's Commission On Organized Crime. He was formerly with the Department of Labor and he will be returning to that assignment after he leaves the Commission.

I would ask that you be sworn, sir.

DAVID WILLIAMS

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Mr. Williams, I understand you have a statement prepared on one aspect of the Commission's investigation of attorneys' fees and that you are prepared to present the findings of the Commission staff to the Commission?

MR. WILLIAMS: That's correct, Mr. Ryan.

MR. RYAN: Please go ahead.

MR. WILLIAMS: Today I am presenting a staff paper on a labor racketeering scheme which has received inadequate attention by law enforcement agencies and the Department of Justice. The abusive scheme involves forcing unions to pay the legal expenses of labor racketeers who have been brought to justice. The losses to these unions are typically very large.

The fact that labor racketeers are capable of forcing their victims to pay their legal fees is a dramatic demonstration of the level of control and domination racketeers hold over these captive unions. A number of methods are employed for extracting these legal fees.

In some instances labor racketeers' legal fees are paid directly by the union or pension fund that they are convicted of plundering. Frequently, sham authorization is obtained from puppet-like trustees installed by the racketeers.

A second method frequently employed is for union officials under investigation or indictment to receive legal representation from attorneys on retainer by the victim union. Upon closer inspection, the

substantive duties of such attorneys appear to have been solely to keep union mobsters out of prison and to protect them from the legal recourses of their own membership.

When the Government sometimes steps in to prevent these blatantly abusive practices, the racketeers force the unions' insurance companies to pay for their improper expenditures. Those insurance companies merely recoup these losses by raising their fiduciary insurance rates to the union, and the victimized membership continues to pay indirectly for the legal fees of the men who have been charged with plundering their treasuries.

If these methods fail, the racketeer recoups his legal expenses by collecting "voluntary contributions" from his membership, who are often dependent upon him for work assignments. These collections most commonly take the form of defense funds and testimonial dinners.

All of these methods are structured and designed to provide racketeers with free legal services, typically at astronomical costs to the membership.

Possibly the most offensive aspect of these practices are schemes designed to pay legal expenses for mobsters not connected in any way with the union.

Frequently, this scheme is employed when union racketeers are brought to justice with their associates in organized crime groups, including the La Cosa Nostra. When joint defense fees are incurred on behalf of a number of defendants, such as those related to private detective work and accounting services, the defendant whose fees are paid by a union entity claims the entire joint costs of such services rather than pro rating them among all defendants. The defendants who have plundered the unions but are not eligible for legal fee reimbursement, have many of their costs transferred to eligible union racketeer defendants.

These legal fees do far more than cover labor racketeers' expenses during trials. Increasingly union monies are expended to combat and head off ongoing Government investigations aimed at cleaning up these mob dominated unions. Private investigators are engaged to follow the actions of federal investigators. Attorneys with important influence are hired to plead with high level Justice Department to halt or abandon union probes.

A case study has been selected by the staff to illustrate the abuses outlined in this statement. The information was obtained through Commission subpoenas

and interviews. The study centers upon the legal fees paid by various Teamster labor entities in the Government investigation of attempts to bribe former Senator Howard Cannon of Nevada. In the subsequent trial, United States vs. Dorfman, all defendants were found guilty of all charges. Yet Teamster organizations paid over \$2,385,000 in legal fees for these defendants. An additional \$1.7 million was paid by a service provider firm whose sole source of income was Teamster fees. One of the Teamster organizations, the Central States Southeast and Southwest Areas Pension and Health and Welfare Fund, known as the Central States, actually changed its regulations during the case to retroactively allow such legal fees to be paid. The defense payments not only benefited IBT President Roy Williams, Trustees Andrew Massa and Thomas O'Malley, but aided in the defense of reputed mobsters Allen Dorfman and Joey Lombardo. Roy Williams' million dollar defense was paid by Central States, Central Conference of Teamsters and the International Brotherhood of Teamsters. Central States Trustees Massa and O'Malley had \$1.3 million paid by the Central States for their defense expenses. Reputed mobster Allen Dorfman's \$1.7 million defense fees were paid for by his insurance and claims processing firms

whose sole customers were Teamster entities. Both Dorfman and Lombardo received the considerable benefit of private investigators and transcription services paid for by the Central States Pension Fund. Dorfman, a reputed affiliate of the La Cosa Nostra, and Joey Lombardo, a reputed La Cosa Nostra leader, were used to such treatment by the Central States' Funds. In 1975 the Central States paid \$160,000 to the Arthur Young accounting firm to defend Allen Dorfman and Joey Lombardo along with other defendants in United States vs. Weiner.

In addition to paying the legal expenses of the Central States Trustees Massa and O'Malley, a different Teamster entity, the Central Conference of Teamsters, hired the children of defendants Massa and O'Malley during the trial for sizable salaries.

Drew Massa earned \$136,000 from January 1981 through September 1983, a period covering the Grand Jury investigation and the Pendorf trial years. Kevin O'Malley earned over \$14,000 for a summer job during the trial. These salaries to the defendants' children total \$150,000. In addition, Roy Williams earned \$76,000 as the Chairman of the Central Conference during the trial years. Neither Frank Fitzsimmons, Williams' predecessor as Chairman of the Central Conference, nor

his immediate successor, Jackie Presser, received a salary while occupying that position at the Central Conference. It might be interpreted that these Teamster monies, \$225,000, were supplied to the defendants' families to sustain them during the Government's case.

As can be seen from this graph, the defendants' legal fees were whittled down to a mere two percent of their original costs by Teamster entities before reaching the defendants. No record can be found of any of the Teamster organizations questioning the culpability of the defendants or the defendants' ability to repay these funds, if they were found to be abusive.

As the graph also illustrates, one of the five defendants, Joey Lombardo, was unable to make claims against the Teamsters or receive money as a Teamster service provider to defray his legal costs. Predictably, Lombardo's share of the expense costs would have been 20 percent or \$800,000. Instead, Lombardo's costs constituted a mere one percent of \$45,000. This again illustrates that the elaborate \$4 million defense was constructed to be paid for by the victim, while radically minimizing the liability of the accused.

Several years after the trial of United States vs. Dorfman, the Central States Benefit Funds agreed to

repay \$1,582,000 it had paid on behalf of Williams and his co-defendants in the current decree with the Department of Labor. The other Teamster organizations have not repaid the monies they have given to the convicted labor racketeers. In all, the Central States agrees to pay \$6.5 million for abusive expenditures, including this and the improper payment of other legal fees involving Teamsters.

However, the story does not end with the Central States repayment of the \$6.5 million. That money was not collected from the labor racketeers who received it. It was paid by the insurance companies for the Central States. In the one year period following the claims, the Central States insurance payment jumped 352 percent to a staggering \$2.7 million a year.

In the end, the elderly Teamster pensioners paid for the extravagant defense of the racketeers who have held their unions captive during their entire lives.

As the legal fees were being authorized by the Central States Trustees to benefit criminal elements and the Fund, Atlanta Teamster Glenn Hall was struggling desperately and unsuccessfully to obtain his pension from the same Trustees. Mr. Hall, unlike Dorfman and Lombardo, had been a Teamster for 28 years. While the

Trustees unquestioningly paid millions for the defense fees of others, Mr. Hall had to wait five long years before U.S. courts compelled the Trustees to give Mr. Hall his well earned pension benefit.

It is ironic that the justice system designed to halt criminal abuses has become a tool for further abuse of the victims. Although Central States now appears clear after a multi-million dollar Federal assault against its La Cosa Nostra control, there are 6,800 such union plans. These plans hold the retirement benefits and the catastrophic health insurance of many of the nation's elderly. This \$51 billion pool of cash remains and continues to constitute a prime target for La Cosa Nostra infiltration. Schemes such as the one outlined here represent just one of a myriad of techniques designed to plunder the nation's sick and elderly of their pension and health care monies.

Mr. Chairman, this concludes my statement before the Commission. Thank you.

ACTING CHAIRMAN SKINNER: Mr. Harmon, do you have any questions of this witness before we ask Commission members whether they do?

MR. HARMON: No, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Now let me just see

if I can ask a couple of questions.

What is not listed here is time and monies expended by counsel who didn't get paid?

MR. WILLIAMS: Mr. Chairman, that is exactly correct. Those monies are substantial.

ACTING CHAIRMAN SKINNER: So in addition to -- so what you are telling us is from an analysis of the records, from the beginning of the investigation to the completion of the appeal in the Pendorf case, which was tried here in the United States District Court before Judge Marshall, the legal fees for the six defendants was \$4.125 million plus unexpended time which was not recovered?

MR. WILLIAMS: That's correct, sir.

ACTING CHAIRMAN SKINNER: Of that total amount, individuals, the individual defendants in that case have paid \$75,000 plus the \$30,000 from the Roy Williams' defense fund, but on the individual defendants the total expenditure you have been able to document of the \$4.1 million is \$75,000, that is correct?

MR. WILLIAMS: That is correct, sir.

ACTING CHAIRMAN SKINNER: Was the contract with Amalgamated Insurance and Teamsters service providers the contract that Mr. Dorfman had with that company, with the

Teamsters, was that a cost plus contract, and do you know were the costs of litigation included directly in that contract or was it a negotiated contract at a fixed per claim processed?

MR. WILLIAMS: I am uncertain of that information. We have no -- we have no information that would lead us to believe that the defense costs were added to the amounts of money that flowed from the Teamsters to the Amalgamated firm and the other firm.

ACTING CHAIRMAN SKINNER: Now the \$4.125 million -- \$1.5 million was reimbursed by an insurance company who I assume takes certain rights that the Fund has. Do you know if there are any of these defendants had any agreements with the various entities that were paying the money that they would indemnify the Funds if in fact they were convicted.

MR. WILLIAMS: We know of no agreements and we believe that there are no such agreements.

ACTING CHAIRMAN SKINNER: So in the corporate world where a policy is to advance legal fees for corporate officers subject to an indemnification if they are convicted, you are unaware of any such provisions in any of these defendants' cases, and you are aware of no indemnification payments by convicted defendants that

would reduce this \$4.1 million, is that correct?

MR. WILLIAMS: That is exactly correct. And, apparently, no study was made as to whether the defendants would be capable of ever repaying such amounts.

ACTING CHAIRMAN SKINNER: One final question. It would appear that one way to deal with this would be legislation which would prohibit a Teamster -- any union, a union pension fund or a union itself for paying legal fees to -- for the representation of people charged with criminal offenses, or if they do pay them, to have an ironclad indemnification to ensure, if they are convicted, it's paid back, is that correct?

MR. WILLIAMS: Yes, sir, that would represent a preventative measure.

ACTING CHAIRMAN SKINNER: No further questions. If not, thank you very much, Mr. Williams.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Mr. Harmon.

MR. HARMON: That concludes the witnesses for today, Mr. Chairman.

ACTING CHAIRMAN SKINNER: All right. This hearing of the President's Commission On Organized Crime is adjourned until 9:00 a.m. tomorrow morning.

(Whereupon, at 2:20 p.m., the hearing in the above-entitled matter was adjourned.)

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

LABOR RACKETEERING HEARING

Chicago, Illinois

Wednesday, April 24, 1985

The hearing in the above-entitled matter  
convened, pursuant to notice, at 9:00 a.m.

BEFORE:

SAMUEL K. SKINNER, Acting Chairman

MEMBERS OF THE COMMISSION:

Jesse A. Brewer, Jr.  
Carol Corrigan  
Justin J. Dintino  
Judith Richards Hope  
Thomas McBride  
Eugene Methvin  
Edwin L. Miller, Jr.  
Barbara Ann Rowan  
Frances A. Sclafani  
Samuel K. Skinner

ACTING CHAIRMAN SKINNER: This morning's hearing of the President's Commission On Organized Crime will come to order.

Mr. Ryan.

MR. RYAN: The Commission calls Mr. Jeffrey Schaffler. Mr. Schaffler is an agent with the Department of Labor. He has had a distinguished record of investigations in the New York area. He has made a particular specialty of investigating a group of independent unions that are not affiliated with the AFL-CIO or any of the other large independent unions. Today he will focus his testimony on corrupt independent unions.

Would you be sworn, sir?

JEFFREY SCHAFFLER

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Sir, will you state your name for the record, please?

MR. SCHAFFLER: My name is Jeffrey Schaffler.

MR. RYAN: Mr. Schaffler, what are independent unions?

MR. SCHAFFLER: Independent unions or the ones we are referring here to today, corrupt independent unions, are those not affiliated with the AFL-CIO. This

is a working definition that we use in the Department of Labor.

These unions are characterized by a membership which is highly transient, which is composed of minorities. To a very large extent they tend to be uneducated, unskilled or low skilled. They get very little in the way of fringe benefits and essentially are on at the minimum wage level or slightly higher.

MR. RYAN: Could you pull the microphone closer to you?

Are many of these people recent immigrants to this country and, in many cases, illegally in this country?

MR. SCHAFFLER: There are many instances we have found where people are illegal aliens, yes.

MR. RYAN: What are the purposes of these corrupt independent unions?

MR. SCHAFFLER: Well, the ostensible purpose of any union is to represent the working people. Insofar as the corrupt independents are concerned, they serve as a vehicle whereby sweetheart contracts can be given to employers. And these contracts tend to have benefits accruing more to the employers than to the working people, which the unions supposedly represent.

MR. RYAN: Mr. Schaffler, would you explain what you mean by a sweetheart contract?

MR. SCHAFFLER: A sweetheart contract essentially is a contract which gives more rights, more power, if you will, to an employer than to a working person. In essence there is very little in the way of wage scale. There is very little in the way of fringe benefits accruing to the workers. There is very little in the way of any sort of grievance procedure or policies or anything of that nature.

MR. RYAN: Are there any differences in the violations these independent corrupt unions engage in and the violations that are traditionally associated with other organized crime dominated unions?

MR. SCHAFFLER: Essentially, no. A violation is a violation. An embezzlement is an embezzlement.

If you are in an AFL-CIO local and you embezzle it's no different than an independent. However, the independents have no -- there is no oversight over these independent unions. There is no international body that really looks down to check their activities. And as such, they tend to be more blatant when they do commit these various illegalities.

MR. RYAN: What is a desk drawer contract?

MR. SCHAFFLER: A desk drawer contract is a term which we use and which is widely used in the independent or in the union movement. It's interchangeable with umbrella contract or protection contract. What it refers to is that in many cases an employer will have a contract with a union. He will sign this piece of paper saying that he has a collective bargaining agreement with a union. And should another union come around trying to organize, at that point he will go into his desk drawer, take out this contract, and say, "I already have a collective bargaining agreement," thus keeping out the union trying to organize.

In many instances the workers who are in his employ do not even know that they were represented by a union, that they belonged to a union, that they had any benefits at all accruing to them.

MR. RYAN: It's like an insurance policy in a way?

MR. SCHAFFLER: It's an insurance policy for the employer, yes.

MR. RYAN: This keeps out more legitimate trade unionists, for example, ACTWU or the ILGWU or other unions that might organize in this particular low wage area?

MR. SCHAFFLER: Well, if it doesn't keep them out on the face of it, it does serve to make their task very difficult in terms of organizing it. Sometimes the monetary expense to engage in a unionization attempt is just prohibitive.

MR. RYAN: It creates a contract bar in certain cases because of these desk drawer contracts?

MR. SCHAFFLER: It can, yes.

MR. RYAN: What is in it for the people who run these independent unions? Are they up from the ranks? Are they rank and file people who start their own union, or are they something else?

MR. SCHAFFLER: Very few of these people are up from the ranks in these corrupt independents. Many of them are entrepreneurs. They are organized crime members or organized crime associates who go out, form a union, use it as a vehicle to collect dues and benefit monies and essentially everything coming in goes out to them in the way of benefits. Six figure salaries are common; they put associates on the payroll; they can put family members on the payroll.

We have had investigations in our New York area office which I am familiar with whereby, for instance, one Gerald Lasky, who was head of the International

Industrial Production Employees Union, formed his union or was instrumental in the formation of a union. He served as president; he earned a six-figure income on a regular basis. He employed his son. When he went into semi-retirement, he appointed his son as his successor.

At various points during the course of the union's existence, he had his son's wife on the payroll, his daughter on the payroll. He had a brother-in-law on the payroll. He employed the nephew of the late underworld figure Meyer Lansky on the payroll and various other cronies. This was all in a union where the people basically are at minimum wage.

MR. RYAN: So these persons are earning many multiples more than the workers that they allegedly represent?

MR. SCHAFFLER: Well, the amounts that they earn is far out of proportion to what they deliver to the working people under them, yes.

MR. RYAN: Is this an area where organized crime directly takes control of these unions, that is, members of La Cosa Nostra and other ethnic criminal groups literally come right out and act as the officers?

MR. SCHAFFLER: We have instances of that

occurring and there are instances whereby they stay in the background. Each particular local has its own story, but there are many, many cases where organized criminal figures are officers or trustees of the union, yes.

MR. RYAN: Are there other ethnic groups that have put together criminal cartels in this particular area?

MR. SCHAFFLER: Yes, in the New York area again we have found that there is the so-called traditional groups, the Italian underworld element, which has taken over or controlled certain unions. We also have a significant number of locals controlled by Jewish underworld elements. And recently we have seen a rise in a Hispanic organized criminal group which seems to be taking over certain locals.

MR. RYAN: This isn't just a New York problem, is it, Mr. Schaffler?

MR. SCHAFFLER: Well, my experience is basically New York and the Northeast. We have also seen many of the New York locals are expanding down to the Southeast, specifically in the Florida area.

And by opening up branches or locals down in Florida, they have managed to get themselves a situation

whereby during the coldest months of the year they go down to do their organizing, to visit their members, to check on the status of the union.

We have also found that the members down in Florida never knew they were down there, or ever saw anybody from the union, or ever knew that they were in the New York-based union.

MR. RYAN: Could you give us an idea of the number of unions and the difficulties that the sheer numbers of these unions pose for the investigations by the Department of Labor?

MR. SCHAFFLER: I believe that there are -- the official figure is something along the lines of 75,000 union locals in the country today. We have 85 agents. We really don't -- we don't have the resources to track the particular locals.

I don't know what proportion of that the independents would constitute, but in our area in the Northeast and specifically metropolitan New York area they do constitute a significant number.

MR. RYAN: You are in the office of Labor Racketeering?

MR. SCHAFFLER: Yes, I am.

MR. RYAN: And they have 85 agents?

MR. SCHAFFLER: Throughout the country, yes.

MR. RYAN: So you cover 75,000 locals?

MR. SCHAFFLER: Essentially, yes.

MR. RYAN: Could you give us an example of how these unions change names and change form when law enforcement may focus on one particular aspect of their operation?

MR. SCHAFFLER: A good example would be in the Lasky case that I mentioned. Gerald Lasky originally started his union as 13-A of the United Auto Workers. This was in the early 1950s, not to be confused with the Detroit based United Auto Workers.

Through a series of mergers and successions and disbanding and reforming, Gerald Lasky's union eventually became Local 142 of the Aluminum Trades Aircraft Components Council. Eventually that in turn became the International Industrial Production Employees Union.

We have other unions which do the same thing. We have had investigations of a union known as ISLA, International Shield of Labor Alliances, run by a one Francisco Roman. Roman is presently incarcerated. In 1973 he was convicted by the Labor Department of various labor violations. And, at the time, he headed up something called Local 41 of the Production Industrial Technical

Miscellaneous Amalgamated Employees.

After his conviction, he changed the name to ISLA, International Shield of Labor Alliances.

He has recently been convicted again and drew a ten-year sentence. As a result, he changed the name, or his successor that he picked has changed the name, to Solidarity of Labor Organizations, SOLO.

The problem is that unions can change names and change numbers and we have no real way of tracking it. When we come across it, when information is brought to our attention, basically we update our files.

In the case of Local 481, we have never been able to determine whatever happened to Locals 1 through 480. It was just -- they just pick names and numbers out of the air sometimes.

MR. RYAN: Would it be fair to say, that to summarize your description, that the poorest people are being taken advantage of in the worst way in this particular area?

MR. SCHAFFLER: Well, essentially in many cases the people who most need representation, the people that I characterized earlier, transients, low education, low skills, not particularly sophisticated, these people are unfortunately being represented in many cases by

unions and unions in name only and merely serve as vehicles to provide some sort of a power base for these entrepreneurs.

MR. RYAN: Mr. Schaffler, you prepared an extensive written statement for the Commission, haven't you?

MR. SCHAFFLER: Yes.

MR. RYAN: Mr. Chairman, I move that that statement be made a part of the record and I would ask that Mr. Schaffler refer to one particular area of that.

Mr. Schaffler, you were the case agent for an investigation of the Allied International Union of Security Guards and Special Police and the Federation of Special Police and Law Enforcement Officers, weren't you?

MR. SCHAFFLER: I was one of the case agents, yes.

MR. RYAN: Those are independent cartel unions that we have been talking about?

MR. SCHAFFLER: Yes, this is a typical independent union which we investigate and I'm told that you have a former president of that union who we incarcerated, I believe, here.

MR. RYAN: Did that individual, Daniel

Cunningham, offer you a bribe in the course of your investigation?

MR. SCHAFFLER: Cunningham offered both myself a bribe and our -- another case agent at the time, Special Agent Frank Allesandrino brought to -- in our role as corrupt agents we had told him we would throw the case.

MR. RYAN: Could you summarize in some way the investigation and the result of this, for example, what kind of offenses did this union and Mr. Cunningham get into?

MR. SCHAFFLER: Well, to be very honest, we used the Cunningham case as a training vehicle for new agents. Cunningham was basically the labor violator of the year, if you will. Any labor violation that could be committed, we found that he had committed during the course of our investigation, as well as violations in other areas also.

When records were subpoenaed, he destroyed them or altered them. Witnesses were threatened during the course of our investigation and during the course of his trial.

He engaged in attempted bribery and bribery, various conspiracies. He engaged in arson. He engaged

in embezzlements. He had fictitious employees on the payroll. He took kickbacks. Ultimately he was remanded during the course of his appeal because he placed a car bomb under his father-in-law's car. We convinced his father-in-law to testify for us during the course of the trial and Cunningham planted this bomb as an act of revenge.

MR. RYAN: I have no further questions for this witness.

ACTING CHAIRMAN SKINNER: Commissioner McBride.

COMMISSIONER MC BRIDE: Mr. Schaffler, it's of special concern perhaps to me, when I started as an Assistant D.A. many, many years ago in New York City, 1956 to be exact, the independent unions, including some of those you mentioned here today, were big problems. Gerald Lasky was a major operator at that time almost thirty years ago.

And while I realize that under the Department of Labor ground rules you are probably not here to testify as to legislative proposals, it becomes obvious that some mechanism needs to be installed which ensures that the members who are being represented, A, know that they are being represented; and, B, are being represented by officers they have consciously chosen.

Is there any semblance of democracy or electoral processes in these unions or is it strictly a behind the closed doors deal with the employer?

MR. SCHAFFLER: Insofar as the corrupt unions are concerned, there was very little democracy. The problem with these independents as opposed to an AFL-CIO local or a Teamster local that has some dissident movement is that the independents tend to draw from the lowest strata of society, the corrupt strata. You are talking about minimum wage people; security guards, people who work in the factories on production lines. The people are very poorly educated. They are not particularly sophisticated. They have not been able to generate any sort of a dissident movement. They are not even aware sometimes that they are being manipulated. And so, essentially there is very little democracy or attempts at reforming these types of unions.

COMMISSIONER MC BRIDE: You also mentioned some new trends, as it were, the move into the Southeast, Miami, Florida, of these independent unions and some changing leadership, the emergence, for example, of the Hispanic labor entrepreneurs, if you will, in this independent field.

Has there been much evolution of Black union

leadership in this independent movement?

MR. SCHAFFLER: We have not found any significant movement by Black organized criminals into the labor movement per se in terms of their having taken over a local yet.

We have found that the Black organized criminals are at a stage where other ethnic groups, Jews or Italians, were at maybe twenty, thirty, forty years ago. There are in the New York City area right now certain Black groups running around to construction sites and, in effect, performing shakedowns, saying: We want X number of positions on a site, otherwise there will be labor problems here, cars get bombed, materials don't get delivered, whatever work was done during the course of a day may be ripped down at night.

What has happened is they really don't want the positions. These people have come claiming to represent the Black community, but, in effect, are really looking for payoffs in return for labor peace.

And quite frankly the payoffs, from what we can gather, have been made and are, again, a cost of doing business which is passed on ultimately to the consumer.

COMMISSIONER MC BRIDE: One final question on

Lasky. Has he been convicted, Gerald Lasky?

MR. SCHAFFLER: Gerald Lasky and his son Clark Lasky pled guilty to a multi-count indictment about two or three months ago. They both received six-year sentences and they are both presently incarcerated at a federal correctional institute in Sandstone, Minnesota.

COMMISSIONER MC BRIDE: Well, long delayed, it is somewhat reassuring to find that justice has been, though belatedly, done.

Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Schaffler, I notice in your prepared statements on pages 5, 11 and 14 you report on sentences some of these racketeers got and recent convictions; one in 1982 and a couple of different cases in November of 1984. I am interested in the disparity in the sentence here in November of '84, Miriam Queeland (phonetic), is it?

MR. SCHAFFLER: Yes.

COMMISSIONER METHVIN: -- and Michael Roman both were sentenced to periods of probation and a lifetime bar on employment in any labor organization.

Now the same months back there in '84, Clark Lasky and Gerald Lasky were sentenced and went to prison,

but there was no bar to union activity, no lifetime bar, and the same thing in 1982 with Cunningham and Jaffey (phonetic).

Can you tell us -- this is the first time I have ever seen a lifetime bar imposed and I'm delighted to see it. I would like to encourage the notion among judges and others.

Can you tell me if in these other cases the Justice Department -- I believe it's the Solicitor's Office. The Labor Department actually does the prosecution of these cases, is that correct?

MR. SCHAFFLER: No, that would be the Department of Justice.

COMMISSIONER METHVIN: Has the Department of Justice sought lifetime bars in any other cases that you know of?

MR. SCHAFFLER: The only explanation I can give you is that -- there are several factors involved in the sentencing procedure. Some of the sentences were as a result of plea bargaining. So certain agreements were worked with certain people as to what the length of the bar would be, what their period of incarceration would be, what their recommendation would be to a sentencing judge.

There was also a difference in the disparity of sentences that different judges give. Each of these people in the three cases appeared before different judges. There were different prosecutors on the case.

COMMISSIONER METHVIN: Is a lifetime bar, as in this case, was that as a result of a plea bargain and agreement by these defendants?

MR. SCHAFFLER: Yes, I believe it was.

COMMISSIONER METHVIN: Did the Justice Department in any other case you know of seek a lifetime bar?

MR. SCHAFFLER: They may have. Offhand, I don't know.

COMMISSIONER METHVIN: Well, I notice that in the Lasky case there was a RICO conviction; they pleaded guilty to a RICO violation. I believe under RICO, at least under the civil RICO statute, the Justice Department could seek a remedy of that nature. Do you know if they sought it in this case, a lifetime bar to union activity on these people?

MR. SCHAFFLER: The Lasky sentences were as a result of a plea bargain. In all fairness to the Justice Department, this was a massive case which involved multi-count indictments and was quite a sophisticated presentation to have to make to a jury.

I have no doubt that we could have made it. However, the expensive trial and the time of agents and the attorneys that would have been involved made their plea an attractive offer to us.

I believe that under the new laws, they were sentenced under the new labor laws that have recently been passed, and, as such, the barrable period can go as high as 13 years now.

COMMISSIONER METHVIN: There was no bar in this case. I don't see it mentioned.

MR. SCHAFFLER: I would have to double check that. It's possible that there was. I believe there was. I believe they had barrable offenses by law.

COMMISSIONER METHVIN: I would appreciate it if staff and you would work together to give us full information on the sentencing practices in this type of case and see if this Commission can't promote the notion among judges and prosecutors that this lifetime bar ought to be imposed more frequently.

ACTING CHAIRMAN SKINNER: Mr. McBride.

COMMISSIONER MC BRIDE: Not a question, Agent Schaffler, but more of a comment. I served earlier under this administration as Inspector General of the Department of Labor and had the rare privilege of supervising

the work of you and your 85 fellow agents. And I just wanted to say both to you and to the public and to the fellow members of this Commission that this small but hardy band of agents has probably been more effective in combating labor racketeering than any single group in the history of Federal law enforcement. I want to commend you.

MR. SCHAFFLER: Thank you very much.

ACTING CHAIRMAN SKINNER: Commissioner Dintino. It's your turn. Ask them slowly, please.

COMMISSIONER DINTINO: Mr. Schaffler, in reading from your statement, I notice that you say that, "During the same period Cunningham successfully began organizing nuclear power plant personnel for a newly created local of power plant and security officers. They also moved to take advantage of Atlantic City casino industry by organizing security police and security workers, and he did the same thing in Las Vegas."

Now I know presently he is serving time. You are probably aware that in the casino industry in Atlantic City, the casino cannot open without security guards. And you have testified that Cunningham was tied in with the Chicago organized crime faction, is that

correct?

MR. SCHAFFLER: That was one of the families he was associated with. He dealt with just about everybody.

COMMISSIONER DINTINO: So if he was successful in organizing security guards, he would have had one heck of a hammer with the casino industry. No casino could open even if they were licensed; they had to do business with Daniel Cunningham?

MR. SCHAFFLER: That is true.

Just by way of explanation, the security guards have a power far out of proportion with their numbers. This applies not only to casinos, which can't open without the guards present, but also the nuclear power plants, which can't operate if there are no guards present, and other industries, banks, armored car vehicles.

When the security guards walk off or cause problems, it's a precondition whereby the other trades and the other working people cannot function; they just can't come on the site to carry out their tasks.

COMMISSIONER DINTINO: Getting into one other area, and I guess it's unfair to ask you because you're with the Department of Labor, are you satisfied with the

laws of the Department of Labor? Let me give you a hypothetical case. Now yesterday I heard an incident where there was a raid by BLAST members on the TDU, a dissident group, apparently with the sanction of Jackie Presser, and it seemed to me that the final outcome was a slap on the wrist to that particular union. I will give you a hypothetical where there is a vote and there is some dissident members that make a complaint to you that claim that the ballot box was stuffed; that there was intimidations and threats. What happens if you find that that was true? What is the resolution to that?

MR. SCHAFFLER: The only way I can answer that, Commissioner, is we do the best we can. Each case is an entity unto itself.

COMMISSIONER DINTINO: Isn't it true that the ultimate result is that a new election was held?

MR. SCHAFFLER: That is one area we don't go into. We don't do voting. That is another part of the Department of Labor that would handle frauds at the ballot box, if you will. We very rarely get into those areas in the Labor Racketeering Office.

COMMISSIONER DINTINO: Is there ever any crimes that come out of stuffing ballot boxes or threats with

elections?

MR. SCHAFFLER: Yes, we have had deprivation of rights of union members. We have come in under that particular area, but generally we are just not equipped to go into those areas.

COMMISSIONER DINTINO: Could there be stronger labor laws to support your effort?

MR. SCHAFFLER: Well, I suppose there could be stronger laws for everything. I'm really not in a position to say. That is a legislative remedy, which is really not at my level.

COMMISSIONER DINTINO: Okay. Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Sclafani.

COMMISSIONER SCLAFANI: I want to thank the special agent for his testimony here today. I have no questions of him. Thank you.

MR. SCHAFFLER: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Rowan.

COMMISSIONER ROWAN: How do the members get into these, what we have been calling, entrepreneurial unions?

MR. SCHAFFLER: How do the members get in?

COMMISSIONER ROWAN: Yes.

MR. SCHAFFLER: Sometimes they don't even know they are in.

COMMISSIONER ROWAN: What is it, the employer gives a list of everybody employed with the company to somebody who says, "Hey, I want to start a union"?

MR. SCHAFFLER: What happens is it doesn't take much to start a union. Two people file a form with the Department of Labor, get a constitution and bylaws, set yourself up as president and your friend as another officer and you have got yourself a union. That doesn't mean anything, unless you have got some people in it and some source of revenue.

The organized criminal element generally has certain businesses in mind, certain places to go and organize at. Places in many instances have sought them out to have a contract to be holding in their desk drawer, if a real union should come in and try to organize them.

COMMISSIONER ROWAN: The Department of Labor just takes a charter, it doesn't do any background investigation on the people seeking to form a union in order to eliminate this criminal entrepreneurial type union?

MR. SCHAFFLER: There are certain violations

which would bar you from the union movement, but that has really been no problem to the organized criminal element. If someone under the law cannot hold office, he stays in the background and pulls the strings and they put some puppets up front.

COMMISSIONER ROWAN: Any discussion how that can be improved about -- how the formation process can be improved?

MR. SCHAFFLER: I'm sorry, I don't understand, the formation --

COMMISSIONER ROWAN: Bad question. Forgive me.

Any suggestions about how the Department of Labor could watch over this formation process with perhaps a more jaundiced eye?

MR. SCHAFFLER: Again, that is a policy decision that would come from a level above mine.

COMMISSIONER ROWAN: Okay. There is really no national register of unions then?

MR. SCHAFFLER: There is a register of sorts. Labor unions are required, when they are formed, to file a form; it's called a LM-1, and essentially it sets forth what the union's name is, who the people are involved in its formation, what their positions are.

It lists certain background information, not about them, but about the union.

They also file a constitution and bylaws, which supposedly will govern the conduct of that union. Each year their answer, depending on the size of the union, they will file one of two forms and again they will tell us so and so is the -- is an officer or the following people are officers, these are the expenses that we have incurred, these are the people that we employ, generally sketchy.

We, in turn, refer to those documents when we want to get some background about a union, but it's essentially nothing that you -- it doesn't give a very detailed background.

COMMISSIONER ROWAN: It's really not a tool that you can use for effective investigation and enforcement?

MR. SCHAFFLER: We use it. It gives us a starting point.

COMMISSIONER ROWAN: Do any of the members of these unions whom you describe as being the lowest level and perhaps least educated people complain?

MR. SCHAFFLER: Quite a number do. The problem is sometimes they just don't know where to go.

People just shuffle through the bureaucracy. And sometimes they come to us with too little too late, but there are people who come forward, yes.

COMMISSIONER ROWAN: Okay. Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Corrigan.

COMMISSIONER CORRIGAN: Mr. Schaffler, you said you have about 85 agents for some 75,000 locals nationwide. Do you get much assistance from local and state law enforcement agencies in New York?

MR. SCHAFFLER: I can only speak first hand. I can speak from my experience in the New York and Northeast area.

Most of the major police departments in the New York area have been fantastic. We constantly draw upon them.

In fact, this is a very opportune time to thank the Suffolk County and Nassau County Police Departments, as well as the New York City Police Department. We have also worked with state agencies. Without these agencies we would never have gotten to the stage that we are now. They have provided resources for us, equipment, in many cases monies that we don't have, and most of them have been around quite a bit

longer than us. We are relatively new, having been created in late 1978, and, as such, they have got a wealth of intelligence and information which we drew upon when we first began our expertise in the field.

COMMISSIONER CORRIGAN: Do you find that your investigations seem to parallel one another or is there some kind of dovetailing in how you attack a problem or begin an investigation?

MR. SCHAFFLER: We try. There have been instances where we have bumped into each other not knowing we were both out there.

When we meet each other, generally we try to work something out. There are usually different thrusts to what each particular agency is doing. The local people or the state people, for instance, have a different set of violations that they would be interested in and we have a different set of violations.

The investigations tend to complement each other. There has been very little problem with parallel investigations. At some point, generally, we get together and sort of divide up turf, if you will, and we work it out.

MR. CORRIGAN: In your judgment, at least in the part of the country in which you work, are you

satisfied that that degree of interagency cooperation is a good and useful one?

MR. SCHAFFLER: Well, it's all we have got so we have got to make it work.

COMMISSIONER CORRIGAN: I understand that, but could you -- is it your sense that there is a problem in that area that should be addressed or do you think it's working fairly effectively?

MR. SCHAFFLER: Considering the circumstances and what resources we do or do not have, it's working quite effectively. Again, the local people have -- we have drawn more upon them than they have drawn upon us, other than at this stage where we are able to provide some expertise in labor matters in terms of money or resources, we have constantly gone to them. So they have been terrific.

COMMISSIONER CORRIGAN: Thank you.

ACTING CHAIRMAN SKINNER: I have a couple of questions.

We have talked about local law enforcement. Let's talk about your coordination with Federal law enforcement. And as I understand it, there is basically two approaches you can take. One is you as a group can go off on your own and work directly with a United States

Attorney or chief of the Strike Force of the Department of Justice.

And, number two, is work in conjunction with other federal investigative agencies, Federal Bureau of Investigation, Postal Inspection Service, possibly in some particular violations the Secret Service or maybe even an agency I haven't thought of.

What is your estimate or your opinion as to the best approach to working with these agencies in contrast to local agencies?

MR. SCHAFFLER: It doesn't make a difference to us who we work with. It is a situation where the case is going to get -- to bring the case to a successful conclusion requires us working with any particular agency, we will make an attempt to do so. On our part it's federal, state, or local, it's really of no difference.

Certain cases lend themselves to an expertise which can be provided by a certain agency, and as such, we have had instances where we have worked with the Drug Enforcement people, with the Alcohol, Tobacco and Firearms people, with the FBI. It all depends on which particular set of violations we are working in.

In many cases we have been out there and found

that other agencies were out there, other federal agencies, and at that time we will work through the prosecutors to try to join forces and make sure that we are not both re-inventing the wheel; we are both doing valuable work.

ACTING CHAIRMAN SKINNER: Are your agents part of the Organized Crime Strike Force in a particular area?

MR. SCHAFFLER: We work with the Organized Crime Strike Forces throughout the country, yes.

ACTING CHAIRMAN SKINNER: You have agents assigned full time to those strike forces to work with them?

MR. SCHAFFLER: Well, I can speak to the New York area, yes, they have agents assigned both to the Eastern District Strike Force; we have agents assigned full time to the Southern District Strike Force; and I believe we have a work office also in the metropolitan New York area where there are people assigned full time to the New York Strike Force.

ACTING CHAIRMAN SKINNER: I think you can sense from the Commission questioning and, of course, with Commissioner McBride and a number of others, they have a great deal of first hand knowledge as to the

operations of your department. There is a feeling among some members of the Commission that improvements can be made in the coordination effort not only in resources, in legal and physical resources, but also in the way activities are coordinated so you don't bump into each other or, number two, on a particular case you can coordinate your efforts together rather than bumping into yourself after you have been in the investigation four months.

This is one of the few opportunities you as a manager in law enforcement has an opportunity to express their opinions and they, at least, will be heard and considered for incorporation in our report because this will be one of the areas we will be looking at, especially as it relates to labor racketeering and labor law.

So I would encourage you, after consulting with your counterparts in other parts of the country, to take it upon yourself to make some recommendations. I recognize the bureaucracy has ways you make recommendations and ways you don't, but assuming you can overcome that, make some recommendation to us that makes sense so that we can incorporate them into our draft and final report when we submit it to the

President and to Congress. So use this opportunity, if you will, to help us help you.

Thank you very much.

MR. SCHAFFLER: Thank you.

MR. HARMON: Mr. Chairman, while Agent Schaffler is still here, I think on behalf of the staff it's important to express our thanks for the assistance that the staff has received in putting together this hearing from many agencies of law enforcement and others, including the Department of Labor Office of Labor Racketeering, the Internal Revenue Service, the FBI, the New York State Organized Crime Task Force, the Chicago, Philadelphia and New York Police Departments, United States Attorneys in Washington, Chicago, the Southern District of New York, as well as the Organized Crime Strike Forces in Brooklyn, New York, Miami, Cleveland and Chicago and maybe most importantly individual union members who from time to time have told us where to look.

(Witness excused.)

MR. HARMON: With that, Mr. Chairman, we are prepared to call the next witness.

ACTING CHAIRMAN SKINNER: Call your next witness, Mr. Harmon.

MR. HARMON: Will Daniel Cunningham please be brought out?

Please swear the witness.

DANIEL CUNNINGHAM

was called as a witness and, having first been duly sworn, was examined and testified as follows:

MR. HARMON: Please state your name.

MR. CUNNINGHAM: Daniel Cunningham.

MR. HARMON: Mr. Cunningham, do you understand that you have been produced here upon an order issued by a Federal Judge directing that you testify before the President's Commission On Organized Crime?

MR. CUNNINGHAM: Yes, I do.

MR. HARMON: And you understand that there has been an immunity order entered compelling your testimony here today?

MR. CUNNINGHAM: Yes.

MR. HARMON: And you understand that if you at any time are found to have given false testimony before the President's Commission, that you could be charged and ultimately convicted for perjury, do you understand that, sir?

MR. CUNNINGHAM: Yes.

MR. HARMON: And you understand that if you

decline to answer questions or answer them in any sort of an evasive way, that you likewise could be found by a court to be held in contempt?

MR. CUNNINGHAM: Yes.

MR. HARMON: And you are presently incarcerated, is that right, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: And you are serving a sentence of five years after a conviction on several labor racketeering charges in a case brought by the Department of Justice Strike Force in Brooklyn, is that right?

MR. CUNNINGHAM: Yes.

MR. HARMON: I'm going to ask you some questions now about your background, Mr. Cunningham, and how you first got into the labor movement.

What is your educational background, Mr. Cunningham? How far did you get in school?

MR. CUNNINGHAM: High school and a couple of years of law school.

MR. HARMON: You went to law school for a couple of years, is that right?

MR. CUNNINGHAM: That is right.

MR. HARMON: In approximately 1974 did you decide to get into the labor movement?

MR. CUNNINGHAM: Yes.

MR. HARMON: And did you do that by buying a labor union?

MR. CUNNINGHAM: I bought a union membership.

MR. HARMON: You bought a union, is that right?

MR. CUNNINGHAM: Yes.

MR. HARMON: You bought a union for \$90,000?

MR. CUNNINGHAM: Yes.

MR. HARMON: And from whom did you buy a labor union for \$90,000 in 1974?

MR. CUNNINGHAM: Pat Sotille.

MR. HARMON: Who was Pat Sotille at that time?

COMMISSIONER ROWAN: Mr. Chairman, if the witness could please move closer to the mike, I'm having trouble hearing him back here.

ACTING CHAIRMAN SKINNER: Thank you, Mr. Cunningham.

MR. HARMON: Who was Pat Sotille at the time you bought a labor union from him?

MR. CUNNINGHAM: He was the president of a guard union.

MR. HARMON: What was the name of the union that you bought?

MR. CUNNINGHAM: Allied International Union

of Security Guards.

MR. HARMON: Where was that union located?

MR. CUNNINGHAM: New York City.

MR. HARMON: What was the nature of the trades that union had organized?

MR. CUNNINGHAM: Primarily security guards.

MR. HARMON: About how many members did it have at the time you bought the union for \$90,000 from Pat Sotille?

MR. CUNNINGHAM: It had about 700 members.

MR. HARMON: Now you actually bought a labor union, is that what you are saying, Mr. Cunningham?

MR. CUNNINGHAM: That's right.

MR. HARMON: Was there anybody else involved other than Pat Sotille in the arrangements for you to buy this labor union?

MR. CUNNINGHAM: What do you mean by that?

MR. HARMON: Was there anybody else that acted as an intermediary or in any way knew about the facts at the time that you were buying a union from Pat Sotille?

MR. CUNNINGHAM: Joe Agone was involved.

MR. HARMON: Joe Agone?

MR. CUNNINGHAM: Right.

MR. HARMON: Did Joe Agone have any -- I withdraw the question.

Isn't it true that Joe Agone had an affiliation with the Genovese crime family?

MR. CUNNINGHAM: Well, I don't know specifically what family was involved, but I imagine he was involved with those people.

MR. HARMON: Now at the time you bought the union you say Pat Sotille was the president. So you bought it from Sotille. How did you then move into a position where you could control the affairs of the union?

MR. CUNNINGHAM: I picked up his unexpired term. He was elected international president. So he --

MR. HARMON: How much was left for his term?

MR. CUNNINGHAM: Approximately four and a half years.

MR. HARMON: Did you move into the union?

MR. CUNNINGHAM: Yes, I did.

MR. HARMON: What position did you acquire in the union by virtue of your purchase of that union?

MR. CUNNINGHAM: I became international president.

MR. HARMON: On whose motion or direction?

MR. CUNNINGHAM: On Pat Sotille's motion.

MR. HARMON: So you bought the union from Sotille and then he appointed you as the president, is that what you are testifying to?

MR. CUNNINGHAM: Yes.

MR. HARMON: Now how did you pick this particular union to buy?

MR. CUNNINGHAM: Well, it was a small union and it represented security guards, which were primarily unorganized in New York.

MR. HARMON: So you looked for an opportunity, and what you found was an area where there had been little organization, and that was in the area of security guards, is that what you are testifying to, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: Now in your view at the time, Mr. Cunningham, why were these security guards generally not organized?

MR. CUNNINGHAM: They were low income, minimum wage employees and transient workers.

MR. HARMON: So the larger unions then, is it correct, were not really interested in organizing these people?

MR. CUNNINGHAM: Well, that wasn't necessarily so. They were interested, but the labor laws prevented other unions from taking them in as members.

MR. HARMON: What do you mean by that, the labor laws prevented other unions from taking security guards in as members?

MR. CUNNINGHAM: Well, the National Labor Relations Board and the National Labor Relations Act has a provision that states that security guards can't be organized as part of a general bargaining unit with other members. So the guards have to be separate and only a security guard union can organize guards.

MR. HARMON: So you mean you can't have -- I withdraw that.

You mean that the law says that you cannot have a local which has security guards as well as persons in other trades, is that right?

MR. CUNNINGHAM: That's correct.

MR. HARMON: What is your understanding of the reason for that?

MR. CUNNINGHAM: Well, I assume that initially when it was first enacted, it was because of plant security. When a union organized a factory or one of those types of plants, the members that worked in the

factory had to be separate from the guards. In the event the union pulled the members out, the guards would have to stay working to protect the factory. And if the guards were part of the same bargaining unit, they would in effect violate their membership by not walking out with the rest of the membership.

MR. HARMON: Let me ask you some more questions here, Mr. Cunningham.

After you bought the union and after you were in now as president, did you begin organizing?

MR. CUNNINGHAM: Yes.

MR. HARMON: Did the union membership have anything to say about your becoming president of the union?

MR. CUNNINGHAM: No.

MR. HARMON: Well, how could you do that? How could you just come in and be president after the membership had elected Pat Sotille as president?

MR. CUNNINGHAM: The constitution and bylaws of their union permitted the incoming president to elect his own officers and so on, to appoint a successor. So the membership really had no right to vote or to state any opinion one way or the other.

MR. HARMON: Now when you began to organize,

did you have any competition from other unions?

MR. CUNNINGHAM: Several.

MR. HARMON: What types of unions were they?

MR. CUNNINGHAM: Teamsters, AFL-CIO unions, other independents.

MR. HARMON: Did you ever find it necessary to raid any other union to try to take members away from them?

MR. CUNNINGHAM: That is what I did originally.

MR. HARMON: Were any of those unions Teamster unions that you tried to raid to get members to leave them and to join your guards union?

MR. CUNNINGHAM: Yes, I raided Teamster unions.

MR. HARMON: How could you do that? How could you raid a Teamster union, have the membership go with you?

MR. CUNNINGHAM: Well, I went out and, after a contract assignment, you can always go in and tell the people they are going to get more than what they have. Plus they didn't have -- the Teamsters Unions didn't have a right to go into the National Labor Relations Board and ask for a bargaining order, which I did. And that is what I used as part of my organizing tools.

MR. HARMON: Every union has a right to go before the National Labor Relations Board, right?

MR. CUNNINGHAM: Yes.

MR. HARMON: Why couldn't the Teamsters do it in this case where they had security guards?

MR. CUNNINGHAM: Because the guards had to be separate from their bargaining -- the Teamster Unions didn't have the foresight to separate the guards in the bargaining unit, when they first organized the places.

MR. HARMON: What you are saying is that these Teamster unions that had a mixed membership, they didn't have the kind of power to back up their collective bargaining agreement, is that the idea?

MR. CUNNINGHAM: That's right. That's right.

MR. HARMON: Well, let me ask you this, Mr. Cunningham. If you heard a Teamster official say this, "They are appointing a new person as the chairperson of the National Labor Relations Board. There are two names that have been submitted to me by the proper people for appointment. I'm positive we are going to get one of the two. I interviewed both people. We affirmed commitments that the armed guards will come under the jurisdiction of being unionized."

Now if you heard a Teamster official say that, Mr. Cunningham, what would that mean to you?

MR. CUNNINGHAM: First of all, I would think he was a liar.

Secondly, I would think that he had somebody in his corner in advance, because to have that kind of an arrangement -- if I had someone like that I wouldn't be sitting here today, I could tell you that, that is for sure.

MR. HARMON: Well, the record should reflect, Mr. Chairman, that that was one of the statements that Teamster president Jackie Presser yesterday declined to explain in questions that were posed to him.

ACTING CHAIRMAN SKINNER: The record will also reflect that Mr. Presser was in the same chair yesterday.

MR. CUNNINGHAM: Maybe I ought to change chairs.

MR. HARMON: Well, back to business, Mr. Cunningham. Business was payoffs in 1974 for you, correct?

MR. CUNNINGHAM: What do you mean by "payoffs"?

MR. HARMON: Well, did you receive payoffs

from various companies once you had come in as president of this guards union?

MR. CUNNINGHAM: Certain companies I did.

MR. HARMON: Well, which companies were they, for example?

MR. CUNNINGHAM: Arden Securities, let's see -- Atlas -- several others.

MR. HARMON: Well, how about during the periods of time that you were a union official with -- during the periods of time that you were a union official, Mr. Cunningham, did you receive payoffs from the following security companies: Wackenhut, Burns, Pinkerton or Sentry?

MR. CUNNINGHAM: Sentry, yes. The other companies offered payoffs, Wackenhut, Burns and Pinkerton.

MR. HARMON: You were offered payoffs, is that right?

MR. CUNNINGHAM: Yes

MR. HARMON: When you say "offers," in your dealings as a matter of routine, how were these offers communicated to you?

MR. CUNNINGHAM: Generally through the owner of the company or his attorney. In most of these cases

these companies were run by ex-law enforcement officials, ex-FBI people, CIA people. And they were the ones that made the pitch along with the attorneys; primarily the attorneys.

MR. HARMON: What do you mean by that, "primarily the attorneys"?

MR. CUNNINGHAM: Well, I imagine that the guy that was in charge felt a little more secure in letting his attorney make the offer initially. Then if I was receptive, then the thing would go forward.

MR. HARMON: Well, as a matter of routine, under what circumstances would these offers be made generally by attorneys?

MR. CUNNINGHAM: Generally when you begin the organizing process and you, in effect, organize a certain percentage of the company and you ask for bargaining, you ask for recognition. They would then meet with you and have to bargain a contract and that is when the offer will be made.

MR. HARMON: Now before you were brought out here this morning, Mr. Cunningham, the Commission had explained to it what sweetheart contracts were, what desk drawer contracts were. Did you have any of those contracts, that is, sweetheart contracts and desk

drawer contracts?

MR. CUNNINGHAM: I had some.

MR. HARMON: Now at any time, Mr. Cunningham, did your security guards work at the Sentry Armored Car Company located in the Bronx, New York?

MR. CUNNINGHAM: Yes.

MR. HARMON: On September 12, 1982, Mr. Cunningham, there was a multi-million dollar robbery that took place at Sentry Armored Car. Were you not questioned by the Bronx District Attorney's Office in February 1983 about whether or not you had any knowledge of that particular robbery?

MR. CUNNINGHAM: Yes.

MR. HARMON: Did you know the owner of Sentry, a person known as Jack Jennings, a former lieutenant of the New York City Police Department?

MR. CUNNINGHAM: Yes.

MR. HARMON: In fact, you owned an apartment complex along with former Lieutenant Jennings in upstate New York, isn't that right, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: Now we have received information from law enforcement that Jennings proposed to you at some point in time your assisting through your security

guards a robbery of the Sentry Armored Car Company in the Bronx. Do you admit that, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: Will you describe that to the Commission, please?

MR. CUNNINGHAM: He had wanted to stage a couple of robberies of armored cars, wanted me to help him with it for the purposes of getting the money.

MR. HARMON: Did you take him up on it?

MR. CUNNINGHAM: No.

MR. HARMON: Did you have anything whatsoever to do with the Sentry Armored Car Robbery in the Bronx?

MR. CUNNINGHAM: Definitely not.

MR. HARMON: Well, you have explained, Mr. Cunningham, that you, at the outset, from time to time would raid other unions to get their membership to come to you. Were you ever on the receiving end of that kind of activity where people tried to raid your local?

MR. CUNNINGHAM: Plenty of times.

MR. HARMON: Who tried to do that?

MR. CUNNINGHAM: Aside from Teamsters, they tried to reciprocate by coming after my shop, independents did, affiliated unions tried to take my members.

MR. HARMON: Now did you ever hear of two

persons by the name of Ruben Gonzalez and Ray Aponte?

MR. CUNNINGHAM: Yes, I heard of them.

MR. HARMON: Were you ever aware that those two individuals had attempted to organize workers in the carting industry located in Long Island?

MR. CUNNINGHAM: I heard that.

MR. HARMON: Did either one of these men ever approach you to assist them in organizing the carting industry in Long Island?

MR. CUNNINGHAM: Yes. Yes, they did.

MR. HARMON: Did they ever try to -- did either one of them ever try to raid your union?

MR. CUNNINGHAM: Yes, they did. They -- I guess when they were unsuccessful raiding sanitation workers, they tried to raid my union.

MR. HARMON: Now you have heard that Ruben Gonzalez and Ray Aponte had a violent end to their organizing activities, have you not heard that, Mr. Cunningham?

MR. CUMMINGHAM: Yes.

MR. HARMON: Mr. Chairman, later this afternoon there will be some tape recordings played intercepted pursuant to court authorized electronic surveillance, which will further explain the reasons for which,

in the view of organized crime, Ruben Gonzalez and Ray Aponte were murdered and found stuffed in the trunk of a car at JFK Airport.

Did you have anything whatsoever to do with the murder of Ruben Gonzalez and Ray Aponte?

MR. CUNNINGHAM: No, no.

MR. HARMON: Now among other places, Mr. Cunningham, were the members of your union employed at nuclear power plants as well as casinos in Atlantic City?

MR. CUNNINGHAM: Yes.

MR. HARMON: Did you establish several locals just for the purpose of running these nuclear power plants so to speak -- I withdraw that.

I don't think you ran any nuclear power plants did you, Mr. Cunningham?

MR. CUNNINGHAM: No. Definitely not.

MR. HARMON: Did you establish several locals just for the purpose of organizing workers at nuclear power plants and these casinos?

MR. CUNNINGHAM: Yes, I did.

MR. HARMON: Now will you explain the organization that you set up in order to organize a labor organization for workers at nuclear power plants and

casinos?

MR. CUNNINGHAM: Well, I formed a certain separate local from the International primarily for power plants and formed a second local for casinos because these employees wanted to be in their own type of bargaining unit.

MR. HARMON: What were the names of each one of these separate unions that you set up?

MR. CUNNINGHAM: The one was called Casino Police and Security and the other one was called Power Plant Police and Security.

MR. HARMON: What year was this system established approximately?

MR. CUNNINGHAM: Latter '70s, '77, '78.

MR. HARMON: Now your union has been described by Special Agent Schaffler, who, I think, you know from your conviction, correct, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: He has described your union as relatively small, but powerful. Would you agree with that characterization?

MR. CUNNINGHAM: Yes, I would agree with that.

MR. HARMON: Why could a very small union like yours, Mr. Cunningham, wield an awful lot of power?

MR. CUNNINGHAM: Well, we organized what I consider to be the core of the workers in any particular industry. So, in fact, if I pulled out the security guards in the nuclear power plants, they would have to, in effect, shut the power plants down. Or if I did the same thing in a casino, if I pulled them off the casino floor, they would have to shut down a million dollar operation because of the security guards.

MR. HARMON: Is this because both nuclear power plants and casinos by federal and state regulation require certain security precautions before they could begin to operate?

MR. CUNNINGHAM: Well, before they could begin to operate and continue to operate.

MR. HARMON: Now at any point did you strike five nuclear plants at any one time?

MR. CUNNINGHAM: Yes, I did.

MR. HARMON: Which nuclear power plants were those?

MR. CUNNINGHAM: They went from Maine through Pennsylvania.

MR. HARMON: Which ones?

MR. CUNNINGHAM: Maine, New York -- I don't recall the names offhand. Indian Point was one. Three

Mile Island was another one. I believe Nine Mile Point Nuclear Power Plant in upstate New York. Fitzpatrick was another power plant.

MR. HARMON: Now in order to provide security at these nuclear power plants, did the individual guards have to submit to special background checks before they would be permitted to work at a nuclear power plant?

MR. CUNNINGHAM: They underwent -- from my understanding, they underwent the same security checks that somebody going into a police department would or applying for -- because they were licensed to carry firearms. They carried M-16s in the nuclear reactor area.

MR. HARMON: So your security guards, at least the ones that were involved with the nuclear reactor, carried M-16 rifles, is that right?

MR. CUNNINGHAM: That's right.

MR. HARMON: Now was there any special security background check for you as a labor official, required before you --

MR. CUNNINGHAM: No.

MR. HARMON: -- before you could organize or enter?

MR. CUNNINGHAM: No, none at all.

MR. HARMON: Did you ever do any work, Mr. Cunningham, at the Shoreham Nuclear Power Plant in Suffolk County, New York?

MR. CUNNINGHAM: No, I just started organizing them, that is all.

MR. HARMON: But you never had any members of your union actually working at the Shoreham Nuclear Plant, is that correct?

MR. CUNNINGHAM: That is correct.

MR. HARMON: Now I would like to draw your attention to another issue, Mr. Cunningham. We have received information that you were associated with Funzi Tieri, the former head of the Genovese crime family, as well as Tony Plate, another member of organized crime, is that correct?

MR. CUNNINGHAM: They were friends of mine.

MR. HARMON: You also moved into Atlantic City at one point, correct, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: Did your association with Tieri and Plate give you an entry into Atlantic City?

MR. CUNNINGHAM: Well, I imagine it helped me, yes.

MR. HARMON: You think it helped you?

MR. CUNNINGHAM: It didn't hurt me.

MR. HARMON: Something happened to your competition ultimately in Atlantic City, correct, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: What was your competition in Atlantic City?

MR. CUNNINGHAM: Several of the unions, trade unions, and independents.

MR. HARMON: Was there a man named McCullough who was competition for you in Atlantic City?

MR. CUNNINGHAM: Yes.

MR. HARMON: From what union was he?

MR. CUNNINGHAM: Roofers.

MR. HARMON: He ultimately was found murdered, is that correct?

MR. CUNNINGHAM: Yes.

MR. HARMON: You have heard that?

MR. CUNNINGHAM: Uh-huh.

MR. HARMON: Now did you have any competition in the New York City area once you became friends with, so to speak, Funzi Tieri and Tony Plate?

MR. CUNNINGHAM: Very little.

MR. HARMON: Now the information that we have received, Mr. Cunningham, and there has been an extensive investigation of you done by the Department of Justice and others in advance of your testimony here today, that you went to Atlantic City in 1977 for the first time and that when you went to Atlantic City, that you met with Angelo Brunc, the head of the Philadelphia family, and Tony Plate for the purpose of gaining access to Atlantic City.

Do you admit that, Mr. Cunningham?

MR. CUNNINGHAM: Yes.

MR. HARMON: Now is it correct, Mr. Cunningham, that they wanted your support, that is, Bruno, that you would take your guards out on strike in order to support any union activity which they -- which they had an interest in?

MR. CUNNINGHAM: Yes, I agreed to do that.

MR. HARMON: They asked you to do it and you agreed?

MR. CUNNINGHAM: Yes.

MR. HARMON: And in return for that did you get something?

MR. CUNNINGHAM: I had no competition in Atlantic City.

MR. HARMON: You had the green light to go ahead, so to speak, in Atlantic City to organize security guards for casinos, is that right?

MR. CUNNINGHAM: Yes.

MR. HARMON: Now were you ever successful in organizing in Atlantic City?

MR. CUNNINGHAM: I organized or petitioned on mainly all of the casinos in Atlantic City, but everything happened just prior to my being indicted. Once I got indicted things sort of fell apart.

MR. HARMON: You were indicted in 1981, correct?

MR. CUNNINGHAM: Yes.

MR. HARMON: And when you say everything started to fall apart at the time you were indicted, we have received information that competition did arise in Atlantic City for your union at that time and the fact of the indictment was used as a way to undercut support for your union, is that right?

MR. CUNNINGHAM: Yes.

MR. HARMON: One final series of questions, Mr. Cunningham.

Did the people that you organized, were they basically minimum wage people?

MR. CUNNINGHAM: Primarily, yes, in the beginning, but security people in the casino and the armored car companies and power plants were high wage employees.

MR. HARMON: Mr. Chairman, I have no further questions of this witness at this time.

I would like to make the record clear that John McCullough of Local 30 of the Roofers Union was murdered on December 16, 1980 in Philadelphia, Pennsylvania and that Raymond Aponte and Ruben Gonzalez were found in the trunk of a vehicle at JFK Airport in December of 1977.

ACTING CHAIRMAN SKINNER: Mr. Harmon.

(Discussion off the record.)

MR. HARMON: Does your union still exist as of today, Mr. Cunningham?

MR. CUNNINGHAM: Yes, it does.

MR. HARMON: Who is running it now?

MR. CUNNINGHAM: I don't know who is running it now today.

MR. HARMON: How long have you been in jail?

MR. CUNNINGHAM: Since 1982.

MR. HARMON: Now where did you get the \$90,000 from to buy the union from Sotille?

MR. CUNNINGHAM: I had certain money of my own that I had.

MR. HARMON: Did you pay him in cash?

MR. CUNNINGHAM: Yes.

MR. HARMON: What was your occupation before you joined -- before you decided to buy this union, Mr. Cunningham?

MR. CUNNINGHAM: Well, I was -- I had been involved in union organizing prior to this, but on a smaller scale and I was a builder.

MR. HARMON: Now you have said that you have been offered bribes by Burns and Pinkerton and other companies. Did you actually receive any payoffs from them?

MR. CUNNINGHAM: I didn't trust them because they were ex-FBI people. I was hesitant to do anything with them and the attorneys were too pushy with the subject so --

MR. HARMON: So the offer was made, but you didn't feel comfortable in taking the money?

MR. CUNNINGHAM: No, that's right.

MR. HARMON: Is that your testimony?

MR. CUNNINGHAM: That's right.

MR. HARMON: I have no further questions.

ACTING CHAIRMAN SKINNER: Seeing no further questions, this witness is excused.

(Witness excused.)

ACTING CHAIRMAN SKINNER: The Commission will be in recess for five minutes.

(Whereupon a recess was had herein.)

ACTING CHAIRMAN SKINNER: The Commission will come back to order.

Mr. Harmon, call your next witness.

MR. HARMON: Will Robert Connerton please come forward?

Please swear the witness, Mr. Marshal.

ROBERT CONNERTON

was called as a witness and, having been first duly sworn, was examined and testified as follows:

ACTING CHAIRMAN SKINNER: Mr. Connerton, you are here pursuant, first of all, to a subpoena that was served by this Commission?

MR. CONNERTON: That's correct.

ACTING CHAIRMAN SKINNER: And finally, when you failed to appear earlier this week, an order was issued ordering your appearance here today by the Chief Judge of the United States District Court, Judge Frank J. McGarr.

Let me also say that the Commission regrets that we have had to go to this length to obtain your appearance here; that is especially true because you are an attorney and officer of the Court.

We recognize and it is not our intention to intrude on any privileged legal communication you have had between yourself and clients. You are represented, I notice, by counsel here. I assume one counsel represents you as an individual; the other counsel represents the union association with which you are associated.

Will counsel please identify themselves for the record?

MR. SACKS: Mr. Chairman, my name is Stephen Sacks from the firm of Arnold & Porter in Washington, D.C. I represent Mr. Connerton today.

MR. DUDLEY: Mr. Chairman, my name is Earl Dudley. I'm with the firm of Nussbaum, Cohen & Webster in Washington, D.C. and I represent the Laborers' International Union of North America.

ACTING CHAIRMAN SKINNER: We will strive and the staff agreed and has been directed to avoid questions which would involve areas that would be covered by the attorney-client privilege.

You, of course, have counsel present who you

may consult with concerning those questions.

And counsel for your client, or at least one of your clients, if you were serving in a legal capacity, is also present and he can advise you as to whether or not there is a waiver because, of course, the client can authorize you to testify and can waive the privilege that that client enjoys with you.

With that in mind, and recognize those desires by the Commission and its staff, I will ask that Mr. Harmon begin the questioning.

MR. HARMON: Please state your name for the record, sir.

MR. CONNERTON: Robert J. Connerton.

MR. HARMON: And are you an attorney and duly licensed to practice law?

MR. CONNERTON: I am.

MR. HARMON: In what state, Mr. Connerton?

MR. CONNERTON: Washington, D.C.

MR. HARMON: And do you hold any professional associations as of this point in time with the American Bar Association, for example?

MR. CONNERTON: Yes.

MR. HARMON: And what is the nature of that association?

MR. CONNERTON: I am the chairman of the American Prepaid Legal Institute; I'm a former -- past chairman of the Labor Law Section of the American Bar Association; been a member of the House of Delegates, served on various committees.

MR. HARMON: What was the function and responsibility of the Labor Law Section of the American Bar Association as you saw it?

MR. CONNERTON: I don't understand.

MR. HARMON: What was its purpose.

MR. CONNERTON: I believe its principal purpose was to serve as a medium of education and the exchange of ideas between attorneys representing management and attorneys representing trade unions.

MR. HARMON: And you held a position with that section at some time, Mr. Connerton?

MR. CONNERTON: I held various positions with that section.

MR. HARMON: And what positions were they?

MR. CONNERTON: Chairman, as I indicated, with the various committees and chairman of the section that is delegated to the House of Delegates and so forth.

MR. HARMON: At any time while you were

chairman, Mr. Connerton, were issues of organized crime infiltrations of labor unions discussed at any Labor Law Section meetings or seminars?

MR. CONNERTON: I clearly couldn't say that with certainty. I have no current recollection of any such discussions.

MR. HARMON: At any time, as far as you can recollect, Mr. Connerton, did the Labor Law Section of the ABA ever make any legislative recommendations which were intended to minimize the infiltration of organized crime into legitimate labor organizations?

MR. CONNERTON: Not to my knowledge.

MR. HARMON: Was that something --

MR. CONNERTON: Let me answer further. The Labor Law Section, over my long history, has very seldom made legislative recommendations. To the best of my knowledge, recommendations may have been made on two or three occasions in its -- at least in the twenty-some years I have been associated with the section. So it isn't something they do as a matter of course. There have been probably two or three legislative recommendations made by the Labor Law Section of the ABA during the period I have been associated with the section.

MR. HARMON: During those twenty-plus years that you have had that association, Mr. Connerton, did the ABA Labor Law Section ever issue any reports, studies or recommendations of any kind, the intention of which was to minimize the infiltration of organized crime into legitimate labor organizations?

MR. CONNERTON: No, sir. As I say, not to my knowledge.

MR. HARMON: You were there, Mr. Connerton, right?

MR. CONNERTON: I have been there in the sense that I have been -- excuse me. I have been a member of certain committees, I have been a council representative of certain committees, but obviously there are many committees in the Labor Law Section and I cannot testify as to what all of the committees have done at all times.

I'm just saying to the best of my knowledge as a member of the council for probably about 12 or 14 years, I cannot recall any such recommendations being made or discussed.

MR. HARMON: Is there a law firm in Washington which bears your name, Mr. Connerton?

MR. CONNERTON: Yes.

MR. HARMON: What is your relationship to that law firm?

MR. CONNERTON: I am a partner in that law firm.

MR. HARMON: Do you receive any salary from that law firm?

MR. CONNERTON: No, sir.

MR. HARMON: When was the last time, approximately, that you drew any funds of any sort from that law firm?

MR. CONNERTON: I never did.

MR. HARMON: What is your present position as of this point in time with the Laborers' International Union of North America?

MR. CONNERTON: I have been the general counsel of the Laborers' International Union for approximately the past 20 years and prior thereto for a period of approximately 12 years I was the assistant general counsel.

MR. HARMON: So you have had an association, am I correct, of about 32 years with the Laborers' International Union of North America?

MR. CONNERTON: Approximately, sir.

MR. HARMON: And the past twenty you have

been the general counsel, Mr. Connerton, am I correct?

MR. CONNERTON: Approximately.

MR. HARMON: Approximately.

MR. CONNERTON: Yes.

MR. HARMON: Now generally speaking, what is the nature of your responsibilities as general counsel?

MR. CONNERTON: They are essentially set forth in the union's constitution, in the International Union's constitution.

MR. HARMON: Could you please describe those for the Commission in general terms, Mr. Connerton?

MR. CONNERTON: Well, in general terms, I serve as the counsel for the International Union on internal union matters and external union matters. I advise with union officers and union officials with respect to the law of the organization. I advise with union officers and union officials, that is, of the International Union with respect to applicable federal and state laws. I would advise with district councils, which are intermediate bodies, and local unions on key issues that we feel might affect the general membership of the institution and the institution itself. I represent the union externally. For example, I have general supervision over the

legislative operations of the International Union. I serve as liaison to certain other trade union organization such as the AFL-CIO and its Building and construction

--

MR. HARMON: From time to time you engage in litigation --

MR. CONNERTON: Yes.

MR. HARMON: -- in which the Laborers' International Union of North America has an interest, is that right, sir?

MR. CONNERTON: That is correct, sir.

MR. HARMON: And your relationship as general counsel as opposed to the law firm which bears your name is established in such a way as to avoid even any appearance of impropriety, is that correct, Mr. Connerton?

MR. CONNERTON: That is my understanding, sir.

MR. HARMON: The law firm itself from time to time does legal work on behalf of the Laborers' Union, is that correct?

MR. CONNERTON: That is correct, sir.

MR. HARMON: From time to time the law firm itself -- I withdraw that question.

Now is there a way, Mr. Connerton, that you

decide when you will engage in litigation as opposed to when the Connerton law firm would engage in litigation in which the Laborers' Union or its membership might have an interest?

ACTING CHAIRMAN SKINNER: Maybe another way, just to phrase that question, Mr. Harmon, without divulging any privileged mechanisms of communication, what is the general mechanism that is used in deciding how this litigation should be handled?

MR. CONNERTON: Well, it would generally depend upon, one, the area of expertise, for example, what type of case is it, what lawyer would be specialized in handling the case, and also the availability of counsel who work directly with the union. I think that would be the general criteria.

MR. HARMON: Now would you consider it, Mr. Connerton, an appropriate exercise of your responsibilities and position as general counsel to represent hundreds of laborers in a suit by which they sought backpay to which they were denied wrongly?

MR. CONNERTON: I'm sorry, could you ask me that question again?

MR. HARMON: Yes. Well, let me draw your attention to a specific instance, Mr. Connerton.

Are you aware of the situation where members of the Laborers' International Mail Handlers Division did not receive backpay and overtime to which they were entitled and litigation was instituted on their behalf? I would like to draw your attention to that. You are familiar with that, correct, Mr. Connerton?

MR. CONNERTON: Yes, I am familiar with those suits, yes.

MR. HARMON: And there were legal fees paid when the laborers won that suit, correct?

MR. CONNERTON: There were legal fees when the Court ordered the postal employees, including mail handlers, but also including members of other crafts and, indeed, non-members that they were found to have been deprived of certain overtime pay and so forth.

MR. HARMON: Now did either you, Mr. Connerton or the law firm which bears your name receive or share in any of those legal fees?

MR. CONNERTON: I did. The law firm that -- to the best of my knowledge, the law firm that bears my name did not share in any way in the legal fees; that is to the best of my knowledge.

MR. HARMON: Now you receive a salary as general counsel, correct, Mr. Connerton?

MR. CONNERTON: That's correct.

MR. HARMON: And was this amount that you received in that suit in excess of the salary to which you are entitled as general counsel?

MR. CONNERTON: There were a number of suits, Mr. Harmon, and the award, yes -- in two of these matters counsel received substantial fee awards from the Court.

MR. HARMON: Substantial -- by substantial --

MR. CONNERTON: After obtaining approximately \$550 million in backpay awards for postal workers.

MR. HARMON: What was the extent of these substantial fees that you described?

MR. CONNERTON: I really don't recall at this particular time.

MR. HARMON: Approximately.

MR. CONNERTON: I really don't even recall that. I could give you a range, and I would be glad to provide the Commission with the precise figures, including precisely what I received.

MR. HARMON: Perhaps you can give us your best recollection as of this point in time.

MR. CONNERTON: In all of the cases? I would say in the range of \$10 million.

MR. HARMON: And approximately how much --

MR. CONNERTON: Paid totally.

MR. HARMON: Isn't it true that through Laborers' publications that mail handlers were solicited to join in this suit?

MR. CONNERTON: It's true that through the publications in various postal unions, including the Mail Handlers Division rather than the Laborers, their individual members were solicited to join in the suit.

MR. HARMON: Now approximately, to the best of your recollection here today, we understand you may not be precise on this answer, Mr. Connerton, approximately how much did you personally benefit as a result of this suit in the way of fees?

MR. CONNERTON: I'm saying in the suit in their totality --

MR. HARMON: Yes, sir.

MR. CONNERTON: I will just take a guesstimate.

MR. HARMON: Please do.

MR. CONNERTON: With the understanding I would be delighted to furnish you with the exact figures. I am not prepared to answer the question. I want to be totally truthful about it. I would say it was in the range of approximately \$1 million, but again

I could be off.

MR. HARMON: Now, Mr. Connerton, didn't it appear to you that your responsibilities as general counsel and your salary as general counsel required you to engage in this representation or without receiving this additional fee, your guesstimate of approximately \$1 million?

MR. CONNERTON: No, it did not.

MR. HARMON: I would like to direct your attention to something else, Mr. Connerton. You understand the term "fiduciary," do you not, sir?

MR. CONNERTON: Yes, I do. I mean generally I do.

MR. HARMON: Well, as an attorney, you understand that term, correct?

MR. CONNERTON: I say as an attorney I understand the term generally, yes.

MR. HARMON: A fiduciary, in very simple layman's terms, is a person upon whom a very special legal obligation is imposed, correct, sir?

MR. CONNERTON: Fiduciary holds a position of trust.

MR. HARMON: Well, do you agree with that characterization, a very special legal obligation

having been imposed on that person?

MR. CONNERTON: That is basically one definition. It depends, it seems to me, in what context you are using the question. It seems to me the term fiduciary has different meanings under different laws and so forth. I agree with your generalization. Generally I agree with your generalization.

MR. HARMON: Well, if I can draw your attention to your testimony in the case of U.S. against Accardo, as a defense witness on May 18, 1982 you were asked this question and gave this answer:

"Q Now what is the meaning of fiduciary?

"A It's a person upon whom a very special legal obligation is imposed."

So you agree with that characterization, correct, Mr. Connerton?

MR. CONNERTON: I agree that I said that. And I would also agree that I probably defined fiduciary in any number of different ways.

MR. HARMON: Now drawing your attention to the concept of fiduciary, this very special legal obligation of trust, and applying that to union officials as well as trustees of pension funds and other union funds, would you agree, Mr. Connerton, that a trustee of a

pension fund or health and welfare fund has an obligation to act solely in the interest of the participants and the beneficiaries of that trust?

MR. CONNERTON: I think that is the language of ERISA.

MR. HARMON: Do you agree with that?

MR. CONNERTON: I agree with the law, certainly.

MR. HARMON: Is that the policy of the Laborers' Union that its trustees may act solely in the interest of the participants and beneficiaries of the various funds of laborers' organizations?

MR. CONNERTON: I think the policy -- I believe the policy of the Laborers' Union and the policy of the labor movement as a whole, is a trustee should act in the interest of the participants.

MR. HARMON: The policy of the Laborers' Union is no different than any other, is that correct, in that regard, Mr. Connerton?

MR. CONNERTON: Yes, that is my understanding.

MR. HARMON: Do you agree, Mr. Connerton, that a union representative is a fiduciary who may not feather his own nest at the same time he is supposed to be serving the union membership?

MR. CONNERTON: Well, I don't understand the term "feather your nest." It's obviously a quote that you are reading from. I would say I agree with it generally, but there is certainly not a legal concept called "feathering your own nest," so I don't know quite how to respond to it.

MR. HARMON: Those were the words of the Court of Appeals in affirming the conviction of John Cody of Teamsters Local 282 in New York, convicted of labor racketeering, a person with well known connections and described here under the control of the Gambino and Lucchese families.

Do you agree that a union representative may not engage in efforts directed toward individual economic self-aggrandizement and that that kind of conduct constitutes not only a breach of trust, but serious criminal misconduct as well?

MR. CONNERTON: Do I agree with that?

MR. HARMON: Yes, sir.

MR. CONNERTON: I couldn't say in the first place. I'm not a criminal lawyer and so I am not going to express my views as to whether or not that general characterization constitutes a crime.

I have grave reservations about it, but I'm

not in any position to quarrel with the question.

MR. HARMON: Well, I would like to draw your attention to certain testimony which you gave as a way of attempting to understand the policy of the Laborers' International Union, Mr. Connerton.

I'm asking you to recall to mind the ideas of acting solely in the interest of pensioners and acting solely in the interest of union members. And let me ask you if you recall being asked these questions where you testified as a defense witness in the case of U.S. against Osley in Las Vegas.

MR. CONNERTON: First of all, counsel --

MR. HARMON: Please, excuse me.

MR. CONNERTON: I did not testify as a defense witness.

MR. HARMON: I withdraw that. You are absolutely correctly, Mr. Connerton. And if at any time I am not correct about something I might say, I'm sure you will make the record clear on that and I appreciate that.

MR. CONNERTON: Sure.

MR. HARMON: You were asked -- do you recall testifying that if a union officer were to build a personal residence with funds that had not been approved for expenditure by the union executive board of the

local's general management, it would be a proper use of union funds, if the union were reimbursed for the expenditure?

MR. CONNERTON: I think, counsel, basically you have to take --

MR. HARMON: Excuse me. The simple question is do you recall testifying in that fashion?

ACTING CHAIRMAN SKINNER: Mr. Harmon, let's let the witness answer this question.

MR. CONNERTON: I have the transcript with me, if you could point out the page to me and give me an opportunity to read it and refresh my memory and indicate to you the context in which the answer may have been given or the question may have been asked.

MR. HARMON: Go right ahead, Mr. Connerton.

MR. CONNERTON: What page?

MR. HARMON: Page 27.

ACTING CHAIRMAN SKINNER: I think that is probably a pretty good idea, Mr. Harmon. If you are going to ask questions from a particular transcript, why don't you give the page out early and we can then give him a chance to look at it.

MR. HARMON: Referring to the testimony on January 9, 1985, at page 27, line 11, and continuing

through to page 29. You can take a look at that, Mr. Connerton, and then I will ask you a couple of questions.

MR. SACKS: The question, Mr. Harmon?

MR. HARMON: Ready?

MR. CONNERTON: No.

ACTING CHAIRMAN SKINNER: Mr. Harmon, while he is looking at that --

( Discussion had off the record.)

MR. HARMON: The question that you were asked and the answer that you were given was this, Mr. Connerton:

"Q Let us say that a union officer is building a personal residence, this is a hypothetical, that the expenditure of funds had not been approved by the executive board or by the general membership of that local union. It's a residence for personal use whether or not there is a promise for reimbursement, in your opinion would that be a proper use of union funds?

"A I would say that it would be a proper use of union funds if the union were reimbursed for the expenditure. As I indicated to you earlier, it is not to damage the union and,

therefore, was consistent with the objects and purposes of the union."

Continuing on page 29:

"Q After that approval of the executive board?

"A That is correct.

"Q Without approval of the general membership?

"A That is correct."

MR. CONNERTON: Yes, sir.

ACTING CHAIRMAN SKINNER: Is there a question pending? I guess the question is did you make -- were you asked that question and did you give that answer at that proceeding?

MR. CONNERTON: Yes.

MR. HARMON: Now is it the view of the Laborers' International Union that an expenditure of funds for that purpose is consistent with the purposes for which a union is created and formed and exists?

MR. CONNERTON: Counsel, I can only answer in terms of the context in which the question is presented to me. And my response was that, and my response was -- when you read the testimony in its entirety, my response was really very, very limited. I said, in effect, that in

my judgment and in the cases that have been presented to the general executive board of the International Union over a long period of time, if a union in effect had acted as a conduit for an official or for a member so that they could purchase items at a lower rate than would otherwise be available to them, if they were promptly billed for it, and if they promptly reimbursed them, then I saw no violation of the union's constitution.

I was not expressing any position as to whether or not it constituted violations, as I indicated, of criminal law. I am not a criminal law lawyer. I was only talking with respect to the union's constitution, and I will repeat that testimony here today and, that is, in the experience of the union dealing with the large number of cases over a period of time, its position has been, for example, in connection with union elections where the law requires that the union mail out campaign literature for each individual member. If they mail out the campaign literature, if the union does for the members, as they are required to do, if they prepare the materials, if they put on the stamps, and if they then thereafter bill a member and the member pays for it, in my judgment it's not a violation of the union's

constitution or of applicable law.

I was saying in the context of whether or not it was a per se violation of the union's constitution for the union to be billed by a supplier where the union would get a better rate than the individual union member or official would, and for the union simply to act as a conduit, to then bill the officer or the member and to have it promptly repaid, the union then in my judgment was not in violation of the union's constitution and I stand on that particular position.

MR. HARMON: Isn't it clear under these circumstances, Mr. Connerton, that if a union official borrows these funds without authorization, the union loses interest on the funds for the period of time that the union official takes to repay the funds?

MR. CONNERTON: That is correct, but loans are permissible, Mr. Harmon, under the Landrum-Griffin Act. And there is no requirement under the Landrum-Griffin Act that the loans have a certain rate of return.

There is a limit on the amount of money that could be loaned to a trade union official, but there is no requirement that a certain interest rate be charged to be paid in addition.

MR. HARMON: Is it the policy of the Laborers'

International Union to permit interest-free loans to officials of its locals or the International?

MR. CONNERTON: No, it's not the policy of the International. The International Union doesn't have a policy upon that particular issue as such.

MR. HARMON: Thank you, Mr. Connerton. I would like to draw your attention to another part of the transcript, page 31, and ask you a question of union policy.

ACTING CHAIRMAN SKINNER: Did you finish your answer?

MR. CONNERTON: No, I didn't, but that is --

ACTING CHAIRMAN SKINNER: If you want to add something else, go ahead and finish it up.

MR. CONNERTON: Thank you, Mr. Commissioner, but I sort of lost track of it at this moment.

ACTING CHAIRMAN SKINNER: Well, if it comes back to you and you want to add it at a later date, feel free to do so.

MR. SACKS: For some reason page 31 of the transcript we brought from Washington has been misplaced.

MR. CONNERTON: I have got it.

MR. SACKS: Maybe we can find it. Give us a moment, please. We have it. Thank you.

Where should we read, Mr. Harmon?

MR. HARMON: At line 11.

MR. CONNERTON: Page?

MR. HARMON: 31, where you made this statement,

Mr. Connerton:

"In other words, it may be his duty, that is, the duty of a labor official, taking into account the special problems and purposes of labor organizations, to perform a certain act, even though that narrow interest -- it would not advance the interest of the membership and it might even be at odds with the interests of the membership."

Do you recall saying that, Mr. Connerton?

MR. CONNERTON: Yes.

MR. HARMON: Is it the policy of the Laborers' International Union that its officials at any level may take action which is at odds with the interests of the membership of the union?

MR. CONNERTON: No. Within the context of that statement what I was saying is in many cases trade unions, like corporations or any other organization, sometimes need to look to the long run rather than what is before them individually, and that subject is

obviously debated in our financial circles, in the life of corporations and trade unions.

What I'm saying here is in a particular case it may not be in the immediate interest in the membership of that moment to do, but if it's in the interest of the membership over the long run and the institution over the long run, then in my judgment the officials have that range of discretion. Otherwise, they would be placed in a position where they could only judge the immediate item before them and nothing else. And whatever -- for example, call for, let's say, the highest rate of return you would be required to do that and nothing else whereby it might be in your best interest to donate the money to a particular charity even though you would not get immediate returns from doing so.

MR. HARMON: In that sense it may be -- not in the interests of the membership?

MR. CONNERTON: In the long run -- if you make the judgment in the long run it's in the interest of the members, then in my judgment you fall within the range of discretion that should be available to any official on any commission or corporation or association or trade union, for that matter, or any governmental official.

MR. HARMON: I would like to draw your attention to another area, Mr. Connerton, that is, the issue of trusteeships. There has been testimony before the President's Commission by Robert Powell. You know Robert Powell?

MR. CONNERTON: I do know Robert Powell, yes.

MR. HARMON: He formerly was an International vice-president, correct, sir?

MR. CONNERTON: Yes, sir.

MR. HARMON: For many years, correct?

MR. CONNERTON: That is correct, sir.

MR. HARMON: And I believe the Laborers' International Union over the past ten years has instituted trusteeships on a number of occasions, is that right?

MR. CONNERTON: Yes, sir.

MR. HARMON: About thirty trusteeships within the past ten years, is that correct, Mr. Connerton?

MR. CONNERTON: I couldn't say that with certainty. I could find out for you.

MR. HARMON: Well, I draw your attention again to prior testimony by you in which you said that you just caused a study to be made of the number of trusteeships that were imposed over the past eight years and

you found three district councils and you believed about 30 or 31 locals.

MR. CONNERTON: When was that testimony, counsel?

MR. HARMON: That was in the case of U.S. against Accardo.

MR. CONNERTON: What year?

MR. HARMON: I don't have the year.

MR. CONNERTON: I'm saying I had figures at that time, but I don't have figures this time. I would be delighted to get the figures and furnish them to the Commission.

MR. HARMON: Does that sound approximately correct?

MR. CONNERTON: I can't say. I really can't.

ACTING CHAIRMAN SKINNER: Suffice it to say there have been a number of situations when an International union has found it necessary to impose trusteeships on various local unions throughout the United States?

MR. CONNERTON: That's correct, Mr. Commissioner.

ACTING CHAIRMAN SKINNER: And if, in fact, the staff wants an exact number, you would provide that

number to us?

MR. CONNERTON: I would be very happy to provide it to Mr. Harmon.

ACTING CHAIRMAN SKINNER: Go ahead.

MR. HARMON: Mr. Powell testified on two occasions, once in Detroit and once in Philadelphia, with Laborers' Local 332, that because there was an organized crime domination of those locals that trusteeships were imposed.

In recent years, Mr. Connerton, has the Laborers' International Union ever imposed a trusteeship because there was a domination of organized crime of a certain local?

MR. CONNERTON: Let me return to your question. Number one, I do not know as a fact that a trusteeship was imposed over the local union in Philadelphia or the local union in Detroit because those locals were dominated by "organized crime."

The local unions, as I recall, were composed primarily of black members. There had been some financial improprieties inside the union. There had been some lack of democratic procedures as I recall. And I'm just testifying from memory, so please forgive me if I don't recall everything. As a result of that, the

trusteeships were imposed by the International over those two local unions.

Now if that meets the definition of "organized crime," that is it.

MR. HARMON: In recent years has the Laborers' International Union imposed trusteeships on any local because of the influence of organized crime?

MR. CONNERTON: I would -- in terms of -- you see my difficulty is I don't recall at this moment all of the situations in which these Laborers' organizations have imposed a trusteeship nor have I been consulted in all of those situations.

I would be very happy, on the other hand, Mr. Harmon, to go back to Washington to review the situation for you and, in addition to furnishing you with the number of trusteeships, indicate for you in each of these trusteeships why, in our judgment, the trusteeship was imposed and for what purposes. And I hope that information would be a benefit to the Commission.

MR. HARMON: So you are not -- as you sit here today, Mr. Connerton, you are not able to explain to the Commission or identify any particular local that has been placed into trusteeship because of the domination of organized crime, is that right, sir?

MR. CONNERTON: Again, subject to an elastic definition, I cannot recall any particular situation at the moment. But as I say, I am just relying upon naked memory, which gets treacherous at a certain age in life, and I may be missing the situation.

MR. HARMON: Is that a reason within the Laborers' Union to place a local into trusteeship, that is, an outside influence exerted by organized crime upon the operations of a particular local?

MR. CONNERTON: The reasons -- the reasons for imposing a trusteeship are set forth in the Laborers' constitution and they basically agree with the statutory purposes set forth in the trusteeship provisions of the Landrum-Griffin Act.

Indeed, they sort of ape those particular provisions.. So as I recall, corruption, financial malpractices, other reasons such as that, lack of democracy the union has authority to impose trusteeships for those purposes.

MR. HARMON: Would domination by organized crime be one of those influences, Mr. Connerton?

MR. CONNERTON: In terms of financial malpractice, in terms of corruption, I guess you would look at that on a case-by-case basis and see after hearing

whether they adhere to those particular standards.

MR. HARMON: Is mismanagement a ground for placing a union into trusteeship?

MR. CONNERTON: Mismanagement of what sort?

MR. HARMON: Financial mismanagement.

MR. CONNERTON: I would assume that would, you know, serious financial mismanagement that requires correction, yes, would be a grounds for the imposition of trusteeship, would fall under one of those general statutory definitions.

MR. HARMON: For example, Mr. Connerton, in 1977 the Southeast Florida Laborers' District was placed into trusteeship because 41 percent of the premiums which were paid for whole life insurance were paid out in commissions and administrative fees. Do you recall that one, Mr. Connerton?

MR. CONNERTON: I recall very well the council being placed into trusteeship. And that was simply one of many reasons why the council was placed under trusteeship. A manager of the union had been tried and convicted. In addition to that, the Permanent Subcommittee On Investigations was -- I'm losing track of time. They were involved. Yes, I remember it. That was the case in which Mr. Joseph Hauser started his

great scheme to loot all of the trade unions of the United States. And arising out of that case, I, and the general president of the International Union, turned Mr. Hauser over to the Federal Government and gave the Federal Government all of the information on Mr. Hauser's activities.

MR. HARMON: 41 percent was a figure that you used at that particular point in time, correct, Mr. Connerton, as evidence of mismanagement?

MR. CONNERTON: I don't recall if I did use that precise figure, but the International Union's --

MR. HARMON: If I can draw your attention, Mr. Connerton, to a letter dated October 4, 1977, signed by Angelo Fosco, which makes that statement. And I would like to ask you this question, Mr. Connerton.

ACTING CHAIRMAN SKINNER: Has he seen that letter, Mr. Harmon? Do you want to refresh his recollection of that letter, if you are going to ask him about it?

MR. HARMON: He is welcome to it.

MR. CONNERTON: I am ready for the question, counsel.

MR. HARMON: Well, if there was a Laborers' welfare fund organization in Chicago, 68 percent of the

premiums paid for the coverage of that particular welfare fund, if that were the case, Mr. Connerton, and only 32 percent of the monies paid on behalf of the members were actually paid for claims, would you consider that as a ground for further investigation to determine whether or not a trusteeship should be imposed in that case?

MR. CONNERTON: Let me reply to the first question.

MR. HARMON: Excuse me, Mr. Connerton. There is a question before you right now.

MR. CONNERTON: I thought there was a question before me. I was examining with respect to the 41 percent figure.

MR. HARMON: You have had an opportunity to read that letter, correct?

MR. CONNERTON: Yes. My response to that is that was the figure used by the Senate Subcommittee rather than by the union, recited by the union, in imposing trusteeship over the district council. And I have no quarrel with that figure. I assume the Senate Subcommittee's figure was very accurate and we relied upon it in imposing trusteeship over the local union.

MR. HARMON: If this Commission could furnish you with evidence of a 68 percent figure, 68 percent of funds being paid out in other than claims, would that be a basis for instituting trusteeship action against a particular Laborers' organization that might be involved?

MR. CONNERTON: It would certainly be the basis -- that information would certainly be the basis for --

MR. HARMON: Could that inquiry result in the imposition of a trusteeship, Mr. Connerton?

MR. CONNERTON: All inquiries -- I don't mean to be fresh or smart about the situation -- on serious matters obviously lead in that particular direction. What would be done, the general executive board would decide it would be based upon, or the general president, based upon the record in front of them. I don't like to predict what could happen, but I am saying to you that the International Union believes very, very strongly that welfare plans were enacted for the benefit of participants. And if information were disclosed to the International Union, we would conduct an investigation.

MR. HARMON: Several final questions, Mr.

Connerton.

MR. CONNERTON: Sure.

MR. HARMON: Are you familiar with a publication known as the "Criminalization of Union Activity, Federal Criminal Enforcement Against Unions, Union Officials and Employees" by David Elbaor and Lawrence E. Gold?

MR. CONNERTON: I am, sir.

MR. HARMON: Which is copyrighted by the firm of Connerton, Bernstein and Katz?

MR. CONNERTON: That is correct, sir.

MR. HARMON: Did you play any role in the writing of that particular document?

MR. CONNERTON: No.

MR. HARMON: Do you agree with its contents, Mr. Connerton?

MR. CONNERTON: Its contents? I agreed with the conclusions contained therein. I don't necessarily agree with all of its contents, no.

MR. HARMON: Well, let me draw your attention to a -- I will withdraw the question.

For what purpose was that document and report prepared?

MR. CONNERTON: It was prepared at the request

of the president of the Building and Construction Trades Department of the AFL-CIO. And the law firm, you know, amongst other clients, has -- represents in part as special counsel the Building Construction Trades Department of the AFL-CIO. The president of that department asked the law firm to get into the matter and conduct an impartial study to review the matter, independently to reach a conclusion and to publish it.

MR. HARMON: Did you review drafts of this as it was prepared, Mr. Connerton?

MR. CONNERTON: I probably reviewed drafts of it. I'm certain I did not review all of the drafts. I'm also certain I did not look at it as closely perhaps as the people who were doing it did, but, yes, I did examine certain drafts.

MR. HARMON: Well, on page 40 of that report, Mr. Connerton, this statement is made.

MR. CONNERTON: Excuse me.

MR. SACKS: Just a moment.

(Brief pause.)

MR. CONNERTON: I apparently don't have that document. I am sorry.

MR. SACKS: Why don't you read it. If we want to look at it, we will --

ACTING CHAIRMAN SKINNER: Why don't you go ahead, Mr. Harmon. Read from the document and ask him a question about the statement in the document. If they want to see it, they will ask for it.

MR. HARMON: Under the heading "Prosecutions Do Not Reveal Organized Crime Control."

MR. SACKS: Page again, Mr. Harmon?

MR. HARMON: 40.

MR. SACKS: Thank you. We have it.

MR. HARMON: "This prosecutorial record does not support the proposition that any International union is controlled by organized crime forces or subject to such influence."

Do you see that, Mr. Connerton?

MR. CONNERTON: Yes, I do, sir.

MR. HARMON: Do you agree with that statement?

MR. CONNERTON: I agree with the statement, counsel. I did not conduct the study.

MR. HARMON: You agree with the statement, is that correct, Mr. Connerton?

MR. CONNERTON: Yes.

MR. HARMON: And you understand that prior to the preparation of this statement that the Federal Bureau of Investigation has stated publicly that the

International Brotherhood of Teamsters, the International Longshoreman's Association, as well as the Hotel and Restaurant Workers Union, and as well as the Laborers' Union of North America are unions which are controlled by organized crime, correct, sir?

MR. CONNERTON: That is correct. It was a Justice Department report labeled the Secret Report.

MR. HARMON: Excuse me, Mr. Connerton. I am referring to public testimony given by the Federal Bureau of Investigation.

ACTING CHAIRMAN SKINNER: If he hasn't seen the testimony, Mr. Harmon, you ought to refer him to the testimony. I think the bottom question is that you are aware that -- I assume the public media as well as various reports and hearings and everything else in the past, there is a contention by Federal law enforcement officials that certain unions, including the one you are associated with, they have made the statement that it is their opinion that those unions are controlled by organized crime.

MR. CONNERTON: That's correct.

ACTING CHAIRMAN SKINNER: You are aware those statements have been made?

MR. CONNERTON: Yes, I am, sir.

ACTING CHAIRMAN SKINNER: Go ahead, Mr. Harmon.

MR. HARMON: Now in reaching your agreement with that particular statement in that report, in your acknowledgement that --

ACTING CHAIRMAN SKINNER: Go back just so we don't -- I assume the statement you are talking about is the statement in Mr. Elbaor's report, not the statement made by the FBI.

MR. HARMON: Yes, that's right, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Just so the record is clear.

MR. HARMON: When was this report issued, Mr. Connerton?

MR. CONNERTON: 1985. Sir, I couldn't tell you exactly when. It was probably in February, but I couldn't say that with certainty.

MR. HARMON: I would like to finish with a series of questions for you, Mr. Connerton, and ask you whether or not the officers of the International are elected by direct election of the membership or whether they are not?

MR. CONNERTON: No, they are elected by delegates who in turn have been elected by secret ballot

votes of the membership to attend the convention.

MR. HARMON: Secret ballots taken at the local level, sir?

MR. CONNERTON: At the local level, yes.

MR. HARMON: What is the role of the district council, which is an intermediary between the International and the local?

MR. CONNERTON: In terms of elections?

MR. HARMON: Yes.

MR. CONNERTON: The district council -- I don't remember precisely. The district council has some representation at International Union conventions, but it's very, very slim and it's basically just token representation.

I can furnish you with the precise figures, but there are approximately 50 district councils and at best they would represent two or three percent of the delegates at the International Union convention. They are given some representation, but it's token in nature.

MR. HARMON: Mr. Connerton, are you aware of the District Council of Cement and Concrete Workers of the Laborers' International Union of North America located in New York City?

MR. CONNERTON: I am aware there is such a district council, yes.

MR. HARMON: At the time that this report was issued had the ruling Mafia commission of the five families yet been indicted for engaging in a pattern of racketeering activity in part through their control of the District Council of Cement and Concrete Workers of the Laborers' International Union of North America?

MR. CONNERTON: I couldn't answer that question, Mr. Harmon.

MR. HARMON: Well, understanding that today --

MR. CONNERTON: I mean as to the time.

MR. HARMON: Understanding that today, Mr. Connerton, as you sit here, does it cause you to question your acknowledgement of the correctness of that statement of the report? Does the indictment of the Mafia's ruling commission cause you to question whether or not the Laborers' International Union is under the influence of organized crime, at least through the District Council of Cement and Concrete Workers?

MR. CONNERTON: Well, I have two answers. One is the question you asked my opinion on is entitled Prosecutions Do Not Reveal Organized Crime Control. Now that -- apparently that section deals with actual

prosecutions. And the statement is made there that the prosecutions and the convictions do not support the notion that an International union is controlled by such influences; that is the statement based upon the prosecutions.

Now you are asking me about a recent indictment of a district council. My second response is that the statement dealt with International unions. There are approximately 950 local unions in the Laborers' International Union, approximately 50 district councils throughout the United States and Canada. A union that is primarily a construction union is operated much more at a local level than, let us say, an industrial union is. There is much more local autonomy that applies because, to a great extent, construction markets are local in nature.

I do not see the action being taken against Cement and Concrete Workers District Council as any proof that the International Union is controlled by organized crime forces. Indeed, in the situation we talked about earlier in Florida, the International Union, when information was --

MR. HARMON: Excuse me, Mr. Connerton. If I could draw your attention to New York City with a couple

of final questions.

MR. CONNERTON: I'm sorry.

MR. HARMON: Michael Lorello is a vice-president of the International, is that correct, sir?

MR. CONNERTON: That's correct, sir.

MR. HARMON: He holds a position with the District Council of Cement and Concrete Workers, correct?

MR. CONNERTON: I don't believe so. I don't believe he holds any position at all. I can check that for you, but I would -- I am tempted to say I am absolutely certain, but you know anything is possible. I do not believe Mr. Lorello holds any position with any local union in the Laborers' International Union, but I will check.

MR. HARMON: Is that your testimony under oath today, Mr. Connerton?

ACTING CHAIRMAN SKINNER: Mr. Harmon, he said he doesn't think he is; he is not absolutely sure. We have records that show he is. You might refresh his recollection with that.

MR. CONNERTON: My best recollection is that Mr. Lorello was a member of a local union in the state of New Jersey, holds no office in that local union. He

is not a member of any local union in the State of New York or any district council. That again is my information and I will check it to be absolutely certain. If the information turns out to be different than what I told you, the Commission -- I will be the first to bring it to the Commission's attention.

MR. HARMON: I have no further questions, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Connerton, you said you draw no funds from your law firm, the law firm that bears your name and position of -- you are a senior partner of a firm?

MR. CONNERTON: That's correct.

COMMISSIONER METHVIN: Who pays your salary for the union, your retainer?

MR. CONNERTON: The union doesn't pay me a retainer. I am the general counsel of the International Union and technically I'm an employee of the International Union. So they pay me in the nature of a salary.

COMMISSIONER METHVIN: You get a salary?

MR. CONNERTON: From the International Union, that's correct. And since I've been general counsel of

the International Union, Mr. Methvin, and since the International Union also does legal business with the law firm, I have tried to avoid any possible suggestion of impropriety, and it has cost me dearly financially, but that is the way it is.

COMMISSIONER METHVIN: That is the reason you don't draw any funds from your firm?

MR. CONNERTON: That's correct, Mr. Methvin.

COMMISSIONER METHVIN: Well, now who pays your salary?

MR. CONNERTON: The Laborers' International Union.

COMMISSIONER METHVIN: From general funds?

MR. CONNERTON: From its general fund, yes.

COMMISSIONER METHVIN: Its general fund?

MR. CONNERTON: Yes.

COMMISSIONER METHVIN: That, of course, comes from the dues paid by the members of the union, 650,000 of them, I believe?

MR. CONNERTON: That comes from the per capita tax paid by the local unions to the International Union on behalf of their members, yes.

COMMISSIONER METHVIN: Who do you consider are your clients?

MR. CONNERTON: Well, I consider my clients to -- I consider my clients to be the institution. And the institution is, I guess, composed of three different ways. One, the institution itself is an organic organization that is going to continue regardless of who is there, who is a member and who is an officer; that is number one.

Number two, I consider my clients to be the officials of the International Union trying to administer the International Union. And I also consider my clients to be the local unions and their members. If I didn't, I wouldn't be working with them.

COMMISSIONER METHVIN: The rank and file members?

MR. CONNERTON: They are my clients also, yes, sir.

COMMISSIONER METHVIN: I believe you said that you consider among your duties lobbying activities, representation in Washington and the lobbying process?

MR. CONNERTON: That's correct, sir.

COMMISSIONER METHVIN: You have been in this business a very long time and have great wisdom no doubt accumulated through the years.

MR. CONNERTON: I doubt that.

COMMISSIONER METHVIN: Gray hairs generally accumulate wisdom of some variety or maybe bald heads, too. But were you involved in lobbying in the Landrum-Griffin Act of 1959?

MR. CONNERTON: Yes, I was.

COMMISSIONER METHVIN: Were you involved in lobbying to change the provision that was introduced in Congress to allow only the Secretary of Labor to move in court to set aside a contested election in a local union?

MR. CONNERTON: My recollection at this late date is that provision was part of the original Kennedy bill, which was changed in many respects and enacted. And my recollection is that that provision continued unchanged throughout the whole legislative process of a few years and that that provision was non-controversial. So were we lobbying to support that provision? I guess the answer is yes. But my recollection is that provision originated with Professor Archibald Cox and it was being written later by Senator John -- later President John Kennedy.

COMMISSIONER METHVIN: That provision was not favored by Senator McClellan though, was it?

MR. CONNERTON: I can't recall offhand, but I

was up there throughout that entire time and I was -- in the short time that was available to me last night I was trying to take a look at the legislative history again of the Landrum-Griffin Act. It didn't refresh my memory that Senator McClellan had taken a different position; he could well have. If it's your information he has, I will accept that.

COMMISSIONER METHVIN: But it is true that a rank and file member cannot go to court to set aside any election in which he feels his rights as a candidate or as a member have been violated?

MR. CONNERTON: That is my understanding. My understanding is further though that he has the right to go into court -- there is a Supreme Court decision on that point -- if he feels that the Secretary of Labor has not acted properly in dismissing his complaint. And my recollection is the Supreme Court decision instructs the Secretary of Labor to articulate the grounds upon which -- make specific findings of fact of the grounds upon which the Secretary of Labor has rejected the complaint.

COMMISSIONER METHVIN: Do you happen to know how many times in recent years the Secretary of Labor has gone to court to set aside a contested election?

MR. CONNERTON: No, I don't, Mr. Methvin.

COMMISSIONER METHVIN: Do you know if he has gone to court to set aside any contested elections involving the Laborers' Union?

MR. CONNERTON: Yes, there are two recent cases, yes.

COMMISSIONER METHVIN: Could you tell us just a thumbnail about those two?

MR. CONNERTON: Yes. The situation is a California case. The issue is whether or not the union had the right to disqualify people because they were not working at the calling when they applied for office. Working at the calling means working as a laborer.

I was personally involved in the case so it's one of the rare situations where I can describe the circumstances. There were three people involved. One was a disabled laborer.

COMMISSIONER METHVIN: If you would just give us a thumbnail, I would appreciate it.

MR. CONNERTON: One was a disabled laborer. The other two were people who, in the judgment of the union, had put their names on the hiring hall list in such a way that they would never be called to work as laborers. One man, for example, was about my age, he

was about 300 pounds, and he put his name on the hiring hall list as a tree climber.

The evidence was there hadn't been a call for a tree climber since 1949. In the hiring hall agreement the union found that he was not working at the calling; there was no good faith involved.

The Secretary of Labor challenged that position. It will be decided by a court, you know, and we will accept whatever the Court says.

COMMISSIONER METHVIN: I imagine the Judge would want to see that 300-pound tree climber and inspect the evidence himself.

I would like to refer to the pamphlet which bears your law firm's name and copyright, Connerton, Bernstein & Katz, written by David Elbaor who was a member of that firm, and by Lawrence Gold who is AFL-CIO counsel, I believe.

MR. CONNERTON: This is a different Lawrence Gold.

COMMISSIONER METHVIN: It is?

MR. CONNERTON: Yes, this Lawrence Gold is a member of our firm and is not the Lawrence Gold who is general counsel of the AFL-CIO.

COMMISSIONER METHVIN: Thank you. Referring

to the same page that Mr. Harmon referred to, "Prosecutions do not reveal organized crime control," you said this was supposed to be an impartial study investigating and reporting on the situation. "This prosecutorial record does not support the proposition that any international union is controlled by organized crime forces or subject to such influences."

Well, a judge sitting in this very courthouse, when he sentenced Roy Williams, after hearing the evidence in the Williams trial, made the specific finding that the Teamsters Union was controlled by organized crime.

Can you explain how this statement could be squared with that judge's findings and an honest, impartial study of the situation?

MR. CONNERTON: No, all I can say, Mr. Methvin, is that the persons who conducted the study spent approximately a year culling through all kinds of court records. It's a study of original impression. And my guess is that it was the most exhaustive study that has been conducted up to this particular point. This reflects their conclusion.

Reasonable people may disagree as to conclusions. This expresses their conclusions and it seems

to me that both Mr. Elbaor or Mr. Gold, who conducted the study, I'm sure would have no reservations at all in reviewing the matter with you or the members of the Commission.

I did not personally conduct this study. I did not examine the source documents. It's very difficult for me to sit here and to try to justify the work of other authors. I think they are perfectly prepared to defend their position and they may be wrong or they may be right, Mr. Methvin.

COMMISSIONER METHVIN: As an author, I have been often put in the position of defending what I write by lawyers. So it's rare that I get the opportunity to turn the tables a little bit.

I would like to ask you about the situation involving a Philadelphia local. Now you indicated that you considered that you represent the rank and file members of the union. Would evidence that a climate of fear existed in a local so that members were afraid to run for office be of interest to you as general counsel of the Laborers' Union?

MR. CONNERTON: Yes.

COMMISSIONER METHVIN: Are you familiar with the murder of Ben Medina?

MR. CONNERTON: I am familiar with the fact that he was murdered, yes.

COMMISSIONER METHVIN: Do you think that that murder, coming after he had -- immediately after he had announced his intention to run for a higher office in the local, would have perhaps constituted "a message" to anyone considering running for office in that union?

MR. CONNERTON: Mr. Methvin, I don't know the circumstances under which Mr. Medina was murdered, number one.

And I basically don't have the file in front of me. But I do not -- Mr. Medina was obviously murdered. I don't know the circumstances. I would need to -- I would assume this was many years ago.

COMMISSIONER METHVIN: 1982, sir.

MR. CONNERTON: Mr. Medina in 1982? I doubt that very much, but then again I could be wrong.

I would say more likely 1972, but then again I could be -- I could be off on that.

COMMISSIONER METHVIN: I can be off on it, too. I was relying on a newspaper clip file, which could have been ten years -- it could have been -- I think it was 1982, is it not?

MR. HARMON: Yes, that's correct, Mr. Methvin.

COMMISSIONER METHVIN: I think the very fact that you are not familiar with that case is interesting. In such a case would you not consider it your general counsel's duty to cause an inquiry to be made whether the rank and file members of that local or other locals up and down the East Coast were deterred by a climate of fear?

MR. CONNERTON: Well, my understanding is that an investigation was made of that situation, Mr. Methvin by the International Union. The International Union has a file on that matter.

I'm saying I haven't looked at that file in a long period of time and, until I get a chance to look at it and refresh my memory, I'm just not prepared to discuss the specifics of the situation. But I would be very happy to go back and look at the file and see what is there.

COMMISSIONER METHVIN: I would like to ask you about your lobbying efforts in Washington and about, again, the pamphlet that was prepared and issued recently by your law firm.

Your firm has circulated a memo under the AFL-CIO Buildings Trade Council, which says -- this was in 1983, I believe, "We are working --" this is regarding

the legislative appropriation for Department of Labor investigators in the office of crime -- organized crime and racketeering. They report that the House Appropriation Subcommittee had cut the Department's request for new agents in half.

"We are working closely with the lobbyists and the Committee's staff to lay the groundwork for challenging the remaining positions in the House and Senate. We have also met with Committee members to alert them about our concerns about these positions."

Who are you representing in Washington when you lobby to cut out investigators whose job it is to investigate labor racketeering? Are you representing your rank and file members or are you representing the officers of the union?

MR. CONNERTON: I was lobbying as a part of the coalition on behalf of the Building and ~~Construction~~ Trades, as part of a coalition. It included the AFL-CIO and other affiliated organizations. And that was our position, that essentially there was an over-emphasis upon criminalizing labor laws and that other laws were not being enforced by the Labor Department and we felt there should be a greater balance. That is our position expressed publicly not just in that memorandum, publicly

privately and in any other way and we stand by that position.

COMMISSIONER METHVIN: In the pamphlet by Mr. Elbaor and Mr. Gold on page 52, after they have reviewed the record of the Labor Department prosecutions, Justice Department prosecutions, in recent years, labor racketeering cases, Section 6, Subtopic A, is this sentence:

"Because the Government is unable or unwilling to provide concrete support for its sharp diversion of energies into the criminal spheres, only political bias and anti-union predisposition can explain its actions."

Do you consider that concern about labor racketeering and murder of rank and file members who are local officers who aspire to run for higher office, a concern about that can only be explained by political bias and anti-union predisposition?

MR. CONNERTON: I don't know of any office of union officers being murdered who were running for office in the first place.

Our position essentially was that the CAP audits and I-CAP audits -- we are just talking about one division in the Labor Department. We are not talking about the Inspector General's Office at this particular

point; we are talking about the Labor Management Services Organization. They were conducting what they call CAP and I-CAP audits, which were criminal in nature directed against all labor unions including the smallest that didn't have full-time officers or anything else. And they were diverting resources that should have been spent; for example, allocated -- excuse me -- in the area of management consultants where reporting was not even being required, much less the provisions of the statute were being enforced. They were diverting resources away from labor standard statutes and from the occupational health and safety areas.

I indicated to you, Mr. Methvin, we felt then, and we feel now, we will feel in the future that there should be a much better balanced allocation of these resources.

This does not in any way, okay, indicate that we are opposed to uncovering criminal activity at all. We feel that the mission of the Department of Labor is to serve the workers and that you need to enforce safety statutes, you need to enforce wage statutes, you need to enforce fringe benefit statutes. And that -- excuse me. The much greater part of the Department's resources were being put into this CAP and I-CAP audit.

Incidentally, the Inspector General of the Labor Department indicated in a separate report that he made that he came to the same conclusion that we did with respect to the CAP and I-CAP audits.

And furthermore, my understanding is that the Labor Department is now retreating from its position it held on the CAP and the I-CAP audit and they will be putting their money into investigations that hopefully will be far more productive than beating at the door of every small local in the United States.

COMMISSIONER METHVIN: Mr. Connerton, would you consider that -- testimony that a Laborers' local president was running rackets out of his Laborers' local headquarters and that he belonged to an organized crime syndicate would be grounds for investigation of possible trusteeship of that local?

MR. CONNERTON: I think any information, Mr. Methvin, that would be sent to us by this Commission would be very carefully considered.

ACTING CHAIRMAN SKINNER: Does that wind it up? Seeing no further questions, I will ask that this witness be excused.

I should say I have one further question. I would like for you to explain to me legal fees, and I

will try not to invoke into an area of privileged communication, but there was a case tried, I believe, in Florida where the union reimbursed union officers for legal fees as a result of -- I believe that in one there was an acquittal. I think the second defendant who was a union officer was convicted, is that correct? The one I am talking about obviously is the Accardo case

MR. CONNERTON: Yes. Some -- yes. Some representatives were -- some local representatives were convicted and the other defendant, the president of the International Union, was acquitted.

ACTING CHAIRMAN SKINNER: The president of the International was acquitted?

MR. CONNERTON: Yes.

ACTING CHAIRMAN SKINNER: And your union paid approximately \$550,000 of membership funds, reimbursed the president for his legal defense, is that correct?

MR. CONNERTON: Approximately, Mr. Skinner. I don't know the exact figures, yes.

ACTING CHAIRMAN SKINNER: Well, assuming -- substantial amount of money, approximately \$550,000.

Would you explain to the Commission the justification for the payment of that substantial amount of fees?

MR. CONNERTON: Yes. Well, I -- yes. I believe the law on the subject is, as I understand it, and there is a good deal of decisional law on this particular point, that once a union official is indicted the union cannot pay for the union official's defense. The union official must get his own defense.

There are certain exceptions to that rule, but that is essentially the rule that applies here.

That the law further is that if a union official is exonerated, its governing body has the right to reimburse that official for the cost of his defense. And in this case, the union official was exonerated. The costs were heavy. The counsel was very good. Good counsel in the criminal area from what I understand costs a lot of money. And the union reimbursed the president for the money that he had expended in connection with his own defense.

ACTING CHAIRMAN SKINNER: They also reimbursed another officer of the union, did they not, for his pretrial expense?

MR. CONNERTON: Pretrial expense?

ACTING CHAIRMAN SKINNER: Pre-indictment expense.

MR. CONNERTON: Yes. Yes, that is part of the

rule; that the union can provide representation to its officers.

Generally, Mr. Skinner, prior to indictment, but with certain exceptions at certain times you can't even go that far, but usually you can, but in the case you are referring to the union in fact did pay for legal representation, first, to the union. That representation was first to the union. And then, when it became clear that the president was going to be indicted, then I sent a letter out to the president and to his counsel indicating that the International Union could not pay the legal expenses for his defense at that point, even prior to indictment.

ACTING CHAIRMAN SKINNER: Commissioner Hope.

COMMISSIONER HOPE: Just a couple of quick questions, Mr. Connerton.

I take it that you don't agree with the characterization of the Justice Department and the FBI that the Laborers' International Union is controlled by organized crime, is that right?

MR. CONNERTON: I don't agree, no.

COMMISSIONER HOPE: And what investigations have you conducted yourself or has the union conducted, independent investigations, to make sure that that

conclusion has some strong basis in fact?

MR. CONNERTON: The union has not conducted any investigation as such. But, for example, I have been around the union for around 32 years basically on a full time basis and, you know, I think I have some idea as to what goes on and what doesn't go on. Much of this is obviously covered by lawyer-client privilege here, but in terms of the situation, I can state unequivocally that this union is clearly not dominated by any "organized crime" element.

Indeed, the president of the union was indicted on some sort of a theory involving Mr. Hauser. He was exonerated by a jury. And the indictment charged a RICO racketeering conspiracy. He was acquitted by a jury

The secretary-treasurer was indicted, tried, and his case was thrown out on a Rule 29 motion as soon as the Government completed its case.

A vice-president of the International Union was indicted down in Arizona. And the Government's case was thrown out upon the completion of their case.

I'm saying on the information available to me and my history and my experience, I'm saying to you unequivocally that this union is not dominated by organized crime. And some of the matters that have

been mentioned at this hearing, and some of the testimony I would be delighted to talk with a counsel for the Commission about this and the veracity of some of the statements by some of the witnesses.

COMMISSIONER HOPE: We had two other members -- figures of the International here. We had your International president, but he declined to testify before us --

MR. CONNERTON: That's correct.

COMMISSIONER HOPE: -- on the basis of his constitutional rights under the Fifth Amendment; that truthful testimony might tend to incriminate him.

Then we had Mr. Powell who was formerly a vice-president of the International Union who testified that, in his opinion, the union was dominated by organized crime and that people who tried to rise in the union were murdered on more than one occasion, in his view, and that the only thing that could be done in that situation he thought was to impose a trusteeship on the entire union.

So that is the record that we have before us and it's quite a powerful record in my view.

MR. CONNERTON: Well, I would be delighted to discuss the testimony of Mr. Powell with the members of

the Commission, assuming I can get clearance from Mr. Powell and the union on the attorney-client basis. I would be delighted to discuss what I think are the facts with respect to this testimony that was given.

I can say that so far as I know, clearly this Commission has no obligation to check its testimony with union officials, but it seems to me that it would have been very, very helpful for the purposes of the Commission had it done so. And I am just making a plain offer to you and to the other members of the Commission and to its counsel that what you have heard has only been the tip of the iceberg with respect to what has really transpired here to a number of people, including myself, and is of a continuing nature. As I say, I just make that offer. And I don't accept the testimony that Mr. Powell gave. I clearly do not accept it.

COMMISSIONER HOPE: Well, I'm sure the staff will follow up with you on that offer and we appreciate all of the information we can get. We take this subject very seriously. Thank you.

MR. CONNERTON: I know. I appreciate that.

ACTING CHAIRMAN SKINNER: One final question from Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Connerton, you just said you are familiar with what goes on in the union and you don't think there is any organized crime domination; yet you are not familiar with the murder of Ben Medina.

MR. CONNERTON: I'm saying insofar as the International Union is concerned, Mr. Methvin, I am saying there is no "organized crime" domination of the International Union.

I said there are 850 local unions in the United States and Canada, 50 district councils -- 50 different district councils. And I'm saying again that I'm not familiar with everything that occurs in every local in the United States. And particularly when somebody is asking me a question fresh that I haven't even had an opportunity to prepare for it, there is no way I can respond to you meaningfully.

COMMISSIONER METHVIN: Thank you.

ACTING CHAIRMAN SKINNER: It's fair to say, however, that a number of unions have been taken over by the National for various reasons as well as a number of local union officials over the last number of years have been convicted for various violations of Federal law.

MR. CONNERTON: That is correct, Mr. Skinner, some of which have been substantial and serious and some of which have been very, very technical in nature.

ACTING CHAIRMAN SKINNER: With that I thank the witness for his appearance and he will be excused.

MR. CONNERTON: I thank the members of the Commission very much.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. RYAN: Mr. Chairman, the Commission calls Mr. Jack Walsh.

MR. HARMON: Mr. Chairman, as Investigator Walsh comes into the hearing room, I would just like to explain the phase into which this hearing is about to move.

On the final day of this hearing of labor racketeering the Commission will examine the crime which is devastating to the union and fund membership, that is, benefit fund abuses.

Union benefit funds, which have grown significantly in size and scope since World War II, are made up of contributions from employers as well as employees. Separate funds established for workers' pensions, health

coverage and welfare benefits represent an enormous pool of assets to be applied for the collective advantage of the rank and file membership. The same funds, however, are so often diverted that it easily goes to the corrupt uses of organized crime.

When these monies line the pockets of criminals and racketeers, much more is at stake than the illegal diversion of funds. There are over 6800 labor union benefit funds in this country with cumulative assets of more than \$51 billion. These funds represent a Social Security system for millions of retired and disabled workers.

We cannot allow organized crime to continue to chip away this foundation without check. Our society will be hard pressed to satisfactorily meet the long term needs of working men and women if major union pension health and welfare funds become insolvent due to organized crime's greed. It has been called the crime of the 1980s.

The number of abuses, their complexity and variety seem to be on the rise. Law enforcement, too, has become more sensitive to detecting these abuses and more aggressive in its enforcement efforts.

In retrospect, we now know that racketeers

have used union benefit funds as personal banks and venture capital to finance criminal enterprises.

Murdered Teamster President James Hoffa shared pension fund kickbacks with Allen Dorfman, the former asset manager and convicted service provider to the Teamsters Central States Pension Fund.

Hoffa and Dorfman were also the moving forces behind the Central States Pension Fund entry into speculative real estate loans in Las Vegas, a move which would eventually rob the Teamsters of tens of millions of dollars -- of pension fund dollars and result in the Government's decision to place the funds in receivership. Yet the mob's desire to plunder the Central States Pension Fund continued unabated.

At a meeting in 1979 at the Crown Center Hotel in Kansas City, the head of the Kansas City mob, Nick Civella, met with Central States Fund Representatives Allen Dorfman and Sol Schwartz and Chicago mob member Joey Lombardo. In their discussion concerning regaining control of the Fund from the Government's asset managers, Joey Lombardo was overheard to say:

"We have got a lot of work to do. We have got to get the Fund back, get good lawyers. Got moves to make, a lot of scheming to do.

We have got to try to put it back together like it was for now and for the future."

An army of footsoldiers in the form of professional asset managers, fund administrators, insurance providers, dentists, and accountants front for organized crime its manipulation of union benefit funds.

So-called service providers, complete with an infrastructure of overlapping shell organizations, gives the mob the means to launder benefit funds' assets from union members and union treasuries.

The results: Law enforcement is hindered in its efforts to trace the diverted funds. Union beneficiaries pay outrageous and unnecessary administrative fees to these service providers. And the benefits promised the membership is usually not provided or is unavailable when union members expect to draw upon it. Whether a benefit fund's manipulator is as infamous as Allen Dorfman or Joseph Hauser, both of whom traveled around the country attempting to criminal defraud benefit funds with corrupt union officials or an independent operator who bleeds a local's funds dry, the impact is the same. Organized criminal syndicates grow fatter while rank and file members suffer.

Today's witnesses will address these issues:

We'll hear testimony from the executive director of the Central States Pension Fund about the administration of a \$5 billion fund. And the Commission's staff will present a case study of organized crime corruption in a \$5 million fund. Whatever the size of the benefit fund, however, it will be apparent that union fiduciaries and officials cannot excuse their dereliction when it comes to benefit funds' management. The safety net for too many millions of Americans could be up for grabs by organized crime.

MR. RYAN: Mr. Walsh is a distinguished investigator who has been assigned to the President's Commission on Organized Crime. He has been with the Internal Revenue Service Criminal Investigation Division and has over 27 years of experience in law enforcement. He has been the supervisor of a number of major investigations during his career and he was the supervisor of the particular investigation we are about to discuss.

Mr. Walsh, would you stand to be sworn, sir?

JOHN WALSH

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Let me state at the outset before you begin testifying, Mr. Walsh, that we had hoped today

to have two other witnesses present who could explain the dental benefit fund in this particular case. One was the dental fund provider, Mr. Robert Cantazaro, who was here yesterday and who is presently incarcerated for his failure to answer any questions concerning this particular fund.

The second person was a business agent or organizer for the Laborers' Local 8 in Chicago, John A. Fecarotta. On April 8th, 1985, the Commission sought to take Mr. Fecarotta's deposition. After the Commission issued an immunity order, Mr. Fecarotta continued to refuse to testify. The Commission obtained an order from United States District Judge Flannery compelling his testimony and the Commission planned to resume taking Mr. Fecarotta's testimony on April 15th.

On April 10th, several days after appearing in Judge Flannery's court, Mr. Fecarotta telephoned the Mayo Clinic in Rochester, Minnesota and checked himself into the clinic on April 12th complaining of chest pains.

After the Mayo Clinic conducted some tests, Mr. Fecarotta flew from the Mayo Clinic to Washington, D.C. to appear for a hearing ordered before United States District Judge Robinson of the District Court in Washington.

Before the Commission could file any memorandums with the Court, Mr. Fecarotta checked himself into the George Washington University Hospital in Washington complaining of chest pains. After conducting a series of medical tests, the George Washington medical staff determined that Mr. Fecarotta was not in need of any surgery, but recommended that he have a catheterization.

Judge Robinson directed that as soon as Mr. Fecarotta was deemed medically fit to testify, the Commission will resume its inquiry in this particular area.

I would also state, to review, that on Monday Mr. Eto testified that Mr. Fecarotta was a hitman and an enforcer of the La Cosa Nostra in Chicago.

Mr. Walsh, who is Robert J. Cantazaro?

MR. WALSH: Robert J. Cantazaro, when we first came in contact with him, was a bail bondsman in the Federal Circuit Court here in Chicago and also a general insurance agent working out of his home.

MR. RYAN: Mr. Walsh, would you describe the Central States Joint Board?

MR. WALSH: Yes, I would be glad to. If I could direct your attention to your left and my right, we have a chart entitled the Central States Joint Board.

This is an organization of local unions with John Serpico as the president of the board. There are, as I said, eight locals. One of them is a Laborers' International Local Union, Local 8. John Serpico was also a president of that local.

There are seven other local unions. They are: the International Union of Allied Novelty and Production Workers, AFL-CIO. John Serpico is the president of the Production Workers, Local 10, and there are six other locals; 16, 18, 20, 24 and 803.

MR. RYAN: Does the Central States Joint Board have a health and welfare fund?

MR. WALSH: Yes, sir, it does.

MR. RYAN: How is that fund composed?

MR. WALSH: That fund is composed of six management trustees and six union member trustees with John Serpico as the chairman trustee.

MR. RYAN: How many employees are covered in the Central States Board unions?

MR. WALSH: The number varies between 15 and 17,000 spread through the states of Illinois, Ohio, Wisconsin and Iowa.

MR. RYAN: Are the bulk of the membership in the Chicago area?

MR. WALSH: Approximately 80 percent.

MR. RYAN: Turning to the year 1975, when the plan began, can you tell us what Mr. Cantazaro and the Central States Joint Board were doing?

MR. WALSH: Yes, sir. Robert Cantazaro began to contact companies with dental programs available, both here in Chicago and Indianapolis, Indiana, and gathered proposal information on behalf of the Central States Joint Board.

In one particular contact with the Pacific Mutual Insurance Company, he represented himself as a broker for the Central States Joint Board. In written communication with Pacific Mutual and Mr. Cantazaro, Pacific Mutual notified Mr. Cantazaro and the Board that had they obtained this contract for the dental plan, which was under consideration, 75 percent of benefits -- 75 percent of premiums, excuse me, would have been paid in benefits, 12 percent in overhead and 13 percent in profits.

MR. RYAN: Would it be correct to say that Mr. Cantazaro went around the country sometimes on corporate jets representing himself as a broker to the Central States Joint Board?

MR. WALSH: Exactly, sir.

MR. RYAN: Turning to 1976, the year that the dental plan began in operation, did Mr. Serpico introduce Cantazaro to the other trustees?

MR. WALSH: Yes, at a board of trustees meeting in May of 1976 Mr. Serpico announced to the trustees present that the Fund was looking for a dental program to better the benefits of its members. He introduced Robert J. Cantazaro as an insurance specialist.

Mr. Cantazaro then made a verbal presentation to the board of trustees on the Willoughby dental plan. This plan was to have two options: an open option wherein the members could go to their own dentist and be reimbursed on a fee schedule; or go to a clinic, which was supposed to be opened in Oak Park, Illinois and other locations, wherein unlimited service would be provided to the members.

MR. RYAN: So there were two elements to it. People could go to their own dentist or they could go to the clinic and have their services done completely for free?

MR. WALSH: Yes, sir.

MR. RYAN: And were the costs of this plan to be paid by the employers in these particular cases?

MR. WALSH: There was a dual situation there. The single memberships, which was to run in the Willoughby plan or in the proposed Willoughby plan, the \$4 per month per member would be paid by the employers of the members. On a family plan of \$9 per month as proposed by Willoughby, the difference between the \$4 and the \$9 would be paid by the employee.

MR. WALSH: At this point, Mr. Walsh, I would ask you to step aside. I would like to question Dr. Dominic Aiossa who was the dentist that was hired by the Central States Joint Board Health and Welfare Fund and Mr. Cantazaro to operate the clinic.

Dr. Aiossa.

Would you be sworn, sir?

DOMINIC V. AIOSSA

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Dr. Aiossa, could you pull the microphone close to you?

DR. AIOSSA: Yes.

MR. RYAN: What is your occupation, sir?

DR. AIOSSA: Dentist.

MR. RYAN: Do you have your own practice?

DR. AIOSSA: Yes, sir.

MR. RYAN: Were you ever involved with the Central States Joint Board Dental Plan?

DR. AIOSSA: Yes, sir.

MR. RYAN: What period were you involved with that plan?

DR. AIOSSA: September 1976 to December of '77.

MR. RYAN: So it was approximately a one-year period?

DR. AIOSSA: Yes, sir.

MR. RYAN: How did you become involved with the Central States Joint Board Health and Welfare Fund and the Dental Plan?

DR. AIOSSA: Mr. Cantazaro hired me.

MR. RYAN: How did Mr. Cantazaro and you get in contact with one another?

DR. AIOSSA: Through a mutual friend, Mr. Torello.

MR. RYAN: Is that Mr. James Torello?

DR. AIOSSA: Yes, sir.

MR. RYAN: Was he a friend of yours?

DR. AIOSSA: Yes.

MR. RYAN: Was he a patient?

DR. AIOSSA: Yes, sir.

MR. RYAN: Was he someone that you socialized with occasionally?

DR. AIOSSA: Yes, sir.

MR. RYAN: Did you know that Mr. Torello was a territorial boss in the Chicago La Cosa Nostra when he made that introduction to you and Mr. Cantazaro?

DR. AIOSSA: No, sir.

MR. RYAN: Would you relate to the Commission the conversation that you had with Mr. Torello concerning his interest in the dental plan?

DR. AIOSSA: Could you give me that question?

MR. RYAN: Could you relate to me the conversation you had with Mr. Torello where he first broached this subject with you?

DR. AIOSSA: Mr. Torello called me in my office and told me he had a friend that needed some help, Mr. Cantazaro. And Mr. Cantazaro got on the phone and told me he would like to meet with me. There was nothing discussed on the phone as to what it was in regard to. He did say a friend of his needed some help.

MR. RYAN: I'm sorry, sir?

DR. AIOSSA: A friend of his needed some help.

MR. RYAN: Did that friend and you meet?

DR. AIOSSA: Yes, sir, that same evening.

MR. RYAN: And what did Mr. Cantazaro say to you at that meeting?

DR. AIOSSA: He was instigating or starting a dental clinic for a union and he needed a dental administrator.

MR. RYAN: Is that because the State of Illinois, as a matter of law, requires that any dental clinic operate with a licensed dentist?

DR. AIOSSA: Yes, sir.

MR. RYAN: And they needed one?

DR. AIOSSA: Yes, sir.

MR. RYAN: Had you ever found or heard that Mr. Torello had been openly associated with organized crime?

DR. AIOSSA: Did I find that, sir?

MR. RYAN: Did you ever read it in the papers or see it on TV?

DR. AIOSSA: Yes, sir.

MR. RYAN: Had you read it or seen it prior to the time you had this introduction made between you and Mr. Cantazaro?

DR. AIOSSA: Yes, sir.

MR. RYAN: Did it disturb you that Turk Torello might be introducing you to someone who was also a

member of La Cosa Nostra?

DR. AIOSSA: I never gave it any thought, sir.

MR. RYAN: Did Mr. Cantazaro offer you a salary that evening when you had that first meeting?

MR. AIOSSA: Yes, sir.

MR. RYAN: How much did he offer you?

DR. AIOSSA: \$50,000 per year.

MR. RYAN: Were you going to be able to retain your own private practice?

DR. AIOSSA: Yes, sir.

MR. RYAN: So that the \$50,000 a year was for you to set up the clinic and to supervise it?

DR. AIOSSA: Yes, sir.

MR. RYAN: Did you know at that time that Mr. Cantazaro had absolutely no experience in the dental care business?

DR. AIOSSA: I assumed he had at that point.

MR. RYAN: I understand you assumed that. I am asking, did it become clear to you later on or at that time that he had absolutely no experience at all in the dental care business?

DR. AIOSSA: He had some expertise in --

MR. RYAN: I understand he may have had expertise. I'm asking if he had any experience in the

business.

DR. AIOSSA: I can't answer that, sir, I don't know.

MR. RYAN: Did it become apparent to you later on that he had never run a dental clinic before?

DR. AIOSSA: Oh, yes, sir, I'm sorry.

MR. RYAN: Did it become apparent to you he had never been in charge of an open plan of paying claims to other dentists?

DR. AIOSSA: Yes, sir.

MR. RYAN: Thank you. Did Mr. Cantazaro indicate to you that there was some urgency with which the clinic had to be set up?

DR. AIOSSA: Yes.

MR. RYAN: And, indeed, in the next few days the two of you went around town quickly obtaining dental supplies, hiring a staff of dentists and finding a particular location to place the clinic in?

DR. AIOSSA: Yes, sir.

MR. RYAN: Within the next three or four days?

DR. AIOSSA: Within that week, yes, sir.

MR. RYAN: Did you ever meet John Serpico?

DR. AIOSSA: Yes, sir.

MR. RYAN: When did you meet with Serpico?

DR. AIOSSA: Shortly after my meeting with Mr. Cantazaro.

MR. RYAN: He introduced you to Mr. Serpico?

DR. AIOSSA: Mr. Cantazaro did, yes, sir.

MR. RYAN: And what was said at that meeting?

DR. AIOSSA: I was the new dental administrator, and what my duties would be and my salary and that was about it.

MR. RYAN: Let's talk about where the clinic was located. Could you give me the approximate address of it, to the best of your recollection?

DR. AIOSSA: Yes, sir. It was at 6400 block west of North Avenue in Oak Park, Illinois.

MR. RYAN: Is it also true, Dr. Aiossa, that this particular building was owned by Mr. Cantazaro?

DR. AIOSSA: Yes, sir

MR. RYAN: So that the clinic was renting the building from Mr. Cantazaro?

DR. AIOSSA: Yes, sir.

MR. RYAN: Is it also true that Mr. Cantazaro was paid a 15 percent commission of all of the monies that came into the dental clinic -- to the operation of the dental plan totally?

DR. AIOSSA: I believe that was the approximate

figure, sir. I'm not sure of the actual. It was somewhere between 13 and 15; I don't know.

MR. RYAN: In addition to the commission he was paid, he also received a salary, did he not?

DR. AIOSSA: That I don't know, sir.

MR. RYAN: Did the clinic open in September of 1976?

DR. AIOSSA: Yes, sir.

MR. RYAN: Was it well received by the membership?

DR. AIOSSA: Extremely.

MR. RYAN: Were the chairs utilized on a regular basis?

DR. AIOSSA: Full time.

MR. RYAN: What was the standard of care that was provided, Dr. Aiossa?

DR. AIOSSA: Excellent care.

MR. RYAN: Were the patients generally pleased?

DR. AIOSSA: Exceptional, yes.

MR. RYAN: Dr. Aiossa, do you recall setting up a professional corporation, Dominic V. Aiossa, Limited as the holding company through which the Fund's money would be paid?

DR. AIOSSA: Yes, sir.

MR. RYAN: Did you contract with Mr. Cantazaro in that process?

DR. AIOSSA: Yes.

MR. RYAN: What names did Mr. Cantazaro use for his companies?

DR. AIOSSA: Willoughby, Limited, possibly, Willoughby --

MR. RYAN: Willoughby something?

DR. AIOSSA: Yes.

MR. RYAN: It didn't really matter because all of the Willoughby names you have known are associated with Mr. Cantazaro?

DR. AIOSSA: Yes.

MR. RYAN: Was there a time, despite the fact you were providing very good dental care to these people and the chairs were being used and it was well received, that Mr. Cantazaro told you that he was thinking about closing the clinic down?

DR. AIOSSA: Yes.

MR. RYAN: Did he tell you that in fact he thought he could make more money if he opened his own insurance company?

DR. AIOSSA: Yes.

MR. RYAN: And when you took the job as director of this clinic, and in the time thereafter, did you and Mr. Cantazaro have discussions about opening other clinics?

DR. AIOSSA: We discussed it, yes, sir.

MR. RYAN: In fact it was contemplated that other clinics would be opened in other parts of the City of Chicago so the membership wouldn't have to go to the west side to the one clinic that was operating?

DR. AIOSSA: Yes, sir.

MR. RYAN: It was contemplated in fact that there would be a clinic on the South Side?

DR. AIOSSA: Provided we had enough money.

MR. RYAN: And when the clinic was terminated wasn't there a very substantial sum of money left over that had been paid from the Fund, but that had not been expended either for the open care or for the operation of the clinic?

DR. AIOSSA: To the best of my recollection, yes, sir.

MR. RYAN: To the best of your recollection, would your recollection agree with mine that was an amount of some 600,000 after the first year?

DR. CANTAZARO: I believe so.

MR. RYAN: And was that money ultimately returned to the Central States Joint Board Health and Welfare Fund because it belonged to them? It had been given to you, but it had not been expended on dental care?

DR. AIOSSA: It was returned to the Fund.

MR. RYAN: Would that be correct?

DR. AIOSSA: Yes, sir.

MR. RYAN: Is it also correct, Dr. Aiossa, that in the time you operated this clinic that Turk Torello was a visitor on Saturday mornings on several occasions?

DR. AIOSSA: I never saw him.

MR. RYAN: You have never seen Mr. Torello visit the clinic?

DR. AIOSSA: No.

MR. RYAN: Did Mr. Serpico visit the clinic?

DR. AIOSSA: Yes, sir.

MR. RYAN: Did he converse with Mr. Cantazaro when he came by?

DR. AIOSSA: Yes, sir.

MR. RYAN: Were they friends socially as well as professionally?

DR. AIOSSA: That I wouldn't know, sir.

MR. RYAN: Dr. Aiossa, is it also true because of the location where you set up your original office in Cicero, Illinois, other persons of some public notoriety have been your patients as a dentist?

DR. AIOSSA: Yes, sir.

MR. RYAN: Would that include Mr. Rocky Infelice?

DR. AIOSSA: Yes, sir.

MR. RYAN: That would include Mr. Marino?

DR. AIOSSA: Yes, sir.

MR. RYAN: Would it include Mr. LaPietra?

DR. AIOSSA: Yes, sir -- no. Mr. James.

MR. RYAN: James LaPietra?

DR. AIOSSA: Yes.

MR. RYAN: Mr. John Monteleone?

DR. AIOSSA: Yes.

MR. RYAN: Mr. English, a person who was murdered some time ago in Chicago?

DR. AIOSSA: Yes, sir.

MR. RYAN: Mr. McGuire?

DR. AIOSSA: Yes, sir.

MR. RYAN: Mr. Cortina?

DR. AIOSSA: No.

MR. RYAN: Thank you, Dr. Aiossa.

DR. AIOSSA: Thank you, sir.

MR. RYAN: Mr. Walsh, we jumped ahead to the operation of this clinic. Would you review just for one minute how Mr. Cantazaro was presented to the Central States Joint Board and what happened in the series of meetings just prior to the clinic's opening?

MR. WALSH: Mr. Serpico, I think I mentioned, introduced Mr. Cantazaro as an insurance specialist. He made a proposal to the plan and that was at the May 1976 board meeting.

At the June 1976 board of trustees meeting three additional plans were presented in a written form to the board of trustees for their review. Mr. Cantazaro, as a broker on behalf of the Central States Joint Board, had obtained and reviewed these proposals, a fact not known to the management trustees of the board.

At the next meeting of the board of trustees in July 1976, the Willoughby Dental Service Plan was approved and the contract was awarded to Mr. Cantazaro.

MR. RYAN: And Mr. Cantazaro was Willoughby?

MR. WALSH: That is correct.

MR. RYAN: Referring to the charts right there for September 1976 through December 1977, does that accurately depict the relationships of the parties

as you understand it from this investigation?

MR. WALSH: That is correct. Robert J. Cantazaro is 100 percent stockholder of A. Willoughby Company, yes, sir.

MR. RYAN: And that would be the way that the dental clinic operation and the open plan operated at that time?

MR. WALSH: That is correct. The monies flowed from the Central States Joint Board Health and Welfare Trust Plan to Dominic V. Aiossa, Inc., and commissions were paid to a Willoughby Company.

MR. RYAN: Directing your attention to the amount of money that Mr. Cantazaro derived in commissions from what we will call the first phase of his dental business, how much did he make in the 12 to 15 months that the clinic was in operation?

MR. WALSH: His commissions amounted to \$150,000.

MR. RYAN: This was to Mr. Cantazaro who was a bail bondsman and had never been in the dental business before?

MR. WALSH: That is correct, sir.

MR. RYAN: Dr. Aiossa testified that Mr. Cantazaro was interested in obtaining his own insurance

company. Did he go about that and obtain an insurance company?

MR. WALSH: Yes, he did. In the summer of 1977 Mr. Cantazaro made two decisions. One, complaints were growing about the dental clinic and its location, so he decided to terminate that part of the plan. He decided also, since the surplus was growing within the Dr. Dominic V. Aiossa, Limited, Inc., some funds of about \$600,000, which funds were protected under the ERISA laws and had to be eventually returned to the Fund, that he would attempt to purchase an insurance company. He contracted with the Fund actuary, Mr. Alex Selwood, to find him an insurance company that he could purchase.

MR. RYAN: Did Mr. Selwood do triple duty in that he was an actuary to the Fund, an actuary to Mr. Cantazaro's company, and he acted as a broker on this particular transaction in trying to obtain an insurance company?

MR. WALSH: That's correct, sir.

MR. RYAN: Who did Mr. Cantazaro buy the insurance company from?

MR. WALSH: An agreement was struck with the stockholders of the Paramount Insurance Company of

Hillsborough, Illinois. Paramount Insurance Company was owned by the Heritage Investment Company. The sole stockholder of the Heritage Investment Company was Talmadge Rauhoff. Mr. Rauhoff had come to our attention previously when he was convicted of making kickbacks to Secretary of State Paul Powell on a license plate scandal in the late '60s.

MR. RYAN: Why do you think Mr. Cantazaro wanted to obtain an insurance company and why did he think he was going to make more money if he had one?

MR. WALSH: With an insurance company, premiums that were paid to the insurance company, if over and above the cost of operating the dental plan would remain with the insurance company, are not protected by the ERISA laws and would not have been refunded to the Central States Joint Board Health and Welfare Trust Fund.

MR. RYAN: For example, the \$600,000 that Dr. Aiossa returned to the Fund, that wouldn't have to be returned if you owned your own insurance company?

MR. WALSH: That is correct, sir.

MR. RYAN: When did he actually purchase the company?

MR. WALSH: The agreement was struck in August

of '77, but the finalized transaction was completed in mid-December 1977.

MR. RYAN: And when was it that the Central States Joint Board Health and Welfare Fund gave Mr. Cantazaro the second phase contract, that is, a contract just to have an open plan and to terminate the clinic?

MR. WALSH: October 7, 1977.

MR. RYAN: Is it true then, Mr. Walsh, that the Central States Joint Board Health and Welfare Fund gave a non-existent insurance company the contract?

MR. WALSH: That's correct, sir.

MR. RYAN: Now is there a requirement under the State of Illinois' insurance law that any insurance company in the state file a five-year projection of where the monies coming into that company will go?

MR. WALSH: That's correct, sir. There is a requirement on any new insurance company coming into existence in the State of Illinois that it must be licensed. Prior to that it must file what is called a Form A with many, many documents, one of which is a five-year projection on operations.

MR. RYAN: Did Mr. Cantazaro make such a projection with his new insurance company?

MR. WALSH: Yes, sir, he did.

MR. RYAN: What did that projection show?

MR. WALSH: That projection showed that he planned to pay out on premiums 30 percent to benefit claims, 20 percent on commissions, 17 percent on expenses with a 33 percent profit.

MR. RYAN: And, in fact, we will find that that projection is remarkably close to what actually happened, isn't it?

MR. WALSH: Very, very close.

MR. RYAN: The 20 percent commissions went where, Mr. Walsh?

MR. WALSH: That went to an entity established by Mr. Cantazaro, Willoughby International, Inc.

MR. RYAN: Who was Willoughby International Inc.?

MR. WALSH: Robert J. Cantazaro.

MR. RYAN: That was 20 percent off the top?

MR. WALSH: That's correct, sir.

MR. RYAN: 33 percent was to profits?

MR. WALSH: That's correct, sir.

MR. RYAN: And who did the profits accrue to?

MR. WALSH: Willoughby Holding Systems, Inc., the sole stockholder of Willoughby Life and Dental Insurance Company of North America.

MR. RYAN: Who did they go to?

MR. WALSH: Robert J. Cantazaro.

MR. RYAN: And the 17 percent of expenses, the expenses that are being talked about there includes salaries, don't they?

MR. WALSH: That is correct, sir.

MR. RYAN: And in Mr. Cantazaro's case, who were some of the people that were on his payroll?

MR. WALSH: Of course, he was president of the firm, Robert J. Cantazaro. His wife was the secretary of the firm, Angelina Cantazaro. And his son was the treasurer of the firm, Robert J. Cantazaro, Jr.

MR. RYAN: They didn't just hold corporate office, did they?

MR. WALSH: No, they did not.

MR. RYAN: They received fairly substantial salaries, did they not?

MR. WALSH: Yes, sir, they did.

MR. RYAN: While we could go on at great length, for the period of 1977 through '83, did Mr. Cantazaro operate phase two of the dental business in this way?

MR. WALSH: Yes, sir, he did.

MR. RYAN: Would you refer to the chart, Mr.

Walsh, and explain to us the flow of money from the Central States Joint Board of Health and Welfare Fund into the Cantazaro dental plan?

MR. WALSH: Correct. The five years that the Central States Joint Board Health and Welfare Fund was handled by Willoughby Life and Dental Insurance Company of North America, \$5,131,000 was paid in premiums. Of this \$1,616,000 or 32 percent of those premiums was paid in benefits to the members of the union. \$3,515,000 or 68 percent of the premiums went to overhead.

MR. RYAN: Am I correct in understanding that the members of the union for that second phase received benefits of 32 cents on each dollar?

MR. WALSH: That is correct, sir.

MR. RYAN: And the rest went to overhead?

MR. WALSH: Correct. Now of that 3,515,000 overhead figure, 1,026,000 went to Willoughby International, Inc.; that was the 20 percent commissions we referred to before.

Mr. Cantazaro's rent to the Willoughby Life Insurance Company amounted to 181,000; that was 4 percent. And the salaries to the Cantazaro family amounted to \$679,000 or 13 percent of total premiums.

MR. RYAN: Assuming that Robert J. Cantazaro,

Angelina Cantazaro and Robert J. Cantazaro, Jr. all represent the Cantazaro family collectively and Robert J. Cantazaro, is it correct that of the monies 37 percent or 37 cents out of every dollar went to the Cantazaro family?

MR. WALSH: Yes, sir.

MR. RYAN: And looking at it right on the face of the chart, more money went to Cantazaro than went into members' benefits?

MR. WALSH: Yes, sir.

MR. RYAN: In 1982 did the Willoughby operation experience any problems?

MR. WALSH: An investigation by the Department of Labor and the FBI here in Chicago was initiated with Robert J. Cantazaro as a target and the Central States Joint Board Health and Trust Fund.

MR. RYAN: Were any illegalities found?

MR. WALSH: None were found and no indictments were returned.

MR. RYAN: What happened in the interim?

MR. WALSH: The Central States Joint Board of Health and Welfare Trust Fund did not renew its contract with Willoughby Life & Dental Insurance Company of North America.

MR. RYAN: After the termination of the Fund, what did Mr. Cantazaro do with his insurance company?

MR. WALSH: In December of -- this last December, 1984, he filed a plan of liquidation with the State Department of Insurance. The plan was approved in December. And in December, mid-December, the Willoughby Life & Dental Insurance Company of North America went out of existence.

MR. RYAN: When it went out of existence, what happened to the money that had been accumulated in the corporation during that period?

MR. WALSH: There were \$600,000 plus in retained earnings in Willoughby Life & Dental Insurance Company of North America, Inc. At time of liquidation it would have gone to its sole stockholder, Willoughby Holdings, Inc., Robert J. Cantazaro.

MR. RYAN: We can chuck in another \$600,000 at this point to Mr. Cantazaro?

MR. WALSH: That's correct, sir.

MR. RYAN: Do you have any other comments you want to add at this point, Mr. Walsh?

MR. WALSH: The \$600,000 in retained earnings at time of liquidation that went to Mr. Cantazaro, and the \$1,887,000 which he had received through its

operation, Mr. Cantazaro, with the expenses paid by the insurance company plus the profits of the firm received in excess of \$2,500,000 or 48 percent of total premiums paid by the Central States Joint Board of Health and Welfare Trust Fund.

MR. RYAN: Thank you.

(Witness excused.)

MR. RYAN: The Commission calls Chicago Police Officer James Madden.

Sir, will you stand and be sworn.

JAMES MADDEN

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Sir, will you state your name for the record, please?

MR. MADDEN: My name is James Madden.

MR. RYAN: Sir, what do you do for a living?

MR. MADDEN: I am a Chicago police officer.

MR. RYAN: How long have you been a police officer?

MR. MADDEN: I have been a police officer for thirty years.

MR. RYAN: For the last 18 of those years you have been in the Intelligence Unit, haven't you?

MR. MADDEN: Yes, sir.

MR. RYAN: For the last five years you have been assigned to the Drug Enforcement Administration?

MR. MADDEN: Yes, sir.

MR. RYAN: During those years as an Intelligence officer, have you conducted numerous surveillances of organized crime figures in the City of Chicago?

MR. MADDEN: Yes, sir.

MR. RYAN: Have you taken photographs on those occasions?

MR. MADDEN: Yes, sir.

MR. RYAN: I would like to go through this in a rather summary fashion, Officer. Did you participate in a surveillance detail in Cicero, Illinois on September 27, 1974?

MR. MADDEN: Yes, sir.

MR. RYAN: I would like to briefly summarize, I think, what the results of those surveillances are from my conversations with you and from your notes. Would you listen very carefully and correct me if I don't have it quite right?

MR. MADDEN: Yes, sir.

MR. RYAN: You were surveilling the Clean Air Sanitation Company, which was the subject of a

surveillance from September 1974 until March of 1985 on more than one occasion in that period?

MR. MADDEN: Yes, sir.

MR. RYAN: The Clean Air Sanitation Company has been frequented by Chicago organized crime figures that include Mr. Joey Aiuppa, Mr. John Monteleone, Mr. James "Turk" Torello, Mr. John Fecarotta, Mr. Robert Cantazaro, Mr. Joseph Ferriola, Mr. Jimmy LaPietra, Mr. Angelo LaPietra, Louis Marino, Ernest "Rocky" Infelice, Sal DeLaurentis and others, is that correct?

MR. MADDEN: That's correct, sir.

MR. RYAN: On September 27, 1974, Mr. Monteleone arrived, as was his usual practice, at the Clean Air Sanitation Company at about 8:45 in the morning. Mr. Monteleone had been identified as a member of the Chicago organized crime family and an associate of Mr. "Turk" Torello, Mr. Ferriola, Mr. LaPietra, and Mr. Aiuppa, is that correct, sir?

MR. MADDEN: That's correct.

MR. RYAN: At approximately 10:55, Mr. Robert J. Cantazaro, who you have just heard testified to in regard to his dental plan, arrived at the Clean Air Sanitation Company. Was Mr. Cantazaro an associate of Mr. Joe Gaglione?

MR. MADDEN: Yes, sir.

MR. RYAN: And was it correct that he did arrive about that time?

MR. MADDEN: That's correct.

MR. RYAN: Had you observed Mr. Cantazaro on other occasions with organized crime figures?

MR. MADDEN: Yes, sir.

MR. RYAN: At approximately 11:10 a.m. Mr. James "Turk" Torello and Mr. John Fecarotta arrived at the Clean Air Sanitation Company.

Now Mr. Torello has since become deceased?

MR. MADDEN: Yes, sir.

MR. RYAN: But he was at that time a high ranking member of the Chicago Syndicate?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Fecarrota was an enforcer for the Syndicate?

MR. MADDEN: Yes, sir.

MR. RYAN: I would like to show you several of the photographs. Are all three of these photographs showing -- to my right, are all of those photographs that were taken on surveillance by you and your crew?

MR. MADDEN: Yes, sir, all except the first one.

MR. RYAN: That's right. Do you recognize the individual in the first photograph?

MR. MADDEN: Yes, sir.

MR. RYAN: Who is that?

MR. MADDEN: That is Robert Cantazaro.

MR. RYAN: And right next to that is a surveillance photograph taken by you that day. Is that also Robert Cantazaro?

MR. MADDEN: That is Robert Cantazaro.

MR. RYAN: He is going into the Clean Air Sanitation Company?

MR. MADDEN: Yes, sir.

MR. RYAN: The next photograph, let's take one --

ACTING CHAIRMAN SKINNER: Mr. Ryan, why don't we, so the record is clear, number them 1, 2, 3, 4, refer to them as 1, 2, 3, 4. If you will ask your associate to label them, then the record will be clear. Refer to them as 1, 2, 3, 4.

MR. RYAN: Thank you, Mr. Chairman.

Referring then to Photograph No. 4, is that Mr. Torello and Mr. Fecarotta arriving at the Clean Air Sanitation Company?

MR. MADDEN: Yes, sir.

MR. RYAN: At approximately 11:15 a.m., Mr. Monteleone, who had been inside, and Mr. Fecarotta left the building and spoke on the sidewalk for about ten minutes, is that correct, sir?

MR. MADDEN: That's correct, sir.

MR. RYAN: Mr. "Turk" Torello joined them and the three re-entered the building?

MR. MADDEN: Yes, sir.

MR. RYAN: A few minutes later Mr. Torello came out of Clean Air with a walkie-talkie in his hand, didn't he?

MR. MADDEN: Yes, sir.

MR. RYAN: Had you ever seen Mr. Torello walking around with a walkie-talkie in the time that you surveilled him?

MR. MADDEN: No, not previously.

MR. RYAN: This was an unusual event?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Torello and Mr. Fecarotta then left the Clean Air Sanitation building, entered Mr. Torello's car and drove away, is that correct?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Cantazaro came out of the building moments later and he left?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Cantazaro did not return that day, did he?

MR. MADDEN: No, he did not.

MR. RYAN: But a number of other organized crime figures did, didn't they?

MR. MADDEN: Yes, sir.

MR. RYAN: At about 12:00 noon Mr. Joey Aiuppa entered Clean Air Sanitation, didn't he?

MR. MADDEN: Yes, sir.

MR. RYAN: At approximately 12:08 Mr. Torello and Mr. Fecarotta returned to Clean Air?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Aiuppa then came out of the building and the three walked and talked?

MR. MADDEN: Yes, sir.

MR. RYAN: And who was doing most of the talking, Officer?

MR. MADDEN: John Fecarotta did almost all the talking.

MR. RYAN: Was that unusual in your observations of organized crime types?

MR. MADDEN: Yes, sir. He seemed to be much lower echelon than the other two he was talking to.

MR. RYAN: Usually the lower echelon wait to be spoken to?

MR. MADDEN: Yes, sir.

MR. RYAN: Does the photograph that has now been labeled No. 3 of Mr. Aiuppa and Mr. Fecarotta accurately depict the time when they were having that conversation?

MR. MADDEN: Yes, sir.

MR. RYAN: Now at approximately 12:17 Mr. Fecarotta returned and entered the Clean Air building again, didn't he?

MR. MADDEN: Yes, sir.

MR. RYAN: Mr. Aiuppa and Mr. Torello returned a few minutes later; they had taken a walk around the block together?

MR. MADDEN: That's right.

MR. RYAN: Did that make sense to you as an officer in the Chicago Intelligence Division that the higher ranking officers walked off together?

MR. MADDEN: They wanted to talk about something that they didn't want Fecarotta to listen to.

MR. RYAN: Mr. Fecarotta then rejoined them, didn't he?

MR. MADDEN: Yes, sir.

MR. RYAN: And they drove away at that time, didn't they?

MR. MADDEN: Yes, sir.

MR. RYAN: And later on Mr. Aiuppa and Mr. Torello returned without Mr. Fecarotta?

MR. MADDEN: Yes, sir.

MR. RYAN: Now, Officer Madden, have we accurately depicted the series of surveillance observations that you made at that time?

MR. MADDEN: Yes, sir.

MR. RYAN: Why is this day particularly memorable to you, Officer Madden?

MR. MADDEN: One of the things is that morning Daniel Seifert was murdered at his factory gangland style.

MR. RYAN: He was murdered by several gunmen?

MR. MADDEN: Yes, sir.

MR. RYAN: Who was Mr. Seifert, to the best of your recollection?

MR. MADDEN: Well, he was scheduled to be -- to testify against Joey Lombardo and Allen Dorfman and Irv Weiner.

MR. RYAN: Were those high level organized crime figures in the City of Chicago?

MR. MADDEN: Yes, sir.

MR. RYAN: The day that Mr. Seifert was assassinated is the day all of this activity was going on?

MR. MADDEN: That's correct.

MR. RYAN: Had Mr. Seifert received other indications that his health might be in danger?

MR. MADDEN: Yes, some time earlier, approximately a year, his factory was blown up; it was total devastation of the building.

MR. RYAN: Did you describe it to me, Officer, that there wasn't one brick sitting on top of another?

MR. MADDEN: Yes, sir.

MR. RYAN: There are other reasons why this day was particularly memorable, aren't there? This is not the typical activity a Chicago Intelligence officer saw on surveillance, was it?

MR. MADDEN: It was a lot of activity, more so than usual, and with the meetings of the ranking members there of the Syndicate and it was like a beehive. It was fast moving.

MR. RYAN: Was it enjoyable?

MR. MADDEN: It was interesting.

MR. RYAN: Thank you, Officer Madden.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Mr. Ryan.

(Discussion had off the record.)

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. RYAN: The Commission calls Mr. John Serpico.

I would say that Mr. Serpico is attended by excellent counsel, Mr. Sherman Carmell.

MR. CARMELL: I can't argue with that.

MR. RYAN: I didn't think you would.

Sir, would you stand and be sworn?

JOHN SERPICO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Mr. Serpico, would you state your name for the record, please?

MR. SERPICO: John Serpico.

MR. RYAN: Mr. Serpico, where do you live?

MR. SERPICO: In Lincolnwood.

MR. RYAN: Could you give me the address, please?

MR. SERPICO: 6539 North Longmeadow.

MR. RYAN: Mr. Serpico, to get to the heart

of things very quickly, in the years 1954 through '67 is it correct that you were a truck driver in the City of Chicago working for the City of Chicago?

MR. SERPICO: Correct.

MR. RYAN: And in 1967 you went to the union business?

MR. SERPICO: I was hired as an organizer.

MR. RYAN: Yes. You entered the union business?

MR. SERPICO: Right. I wouldn't say it was a business. I would just say I was given a job as an organizer.

MR. RYAN: Could you tell me what union you began work for at that time?

MR. SERPICO: It was -- I believe at that time the name of it was the Chicago Joint Board, which I think the same year changed its name to the Central States Joint Board.

MR. RYAN: In any case, it's the organization depicted on the chart with those unions and affiliates up there?

MR. SERPICO: And by the way, it's an AFL-CIO union and not a Teamster union.

MR. RYAN: Let's be quite clear about that.

The Central States Joint Board has no affiliation with the Central States Pension Fund, is that correct?

MR. SERPICO: That's correct.

MR. RYAN: Those are two entirely separate organizations?

MR. SERPICO: Right.

MR. RYAN: And you had one and, in the case of the Central States Pension Fund, Mr. George Lehr will be testifying this afternoon on a completely separate operation.

Is it correct that in 1969 or thereabouts you became the president of one of the locals in the Central States Joint Board, particularly the Allied Production and Novelty Workers Union?

MR. SERPICO: Yes.

MR. RYAN: And ultimately you became secretary-treasurer of that International Union and maintained your post as president of that local?

MR. SERPICO: That's right.

MR. RYAN: Are you still president of that local?

MR. SERPICO: Yes, I am.

MR. RYAN: Are you also president of Laborers' Local 8?

MR. SERPICO: Yes, I am.

MR. RYAN: Laborers' Local 8 is one of the unions in the Central States Joint Board?

MR. SERPICO: That's right.

MR. RYAN: In 1973 you became the president of Laborers' Local 8 and of the Joint Board?

MR. SERPICO: I believe so. Around that.

MR. RYAN: At some point about that time?

MR. SERPICO: In that time period.

MR. RYAN: Is it also true you are now an International vice-president of the Laborers' International Union of North America?

MR. SERPICO: Yes, I am. But I don't hold all of these posts. I resigned my post as secretary-treasurer of the Allied Novelty and Production Workers International Union.

MR. RYAN: And that was part of the agreement you had with Mr. Fosco when you took the post as International vice-president to the Laborers?

MR. SERPICO: It was not an agreement. It was a discussion between him and I, and I was the one that told him I would like to keep both posts.

MR. RYAN: Do you receive a salary from the Central States Joint Board?

MR. SERPICO: Yes, I do.

MR. RYAN: Do you receive a salary from the Laborers' International Union for your work as an International vice-president?

MR. SERPICO: Yes, I do.

MR. RYAN: Do you also receive a salary as the Chairman of the Chicago Regional Court District?

MR. SERPICO: Yes.

MR. RYAN: Sir, is your union influenced or dominated by organized crime?

MR. SERPICO: No, it's not.

MR. RYAN: Is there any organized crime influence in your union?

MR. SERPICO: No, there is not.

MR. RYAN: You know of that because you, as a union officer, are vigilant in making sure that there is no influence of organized crime?

MR. SERPICO: I don't know what you mean by "vigilant," but the fact that there is no -- nothing to do with organized crime is a fact.

MR. RYAN: What does the word "vigilant" mean to you, Mr. Serpico?

MR. SERPICO: I think it's more important about what it means to you and how you are putting it

to me.

MR. RYAN: You are answering the questions; I'm asking them. You can answer it in any way you want.

ACTING CHAIRMAN SKINNER: Why don't you try to use another word that maybe both of you can agree on.

MR. RYAN: Would you agree with, Mr. Serpico, that organized crime, if it was going to try and influence and dominate a union, wouldn't announce itself, it wouldn't come to the door and say: We are organized crime and we are here?

MR. SERPICO: Would you repeat that?

MR. RYAN: I certainly will, and it will come out a little different, but the idea will be the same.

If organized crime was going to take over a local union or an International union, for that matter, they wouldn't knock on the door and say: We are organized crime and we are going to take over and influence your union?

MR. SERPICO: That's right.

MR. RYAN: What would you do to look for the signs that organized crime was involved in a union, Mr. Serpico?

MR. SERPICO: I would look at -- if somebody was trying to approach me because being a head of the

organization.

MR. RYAN: Well, would you look to the associations of the persons who were the officers and employees of that Laborer local?

MR. SERPICO: Not necessarily, because it doesn't mean that the associations have anything to do with the person that is in charge and they don't have any control over him.

MR. RYAN: So that the associations of the persons who are involved in the union has no bearing on whether organized crime can influence or dominate that union?

MR. SERPICO: No.

MR. RYAN: Not at all?

MR. SERPICO: In my opinion.

MR. RYAN: In your opinion.

MR. SERPICO: That's correct.

MR. RYAN: For example, do you know Mr. Vincent Solano?

MR. SERPICO: Yes.

MR. RYAN: Who is Vincent Solano?

MR. SERPICO: He is one of the officers of a labor local.

MR. RYAN: Laborers' Local 1, not a labor

local, but Laborers' Local 1?

MR. SERPICO: I don't know the number, but it's one of the locals.

MR. RYAN: It's the same International union to which you are now an International vice-president?

MR. SERPICO: That's right.

MR. RYAN: Did you know that on Monday we heard testimony in this room from persons sitting in that seat that said that Mr. Solano was the chief of the rackets on the North Side of Chicago?

MR. SERPICO: I read something in the paper about it.

MR. RYAN: Does that concern you as a Laborers' officer?

MR. SERPICO: I would only be concerned if there was a trial and a conviction, yes.

MR. RYAN: So that the evidence of Mr. Eto that Mr. Vincent Solano had ordered him shot in the head three times, that would not influence your judgment, that it would be necessary to obtain a conviction so that you would believe that organized crime had influenced or dominated that local?

MR. SERPICO: Why should I believe that anyone just -- just them saying something and that I don't know

to be a fact?

MR. RYAN: But it doesn't affect you as an International vice-president of the Laborers' Union that a person who spends thirty years in organized crime indicated that Vincent Solano was the chief of the rackets on the North Side of Chicago?

MR. SERPICO: I told you, unless I can find out as fact. There are a lot of people going around saying a lot of things about me, too, that are not true. And as long as I don't know them as facts myself, no.

MR. RYAN: Let's talk about Mr. DeMonte. You also know Mr. Frank "Babe" DeMonte, don't you?

MR. SERPICO: Yes.

MR. RYAN: Mr. DeMonte is also associated with Laborers' Local 1, isn't he?

MR. SERPICO: I believe so.

MR. RYAN: Have you had business dealings with Mr. DeMonte and Mr. Solano in the course of your affairs as a Laborers' officer?

MR. SERPICO: Yes, as a Laborers' officer, yes.

MR. RYAN: Does it trouble you that on Monday this Commission received testimony that Mr. DeMonte is also a member of La Cosa Nostra and in particular the

organization here in Chicago known as the Outfit?

MR. SERPICO: It's the same answer. The same as I answered in respect to what you asked about Mr. Solano; I would say the same thing about Mr. DeMonte.

MR. RYAN: Does it concern you at all that in the case of United States vs. Accardo, Mr. Al Pilotto, a territorial boss from the City of Chicago, and incidentally the president of Laborers' Local 5, was convicted of racketeering charges?

MR. SERPICO: Yes, it does concern me.

MR. RYAN: You know Mr. Pilotto?

MR. SERPICO: Yes, I do.

MR. RYAN: You knew him because of your union business?

MR. SERPICO: That's right.

MR. RYAN: You had meetings with Mr. Pilotto?

MR. SERPICO: I have attended meetings with Mr. Pilotto, as far as the union goes.

MR. RYAN: Had you ever heard that he was a territorial boss in La Cosa Nostra?

MR. SERPICO: No.

MR. RYAN: And what -- have you investigated further the situation in Local 5 today to ensure that Mr. Pilotto wasn't the only representative of organized

crime in that union?

MR. SERPICO: It's not my jurisdiction to investigate any local in the union; only if the president assigns a different project to each of the vice-presidents as they come up. There is no jurisdiction that any one vice-president controls.

MR. RYAN: Have you ever suggested that an investigation be brought concerning these allegations of organized crime?

MR. SERPICO: No, I never did.

MR. RYAN: Are you aware that Mr. Fosco was here earlier this week and refused to answer any questions?

MR. SERPICO: I am aware of it.

MR. RYAN: Let's talk about your particular union, sir. Do you know John Fecarotta?

MR. SERPICO: Yes, I do.

MR. RYAN: Tell me how you know Mr. Fecarotta.

MR. SERPICO: '74 or '75, I don't know exactly my organizing director, who at the time was Henry Harrison, came and recommended him for an organizing position.

MR. RYAN: And did you look at his qualifications?

MR. SERPICO: None of the people I hire have any qualifications. They come from shops, they come from -- and we teach them.

MR. RYAN: Did Mr. Fecarotta submit a resume?

MR. SERPICO: No, he didn't.

MR. RYAN: What would have been on Mr. Fecarotta's resume if he had submitted it?

MR. CARMELL: Mr. Chairman, it's not my province, but asking him what he would have done if something had been submitted to him is rather unfair to the witness.

ACTING CHAIRMAN SKINNER: Well, let me suggest Mr. Carmell, that first of all I agree he is well represented.

Number two, we certainly want to make sure we have a complete record; that we don't require the witness to answer anything he is not comfortable answering.

I would suggest the way probably to proceed is that in such a question as tendered to your witness, I wouldn't hesitate to lean over, as I have noticed you have done before, and advise him that -- or have him lean over to you, I guess, would be the proper way. If there is any question he is uncomfortable with, he should hesitate -- he should not be intimidated anymore

than he has to by this surrounding and he should feel comfortable taking all of the time he needs to give a proper response. And if he thinks the question calls for a conclusion or an opinion which he is not qualified to answer, he should consult with you and then advise us and we will try to stick to as specific instances of fact as possible.

MR. CARMELL: Thank you very much.

ACTING CHAIRMAN SKINNER: Mr. Ryan, in that light, I think you are asking him to speculate on what would have been on the resume. You might ask him what qualifications or what past work experience that individual had that he was aware of at the time he hired him; that might be the way to do it.

MR. RYAN: Thank you, Mr. Chairman.

Did you know or did you find out subsequent to Mr. Fecarotta being hired what he had done prior to the time he came to the union?

MR. SERPICO: No, I didn't. Mr. Harrison just told me that he thought he would have been a good man to hire.

MR. RYAN: What were Mr. Fecarotta's union duties?

MR. SERPICO: It was to go out and find jobs

that were not organized and turn them into Mr. Harrison who then would assign an organizing team to conclude, an organization campaign.

MR. RYAN: 1974 was when he was hired?

MR. SERPICO: I believe so.

MR. RYAN: He may well have been a business agent or an organizer of --

MR. SERPICO: I don't know exactly. It was around that time.

MR. RYAN: At the time that these photographs were taken?

MR. SERPICO: I truly couldn't tell you.

MR. RYAN: What companies were organized as a result of Mr. Fecarotta's efforts on behalf of the Central States Joint Board?

MR. SERPICO: I didn't have those records and I -- he never reported to me. He reported to the organizing director. And Mr. Harrison would be the one that would be able to tell you that.

MR. RYAN: But you can't remember, sitting there today, any single tip or company that Mr. Fecarotta was involved in organizing?

MR. SERPICO: No.

MR. RYAN: Did Mr. Fecarotta receive a union

car and compensation for his work?

MR. SERPICO: Mr. Harrison came to me and told me what a good job he was doing; that he brought in two tips that resulted in members and that he thought that we should give him a car. And we had an extra car which was about two years old that we gave Mr. Fecarotta.

MR. RYAN: What were the two shops that were organized as a result of the tips from Mr. Fecarotta?

MR. SERPICO: I just told you I don't know.

MR. RYAN: Do you recall any other specific contribution of John Fecarotta in the six or seven-odd years that he was a union business agent and organizer? Other than those two tips, can you recall anything that he did for you?

MR. SERPICO: You would have to ask the people that he was -- that were in charge of it.

MR. RYAN: You ran the union, did you not, sir?

MR. SERPICO: I do. I run it with department heads. I do not -- the union is too big for me to be involved in every phase of the organization. And I have department heads that run each department.

MR. RYAN: Sir, do the surveillance photographs, particularly Photographs 2, 3 and 4, cause you any concern that there might have been an infiltration

of organized crime that you were not aware of at the time?

MR. SERPICO: Sir, what photographs are you talking about?

MR. RYAN: Would you look at the photographs, Mr. Cantazaro entering the Kleen-Aire Sanitation Company, Mr. Aiuppa and Mr. Fecarotta, and the picture of Mr. Torello and Mr. Fecarotta, and the testimony of the Chicago Police Department officer a minute ago. Does this create any new concern for whether organized crime was trying to influence or dominate your union at this time?

MR. SERPICO: No.

MR. RYAN: It certainly indicates that Mr. Fecarotta and Mr. Cantazaro were friends or, at a minimum, acquaintances?

MR. SERPICO: I don't know.

MR. RYAN: You heard the testimony they went to the Kleen-Aire Sanitation Company and were inside for awhile together?

MR. SERPICO: Yes.

MR. RYAN: So they knew one another at that time?

MR. SERPICO: I don't know.

MR. RYAN: Let's talk about some other people you know. You know Mr. Torello, don't you?

MR. SERPICO: Yes, I do.

MR. RYAN: How do you know Mr. Torello?

MR. SERPICO: We were born on the same street a half block away from one another.

MR. RYAN: Is that an accurate depiction of Mr. Torello in that photograph over there?

MR. SERPICO: Yes, that is.

MR. RYAN: This is the same James "Turk" Torello who introduced Dr. Aiossa to Mr. Cantazaro, isn't it?

MR. SERPICO: I don't know.

MR. RYAN: Based on the testimony you heard here this morning, did you hear Dr. Aiossa say he was introduced to Mr. Cantazaro by James "Turk" Torello?

MR. SERPICO: Yes, I heard that.

MR. RYAN: So that this is presumably the same James Torello?

ACTING CHAIRMAN SKINNER: I think that -- before Mr. Carmell leans over, I will cut that off and suggest that might you ask, Mr. Ryan, what he knows about the relationship between Mr. Cantazaro, Dr. Aiossa, and James "Turk" Torello, the person he knows and grew

up on the same street with him.

MR. RYAN: I would adopt the Chairman's statement as a question.

MR. SERPICO: No, I don't. Wait.

MR. CARMELL: Listen to the question.

MR. SERPICO: I don't know what question you are asking me now.

ACTING CHAIRMAN SKINNER: I don't like to interject myself. Maybe I will cut it short a little bit because I can see what is going to happen here.

What, if anything, do you know about the relationship of Mr. Cantazaro, Mr. Torello and Dr. Dominic Aiossa? What do you personally know about the relationship between those three people?

Is that all right, Mr. Ryan?

MR. RYAN: Yes, sir.

MR. SERPICO: Nothing.

MR. RYAN: Is it true Mr. Torello's son, Steve Torello, is a business agent at your local?

MR. SERPICO: Yes.

MR. RYAN: You know Mr. Joey Aiuppa yourself, don't you, sir?

MR. SERPICO: Yes.

MR. RYAN: You have met Mr. Aiuppa on occasion?

MR. SERPICO: Yes.

MR. RYAN: Now seeing these surveillance photographs, does that indicate to you any more concern that organized crime might influence or dominate your union?

MR. SERPICO: No.

MR. RYAN: Do you know Jackie Cerone?

MR. SERPICO: I don't know him, but I have met him.

MR. RYAN: His son Jackie is the lawyer for your local, is he not?

MR. SERPICO: That's right.

MR. RYAN: Have you heard the testimony from Monday that Mr. Jackie Cerone the Elder is the underboss of the Chicago Family?

MR. SERPICO: I haven't heard it, but I read it in the newspaper.

MR. RYAN: Another business agent in your union was Mr. Andy Buccieri, is that correct, is that his first name?

MR. SERPICO: Fiore is his first name.

MR. RYAN: Excuse me. Fiore Buccieri?

MR. SERPICO: Yes.

MR. RYAN: He worked in your union for a number

of years?

MR. SERPICO: Yes.

MR. RYAN: Did you also know his father,  
Fifi Buccieri?

MR. SERPICO: Yes.

MR. RYAN: Fifi Buccieri was alleged to be a  
territorial boss of La Cosa Nostra; did you ever hear  
those allegations?

MR. SERPICO: No.

MR. RYAN: You also know Mr. Joe Ferriola,  
don't you?

MR. SERPICO: Yes.

MR. RYAN: How do you know Mr. Ferriola?

MR. SERPICO: Come from the same neighborhood.  
We grew up together.

MR. RYAN: Do you visit with Mr. Ferriola?

MR. SERPICO: Yes, I do.

MR. RYAN: Have you visited with him in the  
last few weeks?

MR. SERPICO: Yes.

MR. RYAN: Sir, would you say that you visit  
with him once or twice a month on an average?

MR. SERPICO: No, I would say -- some months  
I would see him twice a month and sometimes I wouldn't

see him in two or three months.

MR. RYAN: If you didn't see him, would you give him a call on the telephone and say hello?

MR. SERPICO: I might.

MR. RYAN: Do you show him respect?

MR. SERPICO: Show him respect?

MR. RYAN: Do you call him because he is a friend and you want to show him respect?

MR. SERPICO: I call him because he is a friend.

MR. RYAN: What business is Mr. Ferriola in?

MR. SERPICO: He is a businessman.

MR. RYAN: What business?

MR. SERPICO: I don't know.

MR. RYAN: This is your close friend, Mr. Ferriola; you don't know what business he is in?

MR. SERPICO: No. I know a couple of businesses he was in and that he is not in anymore.

MR. RYAN: What were the businesses that he was in?

MR. SERPICO: He was in the laundromat that I know of and he also had a discount -- a discount store.

MR. RYAN: Did you ever discuss your union business with Mr. Joe Ferriola?

MR. SERPICO: No, I didn't.

MR. RYAN: At no time?

MR. SERPICO: No time.

MR. RYAN: Do you call him on the phone --  
did you call him on the phone in the last week?

MR. SERPICO: No.

MR. RYAN: Did you know that Mr. Ferriola was  
alleged to be a territorial boss in La Cosa Nostra?

MR. SERPICO: No.

MR. RYAN: You never heard that?

MR. SERPICO: No.

MR. RYAN: What company cleans the washrooms  
at the Central States Joint Board?

MR. SERPICO: I believe -- what is the company?

ACTING CHAIRMAN SKINNER: Maintenance contract,  
do you have a maintenance contract at your headquarters?  
I think that is probably what he is getting at.

MR. RYAN: Yes, that's correct.

What is the name of the company?

MR. SERPICO: You know it.

MR. RYAN: The Kleen - Aire Company?

MR. SERPICO: Right.

MR. RYAN: Do you know Mr. Dominic Cortina?

MR. SERPICO: Yes.

MR. RYAN: Have you ever heard that Mr. Cortina is involved in La Cosa Nostra?

MR. SERPICO: No.

MR. RYAN: Have you ever heard of Mr. Ernest Infelice?

MR. SERPICO: Yes.

MR. RYAN: Do you know him?

MR. SERPICO: Yes.

MR. RYAN: Have you ever heard that he is involved in La Cosa Nostra?

MR. SERPICO: No.

MR. RYAN: Have you ever heard of Mr. Louis Marino?

MR. SERPICO: Yes.

MR. RYAN: Do you know him?

MR. SERPICO: Yes.

MR. RYAN: Have you ever heard allegations that he has been involved in La Cosa Nostra?

MR. SERPICO: No.

MR. RYAN: Now let's turn to the dental clinic if we can, Mr. Serpico. You vouched for Mr. Cantazaro, didn't you?

MR. SERPICO: I did not vouch for Mr. Cantazaro. Excuse me.

ACTING CHAIRMAN SKINNER: I was just going to anticipate another lean there. Why don't we just say what did you know of Mr. Cantazaro and his background, and did you recommend him to anyone?

How is that, Mr. Carmell?

MR. CARMELL: I didn't have a problem with the first one, but that is even better.

MR. SERPICO: All right. Mr. Cantazaro, I knew him from the neighborhood. And when I became president of the Central States Joint Board, he came to -- he gave me quotes on rates for my workman's comp, automobile insurance, errors and omissions. And they were a lot cheaper than the rates that we were paying and I -- and we wrote up a policy for those -- for that insurance.

MR. RYAN: I will restate a question, Mr. Carmell.

You introduced Mr. Cantazaro as a dental specialist -- excuse me -- that is not correct -- as an insurance specialist, wasn't it?

MR. SERPICO: Yes.

MR. RYAN: And you know that because the minutes of the Central States Joint Board Health and Welfare Fund contain that phrase, don't they?

MR. SERPICO: That's right.

MR. RYAN: Did you ever find out that Mr. Cantazaro had absolutely no experience as a dental care provider?

MR. SERPICO: No.

MR. RYAN: You never knew that?

MR. SERPICO: No.

MR. RYAN: You have stated before that Mr. Cantazaro delivered on every promise; he provided the most services and his proposal was the lowest cost to the Fund?

MR. CARMELL: Mr. Chairman, that came from his deposition and he did make that statement. After the recess, he asked to clarify that statement and add some more information.

ACTING CHAIRMAN SKINNER: Mr. Carmell, I suggest -- I see you have the deposition there and if you want to -- if your client wants to lean over and refer to that as part of an answer and refer to the rest of the answer, that certainly, under the doctrine of completeness, would be proper.

MR. CARMELL: Thank you. Could he point out the page?

ACTING CHAIRMAN SKINNER: That has been our

practice.

MR. RYAN: Page 158.

My statement was an approximation. If he changed it after the recess, I didn't recall, but I would be glad to hear what he had to say then and now.

MR. SERPICO: Yes, I made that statement at the deposition.

MR. RYAN: In light of what we heard this morning, and in light of what Mr. Walsh had to say, and in light of the monies that are put on that chart, do you still feel that way that Mr. Cantazaro delivered on his promise?

MR. CARMELL: Could we have a moment, Mr. Chairman, just to get to this part of the deposition?

ACTING CHAIRMAN SKINNER: Take all of the time you want, Mr. Carmell.

(Brief pause.)

MR. SERPICO: Can you restate the --

MR. RYAN: Certainly. I think you said something to the effect Mr. Cantazaro delivered on every promise, he provided the most services, and his proposal was at the lowest cost to the Fund, is that an approximation of fair accuracy, sir?

MR. SERPICO: That's right.

MR. RYAN: Do you agree with that now, that he delivered on every promise?

MR. SERPICO: He delivered on the promises except for opening up additional clinics.

MR. RYAN: That's right. There was one promise he didn't deliver on; that was opening the other dental clinics, is that correct?

ACTING CHAIRMAN SKINNER: That is the point you clarified after lunch, Mr. Carmell?

MR. CARMELL: Yes, sir, right after that.

MR. RYAN: Other than that, did he deliver on every promise?

MR. SERPICO: Yes.

MR. RYAN: And on page 158 there is also a statement. I think you said something to the effect it was a bargain then, and looking back it's still a bargain, is there something like that?

MR. SERPICO: Yes.

MR. RYAN: Do you agree with your statement made there and do you affirm it today?

MR. SERPICO: Yes.

MR. RYAN: I have no further questions of this witness.

ACTING CHAIRMAN SKINNER: Commissioner McBride.

MR. SERPICO: I'm sorry.

ACTING CHAIRMAN SKINNER: No such luck.

MR. CARMELL: But you notice I did move quickly.

COMMISSIONER MC BRIDE: Mr. Serpico, I am intrigued by that chart. You were the trustee of the Health and Welfare Fund, right?

MR. SERPICO: Right.

COMMISSIONER MC BRIDE: That shows five million in dental premiums of which about 32 percent were used for benefits and 68 percent, if you will, siphoned off for overhead profits, commissions, et cetera. And I won't ask a question quite yet, but in my mind that is an unusual and, indeed, an unquestionable level of siphoning off of proceeds of an insurance plan.

What really intrigues me is at the bottom where it shows Cantazaro, through salaries, commissions, through a variety of channels, ended up with two and a half million dollars. And my question is a very simple one. Did Mr. Cantazaro give you any money as a result of this scheme?

MR. SERPICO: No.

COMMISSIONER MC BRIDE: Do you think you were responsible in your fiduciary duties through the dues

paying and the insurance premium paying members to allow this level of profit in a plan like this?

MR. SERPICO: Yes. Because when we were out looking for dental insurance, every premium that was ever quoted to us was quoted in the \$8 to \$10 range for a single plan and from \$12 to \$17 for a family plan. These were the rates that fitted into our program and that we could have gave that benefit to our members.

Also, the fact was that we used to be insured by Blue Cross and Blue Shield. When we were insured by them, our coordination of benefit return was only \$10,000 a year.

We then went to the Equitable Insurance Company, changed carriers, went to the Equitable Insurance Company. Again our return rised to \$40,000.

When we started to look at how the process of the insurance companies work, we then instituted to go self-insured. And when we went to self-insured, our coordination of benefits jumped from \$40,000 to \$500,000. And never once did anyone question Blue Cross/Blue Shield or Equitable Life Insurance. At that time we thought that we got the best kind of coverage for our members for the best price that we could have obtained.

COMMISSIONER MC BRIDE: Did you know, Mr.

Serpico, that Cantazaro was getting those kind of profits?

MR. SERPICO: No, sir.

COMMISSIONER MC BRIDE: Why not?

MR. SERPICO: Because every year he came and he raised the benefit of the -- the benefit level of the insurance, which in effect lowered the premium.

COMMISSIONER MC BRIDE: Are you disturbed now that you see these figures and realize that 68 percent of the gross premiums were being siphoned off for these purposes?

MR. SERPICO: No.

COMMISSIONER MC BRIDE: Do you think that is a suitable ratio?

MR. SERPICO: What I think in this case I don't think is material because anybody could be a Monday morning quarterback and then come up with what we should have done and what we shouldn't have done.

COMMISSIONER MC BRIDE: It's not just Monday morning. We had from November 1977 to May 1983 that this plan was in effect.

MR. SERPICO: Yes, but we had a contract for five years. As we came to the end of the contract, and we were trying to negotiate higher benefits, I went to

the employer trustees and to the union trustees and told them of it. The union trustees told me that we were paying a premium, but we had a contract and what he made was his business.

COMMISSIONER MC BRIDE: Have you tried to explain the deal --

MR. SERPICO: The employer trustees, I'm sorry

COMMISSIONER MC BRIDE: Have you tried to explain this level of siphoning off of profits to your members who paid the premiums?

MR. SERPICO: I didn't know that this thing was even in existence.

COMMISSIONER MC BRIDE: I have no further questions.

COMMISSIONER ROWAN: Didn't you get annual audits from your carrier from Willoughby, as president of the Central States Board?

MR. SERPICO: No. No insurance company, not even Blue Cross/Blue Shield nor did Equitable ever give us any audit.

COMMISSIONER ROWAN: I understand, but this is a self -- you said you wanted to go self-insured. These people are under a contract to you for a period of time. They don't report to you at any time during that

period of contract telling you how much you spend on premiums, how much is benefits, et cetera?

MR. SERPICO: This was a premium to an insurance company. It was not a self-insured plan.

COMMISSIONER ROWAN: Are your members voluntarily paying these health and welfare benefits or, is it a checkoff kind of system?

MR. SERPICO: It's an employer contribution.

COMMISSIONER ROWAN: The payment is not made by the members?

MR. SERPICO: For a single it's not made by the member. And in some cases, in some cases, the family is not -- the additional family premium is not paid by the member.

COMMISSIONER ROWAN: I don't recall the exact language, but there was some indication that Mr. Cantazaro was an insurance expert or an insurance something.

MR. SERPICO: Insurance specialist.

COMMISSIONER ROWAN: Insurance specialist.

MR. SERPICO: Right.

COMMISSIONER ROWAN: How did you know that he was an insurance specialist and what evidence did you have that he was an insurance specialist?

MR. SERPICO: It was -- it was just something to flatter him with. I didn't have any knowledge of him being an insurance specialist. It was something I was using to flatter him with and that is how it came out.

COMMISSIONER ROWAN: What was his job before he became wealthy?

MR. SERPICO: His job was an insurance broker.

COMMISSIONER ROWAN: He was a broker?

MR. SERPICO: Right.

COMMISSIONER ROWAN: Where are your -- where is your membership located primarily?

MR. SERPICO: In Chicago and the surrounding areas.

COMMISSIONER ROWAN: Is the Oak Park office, which apparently also belongs to Mr. Cantazaro, convenient for your members to travel to?

MR. SERPICO: It was the most centrally located place for the first office to be.

COMMISSIONER ROWAN: Why were there then complaints about that office?

MR. SERPICO: Because I had members that are in Morris, Illinois, in DeKalb, Illinois, -- down on the south side, and that is where the complaints came from

because it was too long of a distance. It was good for everybody within that ten-mile radius, but then after you got out of that radius, then it was an imposition on the people.

COMMISSIONER ROWAN: Did you know that Mr. Cantazaro owned that building at the time the dental plan went into that building?

MR. SERPICO: No.

COMMISSIONER ROWAN: I have no further questions. Thank you.

ACTING CHAIRMAN SKINNER: Commissioner McBride has one more question.

COMMISSIONER MC BRIDE: One more question, Mr. Serpico. Have you ever had any financial transactions with Mr. Cantazaro in sums of \$1,000 or over?

MR. SERPICO: No.

COMMISSIONER MC BRIDE: Thank you.

ACTING CHAIRMAN SKINNER: Now the Chairman has a couple of questions.

What are you doing now for health insurance for the Central States Joint Board -- I'm sorry, dental insurance?

MR. SERPICO: We are self-insured now.

ACTING CHAIRMAN SKINNER: Do you have an

organization managing those claims for you?

MR. SERPICO: No, we do it all in-house. We do it ourselves.

ACTING CHAIRMAN SKINNER: I wonder if you would provide to this staff at a later date the level of benefits that are being provided now, the level of benefits that were being provided when Willoughby was in charge, and the level of benefits that were provided when Equitable and Blue Cross were in charge.

What I'm trying to get at is the key -- two key elements are, number one, the cost for the plan; and number two, the amount of benefits that your covered employees received.

MR. SERPICO: Mr. Skinner, I think I misled you when I was talking about the Blue Cross/Blue Shield and the Equitable plan.

The Blue Cross and Blue Shield were and the Equitable plan were strictly hospitalization insurance.

ACTING CHAIRMAN SKINNER: Health.

MR. SERPICO: And this dental insurance was something that, because of -- because of the risk -- okay.

MR. CARMELL: We'll provide the information.

ACTING CHAIRMAN SKINNER: Mr. Carmell, I think

we ought to let him finish the record. I think what he was probably going to say and what he was probably going to try to tell me is that when he was referring to Equitable and Blue Cross, there was no dental insurance covered by that.

MR. SERPICO: That's right.

ACTING CHAIRMAN SKINNER: Willoughby was the first time dental insurance was covered. And you are now providing dental coverage to your members on a self-insured basis, and that is the most efficient way to do it, as I summarized your testimony. Is that what you were going to say?

MR. SERPICO: That's right.

ACTING CHAIRMAN SKINNER: Was that all right for him to say, Mr. Carmell?

MR. CARMELL: You can take charge any time.

ACTING CHAIRMAN SKINNER: Well, I didn't mean to do that, but I think he wanted to clear the record and we ought to give him that opportunity.

Seeing no further questions, the witness is excused.

MR. SERPICO: Thank you.

(Witness excused.)

ACTING CHAIRMAN SKINNER: The Commission will

now be in recess and we are going to try to keep it to thirty minutes.

(Whereupon, at 1:40 p.m., the hearing in the above-entitled matter was recessed until 2:10 p.m. of the same day, April 24, 1985.)

ACTING CHAIRMAN SKINNER: The Commission hearing will come to order.

Swear the first witness.

MR. HUNTERTON: Mr. Chairman, the first witness is Ronald Goldstock.

RONALD GOLDSTOCK

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HUNTERTON: Mr. Chairman, as the members of this Commission already know from his prior appearance in another hearing, Mr. Goldstock is the Director of the New York State Organized Crime Task Force. He was a former head of the Rackets Bureau in the Manhattan District Attorney's Office and he has taught at Cornell Law School.

He appears here today under a subpoena, which was the subject of negotiations between the Commission's staff and Mr. Goldstock's office. The object of the subpoena was to air publicly at this hearing certain information, including tapes from court-authorized electronic surveillance, for the benefit of the Commission and balance the need to air those tapes and other information with the rights of defendants who are yet to stand trial as a result of the investigation in which

these tapes were garnered.

We asked Mr. Goldstock to try to accomplish two things for the Commission in preparing to come here today; that is, to speak from his experience about the phenomenon of labor racketeering and why it happens and what sort of structural changes might be made to retard labor racketeering; and, secondly, to illustrate some of the broad principles that he is prepared to elaborate with material gathered from the investigation of which I just spoke. That was an investigation into the garbage hauling or cartage industry, as it is commonly referred to, on Long Island.

In the interest of saving time, Mr. Chairman, Mr. Goldstock has a prepared statement. And in that prepared statement he has discussed the phenomenon of labor racketeering as a general matter and what might be done about it. Though to save some time this afternoon we will go directly to the case study which he has prepared with respect to the cartage industry. However, probably the first thing Mr. Goldstock ought to do is teach all of us how to use the earphones that we will be using this afternoon.

MR. GOLDSTOCK: I am the wrong person to ask, although I understand they go on this way and the on-off

switch is the little yellow one; you can regulate the volume with respect to that.

ACTING CHAIRMAN SKINNER: It will also be broadcast in the room so everyone else can hear it.

MR. GOLDSTOCK: Yes, it will, if everything works.

Thank you for inviting me this afternoon.

COMMISSIONER ROWAN: Has Mr. Goldstock been sworn?

ACTING CHAIRMAN SKINNER: He has been sworn.

COMMISSIONER ROWAN: Thank you.

MR. GOLDSTOCK: And for your understanding with respect to the concerns we had in the subpoena.

Let me introduce with me today Fred Rayano, Chief Investigator, Field Operations, with the Organized Task Force seated at the tape recorder and Joe DeLuca, who is by my side, who is the Strategic Analyst with the Analytic Section of our office.

Thank you also for allowing me to submit the basic analysis of Labor Racketeering as part of the record. And to move immediately on to the issue of Long Island carting industry.

In 1982 the Southern Regional Energy

Environment Team of the New York State Organized Crime Task Force began an investigation into the carting industry in Nassau and Suffolk Counties, which comprise most of Long Island and New York.

The findings of that investigation are in part set forth as allegations in an indictment entitled People against Corallo and are pictorially displayed in the chart before you.

The Employee's Association, Private Sanitation Industry, Incorporated, or PSI, as it is referred to, was dominated by the Lucchese crime family and used as a tool to control the carting industry through a system of territorial allocations and property rights.

The boss of the Lucchese crime family is Antonio "Tony Ducks" Corallo. The underboss is Salvatore "Tom" Santoro. And the family member with direct managerial responsibility for the carting industry was Salvatore Avellino, Jr.

The nominal head of PSI and self-ascribed front is the executive director of the association, James Corrigan.

Control of the carters was achieved through threats of physical injury, economic injury, property damage and the use of corrupt public officials to the

member carters in the industry.

In addition, the Lucchese family was able to cause union problems for rebel carters through an agreement with the Gambino family, which claimed control of Teamsters Local 813. The boss of the Gambino family is Paul Castellano. The family member with managerial responsibility over Gambino party interest is James "Jimmy Brown" Fialla

Cash payments are extracted from member families on a quarterly basis and split 50/50 between the Lucchese and the Gambino families, the total amount exceeding \$400,000 a year.

An organized crime commission made up of the bosses of the five New York families exists to resolve disputes arising from the competing interests of those families, including disputes within the carting industry.

It was agreed that disagreements between the Lucchese and Gambino families in carting would be formalized at the Commission level and attempted to be resolved by Fialla and Avellino.

Sal Avellino, Jr. was, in addition to being CEO of Salem Carting Company and director for carting interests of the Lucchese family, also the driver of

Tony "Ducks" Corallo. Avellino used his 1982 black Jaguar to chauffeur Corallo to and from mob meetings.

Pursuant to court order, investigators from the Organized Crime Task Force placed a microphone behind the dashboard of that vehicle and for the next five months during the spring and summer of 1983 listened and recorded the conversations occurring in that car. The President's Commission, of course, has subpoenaed some of those intercepted conversations for me to play today.

Let me then begin by talking about the case study of the role of labor racketeering and its monopolization of the Long Island carting industry. The economic theory pertaining to monopolization is that monopolization of any industry can be achieved through control of an essential good or service. The components in the carting industries are landfills, trade associations and unions. With respect to landfills, dumps and resource recovery, the big issue is whether or not they are owned publicly or privately and by whom they are regulated.

On Long Island, ownership is essentially public. And while the ability to corrupt public officials may affect accessibility to some extent, that is not a major

factor or control within the industry. It may be in other locations where ownership is private.

So let's move on to the next factor, which is the industry or employer trade associations. As I noted in the overview previously, the trade waste association, PSI, is controlled by organized crime. This is clear from a conversation that I am going to play later on, but also admitted by Corallo in the first conversation in which Corallo complains that the police are always following him. Either he has spotted one of our cars tailing him or saw somebody else that he assumed was following him and asked why to his driver, Avellino, who was sitting next to him. In fact, saying, "Am I a pimp? Is that why they are following me?"

The Big Goon in the conversation referred to by Corallo is James Corrigan, the executive director of PSI.

(Whereupon a tape recording was played in open court as follows:)

" ANTHONY CORALLO: What do you think I am here, a fuckin' whorehouse? What do they think I am, they gotta bring these fucking schemes that they (inaudible).

SALVATORE AVELLINO: Well, maybe they figure you running some big, big. They're right behind us, Tom. They, they figure you running some big, big enterprise right now. That's what it is, that's what it is. You know, with the garbage and with, ah, and with the incinerators now, and, ah, all that shit. Incinerators is big thing with us, the thing of the future. They figure that you got it, you control it.

ANTHONY CORALLO: They're right, you know.

SALVATORE AVELLINO: They're right, what, you control it?

ANTHONY CORALLO: Why not. Who controls it, you?

SALVATORE AVELLINO: No, you.

ANTHONY CORALLO: That big fuckin' goon, that big fuckin' goon. He controls it. I like to know how he stands up under the fire, the cocksucker, that's what I like to know how he..."

MR. GOLDSTOCK: The functions, as I said before, of the association, are the protection and enforcement of the property rights, territorial allocations and so on through threats of physical injury, economic injury to business, property damage, and the use of corrupt public officials.

The disadvantages of using those tactics are that they are by and large overt, they create rebels within the industry who are potential complainants, and they invite law enforcement interest.

In conversations 2 and 3, which I will not play to save some time, let me just quote a couple of lines. Corallo talking about a rebel carter:

"Let 'em talk, let the guys get disgusted with him. It comes when the chips are down, when it's over, the investigation. Then you move.

"Once it's over, you get him, you don't make waves, throw gasoline on the fire, that's the gist of it.

"Because if you do it now, you add fuel, you open the door. Sometimes you gotta suffer quietly."

And then in another conversation which he was concerned about an ongoing investigation, speaking to Sal Avellino:

"I've been in too many investigations. There is nothing I can do to stop it now. What am I going to worry about?

"When the time comes, then I can go and see somebody in the department. I'll try and see. If I do it now, I'll open the door."

And invite, in effect, further investigation.

So that is a concern of theirs. They are not opposed to using threats. They are not opposed to using physical violence, but if there is another way to do it which does not invite law enforcement interests, which does not create rebels, which does not create complainants, they would prefer that.

And the third method which provides that is the use of unions. Unions can be dominated, controlled or influenced by organized crime syndicates in a variety of ways. The simplest way is influence through the payment of money to union officials, bribery, an art perfected by organized crime.

The next conversation is self-explanatory. Doug is a union official capable of allowing non-union made goods in department stores which had agreed not to accept those goods. This is obviously not a carting conversation; it relates to another matter of labor racketeering, but explains what they think about the bribery of union officials, and that is conversation 4.

(Whereupon a tape recording was played in open court as follows:)

SALVATORE AVELLINO: I mean he's impressive, this is an impressive thing, it's not that we're

bringing some jackass.

SALVATORE SANTORO: I know, I know, I know.

The idea is, the idea is, er, Junior (Avellino) to get the right -----

SALVATORE AVELLINO: To get the right -----

SALVATORE SANTORO: To get the right fuckin' guy to open the door to us, ya know. Now I spoke to Doug about this, now Doug is a union guy.

SALVATORE AVELLINO: I know.

SALVATORE SANTORO: And that means, ah, ya know.

SALVATORE AVELLINO: But, if you -----

SALVATORE SANTORO: Problems, problems.

SALVATORE AVELLINO: Yeah, but if you speak to him and you say Doug, I mean, over here, you got something for the next twenty years. In other words, as a retirement . . . ya know he's gonna retire with the union on a thousand dollars a month.

SALVATORE SANTORO: . . . see the only one, the only way I can talk to Doug is (inaudible). This is all non-union stuff comin' into these department stores, all his union, these department stores are all union people. This is the fuckin' conflict, ya know, the only way I can talk to Doug, I gotta tell him,

Doug, look, you know what life is all about, not you, me, but your children, to leave 'em a fuckin' bundle of money, right?

SALVATORE AVELLINO: Uh, uh.

SALVATORE SANTORO: That's the way to talk to him, now we can make scores over here, if you wanna pay attention.

SALVATORE AVELLINO: Bring me a few introductions.

SALVATORE SANTORO: I'll keep this card here so that I know I'm gonna met him. He's away now, he went to Mexico . . ."

MR. GOLDSTOCK: So that is one way to control a union, through the payment of money to a union official. The control can also be achieved by the union being run by a syndicate member for the benefit of the family.

In the next conversation, Sal Avellino and associate Richard DeLuca discuss Peter Vario's control of Local 66 of the Laborers' Union.

The term "straightened out," of course, refers to induction into the Lucchese crime family. And Salem is Salem Carting Company, which is owned by Sal Avellino, Jr.

(Whereupon a tape recording was played in open court as follows:)

"SALVATORE AVELLINO: Before, er, they straightened out Pete, I was very friendly with him. I became very friendly with him. So we were eating one night, me and Tony and he started talking to me about him, you know. He says, and naturally I was Paul's best (inaudible) and I was just, I was hoping that he would, er, change a way or two when he --

RICHARD DeLUCA: Straight.

SALVATORE AVELLINO: -- got involved, because I figured that maybe some stuff would rub off, and, and the thing that, er, before he straightened out, he's telling me that the union is his, you know. So I'm saying what do you mean, the union yours. He believes the fucking union is his, and what am I gonna, ya know, I'm gonna say the union, nothing is yours, everything is the boss and we only got the privilege of working it or running it, unless you got a, something that is a legitimate thing that, ya know, that it's yours, then they say, well, that's yours, but anything that's got to do . . .

RICHARD DeLUCA: You operate at his pleasure.

SALVATORE AVELLINO: You do what you, he

wants you . . . ya know, he doesn't, I mean, and even with a legitimate thing, you're operating at his pleasure most of ninety percent of the time.

RICHARD DeLUCA: Once you leave (inaudible), that's it.

SALVATORE AVELLINO: That's like in other words, I, I, --

RICHARD DeLUCA: A lot of guys forget that.

SALVATORE AVELLINO: I mean I know Salem is mine in stock, but I gave, I, I signed my life to you.

RICHARD DeLUCA: Yeah.

SALVATORE AVELLINO: So really, if I sign my life to you, my stock is yours, but because you're kind enough that you don't make a demand on me (inaudible)."

MR. GOLDSTOCK: It's difficult to argue with if you sign your life to the boss of the family, then he owns everything you have, including your stock in the company, including your union position.

Domination can also be achieved by being able to dictate the direction of a strong union. Let's look a little bit at the history of the Long Island Carters Union.

As early as 1959 the Long Island carting industry was alleged to be under the control of

organized crime as far back as the McClellan Committee hearings.

More recently, in 1975, a series of garbage wars involving murders and arsons were described in a number of newspaper articles as an internal struggle among syndicate bosses for control of the industry.

In 1976, as the Commission has heard before, two men, Ray Aponte and Ruben Gonzalez, attempted to organize a carters union which would challenge the power and authority of Local 813. Soon afterwards both were found murdered in the trunk of a car.

In 1978 and '79 the PSI union industry was formed and today's pattern and control was established.

In the sixth conversation, Tom Ronga and Sal Avellino, Jr. lament the fact that a deal was struck many years ago; meaning that no union other than 813 would be allowed to unionize garbage collection in Nassau and Suffolk Counties.

(Whereupon a tape recording was played in open court as follows:)

"THOMAS RONGA: Different society we live in today, different society, different society.

SALVATORE AVELLINOI: See, they made a deal many, many years ago that no other union --

THOMAS RONGA: Could take this.

SALVATORE AVELLINO: -- would come into the garbage. And they're honoring the deal.

THOMAS RONGA: Yeah.

SALVATORE AVELLINO: Cause we have a Teamster local that could come out here.

THOMAS RONGA: 522.

SALVATORE AVELLINO: 522. Break his fuckin' crawler. You, you know what I'm bring out? And, and take all these house guys, another different contract, and really stick it up his ass. Then he would come to us. That's what he needs.

THOMAS RONGA: (Inaudible)

SALVATORE AVELLINO: But he's the only game in town.

THOMAS RONGA: That's what he needs."

MR. GOLDSTOCK: The question of who may claim control of a union is discussed by Avellino and Ronga in the next conversation. Apparently at one time prior to a marriage between the children of the Gambino and Lucchese families, 813 was under the control of the Lucchese group. Now the Gambino family claims it. But says Avellino, "How can they really claim it, when they can say that the union head is not always responsive to

their demands?"

"Jimmy" referred to in the conversation is "Jimmy Brown" Fiella of the Gambino family.

(Whereupon a tape recording was played in open court as follows:)

"SALVATORE AVELLINO: We're higher than a, than a, the city.

THOMAS RONGA: Sal, what I can't understand, Sal, all these fuckin' years how they made him get away with that.

SALVATORE AVELLINO: I don't know.

THOMAS RONGA: (Inaudible.)

SALVATORE AVELLINO: I know.

THOMAS RONGA: He gets very little of that. We get more from the garbage than what he gives up, Sal.

EMEDIO FAZZINI: Why do they sell?

SALVATORE AVELLINO: Why they let him get away with it.

EMEDIO FAZZINI: Yeah.

SALVATORE AVELLINO: Cause they don't really control. What do ya that a that.

EMEDIO FAZZINI: Who controls?

SALVATORE AVELLINO: Nobody anymore. See, years ago, believe it or not, just between us, years

ago he was on our side. Ya know (inaudible). And there was a, there was a few guys around him, uh, Chika 99, Sally Shields, then how they let, when a Paul's son married Tommy's daughter.

THOMAS RONGA: Yeah, that's why.

SALVATORE AVELLINO: There's a lot a swapping that took place.

THOMAS RONGA: Yeah.

SALVATORE AVELLINO: See, and he went and they more or less drifted over there, all right? And they really like they claim him but they don't control him. And I told Jimmy that only two weeks ago. I says, Jimmy, you guys claim him but you don't control him. In other words, I, I'm a firm believer, you can't claim anybody unless you control him. If you can't say to this guy stop, you don't have him then."

MR. GOLDSTOCK: So the Lucchese group is concerned about the fact that they don't really control 813; that the Gambinos don't really control 813, and yet they are claiming it.

In the next conversation, which is self-explanatory, they talk about just that problem.

(Whereupon a tape recording was played in open court as follows:)

"SALVATORE AVELLINO: No, we're, we're gonna have an understanding now. We, the only thing is we gotta make him under or whatever. We can't give away the store 'cause there's no store to give away. Things are very bad. The men are all complaining, bosses are all complaining. We got a few Indians out there robbing all kinds of work, which is not your problem, Bernie. That's our problem, that's an association problem, but in the meantime we got Indians, they're work, losing work. The union is not, can't do nothing to stop them. The union doesn't do nothing to help it. We have in Brookhaven, in Islip, in Smithtown, nine out of ten of the, of the garbage men are non-union. So when municipal bids come up, county bids come up, they're in there bidding away. This, oh, ah, this, ah, prevailing rate don't mean a fucking thing to them. Nobody abides by it. So when you get a guy that is, uh, uh, that's a, a union man, and he toes the line, he hasn't got a chance to win the bid.

THOMAS RONGA: Got his hands tied.

SALVATORE AVELLINO: He hasn't got a chance. We go on strike, then I gotta say, if you're not a strong enough to make a, to really make a strike go. I held the strike you (inaudible) few days. Everybody's

ready to go to work. The union people were ready to go to work. You don't even have enough of people to man the dumps. You had, you didn't even have pickets in front of the dumps that we had. Okay? Uh, you, eh, a, I'm gonna tell 'em you --

THOMAS RONGA: Got no labor board.

SALVATORE AVELLINO: You're, you're completely ineffective. You're completely ineffective. We can work, we can work with a strike. We can work with a strike. Now we don't wanna do that. We wanna do this thing in a, in a friendly manner. But we can't give away the store. Now we wanna give the people."

MR. GOLDSTOCK: The next step, now that they realized what the problem is, that they don't have control of the union, and it's not a particularly strong union, is to develop a plan to abide by the old agreement that 813 be the only union out there and yet maintain control over a strong union. And this is one of the most illuminating conversations relating to the use of union power to illegally dominate an industry.

Avellino discusses his plan to divide 813 into 813 and 813-A, thus preserving the agreement to maintain 813 as the only official union out there.

The Lucchese family would dominate 813-A.

"Bernie" is Bernie Edelstein, the president of 813. And the two rebels that are referred to in the conversation are Aponte and Gonzalez, whose bodies were found in the car trunk in 1977.

(Whereupon a tape recording was played in open court, as follows:)

"SALVATORE AVELLINO: This is what I'm looking for, you see. Ah, let's designate somebody. I don't want 813. You notice how I threw in 813A.

EMEDIO FAZZINI: He didn't answer.

SALVATORE AVELLINO: Now we are, let us, let me be able to pick somebody for that office, do you follow what I'm bringing out?

THOMAS RONGA: Ya.

SALVATORE AVELLINO: We want to put a delegate, you got me?

EMEDIO FAZZINI: Ya.

SALVATORE AVELLINO: You see. Like we want he puts a president on there, see?

THOMAS RONGA: Ya.

SALVATORE AVELLINO: Then it's our fuckin' union. Not that it's Jimmy Brown's union, not that it's Paul Castellano's union. It's, it's, it's theirs and ours, in other words, you understand?

THOMAS RONGA: We got the 'A.'

SALVATORE AVELLINO: They're claiming 813.

THOMAS RONGA: They're claiming '813 A,' 'B.

SALVATORE AVELLINO: Right, they're claiming.

THOMAS RONGA: One guy got this one, one guy  
the other.

SALVATORE AVELLINO: Now you got it, you're  
claiming 813.

THOMAS RONGA: You want 'C', you want 'C'.

SALVATORE AVELLINO: 813 is yours, 'A' is  
ours and yours together. But not that we now it's the  
dog wagging the tail 'cause if we gonna go work and  
we're gonna go work and we're gonna put these, ah, ah,  
200, 300, people in it. Now let's take somebody, let's  
take a son, a son-in-law, somebody put them into the  
office, they got a job. Let's take somebody's daughter,  
whatever, she's the secretary. Let's staff it with --

THOMAS RONGA: Our people.

SALVATORE AVELLINO: -- with our people, and  
when we say go break this guy's balls --

THOMAS RONGA: They go.

SALVATORE AVELLINO: -- they're there 7:00  
o'clock in the morning to break the guy's balls.

EMEDIO FAZZINI: You got two things in our

favor now, first of all, he admits he cannot get nobody.

SALVATORE AVELLINO: Oh, ya.

EMEDIO FAZZINI: All right, so he admits.

THOMAS RONGA: Close this window, please.

EMEDIO FAZZINI: Now once he can't nobody and then, and do that there, and, second of all, by being 813 under Jimmy Brown.

THOMAS RONGA: Ahhh, who wants that?

EMEDIO FAZZINI: Well, that's who it will be. It'll be under his control.

THOMAS RONGA: Ya.

EMEDIO FAZZINI: But, the other way --

THOMAS RONGA: (Inaudible) with an 'A'.

EMEDIO FAZZINI: -- with an 'A' or whatever, and there we won't be under Bernie all the way, and meantime it will be --

SALVATORE AVELLINO: You follow me.

EMEDIO FAZZINI: Ya, I --

SALVATORE AVELLINO: Let Bernie have all the five (5) boroughs, Nassau/Suffolk is 'A'.

THOMAS RONGA: What them two rebels wanted to do.

SALVATORE AVELLINO: Right.

THOMAS RONGA: Could do it now.

SALAVTORE AVELLINO: Right.

THOMAS RONGA: Could put it in the package.

SALAVTORE AVELLINO: Right, and I can get, and believe me, I know I didn't want to say nothing, I can get the permission from Joe Tarantolla (phonetic).

THOMAS RONGA: I know it, I know it.

SALVATORE AVELLINO: Joe Tarantolla will say don't worry about it, you know what I mean.

EMEDIO FAZZINI: Start talking, Sal.

SALVATORE AVELLINO: Huh?

EMEDIO FAZZINI: Start talking (inaudible).

SALVATORE AVELLINO: Well, you see the thing is it's gotta be if he's interested. You heard what he said. Of course this all goes if I'm interested in what you're looking for. Remember he kept saying what you're looking for, what you're, I'm not looking for this from a 75 dollar to a 60 dollar contract. That's not that's immaterial what I'm looking for because if what I'm looking for if we got it, it doesn't matter if we paid the hundred out, if we were strong enough and more powerful enough that the customers -- look, if you knew that the Town of Oyster Bay, Hempstead, ah, North Hempstead, isn't going to go out and take the fuckin' customers, you don't, you, you give them a five dollar raise, you

would more courage, maybe five might be eight.

EMEDIO FAZZINI: That's right.

SALVATORE AVELLINO: So you would make back (inaudible) that payroll you don't care about that, because the truth of it is these men, they need that, they need the work, I mean the salary. They need that there.

EMEDIO FAZZINI: (inaudible)

SALVATORE AVELLINO: They really need that, do you follow me?

THOMAS RONGA: (Speaks Italian) I understand you very well. Now --

SALVATORE AVELLINO: But we gotta have to have the strength. We gotta have, we have to have the strength, that when a fucker, Bob Morga comes along and bids 71 County fuckin' buildings, that tomorrow he's got four (4) gold tooths in front of him saying, okay, now that you've took all these buildings, where's all the men?

EMEDIO FAZZINI: You've got to control the men; that's the power.

SALVATORE AVELLINO: That's the power.

EMEDIO FAZZINI: You gotta control the workers (inaudible) right now you control the employers.

SALVATORE AVELLINO: Right, right now we as the Association, we control the bosses, right. Now when we control the men we control the bosses even better, now because they're even more fuckin' afraid, right.

EMEDIO FAZZINI: Sal, please don't let my new walk backwards; let them walk ahead.

SALVATORE AVELLINO: Do you understand me, now when you got a guy that's steps out of line and this and that, now you got the whip. You got the fuckin' whip. This is what he tells me all the time, 'a strong union makes money for everybody, including the wise guys.' This wise guys even make more money with a strong union.

EMEDIO FAZZINI: True.

SALVATORE AVELLINO: Because, because the envelopes could be bigger and better."

MR. GOLDSTOCK: Well, I suppose Mr. Avellino couldn't be much clearer than that. The "he" he is referring to in the last paragraph is Corallo. Corallo tells him all the time a strong union makes money for everybody, including the wise guys, that is the organized crime figures. These wise guys even make more money with a strong union because the envelope could be bigger and better.

What does Avellino mean by "the envelopes"?  
He is talking about quarterly payments made to  
Castellano and Corallo.

In the next conversation he explains the size  
of those envelopes.

(Whereupon a tape recording was played in  
open court:)

"SALVATORE AVELLINO: Yeah, well, you know,  
he and I told him that. Now the other guy, he bet it's  
double already and he more than double, he more than  
double, more than double from the beginning, more than  
double. He, now, ah, you want to know the fuckin'  
thing, Tom. Never says a word like doesn't even say.

THOMAS RONGA: Thank you.

SALVATORE AVELLINO: Yeah, forget thank you,  
thank you. I don't expect, I'm not expecting, but he  
doesn't even say Jesus, you know, this is really getting  
then, you know, like I mean it went from --

THOMAS RONGA: Yeah.

SALVATORE AVELLINO: -- two thousand, five  
thousand, ten thousand, twenty thousand, thirty  
thousand, fifty thousand. Now when you give him these  
(inaudible) I can't even fuckin' carry them, they, they,  
they (inaudible), hey, you know, cause you gotta most of

the time, it's in a restaurant when you gotta (inaudible) like, you know, it doesn't say how much. It's all sealed up, and the accounting is inside, all the notes are inside, you know. But you would like, say Jesus, is there a mistake, like the next time.

THOMAS RONGA: Yeah.

SALVATORE AVELLINO: Like would they say is there a mistake over here?

THOMAS RONGA: Take five dollars out and see if they find it, Sal.

SALVATORE AVELLINO: But, ah, so they all, everybody's doing good, knock on wood, everybody doing good.

THOMAS RONGA: Can't complain...yeah.

SALVATORE AVELLINO: Let's hope that we can keep it going for the next fifteen to twenty years."

MR. GOLDSTOCK: They went from 2 to 5 to 10 to 15 to 50. You can imagine what they would be like in the next 10 to 15 years, if they could keep it up.

But Avellino has plans for the future of the industry set forth in the next conversation, if he can keep that industry going and if he can control 813A.

(Whereupon a tape recording was played in open court as follows:)

"EMEDIO FAZZINI: I'm sorry to say I don't think Bernie the push (inaudible) to do all this.

SALVATORE AVELLINO: No, no. He wants the easy way out. He wants to do the easy way. The easy way is to let Sal Avellino and Company do it from the top. Do it from the top.

THOMAS RONGA: He kept winking at me.

SALVATORE AVELLINO: By doing it from the top down means that you got to pay a price for doing it from the top down. And the price that I want them to pay now they might, they might tell me tomorrow that he will never do it, but it's worth a chance. Say I'm going to set up a meeting where with you, I mean, where you bring maybe to the, ah, hall there because that looks like a better place, a safe place, maybe I'll bring whoever else has to come. What do we want to do? This is what we want to do: Get the International, get the, the Teamsters put 'A' on 110 or Local 813A. (inaudible) Our fuckin' people, you know when I say our people, our people that we tell what to do, but, but the package is divided 50/50. In other words, whatever is to be, every dollar that is made is 50/50. But the only people that count, you see, offers what to do, is us. 'Cause we, do you understand me? And then let's go to town

and then because eventually Tommy what do think is gonna be. It's gonna fifty-sixty us. If there's gonna be ten of us, four of us picken up all of the fuckin' garbage. I want to tell you whose gonna pick-up up. We're gonna knock everyone out, we're gonna knock everybody out, absorb everybody, eat them up, or whoever we, whoever stays in there is only who we allowing to stay in there.

EMEDIO FAZZINI: You got big plans.

SALVATORE AVELLINO: Well, isn't that the truth."

MR. GOLDSTOCK: There is apparently some interference from an outside source. I'm not quite sure what is going on on the tape.

Well, that sums up his view of the industry. If you can control 13A, make it a strong and effective union, control the industry. There may be 50 or 60 carters in it now. After awhile he can knock everybody out. He doesn't want to leave it just for them, absorb everybody else, and at the end there will be four of them and they will have the industry.

What are the policy implications? I suppose it means that it's not enough to indict and convict the people who are running the industry. The industry has

operated this way since the '50s. The McClellan Committee documented that at that time. If you look through their hearings, the same names appear and reappear.

What can we do to effect a change? One possibility is the use of the RICO statute, use of civil remedies, treble damages and forfeiture of profits. It's something that concerns the organized crime people who are now in a legitimate business where they have deep pockets and they have assets.

In the last conversation Avellino discusses his concerns about that.

(Whereupon a tape recording was played in open court as follows:)

"SALVATORE AVELLINO: I said, explain to me this RICO charge in detail, not only what I've been reading. Explain to me in detail, how, why.

RICHARD DeLUCA: And what borderlines they've gotten away with.

SALVATORE AVELLINO: Right, right, do you follow me?

RICHARD DeLUCA: Never mind the essence of the law.

SALVATORE AVELLINO: Yeah, right, in other

words.

RICHARD DeLUCA: What, what, how can they manipulate it.

SALVATORE AVELLINO: What could they do, what could, okay, it boils down to that the law specifically (interference), that they cannot injure a third party he says. That I can tell you, third party, oh, you know that, you know about.

RICHARD DeLUCA: You told me.

SALVATORE AVELLINO: Third party is . . .

RICHARD DeLUCA: The point I'm thinking about, is that really true?

SALVATORE AVELLINO: Well, he says that's been, in other words, in this case out there where they were goin' after they guy for, he says, he, he got, he, he saved the guy's wife for five million dollars. Okay, you know where they couldn't get, even put their hands on the five million because the guy took it from the business, okay, and took it from the business. Took it and gave it to his wife, okay? And the law as much as the government tried to go at it, say it was a direct thing. The courts upheld that it was a third party and the third party cannot be.

RICHARD DeLUCA: You gotta make yourself

bulletproof.

SALVATORE AVELLINO: Right, see, and I'm tryin' to do that.

RICHARD DeLUCA: You gotta make yourself bulletproof.

SALVATORE AVELLINO: Then I can put my house in order a little better, then I can make my daughters and my son.

RICHARD DeLUCA: That's the whole thing.

SALVATORE AVELLINO: Huh?

RICHARD DeLUCA: That the whole thing.

SALVATORE AVELLINO: Right. I can make them the major, major shareholders and almost get myself as a more, as a consultant to the company than anything else, like resign. See, as long, he explained to me, as long as you do the things before indictments or any kind of, he said, 'why are you so interested in this [(SL) he questioned me'.] I says, well, I got whispers that something might be coming down and I just wanna be prepared and I want to where ya going just in case something happens. So he looked at me, I says, ya know, it's just rumors, Sam, I don't know if it's true or not. But I says, ahh, it's just a rumor and I, I wanna be prepared for whatever is gonna come. I wanna

know how do I stand, what do I do, where do I go. So he sat with me for about an hour and we went through everything, okay? But in my mind I'm saying to myself (conversation lost) . . . they got a whole list of things so I'm (inaudible) myself, so I'm talking to him about garbage, so he's saying to me, well, antitrust doesn't come under RICO (inaudible)."

MR. GOLDSTOCK: And that, in the words of the Lucchese family, is the Long Island carting industry. And I would be happy to answer any questions you have about that.

ACTING CHAIRMAN SKINNER: Mr. Ryan.

MR. HUNTERTON: Mr. Goldstock, as is clear from the last tape, as prosecution and investigative forces are becoming more sophisticated in their use of the RICO statute, the people on the other side of the law are becoming more aware of our increased sophistication and are themselves attempting to become more sophisticated in blocking the effect of RICO.

What other steps beyond the use of civil and criminal RICO statutes has your office been looking at to attack this problem?

MR. GOLDSTOCK: Well, one concern we have is, in conducting investigations of this type, that we not

just wind up with criminal penalties or even civil penalties and allow the industry to continue the way it has in the past twenty years. And we have structured our investigation in a way designed to determine what kind of appropriate remedies would re-organize the industry and take it out from the domination of organized crime. We have had working with us under a grant of the National Institute of Justice an economist from the Rand Corporation, we have had sociologists, loss prevention specialists, reviewing all of the work that we have done. And we have been gathering evidence and information as they requested to help us put together a model. And right now we are in the process of working on that. I would be happy to share it with you when we have completed our work.

Preliminary observations are that we probably ought to be setting up a series, depending on whether they are commercial or residential, a series of territories which could be bid upon. Maybe have a public benefit corporation randomly bidding on various territories in order to ensure that the prices are not inflated and there can't be allocations within the industry.

MR. HUNTERTON: We will all anxiously await

the results of that study.

With that, Mr. Chairman, Mr. Goldstock is available for questions from the Commissioners.

ACTING CHAIRMAN SKINNER: Mr. Goldstock, correct me if I am wrong, the tapes were obtained by -- we just heard were obtained by a court-authorized --

MR. GOLDSTOCK: Involved in the black Jaguar, yes.

ACTING CHAIRMAN SKINNER: What happened? Was there both a state and a federal prosecution as a result of, not these tapes, but other tapes?

MR. GOLDSTOCK: Well, these tapes were part of a larger investigation that we conducted involving wiretaps and other bugging devices.

At the conclusion of our investigation and after our grand jury presentation, which took place with the Suffolk County D.A.'s Office, Suffolk County Police Department, New York State Police and New York City Police Departments, we obtained a series of indictments in the Long Island carting industry on the state level.

I have given you a sample of one of the leading indictments, but there were another 15 indictments involving 26 people in corporations and public

officials.

I then sat down with the U.S. Attorney for the Southern District and the Strike Force Chief in the Eastern District and discussed other possible prosecutions. And the result of that, turned over these tapes to the Southern District and the Eastern District. And our tapes we used in the prosecution of the Commission.

As you can tell from our indictment, we allege the existence of the Commission as part of the conspiracy counts. It was the first time such an allegation had been made in indictment form. And that same evidence was used to indict the Commission as a RICO enterprise by the Southern District of New York.

ACTING CHAIRMAN SKINNER: Any other questions? Commissioner Rowan.

COMMISSIONER ROWAN: In the first or second conversation, Tony "Ducks" Corallo says he is going to reject somebody in the department if the investigation gets too far. Which department is he talking about?

MR. GOLDSTOCK: I wish I knew.

COMMISSIONER ROWAN: And in the last conversation about RICO, is the "Sam" the Sam who is in the car or are they talking about a lawyer named Sam?

MR. GOLDSTOCK: An attorney named Sam.

COMMISSIONER ROWAN: Do you know who that is?

MR. GOLDSTOCK: Yes.

COMMISSIONER ROWAN: Do you want to share it with us or would you rather not?

MR. GOLDSTOCK: It's -- it's the attorney for Sal Avellino and he represents him. I don't think there was any impropriety within that conversation. The lawyer was explaining to him what the RICO statute says.

COMMISSIONER ROWAN: All right. No further questions. Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Manuel.

COMMISSIONER MANUEL: Do you have an estimate as to how much money Tony "Ducks" Corallo realizes as a result of his control of the carting union?

MR. GOLDSTOCK: Well, we know for a fact, based upon Avellino's statement as to how much that was in the envelopes, that he was pulling out \$200,000 a year, \$200,000 for the Lucchese family, \$200,000 for the Gambino family. That is a low estimate because he talks about the envelopes going from 2 to 5 to 10 to 15 to 50. "Now they are so heavy I can't carry them." It would suggest that the quarterly payments to each are way beyond \$50,000. So at a minimum it is \$200,000

each.

The cost to the consumers is probably in excess of \$10 million a year.

I'm sorry, I didn't hear.

COMMISSIONER MANUEL: The money you were referring to, was that for the family or was that for the boss; in this case "Ducks" Corallo or the boss of the Gambino group?

MR. GOLDSTOCK: There is no indication as to what the boss does with that money. Of course, that is a major concern of people who follow organized crime, investigate it, and want to know whose money is it, where is it kept, what happens upon the death of an individual, how is it transferred. It's not clear. We know that the money is hand delivered to the bosses of the families.

COMMISSIONER MANUEL: And what is the source of the money?

MR. GOLDSTOCK: Cash payments made by member carters, both carters that you see on the lower level and board of director carters, directly to four or five collectors for Avellino. And then the money is -- the accounting records are put together with the cash in envelopes and distributed every quarter to Corallo and

Castellano.

COMMISSIONER MANUEL: Thank you.

ACTING CHAIRMAN SKINNER: Let me ask one final question. I'm sure this is a question that is on the minds of many of the people here.

The organization, the Commission, is not new?

MR. GOLDSTOCK: No.

ACTING COMMISSIONER SKINNER: And that in fact is not new news. The fact that a number of charges in recent years, in very recent months in fact, have been returned against this individual is new.

What has happened that would indicate to not only someone who knows a little bit about the problem or even a lay person that some progress is being made? Why don't you tell me or tell the Commission in your own words why it has taken so long to make the kind of progress that appears to have been made recently by not only the New Jersey State Strike Force -- I mean the New York State Strike Force, but also New Jersey and Federal prosecutors in New Jersey and New York, why has it taken so long to get to where we are today?

MR. GOLDSTOCK: I think it's a combination of a number of matters. In part it has to do with the internal workings of organized crime. Organized crime,

modern La Cosa Nostra in the United States began around 1930, 1931. It has existed for fifty years.

From 1930 to 1961 no one from within the organization spoke out. The first person was Joseph Valachi who testified publicly. And even then he was viewed as a rat. He was viewed as an outsider. He was somebody who broke the code. No one for ten years after that spoke out.

In the late '60s law enforcement first got the tools. They recognized the problem. The FBI in late '57 first began to recognize the threat of organized crime. Statutes were passed in 1968 and 1970, which allowed for court authorized electronic eavesdropping, testimonial immunity, the RICO statute.

Law enforcement still wasn't able to figure out how to use that until about five years later. Then towards the middle '70s two things occurred at the same time. There was generational changes within the mob and more and more people from inside began to talk of the code of silence or "omerta", literally, being a man, broke down. And you now have people from within the mob not only cooperating with law enforcement, but testifying and writing books. And the books are The Last Mafioso and A Man of Honor. It's they who are the

men of honor, the people in the mob not deserving of respect.

You can see the way sociologically their attitude has changed. At the same time, law enforcement has taken advantage of that opportunity. I think to a tremendous extent the FBI has turned around under Judge Webster and made great strides and become active in seeking a lead in conducting investigations.

And, for the first time, lawyers, who are traditionally conservative and do things tomorrow the way they did things yesterday, have learned to understand what RICO is and use it. And a lot of the credit goes to Giuliani in this matter because, unlike other Federal prosecutors, his attitude wasn't: Look, here is a proposition. I can find 15 problems with it. His attitude was show me how it can be done and let's do it.

With respect to the Commission, I think several things happened at the same time. In order to prove the RICO case you have to demonstrate the existence of the enterprise, that is, the Commission itself. And our tapes did that in a dramatic fashion.

You also have to have first hand evidence against each of the members of the Commission. What was occurring was a series of investigations, and the

FBI against the heads of the various families, and of us against the Commission itself, and the Lucchese family and the Gambino family. When everything was put together, it fit very nicely and forms the basis of the RICO prosecution.

COMMISSIONER SCLAFANI: Mr. Chairman, I have a question.

ACTING CHAIRMAN SKINNER: Yes, go ahead.

COMMISSIONER SCLAFANI: Thank you.

Mr. Goldstock, it was our pleasure, coming from the District D.A.'s Office, to work with you and the Suffolk County Police Department in this investigation; you did a fine job.

I will ask you now, do you have any further recommendations on how to clean up the Long Island carting industry and the carting industry in the New York Metropolitan Area?

MR. GOLDSTOCK: Well, as I said, I think there are two steps involved. I think we have to complete the prosecutions of this case and at the same time we have to put together our study of the industry using the economic disciplines, the sociologic, the loss prevention skills that we have designed. We have to have some forum for getting our recommendations adopted,

if they are worthwhile. And that means either through legislation or regulation or court order or perhaps the Commission, President's Commission, suggesting their use. And as soon as we have our recommendations in some sort of usable form, we will make them available to you.

And one of the things that I think is important is we have taken this as a case study. If we, in fact, can come up with recommendations that make sense to re-organize the industry and ensure that organized crime does not dominate it in the future, I take it that those recommendations are transferrable; that they can be used in other places. They can be used in New York City, they can be used outside of New York State in New Jersey, for example, where the same problem exists, and in other states throughout the country and we can really affect change.

COMMISSIONER SCLAFANI: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Methvin,

COMMISSIONER METHVIN: Mr. Chairman, I would like to make a comment to Mr. Goldstock. I happened to be in Washington at the time RICO was passed and in fact -- had a little bit to do with it. And this series of prosecutions plus the civil prosecution of Local 560 of the Teamsters in New Jersey, are the first that I have

seen and really begin to fulfill the promise that those who got that law on the books expect it for.

I also know, being a Washington observer, that bureaucrats are not often willing to say, "We have been slow catching up with a game," or "We have made errors," and so forth. But Judge Webster when this Mafia Commission prosecution was brought in Giuliani's office, was quoted in the New York Times as saying, "We had RICO ten years before we knew what to do with it."

I think it's refreshing that we see a head bureaucrat of the bureau willing to come forth and make a statement like that.

It does show a generational change, too, in the Bureau and law enforcement and I just want to say I am glad we have got a young tiger of a prosecutor who has the initiative and the aggressiveness to go out and get this kind of evidence and bring it here and lay it before the nation.

MR. GOLDSTOCK: Thank you. I appreciate both the tiger and the youth.

ACTING CHAIRMAN SKINNER: That is a presumption anyway.

COMMISSIONER METHVIN: Youth is relative.

ACTING CHAIRMAN SKINNER: With that, Mr.

Goldstock, on behalf of the Commission I want to thank you for not only your cooperation here today, but your cooperation with the Commission through its entire operations. And we appreciate your cooperation and we anticipate it in the future.

I would only remind Commissioner Methvin that the first civil RICO case in the country against organized crime was brought right here in Chicago a number of years ago.

I see Mr. Shapiro, Chief of the Strike Force in Chicago, on the left there, and he was very much a part of that.

MR. GOLDSTOCK: Thank you.

COMMISSIONER METHVIN: I should say I meant the first civil RICO against a trade union.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Call your next witness.

MR. RYAN: The Commission calls Glenn Hall. Will you stand and take the oath, please?

GLENN HALL

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: Thank you, sir.

Mr. Hall, would you state your name for the record, please?

MR. HALL: Glenn H. Hall, H-a-l-l.

MR. RYAN: Mr. Hall, what town are you from?

MR. HALL: I live in Decatur, Georgia.

MR. RYAN: Mr. Hall, have you been a Teamster all your life?

MR. HALL: I have been a Teamster since the middle to late '40s.

MR. RYAN: Were you an over-the-road driver?

MR. HALL: Yes, I was.

MR. RYAN: Mr. Hall, did you work for a series of companies, including Reinhardt Transfer, Michigan Motor Freight and Roadway Express in your early career?

MR. HALL: I did.

MR. RYAN: In 1956 you began work for Roadway Express?

MR. HALL: That's right.

MR. RYAN: How long did you work at Roadway Express?

MR. HALL: I worked for Roadway Express until April the 6th, 1965.

MR. RYAN: Were you active in union affairs?

MR. HALL: Yes, I was.

MR. RYAN: Would you just give us a short description of that?

MR. HALL: Well, I represented all of the drivers of Roadway Express. I was the first person involved in Local 728 that ever negotiated a memorandum of agreement and had it made a part and parcel of the contract for the people to file grievances on and win it.

MR. RYAN: Could you pull the microphone a little bit closer to you, Mr. Hall? Thank you.

Mr. Hall, did you ever run for a union office?

MR. HALL: Yes, I did.

MR. RYAN: Would you describe your run for union office?

MR. HALL: In 1963 I ran for president of the Local 728 against Robert C. Cook, R. C. Cook, who was president at that time.

MR. RYAN: Did you win?

MR. HALL: No, I didn't.

MR. RYAN: What happened?

MR. HALL: Well, I got so close to beating him. And some of the things that I proposed to do they didn't like. So they made it a point to see that I wasn't working for Roadway Express when it come time to run again.

MR. RYAN: Did you get fired, Mr. Hall?

MR. HALL: Yes, I did.

MR. RYAN: Did you get blackballed?

MR. HALL: Yes, I did. I couldn't find a job anywhere in the union.

MR. RYAN: So you worked for non-union companies for a couple of years?

MR. HALL: Yes, I did.

MR. RYAN: When did you come back to a union company?

MR. HALL: August the 19th, 1968.

MR. RYAN: While you were out of union companies from 1965 to '68, did you maintain your Teamsters membership card?

MR. HALL: Yes, I did.

MR. RYAN: Because you were a Teamster at heart?

MR. HALL: That's right. I believe in the Teamsters Union.

MR. RYAN: In '68 you went to work for Terminal Transport, which later changed its name to All American Freight?

MR. HALL: American Freight Systems.

MR. RYAN: American Freight Systems, excuse me.

Mr. Hall, when you were hired, what kind of work did you do?

MR. HALL: The same kind of work I was doing up until they done away with sleeper operations.

MR. RYAN: Were you an over-the-road driver?

MR. HALL: I was an over-the-road driver.

MR. RYAN: Did you work every week?

MR. HALL: I worked every day and every week until I run out of hours.

MR. RYAN: Did you have any different application process than a regular driver?

MR. HALL: I did not.

MR. RYAN: Mr. Hall, you have given me a copy of your trip and expense book that you had to keep for the ICC in that period.

MR. HALL: That's right. I kept that for myself and I kept a log book, a daily log, which would indicate the amount of time driving, the amount of time in the sleeper, the amount of time off duty, period.

MR. RYAN: Does this log reflect that you worked like any other truck driver, 49 or 50 weeks a year?

MR. HALL: Oh, yes.

MR. RYAN: When did you stop working for the

trucking company?

MR. HALL: I came in November the 1st, 1982.

MR. RYAN: What happened then?

MR. HALL: November the 1st, 1982, yes. I got hurt.

MR. RYAN: You had a disabling accident?

MR. HALL: I had a total and permanent disabling injury to my back and neck.

MR. RYAN: Sometime just before you retired, you put in your preliminary papers to see if your pension materials were all in order. And you found out that things weren't in order, didn't you?

MR. HALL: I put in for it the first time April the 20th of 1979.

MR. RYAN: What did you find, Mr. Hall?

MR. HALL: They told I had a break in service.

MR. RYAN: What break in service were they talking about in particular?

MR. HALL: They were talking about the amount of time I had been with Terminal Transport.

MR. RYAN: In fact, they were talking about the period of 1968 to 1972?

MR. HALL: That is right.

MR. RYAN: Just part of the time that you

worked for Terminal Transport. And they said that you had been a "casual employee" in that period?

MR. HALL: That is what they said.

MR. RYAN: What is a casual employee, Mr. Hall?

MR. HALL: Well, a casual employee, as defined in the Teamster contract, is an employee that works holidays, weekends or when somebody wants off or somebody is sick or something.

MR. RYAN: Mr. Hall, is it correct that Teamster members on their pay stubs don't see any contributions being made to the Central States Pension Fund or any other pension fund because those contributions are made directly from the company to the Funds?

MR. HALL: That is true. There is nothing on any Teamster's check that would indicate that anything is being paid into the Health and Welfare or the Pension plan.

MR. RYAN: You weren't a casual employee, were you, Mr. Hall?

MR. HALL: I don't think so.

MR. RYAN: Mr. Hall, were there literally hundreds of men like you at Terminal Transport?

MR. HALL: Well, at one time we had more than

50 percent more people that they were classifying as casual than what they was classified as regular, which I didn't find this out until 1980.

MR. RYAN: Mr. Hall, who was the president of Terminal Transport during the period you worked there as a driver?

MR. HALL: John Spickerman.

MR. RYAN: Was Mr. Spickerman also a trustee of the Central States Pension Fund?

MR. HALL: Yes, he was, until they got -- he got messed up and they forced him to resign.

MR. RYAN: He left the Fund in 1977?

MR. HALL: That is right.

MR. RYAN: Mr. Hall, although you may not know it, do you suspect that there is a connection between the fact that John Spickerman was a trustee of the Central States Pension Fund and the fact that there were so many casual drivers in his company?

MR. HALL: Well, given the fact that he was a trustee, and the fact remains and it's easy for anybody to verify, just go anywhere in the jurisdiction of Local 728 and you won't find any other trucking company that operates a big casual thing like Terminal Transport did.

MR. RYAN: Mr. Hall, how did you and your wife

feel when you found out, that although you were completely disabled and couldn't work, that you weren't going to get a pension?

MR. HALL: I will tell you what. It was just about one of the most devastating things that you ever had to face. You know you're totally and permanently disabled. You have worked all your life and tried to build up a pension and they tell you you are not going to get it, it just knocks the socks off you.

MR. RYAN: Mr. Hall, did you have enough money to pay for a lawyer to fight for that?

MR. HALL: No, I didn't.

MR. RYAN: Did you find yourself a lawyer anyway?

MR. HALL: Yes, I did.

MR. RYAN: Who was that?

MR. HALL: Arthur L. Fox.

MR. RYAN: Who is Mr. Fox?

MR. HALL: He's with TDU.

MR. RYAN: Did you file a lawsuit against the Central States Fund?

MR. HALL: Yes, I did.

MR. RYAN: Did you win that lawsuit?

MR. HALL: Yes, I did.

MR. RYAN: Did you win it on behalf of all of the employees like you were based on casual employee status?

MR. HALL: That's right.

MR. RYAN: So that they can try and get their own pension?

MR. HALL: And I'm hoping there will be an untold number of people that have been denied pensions in the past that will be able to get their pension now.

MR. RYAN: Mr. Hall, how much money did you spend on telephone bills with your attorney and the Fund during the period that this litigation and your attempt to get your pension took place?

MR. HALL: Well, I had all of the bills. And when I knew I was coming up here, I sat down and took every one of them and added up all of the calls back and forth to my lawyer and everything and I spent \$1,417.28.

MR. RYAN: And is it also true you now have a bill for \$8,200 for legal services?

MR. HALL: That is true.

MR. RYAN: Mr. Hall, what questions would you ask Jackie Presser, if you could?

MR. HALL: If I could?

MR. RYAN: Yes.

MR. HALL: I would ask him why don't he resign and get out of people's way and help someone to straighten his labor union up.

MR. RYAN: What questions would you ask the people that run the Central States Fund?

MR. HALL: I would tell them that they need to straighten out their operation. When I can get a letter from the company in Sioux Falls, South Dakota, in Decatur, Georgia, in two days and it takes them 60 days to get one, I think there is something wrong.

MR. RYAN: Mr. Hall, thanks for coming today.

MR. HALL: Thank you, sir.

MR. RYAN: Do the Commissioners have any questions for Mr. Hall?

COMMISSIONER METHVIN: I would like to make a comment to my fellow Georgian, Mr. Hall. I wish you had been up here yesterday to ask those questions, Mr. Hall.

MR. HALL: Well, I was here and I could have been over here if I had known things were going to be just like it was. And I would have enjoyed it.

COMMISSIONER METHVIN: I would have gladly yielded my place to the statesman from Georgia.

MR. HALL: Thank you, sir.

(Witness excused.)

MR. RYAN: I would like to call the next witness, Mr. George Lehr.

Mr. Lehr is here at the invitation of the Commission, not subpoenaed. He is a guest of ours today. And he is going to be talking to us about the Central States Pension Fund.

Sir, will you be sworn?

GEORGE LEHR

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. RYAN: I would like to say for the record that Mr. Lehr, who is the Executive Director of the Central States, Southeast and Southwest Areas Health and Welfare and Pension Funds, has submitted an extensive written statement to the Commission and I would ask that that statement be made part of the record.

COMMISSIONER HOPE: It will be.

MR. RYAN: Mr. Lehr, did you have some remarks you would like to make?

MR. LEHR: I would like to make some brief remarks, seven or eight minutes, if that is acceptable.

Mr. Chairman, I appear on behalf of the trustees of the nation's largest multi-employer pension

and health and welfare funds, funds that are professionally managed and well run. In many ways they are model funds. This did not happen easily or overnight, but I can tell you firmly that this is their status today.

I know that I am not appearing before The President's Commission on Model Funds. You are The President's Commission on Organized Crime. I know of your interest in the troubled past of the Central States Funds.

While I have no personal knowledge of that past, it is universally recognized that the Fund has been targeted in the past by organized crime.

I also know that an important part of what this Commission is about is an analysis of the present and the future. Merely rehashing Central States' history will add little to an already mountainous record on this subject. Therefore, I would hope that you will also examine the Central States Funds with the thought of what can be done when people of determination and good will, both in Funds management and in the Government, put their minds to it.

First, I would like for you to realize just the sheer size of our funds, and I'm sure most of you

do, but I would like to re-emphasize it. We serve over 10,000 employers and more than 300,000 participants and their families. We directly employ here in Chicago a little less than 1,000 people. They receive about 8,500 new medical claims a day and 1,500 pension claims a month. We send out 170,000 health payments a month and 120,000 pension checks a month. We may be the largest medical claims payer in any one location in the United States. We distribute 600 million a year in pension payments and over 400 million in health benefits. The assets of the two funds now approach \$6 billion with \$5.3 billion to the Pension Fund.

I have been the Executive Director of the Funds since October of 1981, which is the period of the Funds' history about which I have personal knowledge and obviously have personal responsibility.

Since then, with the full support of the trustees, the Funds have been placed on a sound business basis and the Funds' relationship with the Government has become cooperative and constructive as any fund's relationship should be with its regulator.

We have resolved all litigation with the Government through two consent decrees, enforceable by the U.S. District Court in Chicago for the next

15 years, unless the Court dissolves them after ten years upon a showing of good cause.

Our trustees cooperate fully with the various Congressional oversight committees. I think you have had distributed to you today one of the reports that I recently gave and met with senior staff of the various oversight committees, as I do periodically in bringing them up to date on what is happening at the Funds.

We have obtained the services, as required in the consent decree, of an independent special counsel, and that individual is Senator William B. Saxbe, a former Attorney General of the United States. All meetings, records and offices of the Funds are open to him in his legal responsibility to monitor the Funds' compliance with the decrees. Senator Saxbe reports directly in writing to the two Federal Judges here in Chicago, Judge Moran and Judge Will, who have jurisdiction over these decrees. Senator Saxbe, as I think in the position he is in, is one of the great assets this Fund could have.

The trustees have preserved the independent, outside management of the Funds' assets. I think that is essential not only for this Fund, not only for troubled funds, but the professional management is

essential for multi-employer funds with these large blocks of money. I will say more about that in a minute. No fund with a similar structure would be improperly served.

The named fiduciary must come from the largest bank -- at Central States we have to choose one of the 25 largest banks, 25 largest broker dealers or 25 largest insurance companies in the United States to be our named fiduciary or our manager of banks. For Central States I think that size requirement is again very important and very good. I wouldn't say that a \$10 million fund should use the same criteria, but I think certainly we should.

After a thorough search aided by George Gould, the respected head of Madison Resources, Inc., and by Senator Saxbe, the trustees selected Morgan Stanley, Inc. as named fiduciary for the Pension Fund's assets.

We had other candidates such as Equitable, Prudential, Merrill Lynch, Bear Stearns, E.F. Hutton, Alliance Capitol. And I might say that back in 1977, when a much less comprehensive but similar process went on, there were only about two firms that responded they would even be interested.

We sent invitations to 15 and 12 responded publicly.

I want to point out Morgan Stanley has total control of and authority over the specific investment decisions of the Fund and the complete right to hire and fire other firms to manage the portfolio.

The trustees promised to get the Fund out of the casino business. The Fund's investments in Nevada, mostly gaming establishments, have been reduced from \$260.6 million to \$34.7 million, and that is basically in one property that's still left. And Morgan Stanley is actively working to dispose of the remaining Nevada assets. And let me underline this, no future investments in gaming or resource properties will be made by this Fund.

We strongly supported the Labor-Management Racketeering Act and incorporated key provisions of that Act. For instance, those relating to the disqualification of convicted felons, that is applicable to all of our employees. We strongly support it.

I testified before Senator Roth's committee shortly after I came to the Fund, three or four weeks, and supported the bill which didn't become law for two and a half years, but which we have had in our consent

decree since September of 1982.

In many ways, the most important pledge I made in the name of the trustees upon coming to the Funds was that we would sever any and all ties, any and all ties, with Allen Dorfman, his companies, business associates and family members.

Mr. Dorfman, through several of his companies, had been processing the claims of the Health and Welfare Fund since the Fund's inception in 1950. In late 1982, after we had already put the procedure in place through the evaluation process to sever ties with Mr. Dorfman, a trustee said, "We cannot go on any longer on my advice, on recommendations of other counsel. We cannot go on any longer with this relationship with Mr. Dorfman."

We notified the Department of Labor that we wanted to sever ties with Mr. Dorfman at that moment. And we suggested they move and we would support them to put Mr. Dorfman in receivership. This was when Mr. Dorfman was still alive.

In late '82 the Department of Labor, with our assistance, obtained a U.S. District Court order placing Mr. Dorfman's companies in receivership. The court battle over the receivership was still going on when

Mr. Dorfman was killed on January 20, 1983.

On February 1, 1983, the Fund took over its own claims processing. In my view, that was the most significant day in the history of the Fund. The end result of litigation brought by the Fund and the Department of Labor against the Dorfman interests was a recovery by the Fund of \$6.4 million.

In addition, we have established an internal administration that is widely regarded as superior. And I think it's regarded in various health benefit and pension benefit plans around the country. And we have many people come look at our plans now.

We have installed thirty professional managers in every department of the Fund. For example, our finance director is a former partner of Arthur Young. Our general counsel is the former Chief Justice of the Missouri Supreme Court.

We have in Ron Kubalanza, our operations director, I will tell you, one of the finest health care executives in this country. We have effective cost control centers in every department. We continue to make great progress in our auditing efforts. We have placed great emphasis on internal auditing. And our internal auditor is a former Price Waterhouse partner.

He now has a staff of eleven, nine of whom are certified public accountants.

In the area of external auditing, what we call field auditing, auditing employers for reporting, and this is so, so important to any multi-employer fund because so much of the reporting is on the honor system.

In the area of external auditing, our field audit division audits employer-contributors, most of them chosen on a random-selection basis, 80 percent on a random selection basis. I think that is important because we are going to ensure that every employer eventually gets audited.

In less than two years this division has grown from six persons to a professional staff of 45 college graduate accountants, 12 of whom are CPAs. We will now reach our goal of performing at least 200 audits a year. Our audits to date, and this is a relatively new, strong, comprehensive effort, have led to additional assessments of \$10 million, including nearly \$1 million owed for "casual employees," an area of contributions which we pay very close attention. By the way, of the \$10 million, we have collected \$2 million. And we are either in the process of negotiating or collecting the remainder or in litigation.

Finally, we have at times kept our eye closely on the ultimate; we have at all times, and I think this is so important because this is what ERISA says, and this is what these funds are about, we have kept our eye closely on the ultimate purpose of these Funds -- to serve our participants, beneficiaries and their families. That communication question is a long and difficult one, but one which we address.

We have speeded up the processing of all claims. We distributed a clear and fully informative annual financial report. And we now have a toll-free hot line handling 2,500 calls a day from our participants. It opens at 6:00 in the morning and goes to 11:00 at night. We have 31 operators. They go through six weeks of training. They have a CRT in front of them. And 85 percent of the questions are answered on the phone.

Just last week we announced the formation of the First National Preferred Provider Organization, or PPO, in association with the Voluntary Hospital Association of America, which is composed of hundreds of the most prestigious non-profit hospitals throughout the country. The Teamster PPO is already being acknowledged by health industry experts to be a breakthrough

of national significance in the delivery of high quality health care at reasonable cost. We developed this PPO. We are going to have utilization review. Starting after we took the claims processing over, we have Northwestern doctors on staff. We have dentists on staff. We review this more stringently, more professionally, than any insurance company or ASO, as any insurance company in the United States because that is what the participants deserve. And very much to our participants' benefit we have reduced the unfunded vested liability of the Pension Fund from \$3.7 billion at year end '81 to \$2 point -- slightly less than \$3 billion at year end '84, and the amortization period from 33.9 years in '81 to 17.1 years in '84. You say that is still a lot of money, \$3 billion unfunded liability. I think you will find that puts us somewhere in the norm for major pension fund as to the percentage for our unfunded liability compared to total assets.

In summary, Mr. Chairman, I believe many of the provisions of the consent decrees are simply good business practices, not necessarily applicable only to troubled funds, which we certainly were. They are good business practices that can be an excellent guide for others to follow, if they wish to be model

multi-employer funds. While ERISA was a necessary step toward regulating the vast pools of money that have collected since the 1950s in these funds, these pension funds have generally accumulated since the 1950s. I would suggest that there needs to be more timely enforcement, especially in reviewing the Form 5500s, which often aren't looked at until the statute of limitations has run on appropriate regulatory action.

I might make one other point here for legislation. There is not another group of major financial institutions in the United States that don't have a regulatory agency that makes periodic, either annual or bi-annual visits, banks, insurance companies, broker dealers, there is not another group that does not have on-site examination. And we have -- we are over a half trillion and approaching a trillion dollars. And there is no provision for continuous on-site examinations of these -- of this huge amount.

It's going to take more budget. And I'm not one for bigger government, but I will tell you it doesn't make any more sense -- we have had problems in the financial industry, problems with broker dealers, and you still have losses and you still have closings.

Well, gentlemen, and ladies and gentlemen, the

one reason you are here today, when you find large blocks of money like this generally unregulated with not on-site examinations, the organized crime elements, the unsavory elements in this country are going to pounce on them and they are going to be there. I think one of the most important things we can do is to have those on-site examinations.

In my judgment, in addition, new legislation should establish standards for professional management of fund assets and also require that internal fund management be qualified professionals. I would hope this Commission would give consideration to recommending appropriate legislative initiative to mandate these vital institutional safeguards for multi-employer funds.

Thank you very much and I would be glad to answer any questions.

ACTING CHAIRMAN SKINNER: Do you have any questions, Mr. Ryan?

MR. RYAN: I have several questions.

This morning and into the early afternoon the Commission heard evidence that in one small \$5 million dental fund 68 percent of the money went to administration and 32 percent went to benefits. Do you find that shocking?

MR. LEHR: I find it outrageous. It's a ripoff on its face.

Our administrative costs, which we are unhappy with, are 6.8 percent. They are down from a little over 8 percent.

Our goal by the end of this year is to have our administrative costs at less than 6 percent. And we think it's not impossible to ultimately get them at less than 5 percent.

I would tell you 25 percent was a ripoff. There is nothing to describe 68 percent in my opinion.

MR. RYAN: Should that be illegal per se -- the evidence disclosed this morning that an investigation was made of that particular plan, but no illegality occurred because the people involved projected what they were going to do and had the best lawyers involved. How do you feel about that?

MR. LEHR: I cannot conceive of any fund with a 60 percent administrative cost, not in my wildest dreams, that it wouldn't represent something illegal. I just can't conceive of it.

I have talked to Ron Kubalanza about these areas many, many times. A warning signal, I think, is over 10 percent. All of the lights and bells go off at

15, 17 or 18 percent. 25 percent is absurd. 68 percent is -- I don't know the case, but it would certainly --

MR. HUNTERTON: Grand larceny?

MR. LEHR: I would say it was criminal. Not being a lawyer, I can say those things I guess.

MR. RYAN: We just heard from Mr. Hall, and I know in our discussions you have indicated there is a problem from the past management with regard to casual employees; that there are a number of people who were working full-time but were classified as casual employees. Would you describe the problem that creates for professional management in a fund that comes in and finds that kind of a festering problem?

MR. LEHR: Well, I have looked at Mr. Hall's situation and we have the file entirely here. I am pleased to say Mr. Hall is today getting a full pension. And one thing that did come about is when the rules were liberalized in 1984, and certainly we feel Mr. Hall deserves that full pension.

The casual, as it relates to this Fund, I will be very brief and I will tell the casual situation in general. We did not have casual contributions to this Fund based on the National Master Freight Contract until 1976. It has been basically on the honor system

since 1976, as a great deal of our reporting is. What you need in order to correct that is strong field audit provisions. We have what we call employee notification provisions where, if an employee does not work in any one month, if he was reported in June, and there is no report on him in July, that employee is notified: You weren't reported on in July; were you working anywhere?

We did not start that verification on the core of our employees, participants, until 1981. We are extending that to casuals in the next month or so because of our new billing system that will have that employee identification on casuals.

Our audit findings have shown as much as 40 percent of casuals are unreported since they started contributing in 1976.

I think the strong field audit, the employer verification system, -- and in this last National Master Freight contract, the employers and the union put in a provision that all casuals would be reported to the local each week or month, I'm not sure which. We are going to try to access those lists and, in all indications, we are going to get total cooperation in accessing those lists and that will be another source.

But the casual reporting has been a problem.

Our auditors all show it's a problem. I hope that if we have a comparable hearing in a year or two years, we will tell you it's much improved.

MR. RYAN: You have indicated that the International Brotherhood of Teamsters is really a separate organization and under separate management and leadership than your organization. Would you address that point, just so that everyone will understand that?

MR. LEHR: Well, I think that the point is that the Taft-Hartley funds, multi-employer funds, are structured with four individuals appointed by the union and four appointed by the various employers' associations. Those eight trustees and, ultimately, ladies and gentlemen, you have to have trustees that want to support the right thing or it will never happen; you have to have those individuals.

When they walk into that room, I think the lawyers will all tell you they take off their union hats, and take off their employer hats, and they act on what is best for the participants.

The case of any interference from the International -- Mr. Presser has told the trustees, he has told me, and he has made a public statement that that Fund has been an albatross around the last three

presidents' necks and it's not going to be an albatross around his neck.

I have had and I have seen and I have heard the trustees say, the union trustees say, they have had no interference. And Mr. Presser has made that very, very clear. Properly there should not be interference. There is a separation. At the time of the national negotiations we have to interface with them on actuarial matters in connection with the Teamster participation nationally, and those things are very proper. But it's not proper to have interference from the International Brotherhood of Teamsters. And I will tell you in my own experience I have not seen that interference.

MR. RYAN: What would you say to members of La Cosa Nostra who continue today to plot to re-enter and control your fund ?

MR. LEHR: I would say they are in for a surprise because I will tell you the first time we get an approach, and I think the various law enforcement authorities will support this, the first time we get an approach from anyone that I would consider in any element that is to harm the Fund, it's going to be reported to the authorities.

We have talked on numerous occasions with

the -- whether it be approaching us on an asset, whether it be approaching us on benefits, whatever it might be, it's going to be reported to the appropriate authorities. And I would like anyone in this country that knows of any approach that we have had in the last -- again since the time I have been working with the trustees, that knows any time when such approaches were not reported to the authorities. And I think that the red light should go out that this money is going to be the best most efficient money in this country. It's going to be run like that. It's going to be run professionally.

The consent decrees assure that. But I will tell you, if that consent decree were removed tomorrow, I don't think there should be one thing, including the outside management of assets, at that Fund removed. And I think that other funds would be very wise to get comparable management.

MR. RYAN: My last question is, in 1977 when professional management came to the Fund in the form of an outside company, almost 60 percent of the Fund's assets were in real estate and a substantial portion of that was in Las Vegas.

As a matter of guidance for other funds, should there be some change in the law that would

indicate a manner of allocating fund monies into different sets of assets to prevent that from happening?

MR. LEHR: Currently, Mr. Ryan, just to give you a background, we are 47 percent in stocks, 47 percent in bonds, all of the highest quality, and now down to 6 percent in real estate.

I think that the question -- I think there is a great deal of law -- the most important thing is professional management. You get professional management. You use the Morgan Stanleys, you use the Bear Stearns, you use the Merrill Lynch. You are not going to get the kind of mix that is improper or inappropriate. And I think the key -- I don't know that -- there are times when 100 percent bonds, I think, would be wise. I can conceive of times when 100 percent stocks would be wise. I don't think I can conceive of it, but I imagine there are people that could argue that 100 percent real estate would be wise at times.

I think the key thing -- I don't think you can legislate the mix. I think you have to legislate the professional qualifications for those people who end up managing.

MR. RYAN: I have no further questions of this witness, Mr. Chairman.

ACTING CHAIRMAN SKINNER: Mr. Manuel, Commissioner Manuel.

COMMISSIONER MANUEL: Mr. Lehr, I think your list of reforms that you have testified to before this Commission are very impressive and I think you ought to be commended for your efforts.

I would like to ask you, however, why you emphasized and underscored the fact that the Central States Pension Fund will no longer lend any money to casinos?

MR. LEHR: Well, Mr. Manuel, I do not think -- I would not advise casino loans for any pension fund in the country. I think that is so many more times magnified in the case of Central States. I think that we have a trial that is about to start in Kansas City, and that trial is going to say more than any other single thing about the question of loaning money to casinos, and what that might represent, and why it might represent it. And that is the whole skimming question and the influence question.

Now I'm not going to prejudge that trial. The transcripts are there. The issues are there. The indictments are there. And I think that trial will say better than anything why Central States, or for that

matter, in my opinion, any other pension fund should not be in the casino business.

COMMISSIONER MANUEL: Is it a matter of the quality of the investment or is it a matter of the type of ownership of the people involved in the casino business?

MR. LEHR: I think it's safe to say, as I said earlier, that there were people in this country who have had designs on Central States and those people are connected with organized crime. I think that, based on transcripts that I have seen and based on things I have read, and those people in connection -- I'm not saying all people in the casino business are connected with organized crime.

The experience at Central States -- and I think we need to wait until the outcome of the Kansas City trial -- again I don't want to prejudge anything -- would certainly indicate to me, as I mentioned in my opening statement, that there was an organized criminal element that had designs on Central States; they would be connected with that casino business. And it's kind of like if you do it to me once, shame on you. If you do it to me twice, shame on me. So I think we should stay out of that business.

COMMISSIONER MANUEL: For many years, certainly before your tenure as Director of this Fund, the Central States Pension Fund was known within law enforcement circles and other circles as, well, as the private bank of organized crime.

Having had a chance now to review the history of that Fund and know of its past activities, would you agree with that characterization as it applied in the past before your tenure?

MR. LEHR: Mr. Manuel, I don't think I am noted for dodging questions, but I don't think I'm going to dodge it. I hope you don't think I am going to dodge this one. When I came to Central States, I said, it's October of 1981, I wanted to take this and I want to go forward. I cannot give a better answer than I just gave a moment ago. The indictments currently in Kansas City, and all of the tapes and all of the transcripts better than anyone else can say answers that question. And if they are found -- if that conspiracy and massive group of indictments are proven, I think the answer to your question is obviously in the affirmative.

COMMISSIONER MANUEL: Thank you very much. Again I commend you for your testimony before this

Commission today.

MR. HUNTERTON: Mr. Chairman, may I follow up on Commissioner Manuel's question?

ACTING CHAIRMAN SKINNER: Yes, Mr. Hunterton.

MR. HUNTERTON: Mr. Lehr, the thirty-plus million dollar asset which you said you still had remaining in the casino area is the loan to the Aladdin, correct?

MR. LEHR: That's correct.

MR. HUNTERTON: According to the terms of the now in bankruptcy sale that has most recently been proposed for the Aladdin, Central States would get back about \$3 million less than it's owed, correct?

MR. LEHR: I have not seen -- there have been several proposals, but, Mr. Hunterton, I will take your characterization. It's something close to that.

MR. HUNTERTON: You are going to get back less than you are owed?

MR. LEHR: That is the last proposal I saw that would produce something like that.

MR. HUNTERTON: And the architect and the lawyer who was general counsel to the Aladdin Hotel during the time of your loan, which you are now going to get less back on the construction highrise on, have

both been convicted in a trial where the evidence established that about \$2 million was skimmed off of that loan to -- from the Central States Fund to the Aladdin, which was for purposes of building. About \$2 million was diverted to the architect, to the general counsel and some other people.

Have you sued either Lee Linton or Sorkes Webbe to recover that money for people like Glenn Hall?

MR. LEHR: The answer is there has not been a suit, but that is not the decision of the trustees the way the named fiduciary agreement is structured. That is the decision of the individuals who manage the assets, Morgan Stanley and their managers, because the whole key to the main fiduciary relationship is we do not get involved in the management of these assets. And if we go out -- if after the transaction is completed and if we have the loss and if we are not happy, the trustees are not happy with the results obtained by the managers, we then have to sit and talk with Morgan Stanley and either Morgan Stanley or the Funds or in combination have to pursue that. The answer is that suit has not been brought. I do not believe that to be the appropriate role of the trustees as long as as -- I think Victor Palmieri was the manager of that

asset at the time that those convictions came down. They would be the one that would move to make that recovery.

MR. HUNTERTON: Would it be appropriate for you to recommend to Morgan Stanley that suit be filed?

MR. LEHR: We certainly have an ongoing -- I will be in New York Friday with Morgan Stanley to talk about a couple of properties. That would not be at all inappropriate, as long as we walk that fine line between recommending and ordering. No, sir, it would not be inappropriate.

MR. HUNTERTON: Thank you.

ACTING CHAIRMAN SKINNER: Commissioner Methvin.

COMMISSIONER METHVIN: Mr. Lehr, I want to be sure how I understood your testimony about some of the reforms you are working on in your field auditing program on this casual Teamster category.

Do you have in the program a plan to give each Teamster a paycheck stub that will show him how much his employer has contributed and how much he has contributed to his retirement and welfare plan?

MR. LEHR: The Fund gives that information to the employees now. We are adding a -- on employee

verification we are adding the casuals to a program we have had previously. We continually will update and, I think, we do it annually, we will continue to update and inform the employer or the employee of his contribution.

We have to always be certain we separate employer-union relationship of the collective bargaining agreement and the Fund's relationship. If the employer and the union have a contract, say it's a white paper contract, and they agree that no contributions are due, and we have a price list and we say here are 14 pension plans. They say, well, we agree to buy plan 9. We can say, well, you know, something funny is going on; you should be buying plan 14. We say, okay, plan 9.

In connection with the reporting on plan 9, we will keep, and I think we have improved this almost quarterly over the last three or four years, we will keep that employee informed of his contributions. If he goes along three months and then he gets no contribution, we write him and we say, "Mr. Smith, you got no contributions this past month and we want you to understand that. If it's wrong, let us know." That is one way of doing it.

I hope I am being responsive to your question,

but the employee will be informed of what happens with what is reported to Central States. We cannot do the job of either the employer or the union, but only what the contract calls for.

COMMISSIONER METHVIN: Well, now, of course, we have talked today about this category of casual truck drivers, which is a special category, but only 25 percent of the Teamster Union members are truck drivers. About half of them, or almost half of them, are women.

Will every Teamster who is getting a pension through your Fund, be he or she a truck driver or zoo-keeper or whatever, be kept informed of the contribution to your Fund for him and his retirement and his welfare?

MR. LEHR: Absolutely, Mr. Commissioner. And in addition to the information we send them, I would re-emphasize the toll-free line, which they have a number, they call in and they can get the information on any day. We now are taking 2,500 calls a day, as I said.

COMMISSIONER METHVIN: That, by the way, I found very impressive and I would like to say so.

MR. LEHR: Thank you.

COMMISSIONER METHVIN: Now let me ask a

question about legal fees. We heard testimony here of unions paying legal fees for mobsters, for corrupt union officials who have been convicted. I believe your Fund got some money back from some of the defendants in the Williams trial here, is that correct?

MR. LEHR: That's correct. We advanced -- beginning in June of 1981 we advanced fees for Mr. Massa and Mr. O'Malley.

I went to the trustees in either July or August of 1982 after, as I said, I came in October of '81. I said, "In view of the situation and discussions with the Department of Labor, and in reviewing this with relooking at the whole ERISA question, and in view of some additional information that came about, we do not think it proper and we recommend to you to see that you -- prior to the trial, two or three months prior to the trial, that you cease payment advancement of any criminal fees."

It was ceased. And we would not advance criminal fees today. We have no policy that would allow advancement of any criminal fees in any case.

We recovered those fees plus interest from the fiduciary insurance carrier on Mr. Massa and Mr. O'Malley. No fees were advanced for Mr. Williams. No

fees were advanced for Mr. Dorfman.

I am aware of the testimony given yesterday and Mr. Dorfman, in fact, I think I gave the Receiver's report to the staff here, Mr. Dorfman advanced it out of his company, which we were the main source of income. It was not a cost plus situation. It was -- but because of the profits that came out of the company, that is where evidently some of his -- a substantial part of his fees came.

In the case of -- I think it was one attorney that represented Mr. Williams who was on a monthly retainer at the Fund, I severed that with strong support and urging of the trustees three months after October of '81. And I think those fees may have been in Mr. Dave Williams' figures yesterday, but there would never be any criminal fees advanced at Central States, period.

COMMISSIONER METHVIN: Was your Fund the defendant in Mr. Hall's class action, I believe it was, was it not?

MR. LEHR: As I understand it, and I haven't got into this in great detail, we do have Mr. Hall's file here, the Duchek-Sullivan case, I think, Mr. Hall was part of that class.

Mr. Hall was awarded his pension in '84, not

as a result of Duchek-Sullivan, which is still on appeal as to the liability of the old trustees, but Mr. Hall was awarded the pension in November of '84 based on the liberalizing of the pension rules by the trustees in 1984, not only for Mr. Hall, but for -- it would represent 782,000 participants.

COMMISSIONER METHVIN: Your Fund is the defendant in that class action?

MR. LEHR: Technically I don't believe that the Fund is any longer the defendant. I think the old trustees are the defendants.

There is a settlement on the table. It was approved by the District Court. It has been appealed. And yesterday there were arguments heard -- no one really disagrees with the benefit settlement, by the way, it's only the asset settlement.

COMMISSIONER METHVIN: Your Fund has agreed to settle on a class action suit?

MR. LEHR: We have agreed to it based on an independent report we commissioned, what we call the Bargaining Report, and based on the rulings of Judge Moran. We basically -- we bifurcated that from our other settlement discussions. We said -- we had the Bargaining Report Commission. We said, "Judge Moran,

this is what the Bargaining Report says."

He read it and said, "I agree with the Bargaining Report."

Regardless what happened 8, 10, 12, 15 years ago, this is the most money that is going to come to the participants today, that is, what Lloyds would pay in connection with that settlement. The Department of Labor appealed that as it relates to the old trustees, although there is no disagreement among any of the parties as it relates to the participants.

COMMISSIONER METHVIN: Mr. Lehr, we heard Mr. Connerton, the general counsel from another union, say he got a million dollars out of a settlement of a class suit involving some laborers, some workers, who worked for the post office. They got \$500 million in back wages.

Is the Central States Pension Fund going to award legal fees to the attorneys who represented Mr. Hall, in other words, are you going to pay his \$8,200 for legal services or maybe his \$1,417.28 telephone bill?

MR. LEHR: I have not seen those bills. It doesn't mean they haven't been sent to the Fund. I haven't seen those bills. Mr. Wallner, who represented

the class, has given us a -- has put into court a bill for \$2.7 million with a multiplier of four, which would ultimately be a Fund expense. And I don't know that that would solve Mr. Hall's problem, but Mr. Wallner was the class plaintiff -- the lawyer for the class plaintiffs.

I will tell you gentlemen, we are fighting Mr. Wallner's fee request in connection with that particular case. The Fund is paying no expenses for former trustees in that case. We have really about two years ago cut off payment of all civil as well as criminal fees, at least until the law is clarified, which we are trying to get the Department of Labor to do and we are working with them on doing it.

But Lloyds has paid Jenner & Block for all of their representation of the old trustees in that case and the Fund has not been paying that.

ACTING CHAIRMAN SKINNER: Let me say, Mr. Lehr, that we appreciate your cooperation here today. The true measure of whether or not what you have tried to accomplish and what you have accomplished will only be measured in years, not in days or weeks and not in testimony or reports and will probably be measured long after this Commission has gone out of existence.

You certainly have indicated to this Commission, and from everything I have read and seen it seems to be borne out, there is a way and a method that trustees, both management and union, working together can properly protect pension money and health and welfare money belonging to members of the union.

Unfortunately, your example is a single star on a galaxy. And I hope that as this Commission prepares its report, it will use some of the examples and, hopefully, it will not take twenty years and two lawsuits and two consent decrees and a complete revitalization of both management and union trustees before that is accomplished in the other unions in this country.

Thank you very much.

MR. LEHR: Thank you, sir.

ACTING CHAIRMAN SKINNER: What position did you play in football? You had to be a guard.

MR. LEHR: No, I played halfback. I weighed about 225 pounds and I only gained about 100 pounds since then.

ACTING CHAIRMAN SKINNER: I knew you must have been on the offensive.

MR. LEHR: Thank you.

MR. RYAN: Thank you.

MR. HUNTERTON: Thank you, Mr. Lehr.

(Witness excused.)

MR. HUNTERTON: Mr. Chairman, today's last witness is Robert Stewart. Will he come forward, please?

Mr. Stewart, will you remain standing and take the oath, please?

ROBERT STEWART

was called as a witness and, having been first duly sworn, was examined and testified as follows:

MR. HUNTERTON: Mr. Chairman, Mr. Stewart is currently the attorney in charge of the Organized Crime Strike Force of the Department of Justice headquartered in Newark, New Jersey. He also has prosecutive experience in New York and New York City, Baltimore, and Buffalo prior to taking up residence in Newark.

He is a member of the faculty of the National College of District Attorneys and, in a relatively small fraternity of organized crime prosecutors, is among the most respected with particular reference to his expertise in the area of labor racketeering. He was a primary attorney working on the disappearance of James Hoffa and since then has built an enviable record of

successful prosecutions in Buffalo and Newark, New Jersey.

He has prepared an extensive written statement giving us his views on the use of civil RICO, as well as the history of one racket-ridden local. In light of the hour, I have asked Mr. Stewart to submit that statement for the record and to give us a summary of that statement and then answer questions from the Commission.

Mr. Stewart, go ahead, please.

MR. STEWART: Well, by way of summary, you have to understand the background of Local 560 to really appreciate what happened. And I think this is -- goes to some of the questions which you addressed earlier to -- earlier this afternoon to Mr. Goldstock.

It takes a number of years to build up a repository of information and to develop skills that enable you to use a tool which may be in existence, but which you may not have the ability to use for a variety of reasons.

In the case of the Provenzanos, the Provenzano crime group in Local 560, the history went back to 1963 when Life Magazine ran a cover story on Local 560 and the Provenzanos, as a result of the murder of Walter

Glockner who was a prime 560 dissident.

Twelve years later the Provenzano's Local 560 again came into the national limelight following the disappearance of the former Teamster Union president, James R. Hoffa. That publicity continued to a point and reached such a state that one member of the 560 Executive Board, during the RICO trial, was compelled to admit on the witness stand that the public perception about Local 560 was that of a racket-ridden union.

Taking cognizance of that public perception, which was years and years in the making, the Government in March of 1982, filed the civil RICO complaint, which was the first of its kind, and I emphasize its kind, in the 14 year history of the RICO statute.

That complaint alleged basically that Local 560 was a captive labor organization, which the Provenzano crime group had dominated through fear and intimidation and had exploited through fraud and corruption.

Following a 15-week trial, Federal District Judge Harold Ackerman in the District of New Jersey agreed with the Government and at that time he issued an injunction removing the Executive Board members and placing the local under trusteeship.

There are a number of points that were

important to a comprehensive understanding, and I will cover those in more detail in the written statement, but it may be helpful to touch upon just a couple of them again because they came up earlier today, or aspects of them came up earlier today, in the questioning of Mr. Goldstock.

One of the cornerstones of this particular complaint was the ability to prove that there was, in fact, a Provenzano crime group, a faction of the Vito Genovese organized crime family.

It's important to remember, in fashioning this particular litigation we had to judge between one RICO enterprise, which was the organized crime group, the Provenzano crime group, and another enterprise, which was Local 560; Local 560 being dominated by the Provenzano regime within it. And it was important to keep these separate because the members of the Provenzano regime were not necessarily members of the Provenzano crime group. And this created a number of problems.

We were very fortunate in having evidence from two accomplices who had defected from the Provenzano crime group, one in 1961 and the other in 1975. Both of those witnesses were developed in 1976 in the

course of the Hoffa investigation. And it was the combined testimony and information from those witnesses that enabled us to understand the purpose, membership, methodology, protocol and history of the Provenzano crime group. And by having that knowledge, and by having that evidence, we were able to establish at trial that the Provenzano crime group was a racketeering enterprise; that it had a scope, diversity and vitality which transcended the commission of any single conspiratorial act, and that it was probably -- probably had the ability to survive the prosecution and imprisonment of some of its most important leaders.

To get that kind of evidence that Mr. Goldstock said, when you consider -- when it was that Mr. Valachi broke the mold to -- it has only been a recent phenomenon that we have been able to get this kind of insider information.

This kind of information and testimony was absolutely indispensable for this particular civil RICO.

The second major point about this matter was that we had a rather impressive -- we went into the case with a rather impressive litany of predicate racketeering acts. There were no less than nine

adjudicated felonies and four additional transactions which we alleged to be predicate acts of racketeering activity within the meaning of the statute. And of the nine that were adjudicated, one involved a murder in 1961; four involved labor peace, payoff schemes or extortion schemes, one of which was attempted and three of which were actually completed. Of those that were completed, one went in point of time from 1952 to 1959. One went from 1969 to 1977. And one was continuously in existence between 1971 and 1980.

Of the total of 13 predicate racketeering acts involving -- there were actually two murders and a number of frauds upon the benefit funds and upon the assets of the local, it was a total of 30 years of felonies committed by a dozen principal individuals, all of whom were members of the Provenzano crime group and half a dozen of whom were members, held positions of high office in Local 560.

To get to the point of filing a civil RICO in 1982, we had to have those predicate convictions. Many of those predicate convictions did not occur until after 1976. So once again the question is, why wasn't the Government able to do something a little bit earlier? And the answer to that is you have to have the predicate

convictions, criminal convictions, before you can really be in a position to move forward in a civil area.

Now even with this litany of 13 predicate felony acts, we were very much concerned that that would not carry the day against the current executive board members because they were not the ones who committed the crimes that had been adjudicated. And our concern that -- because of our concern, we had to fashion a theory of vicarious liability for the Executive Board members. And that theory was that the Provenzano group had created a climate of intimidation within Local 560; that this had induced the members to surrender their rights under the labor law, their rights to union democracy, and that the results of that, the surrender of the right to union democracy, represented a continuing extortion under the Federal Hobbs Act.

It was a novel theory and the first time a theory like this had been propounded. The District Court held with us and the matter is now before the Third Circuit Court of Appeals.

The basis of that extortion theory was, number one, the two murders in 1960 and 1963 of people

who opposed the Provenzanos combined with a twenty-year pattern of appointing the people who had committed the predicate racketeering acts, appointing them and re-appointing them to positions of high authority within the local. It was this theory of Hobbs Act extortion which formed the third cornerstone of the complaint.

And we had -- we were very fortunate in having testimony from an expert in union democracy, Professor Clyde Summers from the University of Pennsylvania, who explained to the Court the dynamics of a captive labor organization and demonstrated to the Court from the evidence that we were able to put in, that demonstrated to the satisfaction of the Court that the situation in Local 560 did involve the type of extortion that we had alleged. That extortion was based upon the lingering -- the accumulated impact of lingering perceptions about the criminal acts that have been committed by the Provenzano group of people.

I may say that during the litigation we were very much aided by a fortuitous event and that was that right in the middle of trial an incident occurred in a trucking company where a union member in an informal meeting spoke out against Salvatore Provenzano.

There is no record in the written minutes of any opposition, of anyone criticizing the Provenzano regime, between 1965 and 1982. But in this particular situation at this trucking company's terminal, a member did speak out. The business agent, who was an Executive Board member, became extremely angry at him, struck him and drove him to his knees. The business agent weighed 180 pounds more than the 58-year old union member who he struck.

And what that union member thought of the moment he was struck was the murder of Walter Glockner, a 560 dissident, twenty years earlier. And he felt that by speaking out as he had, he would be killed.

And he came to the Department of Labor and he told his story in terms that if he were killed, he wanted the Department of Labor to know the reason for it.

And ultimately we subpoenaed that particular union member to the stand in the course of the 560 trial and Judge Ackerman ordered him to testify. And his demeanor and evidence on the witness stand was probably the most important evidence that we had in support of our extortion theory because that Teamster Union member was absolutely in the grip of stark terror

because of the fact that he had been ordered by a Federal District Court to tell the truth about what had happened to him.

Another point that is very important in the long -- over the long haul is that the labor law says very little about what union officials must do as opposed to what they must not do. Section 501 says merely that union officials occupy a position of trust in relationship to the membership. We argued from that, and Judge Ackerman agreed with us, that that translated into an affirmative duty to ensure to the extent possible that persons who are appointed and retained in positions of trust will adhere to the highest standards of responsibility and ethical conduct to ensure that they obtain -- that officials obtain the true facts with respect to the character of potential appointees and an affirmative duty to evaluate to the greatest extent possible the impact which any particular appointment might reasonably be expected to have on the membership in the light of existing circumstances.

This is a part of the fiduciary obligation which is common for the highest executive officers in normal institutional entities, but it's the first time

that this particular duty has ever been imposed on a labor organization.

And having said that that is the duty to which union officials are obliged to discharge, Judge Ackerman found that the Local 560 Executive Board members over a twenty-year period of appointing convicted felons and not doing anything to dispel the perceptions which were within the union, that they had been guilty of gross misconduct. So much so that their conduct or their misconduct, as it were, represented aiding and abetting a racketeering enterprise within Local 560. Having made that finding that they were aiders and abettors, he was then able to proceed to grant to the Government injunctive relief.

Several other points that may be appropriate to mention in terms of the utility and efficacy of the RICO statute. RICO is not a shortcut and it is not a quick solution to something. The formation of the theory in this particular case took about three years. And as I say, you have to have the predicate acts first.

The litigation itself has been going for two years. And the Third Circuit has the matter before it. And we hope soon to hear, at least at the Circuit Court

level, whether they agree with Judge Ackerman's opinion.

The second question that I was asked was the type of situations to which the statute may be applicable or maybe the civil RICO portion of the statute. And we know from Judge Ackerman's opinion that it's applicable to Local 560.

There was testimony in the 560 case from an expert witness that the situation with regard to Local 560 was absolutely unprecedented in the history of the American labor movement. 560 represents the most extreme and egregious situation that has existed in the country.

If the Third Circuit agrees with the application of the statute to Local 560, it will remain then to see to what extent it is applicable to other captive labor organizations which are similarly situated.

And finally, it is important to recognize that in terms of ultimate -- the ultimate efficacy of civil RICO, of the civil RICO application of 560, that is still an open question. Judge Ackerman has ordered the removal of the Executive Board and appointed -- and the appointment of a trustee, but that is not the object of the litigation. The object of the litigation was to give the membership of Local 560 an opportunity

to throw off the yoke of the Provenzano group tyranny, which they have been under since 1965.

Whether or not that objective can be reached, it depends upon a number of factors which are beyond the control of the Government or the courts. Most particularly it depends upon the attitude and the courage of the rank and file union members as to whether or not they take the opportunity to do that which they will now be in a position to do and to regain control of their union.

Thank you.

MR. HUNTERTON: Mr. Stewart, are you, in the words of the diplomatic community, at least cautiously optimistic that during the period of trusteeship the rank and file of 560 will throw off this yoke and will vote in honest leadership or are you pessimistic about that?

MR. STEWART: I'm not sure.

MR. HUNTERTON: The jury is still out?

MR. STEWART: The jury is still out.

MR. HUNTERTON: If you had the investigative resources, which you don't, and the attorney resources, which you don't, given the length of time it takes to put something like this together, how many other locals

are there in your jurisdiction that might be worthy of this sort of treatment?

MR. STEWART: Well, there probably are four or five that I could think of that have similar, though not quite as egregious, problems.

MR. HUNTERTON: And again with respect to the resources which are and are not available, this was a tremendous drain on your office's resources, correct?

MR. STEWART: Oh, yes. Three attorneys throughout the time of the litigation, and then you had -- you have to factor in -- and I think I gave you some figures on this at one point. You have to factor in the hours that went into the predicate crimes, the attorney and the investigative hours of the predicate crimes. So it gets to be a very, very substantial number of hours.

MR. HUNTERTON: Given that, is there any shorter, less burdensome way, down the same road that you went?

And one of the recommendations that the staff has been studying is the possibility of some sort of decertification process where the Director of the FBI or the United States Attorney for a given jurisdiction could take your nine felony convictions and your other

information and ask the Secretary of Labor to decertify as an administrative matter the union as opposed to a full-blown civil RICO suit.

Do you have any thoughts on either that sort of process or any other approach that may have occurred to you during the years of litigation about how you could get to the effective trusteeship control without going through this kind of litigation?

MR. STEWART: The problem that we face throughout this thing is that you are dealing with two types of people. One is the documented racketeer, presumably a member of the Provenzano group in this case. And the other is the adherent to the Provenzano regime who may have nothing whatsoever to do with the Provenzano group. In fact, by all objective standards, may be a decent, honorable human being.

Judge Ackerman dealt at length with this problem and alluded to Edmond Burke's observation that all that has to exist for evil to triumph is for good men to do nothing. And that is what he ultimately came down to with several of the Executive Board members who fell into this category of basically decent people who were content to put their head in the sand while the carnage continued around them. Those people are a

real problem.

And we felt that we had to make out a prima facie showing that there had been aiding and abetting a racketeering enterprise, and that the racketeering acts -- the heart and soul of this is that the racketeering acts would continue, unless something was done to change the basic conditions within 560 that had permitted past racketeering acts to go on. Judge Ackerman agreed.

But the question is: How much do you need to be satisfied that you are doing justice in this regard and how close to the line can you come? And that is a very, very difficult question when you are dealing, as I say, with some people who are basically decent in everything else that they do.

MR. HUNTERTON: Under the terms of the strictures you are under as a Department of Justice prosecutor, do you feel that you could identify those four or five locals that you mentioned earlier or would you rather not?

MR. STEWART: No, I don't think I could do that.

MR. HUNTERTON: Mr. Chairman, Mr. Stewart is available for questions from the Commission.

ACTING CHAIRMAN SKINNER: Mr. Methvin.

COMMISSIONER METHVIN: Mr. Stewart, I am impressed by the distinction you just made between the decent men who stick their heads in the sand while ignoring the carnage around them who may be adherents to the regime, although not members of the crime group.

We have heard today from the general counsel of an International union. We have heard today from an International vice-president of that union and the president of a local who seems singularly unaware of some carnage going on around him.

At what point do you think a sitting official who has his head in the sand perhaps ceases to be a good man, if he keeps his head in the sand?

MR. STEWART: Well, that was the exact issue that we confronted here, and we said enough is enough. We have had thirty years of -- of continuous racketeering activity with some of these schemes going on for periods of five, eight, ten years. It's not fair to the membership. It's not fair to the industry. And it's not fair to the consuming public that, after all, is paying the tax on all of this. And it has got to come to a stop. And that is when we took the step that we did. And Judge Ackerman has agreed with us

enough is enough; you are out. And we are going to put a trusteeship in and we will see where it goes from there.

COMMISSIONER METHVIN: I noticed that you mentioned that really Local 560's prominence and the attention of investigators to it began with a Life Magazine cover story back in 1963.

I also noticed in your biographical data that you were one of the primary attorneys in the Hoffa investigation after his disappearance. I believe, and please correct me if I am wrong, I would be interested in your information on this. I believe that some of the key convictions, conviction of Tony Provenzano that put him away for life, arose out of that Hoffa investigation, did it not?

MR. STEWART: That was one of the products of it.

COMMISSIONER METHVIN: And it was one of the predicate acts?

MR. STEWART: Yes.

COMMISSIONER METHVIN: I believe also the organizational leads on the Boffa-Sherran cases came out of the Hoffa investigation, did it not?

MR. STEWART: I believe so.

COMMISSIONER METHVIN: In fact, I think one of the automobiles at the scene in Detroit at the time of Mr. Hoffa's disappearance belonged to Mr. Boffa, did it not? That is what brought him to the attention of law enforcement.

The point I'm trying to make here is -- I certainly agree with and I hope the Commission understands and the public understands that while we didn't solve the Hoffa disappearance, the tremendous effort that went into investigating generally and building up an intelligence base in that case paid off in, among other things, testimony here yesterday that the current president of the Teamsters Union took a payoff from him in the Boffa-Sherran-Buffalino group.

MR. STEWART: Well, you have to -- I think a great many things have come out of that and are still coming out.

COMMISSIONER METHVIN: Thank you, sir.

ACTING CHAIRMAN SKINNER: Commissioner McBride.

COMMISSIONER MC BRIDE: Given the lateness of the hour, I am not going to get into the -- further into the intricacies of RICO law, but I do want you to know very clearly it is a very primary interest of the

Commission, and we'll be talking to you informally and other Strike Force heads in great depth about this. I think we are all terribly concerned about the problem of unions such as the four I mentioned at the outset of these hearings, the Teamsters, the Laborers, Hotel Restaurant Workers, and Longshoremen's Unions, which have had these long ten, twenty, thirty, even fifty-year histories of repeated convictions of key leaders both of the Internationals and of the locals. It's kind of clear with the crime threats, violence and so forth, it's evident even from the little anecdotes of testimony we have heard in the last three days, and that if RICO is too cumbersome a weapon, something that is perhaps not as procedurally intricate has to be developed, at least to provide a window to democracy in some of these other situations. So we very much want to see what strategic or statutory approaches might work in these situations to perhaps not go to the extent of full-blown trusteeship, but, as I say, provide some window of democratic opportunity in the midst of this persuasive intimidation.

Thank you.

ACTING CHAIRMAN SKINNER: Thank you very much for your testimony. Thank you also for your

cooperation, Mr. Stewart. It's seldom that we see a lawyer such as yourself who has been willing to spend so many years in various capacities in the Department of Justice. While youth has its advantages, experience certainly is very, very helpful.

Thank you very much.

MR. STEWART: Thank you very much.

(Witness excused.)

ACTING CHAIRMAN SKINNER: Before we close today's session, I would ask Commissioner McBride to briefly summarize.

COMMISSIONER MC BRIDE: At the outset of these hearings I did note the fundamentally distressing fact that these conditions of mob control, violence, of intimidation, of corrupt alliance with employers, had been going on for a long time. They had been exposed first and most broadly by the McClellan Committee over 25 years ago; that we have had repeated statutory enactments, the RICO statutes and so forth.

At noon today I might have said that it was an unalloyed picture of despair. This afternoon's testimony has indicated that there are at least some faint rays of hope: The testimony with regard to the reform of the Central States Teamster Pension Fund

and Mr. Stewart's testimony here regarding Local 560.

But it's undeniable that mob leaders continue in control of certain local unions and joint councils and Internationals, that there are continuing mob connections of International Union presidents, that the atmosphere is rife with threats of violence, deaths, murders and so forth; that major corporations either knowingly or with calculated indifference have entered into alliances with labor unions that are to the mutual benefit of both and victimize the members.

And we had a real glimpse, I think, through the tapes that Mr. Goldstock played for us of how it really works, the really ugly, seedy, conniving, scheming plot to monopolize all industries with the connivance of corrupt union officials, soaking both the consumer and the worker.

I have been disturbed by a tone that I have picked up occasionally that these things have been going on so long that a jaded public somehow feels that there is nothing that can be done about it. I, and I think I speak for the entire Commission, do not subscribe to that. There are simply too many human tragedies in these violence and threats, too much economic loss, and really a very fundamental assault

on our democratic fabric. The notion these mob outfits with dominating unions can have a government of their own operating by their own laws, their own rules and seemingly untouchable by the agencies of the Government is simply something that I cannot abide.

I do want to pledge that the Commission will work even harder on these issues through more investigations, to some extent more hearings, but most importantly through our recommendations for legislative and administrative changes to the President and to the Congress. We are going to work just as hard as we possibly can to make sure there is the sort of sustained and continued and intelligent effort represented by people like Mr. Goldstock, Mr. Stewart, the agent that testified here today, to make sure that this thing is intensified and continues. And we are optimistic that while we will never eliminate every instance of criminality and racketeering from the labor movement, that these egregious problems can indeed be eliminated by sustained attack.

I do want, in closing, to thank very particularly the entire staff, particularly Attorneys Steve Ryan and Tom McNulty, Investigators Karen Hainer, Dave Williams, Brian Hitt, Hugo Menendez, Jack Walsh

and Tom Sheehan. They have worked around the clock for days and weeks to prepare for the hearings which were held in Chicago this week. And lest they accept the accolade too seriously, there will still be no rest as we move on to further investigations.

Thank you all.

ACTING CHAIRMAN SKINNER: One final comment. Thank you, Commissioner McBride.

I would also like to thank on behalf of the Commission the various federal, local and United States Marshal's Service, the investigative services that have been so cooperative with the Commission not only this last week, but in the last month getting ready for this. They are truly the unsung heroes on a daily basis and we are gratefully appreciative.

This session is adjourned.

(Whereupon, at 5:00 p.m., the hearing in the above-entitled matter was adjourned.)

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## CONCLUSION

The testimony in this record clearly portrays organized crime as a potent factor in the marketplace of this country. The testimony indicates that one key to this marketplace corruption is the mob's control and exploitation of labor unions. Traditionally organized crime has used unions to exact payoffs in return for labor peace and to feed off of union resources and workers' benefit funds. These rackets continue to flourish and to grow but now organized crime is also using the labor unions as the means to monopolize certain business and give mob-run businesses an edge in the marketplace. By manipulating the supply and the cost of labor, the mob can raise the cost of doing business for its competitors, force legitimate business to deal only with mob-run companies, and enforce price-fixing, bid-rigging, and anti-competitive practices throughout an industry.

Law enforcement successes have not, as yet, provided complete relief to those victimized by the business side of organized crime. In its report to be issued in the next few months, the Commission will analyze and evaluate the impact of organized crime in unions and businesses. In that report, we will present our factual conclusions and our recommendations for a national strategy and the tools to remove organized crime from the marketplace.

APPENDIX

STATEMENTS

PHOTOS  
and  
ILLUSTRATIONS

Prepared Statement

Judge Irving R. Kaufman, Chairman  
President's Commission on  
Organized Crime

Public Hearing  
Chicago, IL  
April 22, 1985

I would like to welcome you to this public hearing of the President's Commission on Organized Crime. At our previous open sessions, the Commission examined some of the ways in which organized crime has evolved in recent years, by investigating newly emerging criminal groups and by studying the drug trafficking and money laundering that are principal activities of organized crime. At this week's hearing, the Commission will focus upon involvement by criminal groups in union and management racketeering.

Racketeering is certainly not a new phenomenon. Organized crime has been heavily implicated in this activity for decades. Indeed, the Kefauver and McClellan hearings of the 1950s revealed extensive organized crime control over a number of labor unions. The testimony presented this week will demonstrate that thirty years after those investigations, racketeering activities continue to flourish. We shall hear evidence indicating that many of the same unions, industries, and individuals associated with racketeering a generation ago are still involved.

Our hearings this week will examine how organized crime continues to exploit the collective bargaining system for its own purposes. The testimony we will hear from victims of racketeering, as well as from persons who participated in these activities, will make clear that mob involvement in certain labor unions is not confined to past history.

A major area of concern for the Commission is the development by organized crime of newer and more sophisticated techniques to exert control over unions and businesses. Traditionally, labor racketeering evoked images of relatively simple and direct extortion imposed by threats of strikes or physical force. Today, however, it is just as likely to appear in the form of benefit fund manipulation facilitated by the assistance of corrupt professionals such as lawyers, accountants, and bankers. We shall examine both the newer and the more traditional methods of racketeering. The economic toll exacted by collusive and extortionate racketeering activity is felt by virtually every citizen of this country in the form of higher prices and less economic efficiency.

In turning our attention to this area, the Commission is carrying out its mandate from the President

to investigate all facets of organized criminal endeavor and recommend new approaches to combat its pernicious effects. It is not our intention to single out a particular union or to create an impression that the labor movement as a whole is pervasively corrupt. This is not the fact. Testimony involving the illegal and collusive activities of management officials will make clear that racketeering occurs in the corporate board room as well as the union local. Our concern is with those officials of both unions and management who exploit workers and the public for destructive and self-aggrandizing purposes. Mindful of this concern, we will explore ways in which union members victimized by racketeers can begin to reclaim control from the criminals.

The extent and duration of organized crime involvement in union and management racketeering has disturbing implications for our economy and the integrity of the trade union movement. The costs of racketeering -- measured in terms of corruption of the free market and the imposition of higher prices -- are borne by every citizen of this country. Indeed, it would not be an exaggeration to state that a percentage of the cost of virtually every commodity or service is diverted by racketeers. In perhaps no other area of endeavor has organized crime been so intractable and posed so great a threat to a fundamental aspect of our economic and political fabric. This week's hearing will document the nature and extent of that threat today.

PRESIDENT'S COMMISSION ON ORGANIZED CRIME

Hearings on Labor Racketeering  
Chicago, Illinois  
April 22-24, 1985

Response to Subpoena and  
Outline of Testimony:  
Ronald Goldstock, Director  
New York State Organized Crime Task Force

Labor Racketeering  
A Case Study of the Long Island  
Carting Industry

Outline of Testimony:

Ronald Goldstock, Director, New York State Organized Crime Task Force

Labor Racketeering  
A Case Study of the Long Island  
Carting Industry

1. Labor Racketeering: A Basic Analysis

A. Susceptibility

B. Desirability

[Attachment]

11. Case Study: The role of Labor Racketeering in the monopolization  
of the Long Island Carting Industry

A. Overview

[Chart]

B. Economic Theory - monopolization of an industry  
can be achieved through the control of an essential  
good or service

\*Components of the Carting Industry --  
Landfills, Trade Associations, Unions

1. Landfills/Dumps/Resource Recovery

\*public or private ownership and/or regulation

\*the ability to corrupt public officials  
may effect accessibility.

2. Industry/Employer Trade Associations

\*The trade waste association (P.S.I) is  
controlled by organized crime  
[conv. #1. ]

\*the functions of that association are the  
protection and enforcement of property  
rights, territorial allocations etc, through:  
1) threats of physical injury, 2) economic  
injury to business, 3) property damages, and  
4) corrupt public officials.

\*the disadvantages of using such tactics  
are that they are overt, create "rebels"  
who are potential complainants, and invite  
law enforcement interest.

[conv. #2. ]

[conv. #3. ]

3. Unions: Dominated, Controlled and/or Influenced by Organized Crime Syndicates

\*Influence may be achieved through the payment of money to a union official - bribery -- an art perfected by Organized Crime.  
[conv. #4. ]

\*Control can be achieved by the union being run by a syndicate member for the benefit of the family.  
[conv. #5. ]

\*Domination may also be achieved by being able to dictate the direction of a strong union.

C. Domination of the Carters Union

1. History - As early as 1959, the Long Island Carting Industry was alleged to be under the control of Organized Crime (see McClellan Committee Hearings). More recently, in 1975, a series of "garbage wars" involving murders and arsons were described in a number of newspaper articles as an internal struggle among syndicate bosses for control of the industry. In 1976, two men, Ray Aponte and Reuben Gonzales, attempted to organize a carters union which would challenge the power and authority of Local 813. Soon afterwards both were found murdered in the trunk of a car. In 1978/79, PSI, the industry association was formed and today's pattern of control was established.  
[conv. #6. ]

2. Preliminary Considerations

\*Control is necessary for a valid claim  
[conv. #7. ]

\*As in legitimate bargaining, a strong union is essential to wield power  
[conv. #8. ]

3. The Plan to Control a Strong and Effective Union and the Benefits to be Achieved by Organized Crime  
[conv. #9. ]

\*The Envelopes - the Reward for Domination  
[conv. #10 ]

\*The Future of the Industry  
[conv. #11 ]

D. Policy Implications  
[conv. #12 ]

## A BASIC ANALYSIS OF LABOR RACKETEERING

Any strategy designed to reduce syndicate influence in the union movement must be based on an analysis of the factors which result in certain unions being dominated by the underworld. Knowing what causes particular unions to be controlled by the mob should also be the first step in determining how to re-establish democratic processes within those organizations. Calculating the likelihood that a specific union will be the subject of racketeering activity involves two separate issues: are there characteristics of the subject union that render it particularly susceptible to racketeer manipulation, and, is there sufficient racketeering potential associated with the union to make control of it desirable to racketeers?

### 1. Union Susceptibility

The development of labor racketeering in the United States suggests a number of historical and structural factors which may account for the case with which certain unions have been, and continue to be, infiltrated and dominated by underworld elements.

Perhaps the most common feature of unions most severely influenced by racketeers is a membership comprised of unskilled or semi-skilled workers, (e.g., the early building trades unions, the I.L.A., the mason tenders, the Amalgamated local 355). Corruption has also tended to appear among unions where the membership is transient, frequently due to the irregular schedule

of work, (e.g., the early building trades union, I.L.A.); geographically scattered, due to the dispersion of job sites, (e.g., Teamsters, I.L.A., building trades); immigrant; or where the membership is made insecure by intense competition for jobs. The effect of these factors is a rank and file which is reluctant, if not unable, to organize against mob or corrupt domination. The epitome of susceptibility in this regard was the I.L.A. of the 30's and 40's; the mason tenders, or hod carriers, are probably the best current examples. For comparison's sake it is worthwhile to consider the United Auto Workers, with relatively few concentrated, stable work places, and a more established and confident membership.

A vulnerable membership may nevertheless be protected by a tradition of idealism in the union leadership, what Dubinsky called a belief that unionism was "a cause, not a business." Historical conditions may, on the other hand, contribute to the existence of organized crime infiltration. The reliance on underworld sluggers by certain unions during their formative periods rendered them highly susceptible to later domination.

Another consideration is the internal structure of the union. While not always an effective tool against labor racketeers, democratic processes at least contain the potential for change. The relationship between the central governing body and the locals is also important. The policy of local autonomy characteristic of the Teamster's organization was indispensable to racketeer

operations during a time of honest, if indifferent, leadership at the International level. Where the pattern is reversed, corrupt International officers can stifle honesty in the locals through the "trusteeship" device, which place an International representative directly in charge of the local's day-to-day affairs.

A final indicium of susceptibility is the type of work customarily performed by the membership. Where the daily routine involves contact with underworld figures and criminal activity, (on the waterfront or among truckers, for instance), an expectation or acceptance of racketeering in the union is fostered.

## 2. Desirability

The sometimes bewildering array of labor rackets assume three basic forms: the sale of "strike insurance" in which the union threatens a walkout and the employer pays to assure a steady supply of labor; the "sweetheart deal" in which management pays the labor representative for contract terms unobtainable through arm's-length bargaining; and the direct or indirect siphoning of union funds.

The susceptibility factor is related primarily to the union and its membership. The desirability factor is in many ways dependent upon the nature and structure of the industry. Is it one in which employers will succumb to strike threats? Is it an industry in which sweetheart deals provide a substantial competitive advantage? Is it an industry which provides opportunities for the enhancement of other criminal activities? Also relevant to this portion of the inquiry is the organization and size of the benefit funds.

A crucial distinction is between unions that operate in a national market with huge-scale, highly visible bargaining - the United Auto Workers, the Steelworkers, the Rubberworkers - and the unions that operate in local products markets. In such local markets, each business agent deals with a variety of small employers in an insulated bargaining environment. And that is the locus of most union corruption since due to the diversity of local union operations, national unions generally permit local autonomy in contract negotiation and administration of union funds.

While a strike is unwelcome in any industry, the potential for strike insurance is greatest where delay is unusually costly - where the racketeers' demands constitute the lesser of two evils. This time element, most characteristic of construction, shipping, and meat processing is aggravated where business units are small and competition intense. There, the union's power vis-a-vis the individual employer is maximized, and the employer's ability to survive a strike in such circumstances may be almost nil. In contrast, the U.A.W., the rubber workers, even the various railroad brotherhoods, all deal with employers that have a great capacity to withstand work stoppages.

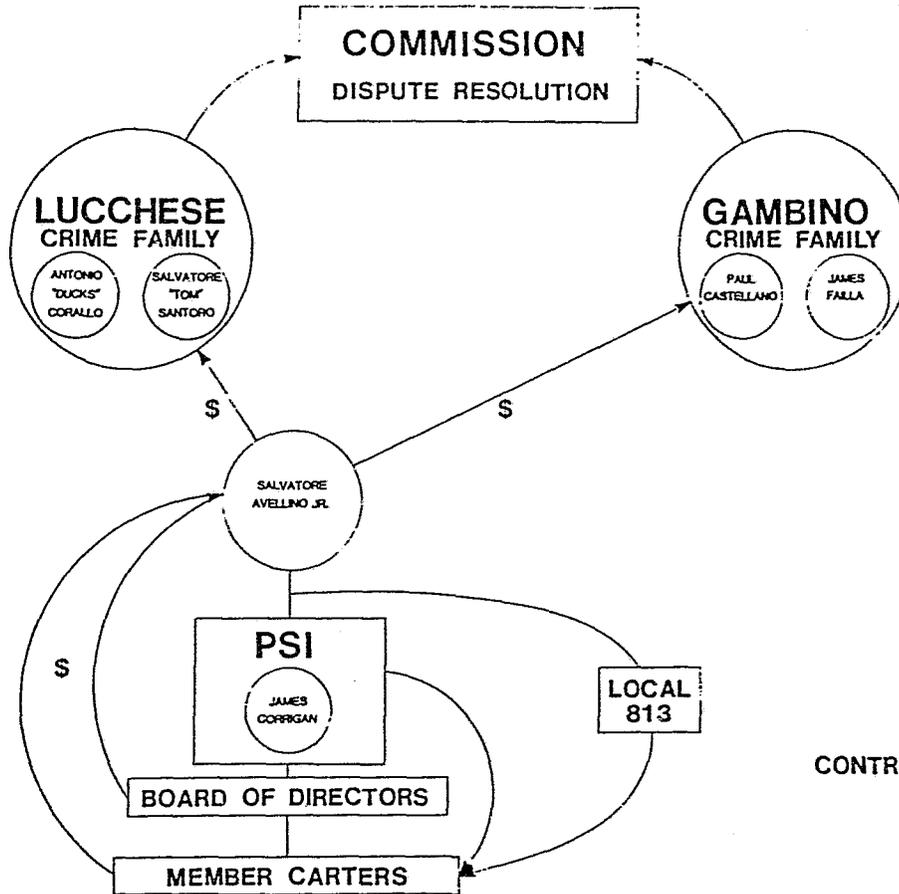
Since cheap labor is a universal desideratum in a market economy, "sweetheart" deals may appear anywhere. Still, they appear to be concentrated where labor costs are a significant competitive factor. This is most descriptive of the garment trades, where the finished product is now frequently produced

by trucking fabric to non-union shops in New Jersey, Pennsylvania, Delaware and Virginia. On the other hand, the prevalence of "sweetheart" arrangements in construction probably owes more to the great difference between union scale and the market rate, than to the relation of labor costs to overall expenses.

The industry variable in fund misuse, in addition to sheer size, is the relative bargaining power of union and employer. Where the union dominates, the employer often relinquishes control of the fund. The best example here is the Teamsters, where although four of the eight administrators of the Central States Fund have been picked by the employer-contributors, the fund is run completely by the union trustees.

The final consideration is applicable only to the professional or syndicate-connected racketeer. For the amateur, desirability is equivalent to the sum of the labor-racketeering potential in the industry, and the susceptibility of the union to his control. On the other hand, the professional must consider the needs of his other licit and illicit enterprises, especially those within the industry. To highlight this distinction, consider a hypothetical Wall Street office workers' union. The value of control would lie not in the standard racketeering activities, but instead, in the way union power could be used to facilitate the theft and manipulation of securities.

T61



**CONTROL THROUGH FEAR OF :**

1. PHYSICAL INJURY
2. DAMAGE TO PROPERTY
3. INJURY TO BUSINESS
4. UNION PROBLEMS

CONVERSATION #: 1

DATE : MAY 24, 1983

TAPE NUMBER : S911

PARTICIPANTS : (AC) ANTHONY "TONY DUCKS" CORALLO  
\* BOSS OF THE LUCCHESE CRIME FAMILY

(SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESE CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

CONVERSATION # 1

AC What do they think I am running here a fuckin whorehouse.  
What do they think I am, they gotta bring these fucking schemes that they (inaudible).

SA Well maybe they figure you running some big, big. They're right behind us Tom, they, they figure you running some big big enterprises right now. That's what it is, that's what it is. You know with the garbage, and with ah, and with the incinerators now, and ah all that shit. Incineration is big thing with us, the thing of the future. They figure that you got it, you control it.

AC They're right, you know.

SA They're right, what, you control it?

AC Why not. Who controls it, you.

SA No you.

AC That big fuckin goon, that big fuckin goon. He controls it, I like to know how he stands up under the fire the cocksucker, that's what I like to know how he...

CONVERSATION #: 2

DATE : JUNE 23, 1983

TAPE NUMBER : S960

PARTICIPANTS : (AC) ANTHONY "TONY DUCKS" CORALLO  
\*BOSS OF THE LUCCHESE CRIME FAMILY

(SA) SALVATORE AVELLINO  
\*MADE MEMBER LUCCHESE CRIME FAMILY  
\*CHAUFFEUR TO ANTHONY CORALLO  
\*OWNER SALEM SANITARY CARTING CO.

CONVERSATION # 2

AC Tell em about the people robbing the accounts.

SA Now that was the other one. Now I got another fuckin Indian, yesterday he took seventy-one contracts, county contracts, took em Tuesday. This Bob Morga, you know, the other guy that I was tellin you about that's gettin brave because of them, because of the, er, the Pollack. So now all the county buildings went up for bid Monday, all the jails, the commissary, ehh. The, he won sixty-seven out of seventy-one. So now, he goes, Tommy Ronga an he says to Tommy Ronga, you know, I really don't wanna do this but I had to make a living an I got no work, now maybe Sal could sit down with me and we could work something out.

AC No.

SA So Tommy Ronga says, Tommy Ronga says to him, Sal's got nothin to do, Sal can't help you. He says well maybe I'll give the work back to everybody if everybody gives me something so I told Tommy Ronga you tell him to, he won, it now go pick it up, he's got a year contract, go pick it up, make yourself a living for the year, don't give him...don't take his stops back because when he starts with the county buildings, the fucking county they'll call him in, they'll say how come your not picking this work up, 71 fucking jobs, er contracts which means.

AC Leave him have them.

SA A 150 buildings.

PAGE 2

CONVERSATION # 2

Leave him have them.

Sure.

Is he equipped to pick them up?

Nope, he'll fall on his face .

Leave him have them.

And let him fall on his face.

Leave him have them because they'll watch that now, that's the policy, whoever butts in on him, whoever cuts up is in trouble.

Of course, he won all the police stations, he won all the jails in Riverhead, now if I go tell him give them up, it's right under their nose, they're gonna say, you won, how come your not picking it up, just let him pick them up.

Let em talk, let the guys get disgusted with him, it comes when the chips are down, when it's over, the investigation. then you move.

Right, then it's the end of it.

Once it's over, you get him, you don't make waves, throw gasoline on the fire, that's the gist of it.

Yeah, because if they running out of money, if the appropriation is running dry, then for sure they'll get more money on a new appropriation. Is that right? Cause after, this is six months old they say but what did we do for six months?

PAGE 3

CONVERSATION # 2

AC (Whispering) Wait till the six months is over otherwise  
you open the door.

SA Yeah, they put four more people on.

AC You add fuel.

SA Right.

AC You open the door, ya gotta suffer sometimes quietly-  
sometimes.

SA Yeah, I know, so.

AC As long as nobody is fucking you that you know.

CONVERSATION #: 3

DATE : JULY 5, 1985

TAPE NUMBER : S985

PARTICIPANTS : (AC) ANTHONY "TONY DUCKS" CORALLO  
\* BOSS OF THE LUCCHESE CRIME FAMILY

(SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESE CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

CONVERSATION #3

SA That's what he told us again, about what's happening out here and he said to Tom if you want to know more Joe Zingara (inaudible)

AC Fuck (inaudible)

SA I feel this way, if they're investigating, its too late to begin with they're doing it already, so whatta we gonna do?

AC They're investigating me (inaudible) they get someone (sl. faster)

SA (Inaudible) work for.

AC They're gonna see a shootoff from there to here. I've been in too many investigations.

SA And there's nothing I can do to stop it now, can I.

AC Bullshit.

SA So what am I going to worry about?

AC When the time comes then I can go and see somebody (sl. in the department) and I try see, for me to go I'll open the fucking door.

SA And we don't even know where it's comin' from right now, so what can I say?

AC When the time comes. I'll get a hold of this cocksucker (inaudible)

SA (Inaudible).

AC He works for him, this guy and you know him.

SA You (inaudible)

CONVERSATION # 3

AC When the time comes I got

SA First see (inaudible) what department.

AC I know when you open the fuckin bullshit go around

SA Send him there.

AC You open the doors. This I know. You knew the fuckin thing was not good from the day that guy made you, took you in and made you's pay the fines, he won't stop there, he thinks he got something, maybe he had, maybe he's got them two cock-suckers out here, you understand

CONVERSATION #: 4

DATE : APRIL 5, 1933

TAPE NUMBER : S766

PARTICIPANTS : (SS) SALVATORE "TOM MIX" SANTORO  
\* UNDERBOSS IN THE LUCCHESI CRIME FAMILY

(SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

CONVERSATION # 4

SA I mean he's impressive, this is an impressive thing,  
its not that we're bringinø some jackass

SS I know, I know, I know, the idea is, the idea is, err,  
Junior (Avellino) to get the right -----

SA To get the right -----

SS To get the right fuckin guy to open the door for us,  
ya know, now I spoke to Doug about this, now Doug is  
a union guy

SA I know

SS And that means, ahh, ya know

SA But, if you -----

SS Problems, problems

SA Yeah, but if you speak to him and you say Doug,  
I mean, over here, you got something for the next  
twenty years, in other words, as a retirement . . .  
ya know he's gonna retire with the union on a thou-  
sand dollars a month

. . .

SS . . . see the only one, the only way I can talk to Doug  
is (inaudible) this is all non-union stuff comin into  
these department stores, all his union, these department  
stores are all union people, this is the fuckin conflict,  
ya know, the only way I can talk to Doug, I gotta tell him,  
Doug, look, you know what life is all about, not you, me,  
but your children, to leave 'em a fuckin bundle of  
money, right?

SA Uh, uh

PAGE 2  
CONVERSATION # 4

SS That's the way I have to talk to him, now we can  
make scores over here, if you wanna pay attention

SA Bring me a few introductions

SS I'll keep this card here so that I know I'm gonna  
meet him, he's away now, he went to Mexico . . .

CONVERSATION #: 5

DATE : MARCH 30, 1983

TAPE NUMBER : S680

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALIM SANITARY CARTING CO.

(RD) RICHARD DeLUCA  
\* MADE MEMBER IN THE LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO SALVATORE SANTORO

CONVERSATION #5

SA Before, er, they straightened out Pete, I was very friendly with him. I became very friendly with him. So we were eating one night, me and Tony and he started talking to me about him, you know. He says, and naturally I was Paul's best (inaudible) and I was just, I was hoping that he would er, change a way or two when he

RD Straight

SA got involved, because I figured that maybe some stuff would rub off, and, and the thing that er, before he straightened out, he's telling me that the union is his, you know. So I'm saying what do you mean, the union yours. He believes the fucking union is his, and what am I gonna, ya know, I'm gonna say the union, nothing is yours, everything is the boss and we only got the privilege of working it or running it, unless you got a, something that is a legitimate thing that, ya know, that it's yours, then they say well that's yours, but anything that's got to do . . .

RD You operate at his pleasure.

SA You do what you, he wants you . . . ya know, he doesn't, I mean and even with a legitimate thing, you're operating at his pleasure most of ninety percent of the time.

RD Once you leave (inaudible) that's it.

SA That's like in other words, I, I,

RD A lot of guys forget that

PAGE 2  
CONVERSATION #5

SA I mean I know Salem is mine in stock, but, I gave, I, I signed my life to you.

RD Yeah

SA So really if I sign my life to you, my stock, is yours, but because you're kind enough that you don't make a demand on me (inaudible)

CONVERSATION #: 6

DATE : JUNE 28, 1983

TAPE NUMBER : S1007

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

(TR) THOMAS RONCA  
\* OWNER OF DETAIL CARTING COMPANY  
\* ASSOCIATE OF SALVATORE AVELLINO

(EF) EMEGIO "MIMI" FAZZINI  
\* OWNER OF JAMAICA ASH AND RUBBISH REMOVAL  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION #6

TR Different society we live in today, Different society,  
different society

SA See, they made a deal many, many years ago that no other  
union.

TR Could take this

SA Would come into the garbage. And they're honoring the deal

TR Yeah

SA Cause we have a teamster local that could come out here

TR Five twenty two

SA Five twenty two. Break his fuckin crawler. You you know  
what I'm bringing out? And, and take all these house guys  
another different contract and really stick it up his ass.  
Then he would come to us that's what he needs

TR (Inaudible)

SA But he's the only game in town

TR That's what he needs

CONVERSATION #: 7

DATE : JUNE 28, 1983

TAPE NUMBER : S1007

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHISE CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARUNG CO.

(TR) THOMAS RONGA  
\* OWNER OF DETAIL CARTING COMPANY  
\* ASSOCIATE OF SALVATORE AVELLINO

(EF) EMEPIO "MIMI" FAZZINI  
\* OWNER OF JAMAICA ASH AND RUBBISH REMOVAL  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION #7

SA We're higher than a, than a the city

TR Sal, what I can't understand Sal, all these fuckin years how they made him get away with that

SA I don't know

TR (Inaudible)

SA I know

TR He gets very little of that. We get more from the garbage than what he gives up, Sal

EF Why do they sell

SA Why they let him get away with it

EF Yeah

SA Cause they don't really control. What do ya that a that

EF Who controls

SA Nobody any more. See, years ago, believe it or not, just between us, years ago he was on our side. Ya know (inaudible). And there was a there was a few guys around him uhh Chika ninety nine, Sally Shields, then how they let, when a Paul's son married Tommy's daughter

TR Yeah, that's why

SA There's a lot a swapping that took place

TR Yeah

PAGE 2

CONVERSATION #7

SA See and he went and they more or less drifted over there all right? And they really like they claim him but they don't control him. And I told Jimmy that only two weeks ago. I says Jimmy you guys claim him but yet you don't control him. In other words, I, I'm a firm believer, you can't claim anybody unless you control him. If you can't say to this guy stop, you don't have him then

CONVERSATION #: 8

DATE : JUNE 28, 1983

TAPE NUMBER : S1007

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESE CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

(TR) THOMAS RONGA  
\* OWNER OF DETAIL CARTING COMPANY  
\* ASSOCIATE OF SALVATORE AVELLINO

(LF) EMEGIO "MIMI" FAZZINI  
\* OWNER OF JAMAICA ASH AND RUBBISH REMOVAL  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION # 8

SA No we're, we're gonna have an understanding now we, the only thing is we gotta make him under or whatever we can't give away the store cause there's no store to give away. Things are very bad, the men are all complaining, bosses are all complaining. We got a few Indians out there robbing all kinds of work, which is not your problem Bernie. That's our problem, that's an association problem but in the meantime we got Indians their work, losing work. The union is not, can't do nothing to stop them. The union doesn't do nothing to help it. We have in Brookhaven, in Islip, in Smithtown nine out of ten of the, of the garbage men are non-union. So when municipal bids come up, county bids come up, they're in there bidding away. This oh, ah this ah prevailing rate don't mean a fucking thing to them. Nobody abides by it. So when you get a guy that is uhh uhh that's a, a union man and he toes the line, he hasn't got a chance to win the bid

TR Got his hands tied

SA He hasn't got a chance. We go on strike, then I gotta say if you're not a strong enough to make a to really make a strike go. I held the strike you (inaudible) few days. Everybody's ready to go to work. The union people were ready to go to work. You don't even have enough of people to man the dumps. You had, you didn't even have pickets in front

PAGE 2

CONVERSATION # 8

of the dumps that we had. Okay? Uhh you ehhh a

I'm gonna tell em you

TR Got no labor board

SA You're, you're completely ineffective. You're completely  
ineffective. We can work, we can work with a strike. We  
can work with a strike. Now we don't wanna do that.  
We wanna do this thing in a, in a friendly manner. But we  
can't give away the store. Now we wanna give the people,

CONVERSATION #: 9

DATE : JUNE 28, 1983

TAPE NUMBER : S1009

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

(TR) THOMAS RONGA  
\* OWNER OF DETAIL CARPING COMPANY  
\* ASSOCIATE OF SALVATORE AVELLINO

(EF) EMEGIO "MIMI" FAZZINI  
\* OWNER OF JAMAICA ASH AND RUBBISH REMOVAL  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION # 9

SA This is what I'm looking for you see, ahh let's designated somebody, I don't want 813 you notice how I through in 813A

EF He didn't answer.

SA Now we are, let us, let me be able to pick somebody for that office, do you follow what I'm bringing out?

TR Ya

SA We want to put a delegate, you got me?

EF Ya

SA You see. Like we want he puts a president on there, see

TR Ya

SA Then it's our fuckin' union. Not that it's Jimmy Brown Union, not that it's Paul Castellano's Union. It's, it's it's theirs and ours, in other words, you understand?

TR We got the "A"

SA They're claiming 813

TR They're claiming "813 A", "B"

SA Right, they're claiming

TR One guy got this one, one guy the other

SA Now you got it, you're claiming 813

TR You want "C", you want "C"

SA 813 is yours, "A" is ours and yours together. But not that we now it's the dog wagging the tail 'cause if we gonna go work and we're gonna go work and we're gonna put these ah, ah, 200, 300, people in it. Now let's take somebody, let's take a son, a son-in-law, somebody put them into the office they got a job let's take somebody's daughter, whatever, she the secretary, let's staff it with

TR Our people

SA With our people, and when we say go break this guy's balls

TR They go

PAGE 2  
CONVERSATION # 9

SA They're there 7 o'clock in the morning to break the guy's balls

EF You got two things in our favor now, first of all, he admits he cannot get nobody

SA Oh ya

EF Alright so he admits

TR Close this window please

EF Now once he can't nobody and then, and do that there, and second of all by being 813 under Jimmy Brown

TR Ahhhh who wants that?

EF Well that's who it will be. It'll be under his control.

TR Ya

EF But, the other way

TR (inaudible) with an "A"

EF With an "A" or whatever and there we won't be under Bernie all the way and meantime it will be

SA You follow me

EF Ya I

SA Let Bernie have all the five (5) boroughs, Nassau/Suffolk is "A"

TR What them two rebels wanted to do

SA Right

TR Could do it now

SA Right.

TR Could put it in the package

SA Right and I can get, and believe me, I know I didn't want to say nothing I can get the permission from Joe Tarantolla (phonetic)

TR I know it, I know it

SA Joe Taratolla will say don't worry about it you know what I mean

PAGE 3  
CONVERSATION # 9

EF Start talking Sal.

SA Huh?

EF Start talking (inaudible)

SA Well you see the thing is it's gotta be if he's interested you heard what he said of course this all goes if I'm interested in what you're looking for, remember he kept saying what you're looking for, what you're, I'm not looking for this from a 75 dollar to a 60 dollar contract that's not that's immaterial what I'm looking for because if what I'm looking for if we got it, it doesn't matter if we paid the hundred out if we were strong enough and more powerful enough that the customers look if you knew that the Town of Oyster Bay, Hempstead, ah, North Hempstead, isn't going to go out and take the fuckin' customers you don't, you, you give them a five dollar raise, you would more courage, maybe five might be eight.

EF That's right

SA So you would make back (inaudible) that payroll you don't care about that, because the truth of it is these men they need that, they need the work, I mean the salary, they need that there

EF (inaudible)

SA They really need that, do you follow me?

TR (speaks Italian) I understood you very well. Now

SA But, we gotta have to have the strength we gotta have, we have to have the strength, that when a fucker, Bob Morga comes along and bids 71 County fuckin' buildings that tomorrow he's got four (4) gold teeth in front of him sayin' okay now that you've took all these buildings where's all the men?

EF You've got to control the men that's the power.

SA That's the power

EF You gotta control the workers (inaudible) right now you control the employers

SA Right, right now we as the Association we control the bosses right. Now when we control the men we control the bosses even better, now because they're even more fuckin' afraid right

PAGE 4

CONVERSATION # 9

Sal please don't let my new walk backwards let them walk ahead

A Do you understand me, now when you got a guy that's steps out of line and this and that now you got the whip. You got the fuckin' whip. This is what he tells me all the time "a strong union makes money for everybody including the wise guys". This wise guys even make more money with a strong union

F True

A Because, because the envelopes could be bigger and better

CONVERSATION #: 10

DATE : JUNE 9, 1983

TAPE NUMBER : S923

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR OF ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.

(TR) THOMAS RONGA  
\* OWNER OF DETAIL CARTING COMPANY  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION #10

Yea, well you know, he and I told him that. Now the other guy he bet it's double already and he more than double, he more than double, more than double from the beginning, more than double. He, now, ah, you want to know the fuckin thing, Tom. Never says a word like doesn't even say.

Thank you

Yea, forget thank you, thank you, I don't expect, I'm not expecting but he doesn't even say Jesus, you know, this is really getting then, you know, like I mean it went from.

Yea.

Two thousand, five thousand, ten thousand, twenty thousand, thirty thousand, fifty thousand, now when you give him these (inaudible) I can't even fuckin carry them, they, they, they (inaudible) hey you know, cause you gotta most of the time, it's in a Restaurant when you gotta (inaudible) like, you know, it doesn't say, how much, it's all sealed up, and the accounting is inside all the notes are inside, you know. But you would like say Jesus, is there a mistake, like the next time.

R Yea.

A Like would they say is there a mistake over here?

R Take five dollars out and see if the find it Sal.

A But, ah, so they all, everybody's 'doing good, knock on wood, everybody doing good.

R Can't complain...Yea.

A Lets hope that we can keep it going for the next fifteen to twenty years.

CONVERSATION #: 11

DATE : JUNE 28, 1983

TAPE NUMBER : S1009

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR OF ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARLING CO.

(TR) THOMAS RONGA  
\* OWNER OF DETAIL CARPING COMPANY  
\* ASSOCIATE SALVATORE AVELLINO

(EF) EMEDIO "MIAMI" FAZZINI  
\* OWNER OF JAMAICA ASH AND RUBBISH REMOVAL  
\* ASSOCIATE OF SALVATORE AVELLINO

CONVERSATION # 11

I'm sorry to say I don't think Bernie the push (inaudible) to do all this

No, no. He wants the easy way out. He wants to do the easy way. The easy way is let Sal Avellino and Company do it from the top. Do it from the top

He kept winking at me

By doing it from the top down means that you got to pay a price for doing it from the top down. And the price that I want them to pay now they might, they might tell me tomorrow that he will never do it but it's worth a chance. Say I'm going to set up a meeting where with you, I mean, where you bring maybe to the, ah, hall there because that looks like a better place, a safe place, maybe I'll bring whoever else has to come. What do we want to do, this is what we want to do. Get the international, get the, the teamsters put "A" on 110 or local 813A. (inaudible) Our fuckin people you know when I say our people, our people that we tell what do do, but, but the package is divided fifty-fifty. In other words whatever is to be, every dollar that is made is fifty-fifty. But the only people that count, you see, offers what to do, is us. 'Cause we, do you understand me? And then let's go to town and then because eventually Tommy what do think is gonna be. It's gonna fifty-sixty of us. If there's gonna be ten of us, four of us picken up all the fuckin garbage. I want to tell you whose gonna pick-up up. We're gonna knock everyone out, we're gonna knock everybody out, absorb everybody, eat them

PAGE 2

CONVERSATION #11

SA (continued) up, or whoever we, whoever stays in there is  
only who we allowing to stay in there

EF You got big plans

SA Well isn't that the truth

CONVERSATION # : 12

DATE : MARCH 30, 1983

TAPE NUMBER : S680

PARTICIPANTS : (SA) SALVATORE AVELLINO  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO ANTHONY CORALLO  
\* OWNER SALEM SANITARY CARTING CO.  
  
(RD) RICHARD DeLUCA  
\* MADE MEMBER LUCCHESI CRIME FAMILY  
\* CHAUFFEUR TO SALVATORE SANTORO

CONVEPSATION #12

SA I said, explain to me this Rico charge in detail, not only what I've been reading, explain to me in detail, how, why.

RD And what borderlines they've gotten away with.

SA Right, right, do you follow me?

RD Never mind the essence of the law.

SA Yeah right, in other words.

RD What, what how can they manipulate it.

SA What could they do, what could, okay, it boils down to that the law specifically (interference) that they cannot injure a third party he says, that I can tell you, third party oh, you know that, you know about.

RD You told me.

SA Third party is . . .

RD The point I'm thinking about, is that really true?

SA Well, he says that's been, in other words in this case out there where they were goin after they guy for, he says, he he got, he he saved the guy's wife for five million dollars, okay, you know where they couldn't get, even put their hands on the 5 million because the guy took it from the business, okay, and took it from the business. Took it and gave it to his wife, okay? And the law as much as the government tried to go at it, say it was a direct thing, the courts upheld that it was a third party and the third party cannot be.

RD You gotta make yourself bullet proof.

SA Right See, and I'm tryin to do that.

RD You gotta make yourself bulletproof.

PAGE 2  
CONVERSATION #12

SA then I can put my house in order a little better, then I can make my daughters and my son.

RD That's the whole thing.

SA Huh?

RD That the whole thing.

SA Right, I can make them the major, major shareholders and almost get myself as a more as a consultant to the company then anything else, like resign, see as long, he explained to me, as long as you do the things before indictments or any kind of, he said, " why are you so interested in this [(SI) he questioned me".] I says well, I got whispers that something might be coming down and I just wanna be prepared and I want to where ya going just in case something happens. So he looked at me, I says, ya know, it's just rumors, Sam, I don't know if its true or not. But I says, ahh, it's just a rumor and I, I wanna be prepared for whatever is gonna come. I wanna know how do I stand, what do I do, where do I go. So he sat with me for about an hour and we went through everything, okay? But in my mind I'm saying to myself (conversation lost) . . . they got a whole list of things so I'm (inaudible) myself so I'm talking to him about garbage, so he's saying to me, well anti-trust doesn't come under RICO (inaudible)

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF SUFFOLK

-----X  
THE PEOPLE OF THE STATE OF NEW YORK

-against-

ANTONIO ("TONY DUCKS") CORALLO;  
SALVATORE ("TOM") SANTORO; SALVATORE  
AVELLINO, JR.; SALEM SANITARY CARTING  
CORP.; THOMAS RONGA; DETAIL CARTING  
COMPANY; EMEDIO ("MIMI") FAZZINI; \*  
JAMAICA ASH AND RUBBISH REMOVAL  
COMPANY, INC.

Indictment No. 1472-84

Defendants.  
-----X

COUNT ONE

The SUFFOLK COUNTY SUPREME COURT GRAND JURY by this indictment, accuses the defendants of the crime of CONSPIRACY IN THE FIFTH DEGREE in violation of Section 105.05 of the Penal Law, committed in the County of Suffolk as follows:

From in or about 1979, through in or about the end of 1983, the defendants, with intent that conduct constituting the crimes of Coercion in the First and Second Degree and bribing a Labor Official be performed, agreed among themselves, with James J. Corrigan, Jr., and with others to engage in and cause the performance of such conduct. They did so in that they agreed with each other and with others: (1) to compel and induce the principals of certain carting companies in Suffolk County to engage in conduct, to wit, entering in and adhering to an illegal contract, agreement, arrangement, combination and conspiracy in restraint of competition, which those carters had

a legal right to abstain from engaging in; (2) to compel and induce these carters to abstain from engaging in conduct, to wit, competitive bidding for and solicitation of carting contracts, in which those carters had a legal right to engage; and (3) with intent to influence labor officials in respect to certain of their acts, decisions and duties as such labor officials, to confer, offer and agree to confer benefits upon them. The defendants agreed to compel and induce those carters to engage in and refrain from engaging in such conduct by means of instilling in those carters a fear that, if the demands were not complied with, the defendants and others would: cause physical injury to the carters or to other persons; cause damage to the property of the carters or others; engage in other conduct constituting crimes, including Bribery of a Labor Official and violation of General Business Law Sections 340 and 341; cause collective labor group action injurious to the businesses of the carters; and perform other acts which would not in themselves materially benefit the defendants but which were calculated to harm the carters materially with respect to their health, safety, business, calling, career, and financial condition. The defendants agreed to bribe the labor officials for the purpose of using those officials in coercing the carters as described above.

Throughout the period of the conspiracy, the Lucchese Organized Crime Family was one of the five organized crime families operating in the New York City metropolitan area.

As such the Family occupied a seat on the "Commission", an entity on which all five families were represented by their bosses. The Commission was established for, and served the purpose of, settling disputes arising from the competing interests of the families and their members. During the period of the conspiracy, one of the other families represented on the Commission, the Gambino Family, was headed by Paul Castellano.

Throughout this period, the defendant Antonio ("Tony Ducks") Corallo was the Boss of the Lucchese Family, and as such had the power and responsibility to direct the Family's criminal activities. As Boss, he received reports on those criminal activities and shared in the illicit profits from them.

Throughout this period, the defendant Salvatore ("Tom") Santoro, was the Underboss of the Lucchese Family. As such, he assumed the authority and power of the Boss, including representing the Family at Commission meetings, in the Boss's absence or disability.

Throughout this period, the defendant Salvatore Avellino, Jr., was a principal and high managerial agent of the defendant Salem Sanitary Carting Corp., located in Bohemia, New York. Throughout this period, Avellino was also a soldier in the Lucchese Family. As such, in his own words, Avellino owed his life to the Boss of the Family and operated the carting company

at the defendant Corallo's pleasure. Throughout this period, the defendant Avellino also acted as the defendant Corallo's driver, chauffeuring him to meetings and discussing with him Family business, including the carting industry, as they travelled.

Throughout this period, the defendant Thomas Ronga, a principal and high managerial agent of the defendant Detail Carting Company, Inc., of Ronkonkoma, New York, and the defendant Emedio ("Mimi") Fazzini, a principal and high managerial agent of the defendant Jamaica Ash and Rubbish Removal Company, Inc., of Westbury, New York, were associates of Salvatore Avellino, Jr. Along with him, they were also members of the Board of Directors of the Private Sanitation Industry Association of Nassau/Suffolk, Inc. (hereinafter "PSI"), an association that promoted the interests of the commercial and residential carters in Nassau and Suffolk Counties who were its members.

Throughout this period the defendant Avellino controlled the legal and illegal activities of PSI on behalf of the Lucchese Family, and directed the legal and illegal activities of James J. Corrigan, Jr., PSI's Executive Director.

It was the purpose of the conspiracy to control PSI and the garbage industry in Suffolk and Nassau Counties on behalf and for the financial benefit of the Lucchese Family and its Boss, the defendant Corallo.

It was the method of the conspiracy to maintain that control and to extract that financial benefit for the Family

through a pattern of criminal activity that included the maintenance of an illegal contract, agreement, arrangement, combination and conspiracy in restraint of competition in the industry by the coercion of "rebel" carters who failed to adhere to the agreement or threatened to do so; and the bribery of labor officials who would in turn be used to coerce the rebel carters.

Throughout the period of the conspiracy, the defendants Avellino, Ronga and Fazzini, and others, including James J. Corrigan, Jr. and other PSI members, engaged in conduct constituting that illegal contract, agreement, arrangement, combination and conspiracy in restraint of competition.

It was a part of the conspiracy to maintain and enforce this illegal agreement by instilling in "rebel" carters, that is, carters who had failed to adhere to the agreement or threatened to do so, a fear that they would be punished if they violated, or continued to violate, the "property rights" it created and maintained.

It was a part of the conspiracy that the fear the defendants would instill in these "rebel" carters would include:

- 1) fear that the defendants or others would cause physical injury, including serious physical injury or death, to those rebel carters, their employees, and their customers;
- 2) fear that the defendants or others would cause damage to property, including the rebel carters' places of

business, their containers, trucks and other equipment, or the property of their customers' businesses or places of business;

3) fear that the defendants or others would injure the property of the rebel carters in that they would injure their business by soliciting the customers of the rebel carters and offering them prices designed to punish the carter by "stealing" customers and/or forcing his prices to a level below profitability,)

4) fear that the defendants would cause injury to the rebel carters' property in that they would cause injury to their businesses by causing representatives of Teamsters Union Local 813 to give "union problems" to the rebel carters, or would cause representatives of other unions to give "union problems" to the rebel carters' customers.

It was also part of the conspiracy that PSI would be used as a tool of the coercion, and that carters, public officials, union representatives, customers and others would understand that those carters who were not members of the association, or did not adhere to the illegal agreement in restraint of competition, could and should be subject to these coercive tactics and would and should not be protected by PSI and its member carters.

It was also part of the conspiracy that the defendants Avellino and Ronga, along with Nicholas Ferrante, a principal of Unique Sanitation, Inc. and other carting companies, would make

quarterly collections of money from approximately two dozen of the PSI carters. The cash would then be split, fifty-fifty, between the defendant Corallo and Paul Castellano, the Boss of the Gambino Organized Crime Family, which controlled Teamsters Local 813, the union representing employees of carters in the metropolitan area. It was the plan of this part of the conspiracy to increase continuously the amount of money taken from the carting industry in Suffolk County and paid to Corallo and Castellano, with those amounts growing from approximately \$2,000 each per quarter to more than \$50,000 each per quarter, until Avellino "couldn't even...carry" the envelopes containing the money and accounting records.

It was also part of the conspiracy that when disputes arose between carters under the protection of the Lucchese Family and those under the protection of the Gambino Family, including disputes over the allocation of customers and territories between such carters, that prior to resolution at the Commission level, the disputes would be referred for settlement to the defendant Salvatore Avellino, on behalf of the Lucchese Family and James ("Jimmy Brown") Failla, on behalf of the Gambino Family.

It was also part of the conspiracy that Avellino and others would bribe Michael Fleischer, an organizer for Local 813 of the Teamsters Union, the union that represents employees of carting companies in the metropolitan area, to cause "union

problems" for rebel carters who violated the property rights of PSI members.

It was also part of the conspiracy to seek more direct control over the head of Local 813, Bernard Adelstein, Fleischer and the other union representatives operating on Long Island, by severing Nassau and Suffolk Counties from the jurisdiction of Local 813, and creating a new local, 813A, that the Lucchese Family could control and use as a "whip" against carters who "step out of line."

#### OVERT ACTS

1. On or about August 31, 1982 the defendant Salvatore Avellino, Jr. presided at a meeting with John Haynes, Nicholas Ferrante, Vincent Montesano, Charles Cannizzaro, and other carters at Orlando's Restaurant in Huntington, New York.

2. On or about October 5, 1982, the defendant Salvatore Avellino, Jr., received a complaint from John Haynes that Haynes had lost customers to another carter.

3. On or about January 12, 1983, the defendant Salvatore Avellino, Jr., told Local 813 official Michael Fleischer that he wanted to sit down and talk to Fleischer because Avellino had a lot of work for him.

4. On or about March 22, 1983, James J. Corrigan, Jr. told Arthur Romersa, an official of the Department of Environmental Control of the Town of Huntington, that a particular carting

company with a "problem" was not a PSI member and that Romersa should, therefore, "give it to them."

5. On or about March 28, 1983, the defendants Salvatore Avellino Jr, and Salvatore Santoro, met with Paul Castellano in New York, New York.

6. On or about March 28, 1983, in New York, New York, the defendant Salvatore Santoro gave Paul Castellano a "bundle" containing "association money."

7. On or about March 30, 1983, James J. Corrigan, Jr. asked Arthur Romersa, an official of the Department of Environmental Control of the Town of Huntington, to conduct an inspection at the Town landfill in order to harass a rebel carter.

8. On or about June 21, 1983, the defendants Salvatore Avellino, Jr. and Salvatore Santoro met with Paul Castellano, James Failla and Thomas Bilotti at a restaurant on Madison Avenue in New York, New York.

9. On or about June 23, 1983, after the defendant Salvatore Avellino, Jr. reported to the defendant Antonio Corallo that Avellino had a meeting coming up with Bernard Adelstein, an official of Teamsters Local 813, the defendant Corallo instructed Avellino to tell Adelstein about "the guy who's robbing all the accounts."

10. On or about June 23, 1983, after the defendant Salvatore Avellino, Jr. reported to the defendant Antonio

Corallo that a particular rebel carter had just won a competitive bid on a contract which the carter had not previously serviced, Corallo instructed Avellino not to take action against the rebel carter during the pendency of an ongoing investigation into the carting industry, stating, "Once it's over, you get him. You don't make waves, throw gasoline on the fire."

11. On or about June 24, 1983 the defendant Salvatore Avellino, Jr., met with Joseph "Mooney", Petrizzo and Salvatore Giordano at the Sweet Hollow Diner in Melville, New York, to settle a dispute over a carting customer.

12. On or about June 28, 1983, the defendants Salvatore Avellino, Jr., Thomas Ronga, and Emedio Fazzini met with Bernard Adelstein, an official of Teamsters Local 813, at the Gramercy Park Hotel, New York, New York, in part to discuss the formation of a new local that would represent carting company employees in Nassau and Suffolk Counties.

#### COUNT TWO

The aforesaid Grand Jury, by this indictment, accuses the defendants of the crime of COERCION IN THE FIRST DEGREE in violation of Section 135.65(1) of the Penal Law of the State of New York committed in the County of Suffolk as follows:

From in or about December, 1981 to in or about October, 1983, the defendants compelled and induced another person to engage in conduct, to wit, adhering to an illegal contract,

agreement, arrangement, combination and conspiracy in restraint of competition, which that person had a legal right to abstain from engaging in, and to abstain from engaging in conduct, to wit, competitive bidding for and solicitation of carting contracts, in which that person had a legal right to engage, by instilling in that person a fear that if the demands were not complied with, the defendants or others would cause physical injury to that person or others and damage to property, including damage to the person's carting business, the carting company's place of business, its containers, trucks and other equipment or its customers' businesses or places of business.

COUNT THREE

The aforesaid Grand Jury, by this indictment, accuses the defendants of the crime of COERCION IN THE FIRST DEGREE in violation of Section 135.65(2)(a) of the Penal Law of the State of New York committed in the County of Suffolk as follows:

From in or about December, 1981 to in or about October, 1983, the defendants compelled and induced a person to engage in conduct constituting a felony, to wit, Combination in Restraint of Trade and Competition in violation of Sections 340 and 341 of the General Business Law of the State of New York, which that person had a legal right to abstain from engaging in, by instilling in that person a fear that if the demands were not complied with, the defendants would cause physical injury to that person or other persons, and cause damage to the property

of that person or others; engage in other conduct constituting crimes, including Bribery of a Labor Official and violation of General Business Law, Sections 340 and 341; cause collective labor group action injurious to the business of that person; and perform other acts which would not in themselves materially benefit the defendants but which were calculated to harm that person materially with respect to his health, safety, business, calling, career, and financial condition.

COUNT FOUR:

THE AFORESAID GRAND JURY, by this indictment, accuses the defendants of the crime of COMBINATION IN RESTRAINT OF TRADE AND COMPETITION IN VIOLATION OF SECTIONS 340 and 341 of the General Business Law of the State of New York, committed in the County of Suffolk as follows:

From in or about 1979 to in about the end of 1983, the defendants with each other, with James J. Corrigan, Jr., and with others, knowingly and intentionally entered into and engaged in a contract, agreement, arrangement, combination and conspiracy in unreasonable restraint of competition of the private garbage collection business in Suffolk and Nassau Counties. This business included the service of collecting, hauling and disposing of trash, rubbish, garbage and other solid wastes for all purchasers of private garbage collection services, including residential and commercial purchasers, municipalities, school districts and other public institutions, and private institutions.

Throughout the period of this illegal contract, agreement, arrangement, combination and conspiracy, James J. Corrigan, Jr. was the Executive Director of the defendant Private Sanitation Industry Association of Nassau/Suffolk, Inc., an association that legally and illegally promoted the interests of the commercial and residential carters in Nassau and Suffolk County who were its members.

Throughout this period, the defendant Salvatore Avellino, Jr., was a principal of the defendant Salem Sanitary Carting Corp.

Throughout this period, the defendant Thomas Ronga was a principal of Detail Carting Company.

Throughout this period the defendant Emedio ("Mimi") Fazzini was a principal of the defendant Jamaica Ash and Rubbish Removal Company, Inc.

Throughout this period, the defendant principals were each high managerial agents of the defendant companies, which were each corporations incorporated under the laws of New York, and engaged in the private garbage collection business in Suffolk County.

The aforesaid contract, combination, arrangement and conspiracy has consisted of a continuing agreement, understanding, reciprocal commitment, and concert of action among the defendants and other co-conspirators, the substantial terms of which have been and are:

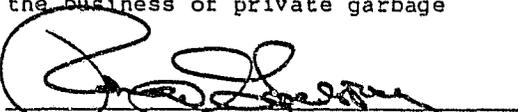
- a) To divide and allocate customers among carters in Nassau and Suffolk Counties; and
- b) to restrain, coerce, persuade and induce carters in Nassau and Suffolk Counties from soliciting or competing for customers of other carters.

For the purpose of forming and effectuating the aforesaid contract, agreement, arrangement, combination and conspiracy, the defendants and other co-conspirators did so contract, agree, arrange, combine and conspire, doing, among other things, the following:

- a) exchanged assurances that carters in Nassau and Suffolk Counties would not solicit or compete for customers of each other;
- b) cooperated in the policing and enforcing of the combination, arrangement, and conspiracy by, among other things, reporting to each other instances of competition for carters' customers, meeting with each other to restrain competition for carters' customers and establishing a system of sanctions and reprisals for carters' taking each others' customers.

The aforesaid contract, agreement, arrangement, combination and conspiracy has had the following effects, among others, in Suffolk County:

- a) the price of garbage collection has been fixed, raised, stabilized, and maintained at non-competitive levels;
- b) competition between and among defendants and co-conspirators has been restricted, suppressed and restrained; and
- c) customers have been deprived of free and open competition in the business of private garbage collection.



RONALD GOLDSTOCK  
Deputy Attorney General in Charge  
Organized Crime Task Force

True Bill: \_\_\_\_\_  
Foreman

STATEMENT SUBMITTED FOR THE RECORD

BY

GEORGE W. LEHR

EXECUTIVE DIRECTOR

OF THE

CENTRAL STATES, SOUTHEAST AND SOUTHWEST AREAS

HEALTH AND WELFARE AND PENSION FUNDS

TO THE PRESIDENT'S COMMISSION

ON ORGANIZED CRIME

CHICAGO, ILLINOIS

APRIL 24, 1985

Members of the Commission, I welcome the opportunity to come here today and relate to you the accomplishments that have been achieved in recent years at the Central States, Southeast and Southwest Areas Health and Welfare and Pension Funds.

These two Funds are the largest Taft-Hartley multiemployer union funds in the country. The Pension Fund, which has participants in 34 states and beneficiaries in all 50 states and several foreign countries, currently has some 298,500 active Teamster participants and 118,500 retirees. It collects contributions from approximately 10,600 employers and has assets of \$5.3 billion.

The Health and Welfare Fund, with assets of \$333 million, collects contributions from about 3,400 employers on behalf of some 149,500 Teamster participants and 19,500 retirees, and their families, or about one-half million people in all. Together these Funds provide approximately \$88 million each month in benefit payments.

My own background, briefly, is this: I am a Certified Public Accountant and served in county government in my home state of Missouri successively as budget director of Jackson County, which includes both Kansas City and Independence; county collector of revenue, an elective office; and presiding judge of the county court, the top administrative office, equivalent to that of mayor. In the middle of my four-year term as presiding judge, having led a successful movement to change the form of county government by establishing a charter, I became the first county executive. I then ran for and won the elective statewide office of Auditor--I

was the first CPA to ever hold that post--and later stepped down to become president of a bank in Kansas Cit I then moved to a second bank, where I was chairman and chief executive officer, before coming to the Funds in October, 1981.

I am here to tell you today that these once-troubled Funds are, in my opinion, the best-managed, best-run Funds of their kind anywhere. At the direction of the Funds' Trustees, four appointed by union appointing authorities and four by management groups, we set out three and one-half years ago to make these two Funds the models for pension and health and welfare funds in the United States. I believe we have reached that goal today.

The past of these Funds is well documented and is one with which you are all familiar. I would like to state emphatically here and now that that past is indeed past, and that the present and future of these Funds are very bright.

An important step toward our situation today was taken in 1977, when the Funds and the Department of Labor agreed that for a five-year period the assets of the Pension Fund would be managed by an outside asset manager.

While that was a significant change, it failed to resolve the conflict between the Fund and the Government because the agreement was not a court-enforceable mechanism like the Consent Decrees we were able to achieve after I came to the Funds.

As a result, no improvement was made from 1977 to late 1981 in the hostile relationship between the Funds and the Government. When I became Executive Director, the Trustees gave me the specific charge of turning that relationship around. Today, after

a great deal of effort by both sides, I can say with confidence that no Taft-Hartley fund has a better relationship with the Government.

In 1977 the assets of the Pension Fund were \$1.59 billion, with \$966 million, or 60.6%, in real estate, \$118 million in stocks, \$402 million in bonds and \$106 million in short-term investments. At that time \$260.6 million of the real estate portfolio was invested in Nevada, nearly all of that in gaming assets.

At the beginning of 1984 Morgan Stanley Inc. took over management of the Pension Fund's assets as the Named Fiduciary. By then the Fund had grown to \$4.99 billion in assets, but the asset mix was considerably different. Real estate investments were down to \$535 million, or 10.7%, and \$1.6 billion was invested in stocks, \$2.1 billion in bonds, and \$773 million in short-term investments. Nevada real estate had been reduced to \$170.2 million.

As of last February 28, after a little more than a year of Morgan Stanley management, the Fund's assets were \$5.3 billion, with 46.4% in stocks, 45.8% in bonds, \$336 million, or 6.3%, in real estate, and 1.5% in short-term investments.

Only \$34.7 million of the current real estate investments is in Nevada. Under the Fund's Investment Policy, established by Morgan Stanley in consultation with the Trustees, real estate managers under the direction of Morgan Stanley are working to dispose of those. Under that Investment Policy neither Fund will invest in gaming or resort properties.

I came to the Funds because I was convinced that the Trustees not only wanted, but also would back to the hilt, all efforts to make these Funds the soundest anywhere in the interest of the Teamster participants and beneficiaries they were created to serve.

While the Trustees gave me a broad mandate to bring about change, they were very specific that change must include:

--Resolving all disputes with the Government, including lawsuits, the chief ones being the Fitzsimmons, Robbins and Dorfman cases, and to make the Funds' relationship with their regulators cooperative and constructive.

--Preserving the concept of outside asset management in a manner enforceable in federal court.

--Severing all ties of the Health and Welfare Fund with Allen Dorfman, his associates and companies which had been processing the Fund's health and welfare claims since the Fund's inception in 1950.

--Above all, ensuring that the Funds were operated in the most professional, businesslike manner possible.

These Funds are a combination bank, accounting firm and insurance company. They are a huge enterprise serving hundreds of thousands of people, who depend on them to insure their health needs now and their retirement security later. The Funds assets do not belong to the Trustees, or the unions, or the companies that supply the contributions under collective bargaining agreements. They belong to the participants, to the beneficiaries and their families. We are simply the guardians of the trusts

into which the money to pay for these vital human services is placed. As such, under ERISA and other federal law, it is our responsibility to run them as a business--to increase the investment return, to control costs and to provide quality service.

I can assure you that the management of these Funds today looks to the bottom line.

Back in 1981, the resolution of all Government lawsuits against the Funds was the first order of business. After long and tough negotiating sessions, the efforts of the Funds and the Department of Labor culminated in the signing of landmark Consent Decrees, enforceable in U. S. District Courts, for both Funds. All Government litigation regarding the Funds or their current Trustees is now over.

All with whom we worked on the Government side were as committed as we were to resolving these issues in a manner that provided proper assurances for the future. Those institutional safeguards were put in place through the mechanism of Consent Decrees. Had such a mechanism been used in 1977 I feel very strongly that many of the problems experienced in the interim would have been avoided.

One highlight of our changed relationship with the Government occurred in late December, 1982. At the urging of the Fund, and in partnership with us, the Department of Labor obtained a U.S. District Court order placing Allen Dorfman and several of his companies into receivership. That was a most significant act for the Fund, and it rapidly accelerated the severance of Fund ties

with Mr. Dorfman which we had begun in 1981.

After the Fund and the Department of Labor put Mr. Dorfman and his companies into receivership, a court battle ensued that was still going on when Mr. Dorfman was murdered on January 20, 1983. Subsequent to that event, after negotiations among the Fund, the Department of Labor, and representatives of Amalgamated and the Dorfman family, the Fund took over the Amalgamated assets on February 1, 1983, with Court approval, and began processing claims internally.

All of the top management of Amalgamated and the related companies, and all members of Mr. Dorfman's family who worked there, were let go immediately. The Fund paid the \$10.75 million purchase price into an escrow account of the U. S. District Court, pending the outcome of the litigation. The final resolution of that litigation, just two months ago, resulted in an additional recovery by the Fund of \$6.4 million.

With the exception of the provision establishing an Independent Special Counsel, which is important to our Funds but would not necessarily be needed by all other funds, the Consent Decrees that concluded the litigation between the two Funds and the Government contain nothing more than good, sound business practices which any fund should maintain.

The Pension Fund Consent Decree was signed on September 20, 1982. The Health and Welfare Fund Consent Decree was signed on February 14, 1985, although its major provisions were agreed to in May, 1983 and the Fund followed them from that time. Both Decrees remain in effect for 15 years, under the jurisdiction of the U.S.

District Court in Chicago, although they can be dissolved after 10 years if the Funds show the Court good cause for doing so.

The main provisions of the Decrees are:

--That the assets of the Funds will be managed by a Named Fiduciary, with complete responsibility and authority for the day-to-day investments of the Fund and for the hiring of other firms to manage portions of the portfolio. That Named Fiduciary must be chosen from among the 25 largest banks, 25 largest insurance companies and 25 largest investment houses in the nation. This requirement assures that our Named Fiduciary is sufficiently large, broad-based and experienced to handle an account our size. After a long and thorough search, with the aid of George D. Gould, the respected head of Madison Resources, Inc., and of Senator William B. Saxbe, a former Attorney General of the United States who is the Funds' Independent Special Counsel, the Trustees chose Morgan Stanley Inc. as Named Fiduciary of the Pension Fund.

I would like to underscore here very strongly that under the Consent Decree the Trustees and employees of the Fund have absolutely no role in the day-to-day investment decisions about the Fund's assets. Morgan Stanley has the sole and total authority and responsibility for those decisions, and Morgan Stanley's independence is complete and inviolable.

--That the Funds will maintain a qualified internal audit staff to monitor and review all aspects of Funds operations and report monthly its findings and recommendations. Our internal auditor is a former audit partner of Price Waterhouse & Company.

He has a staff of 11, of whom nine are Certified Public Accountants.

--Creation of the position of Independent Special Counsel. The Trustees chose as Independent Special Counsel for both Funds William B. Saxbe, a former Attorney General of the United States, a former United States Senator and a former United States Ambassador to India. Under the formula spelled out in the Consent Decrees, the Court named Senator Saxbe to the post upon the recommendation of the Trustees and approval by the Department of Labor and the Court.

Senator Saxbe has both total independence from and great power over the Funds. His job is to constantly monitor the Funds' compliance with the Consent Decrees, and every meeting, every office, every record of the Funds has been and will continue to be open and available to him and his staff. He attends all Board of Trustees meetings. He reports directly to the two U.S. District judges with jurisdiction over the Consent Decrees--Judge James B. Moran and Judge Hubert L. Will--and makes quarterly written reports to them.

--Removal from the Funds' service of any fiduciary or administrator, or indeed of any employee, who has been convicted of certain kinds of crimes. Removal is mandatory immediately upon that person's conviction, rather than at the conclusion of the appeals process.

This provision preceded federal legislation to require removal upon conviction which passed Congress and became law early this year. I would like to point out that in testimony to

the United States Senate Permanent Subcommittee on Investigations in late October, 1981, shortly after I came to the Funds, I promised Senator Sam Nunn, who had introduced removal-upon-conviction legislation in the Senate earlier that year, that the Funds would support his bill. We so strongly supported this concept that we adopted the bill's provisions in our September, 1982 Pension Fund Consent Decree, two and one-half years before the bill actually became law. We were the first Fund to endorse the bill and the first to adopt its provisions--long before we were required to do so.

--That the Funds will cooperate fully with the Secretary of Labor in his exercise of his enforcement responsibilities under ERISA.

As a businessman I would strongly urge other Taft-Hartley funds to seriously consider hiring a Named Fiduciary, which guarantees that fund assets will be managed professionally. I am not suggesting that all other Taft-Hartley funds would need one of the 75 largest asset management companies in the country, but I am suggesting that professional management of fund assets is necessary, as is having an internal audit staff and professional management in every department.

It is important for our Funds, and I believe for any large fund, to have in its service the most highly professional firms. We not only have Morgan Stanley, but our auditors are Arthur Young & Company and our actuaries are Milliman and Robertson, Inc., both among the largest and most highly regarded in their fields.

In addition, an organization is only as good as its people,

and the Trustees instructed me to hire the most professional management team possible, which we now have in place. Our Finance Director, for example, was a partner in a "Big Eight" accounting firm. Our General Counsel is a highly respected former Chief Justice of the Missouri Supreme Court.

I would like to single out one individual who has been of invaluable help to the Funds in the last two years--George Gould, the chairman of Madison Resources, Inc.

Mr. Gould is one of the most eminent and respected investment experts in the nation. He was with Donaldson, Lufkin and Jenrette for many years, serving as chairman of its securities company, which is its operating company, and as vice-chairman of its holding company, before moving to Madison Resources.

He has a long and distinguished record of public service. Among many public positions he has held, he was an original board member, and ultimately chairman, of the Municipal Assistance Corporation (MAC), which was established in 1975 to help New York out of its financial crisis. The job MAC did in untangling New York City's financial problems ranks as one of the most successful business operations in this century.

Mr. Gould was the Fund's chief adviser during the important process of selecting the Named Fiduciary, and has been advising us since on our relations with the Named Fiduciary and on other financial matters.

Our management philosophy is that Funds this size need the most professional, stringent cost control centers and the best possible internal safeguards, which any business of this magnitude

properly requires.

Moreover, we place top priority on serving our participants, on answering their questions and responding promptly to their needs. These Funds belong to them.

We treat our contributing employers and our participants equally, and work hard to serve both well. Our participants are, in effect, our stockholders. We have structured the Funds as a business to ensure that our participants get proper representation in every possible service area.

The Funds are responsible for the billing and collection of employer contributions; for maintaining work history records on Teamster participants; for determining the eligibility of participants for retirement and medical benefits, and for paying those benefits in a timely manner. The Funds have more than 900 employees in our Chicago offices and they are supported by the most modern equipment in serving our hundreds of thousands of Teamster participants and beneficiaries.

We have instituted several important programs, the most notable of which is our toll-free "hotline." The hotline is manned by highly trained operator/analysts from 6 a.m. to 11 p.m. Monday through Friday and from 8:30 a.m. to 4 p.m. Saturday and Sunday.

After a testing period in late 1983, the hotline became fully operational in 1984. It answered 331,384 calls last year and in the first three months of this year is answering calls at the even more astounding rate of 2,500 a day. Clearly we are serving a widespread need. Thanks to the information on our data base, our

operators are able to answer the vast majority of questions about claims, pension status, health and welfare plan coverage and other items of keen interest to participants and beneficiaries on the spot, without needing further research. When such research is necessary, it is provided promptly in a follow-up letter to the caller.

In 1984 we also began the practice of sending participants and beneficiaries an annual report along the lines of those produced by corporations for their stockholders. I believe that Taft-Hartley funds should be required to send their participants and beneficiaries a report every year on their financial and management performance that is understandable and readable. The Form 5500 is an excellent tool for sophisticated regulators but is of little value to the participants, and the mandated Summary Annual Report is not much more helpful to them. Moreover, while the Form 5500 contains a great deal of information, I have a very distinct feeling that there is no timely review of the thousands of Form 5500s filed by Taft-Hartley funds each year. I suspect there are instances of Form 5500s being reviewed only after the statute of limitations has run on appropriate regulatory action.

On the health and welfare side, since taking over claims processing slightly more than two years ago we have instituted numerous internal controls over operations. These controls have been in large part responsible for the growing cash reserve of the Health and Welfare Fund.

We created a Policy and Procedures Committee within the Fund to establish and document strict new procedures. These procedures

include stringent rules for establishing the eligibility of claimants, which we now verify from our own data base; the review of claims by qualified outside medical consultants to the Fund (for instance, for any claim over \$30,000 we automatically hire an outside hospital auditing firm to thoroughly review both the medical procedures and the bills); the rotation of claims adjusters so they aren't always reviewing claims from the same areas; the random spot auditing of claims; the establishment of tough guidelines for determining "reasonable and customary" charges, and ensuring follow-through on coordination of benefits.

Some 25% of our participants' wages are going to our Funds in the form of benefit contributions. We believe we owe those participants the best utilization review and quality assurance possible. Our medical consultants are doctors and dentists from Northwestern University, and they do an excellent job.

One very important area of control we have implemented is a "provider screen" unit, whose job is to verify very carefully that the provider, be it doctor, dentist or hospital, is a legitimate one and to keep the provider file complete and updated. Claims adjusters who approve the claims of providers are, of course, not a part of this unit.

The result has been that, even with the tremendous rise in health care costs in the last few years, unlike some other funds we have not had to resort to co-insurance with participants or to benefit reductions.

Just a few months after we took over control of claims processing, we began to show a surplus of employer contributions

over benefits paid. For calendar year 1984 that surplus exceeded \$50 million, while we provided the best benefits and the best service of any Union health plan in the country.

We have put in place many other internal controls for both Funds. We strengthened litigation and collection procedures by establishing special task forces in the areas of bankruptcy, collection of delinquent accounts and withdrawal liability assessment.

One of our most important improvements has been the expansion of our Field Audit Division, which has the responsibility to audit employer-contributors to ensure that work history is being properly reported and contributions properly made. Field auditing of employers is an essential function for any Taft-Hartley fund and enables us to assure our participants that the money they have earned is being properly paid into the Funds.

In mid-1983 we hired a qualified CPA, who was then an audit manager with Arthur Young, to head this division. He began with five professionals on his staff. In less than two years our Field Audit Division has grown to a professional staff of 45 accountants, of whom 12 are CPAs, successfully recruited in competition with "Big Eight" firms.

To date the Field Audit Division has audited 105 employers, and is now of a size to meet its goal of doing at least 200 audits a year. I am pleased to report that we have had a substantial number of "zero-finding" audits, in which we discover that everything is being reported properly. But we have also found problems that, in the last 18 months, have resulted in the

assessment against employers of some \$10 million in claims for additional contributions owed. We have collected about \$2 million of this sum, and are in litigation over most of the rest.

Between 60% and 80% of our field audits have been selected at random through a "random number generator" computer program. In the future the number chosen at random will be closer to 80%. Every employer that comes up in the random selection process is audited. There have been and will be no exceptions.

I have already given the staff of this Commission our field audit manual, as professional a set of procedures as are used by any accounting firm.

I am aware of the Commission's interest in the subject of contributions made for "casual" employees, which first became due from employer signatories to the 1976 freight contract. Of our 105 audits, 16 have been of companies that were required under a collective bargaining contract to contribute to the Funds for casuals. Two of these reported no casual employees for the audit period and were found to have had none. The other 14 companies had reported and paid \$2,281,500 in contributions for casuals. Our audits showed they owed a collective total of \$913,656 more. We have received, or will receive shortly, all but \$32,100 of the \$913,656. To obtain the \$32,100 we are in litigation with five of the companies. We took no write-offs on any of the amounts we assessed for casuals. The 16 companies were in all parts of the country. There were two companies in Des Moines and one in nearby Carroll, Iowa; one in El Segundo, California; one in Grand Rapids, Michigan; one in St. Louis, Missouri; two in St. Paul, Minnesota;

one in Louisville, Kentucky; two in Cleveland, Ohio; one in Omaha, Nebraska; one in Springdale, Arkansas; one in Memphis, Tennessee; one in Springfield, Missouri, and one in Cherry Hill, North Carolina.

We have also computerized all of our work history on every casual worker ever reported to the Funds going back to 1976. We have each worker referenced by Social Security number, and our files on casualls are complete and updated continuously.

Our internal auditing staff has complete access to all Funds records and in the last year has completed reviews of nearly every Funds department. Their findings have been invaluable in enabling us to tighten procedures virtually everywhere.

I am very pleased to say that among the accountants in the various departments of the Funds there are now a total of more than 40 CPA's, and an additional 24 of our accountants plan to take the CPA exam in May.

One of the greatest challenges we face is to bring about reductions in soaring health costs while maintaining the highest quality care for our participants. Just last week we announced the formation of the first national Preferred Provider Organization (PPO), called TeamCare. Our Teamster participants who use it are assured of receiving the finest care, through the Voluntary Hospital Association's network of the most prestigious non-profit hospitals and physicians in the country, at rates that are very favorable to the Fund.

I believe TeamCare is also an example of Central States being on the cutting edge of positive action in the benefits field,

providing its participants and beneficiaries with the best possible benefits in an economically sound manner.

On the subject of sound economics, we have successfully reduced the Pension Fund's unfunded vested liability. It decreased from \$3.744 billion at year-end 1981 to \$2.997 billion at year-end 1984 and the amortization period decreased from 33.9 years in 1981 to 17.1 years in 1984.

So in summary, Mr. Chairman, I would say that we have achieved an excellent relationship with the Government, that we have vastly improved the Health and Welfare Fund since taking the claims processing function over from Mr. Dorfman's companies, that we have created strict safeguards to protect the assets of both Funds, and that our management performance is second to none.

We are very pleased that our positive efforts at Central States have been recognized by members of the United States House of Representatives and Senate and by a number of publications that had been critical of the Funds in the past. Earlier this month I presented to the members of the five Congressional committees which have oversight responsibilities over the Funds a detailed report on the many positive changes we have made. I provided your staff earlier with this report, as well as a copy to each member of the Commission today as part of this statement.

Since the 1950s large pools of money have been collecting in Taft-Hartley funds, money that belongs to the funds' participants. ERISA was the first substantial attempt at regulation of this money, and it was a very necessary step. Still, this regulation needs to be more comprehensive and efficient, and there needs to

be more timely enforcement.

In my judgment the Central States Funds are now structured as model funds, and I would hope that we all can learn from the Central States experience and from the example we have now created. I further believe that there should be legislation to create necessary protections for Taft-Hartley funds along the lines of our Consent Decrees, which are good examples for many of those protections. I believe new legislation should establish standards for professional management of fund assets, and also require that internal fund management be by qualified professionals. If such legislation were to pass, and I hope the idea will be considered, the experience of Central States would truly have served as a positive influence for all Taft-Hartley funds.

Thank you.

STATEMENT OF

ROBERT C. STEWART  
ATTORNEY IN CHARGE  
NEWARK STRIKE FORCE

BEFORE

THE PRESIDENT'S COMMISSION ON ORGANIZED CRIME  
CHICAGO SESSION: APRIL 24, 1985

Mr. Chairman and Members of the Commission:

You requested that I address two issues at this session: First, our experience in the Civil RICO litigation involving the Provenzano Crime Group and Local 560 of the International Brotherhood of Teamsters; and, secondly, an assessment of the Civil RICO provisions as a tool in dealing with a captive labor organization.\*

By way of background, Local 560 had gained national notoriety as far back as June of 1963, when Life Magazine ran a cover story about the murder of Walter Glockner, a prominent 560 dissident. Some twelve years later, the Local and Anthony Provenzano were again in the national limelight following the disappearance of former Teamster Union President James R. Hoffa. The publicity

\* These remarks are not intended to apply to the use of Civil RICO in the private sector.

was such that one Executive Board Member was later constrained to admit on the witness stand that the public perception of Local 560 was that of a "racket-ridden" union.

The Government noted this perception and, on March 9, 1982, filed the first Civil RICO Complaint of its kind in the 14-year history of the RICO Statute. This Complaint alleged that Local 560 was a "captive labor organization", which the Provenzano Crime Group had dominated through fear and intimidation and had exploited through fraud and corruption. There followed a 15-week trial during early 1983; and, on February 8, 1984, Federal District Judge Harold A. Ackerman granted injunctive relief -- holding, inter alia, that the Provenzano Group had been a well-disciplined conspiratorial organization in substantially continuous existence throughout the past 30 years; that it had utilized a "climate of fear and intimidation" to capture and exploit Local 560; and that the racketeering violations which had victimized both the membership of the Local and the affected portions of the trucking industry were likely to recur unless the conditions within the Local which had created that situation were alleviated. To that end, Judge Ackerman ordered the removal of the entire Executive Board and placed the Local under trusteeship. In addition, he permanently enjoined those defendants who were members of the Provenzano Crime Group from any future dealings, direct or indirect, with any labor organization or employee benefit plan.

The Government's case had four basic components; and, an understanding of these provides some insight into both the reach and the limitations of Civil RICO as a anti-racketeering tool with respect to a captive labor organization.

The first cornerstone of the Local 560 action was proof of the existence of the Provenzano Crime Group. In this regard, it is important to distinguish between the Provenzano Crime Group, which is a pure organized crime entity and a faction of the Genovese Organized Crime Family, and the Provenzano Regime, which has dominated the political life of Local 560 since 1961. To be sure, some individuals were common to both -- most notably Anthony and Nunzio Provenzano, Salvatore and Gabriel Briguglio and Stephen Andretta; but the Provenzano Crime Group had associates who had nothing whatsoever to do with Local 560 and, conversely, the Provenzano Regime had prominent adherents who were not connected with the Provenzano Crime Group. This distinction was important because the type of relief sought depended upon the entity with which a particular defendant was associated.

In structuring a theory of the case, the Government was fortunate to have the benefit of accomplice evidence provided by two former associates of the Provenzano Group. They had

defected in 1961 and 1975, respectively, and had agreed to cooperate with the Government during the mid-1970's. The first of these had been at the side of Anthony Provenzano during the early years, when he gained control over the Local. Indeed, Provenzano had commissioned this witness to participate in the 1961 ambush-slaying of Local 560 official Anthony Castellitto, whom Provenzano viewed as a rival. The witness defected shortly after the murder, fearing that Provenzano might well eliminate potential witnesses. The second source of insider information had become associated with the Provenzano Crime Group during the latter 1960's, when it was rebounding from the effects of an earlier series of prosecutions which had resulted in the imprisonment of Anthony and Nunzio Provenzano, Salvatore Briguglio and Harold "K.O." Konigsberg. Between them, the two witnesses provided a fairly comprehensive view of the purpose, membership, methodology, protocol and history of the Provenzano Crime Group between the years 1955 and 1975.

With the benefit of this knowledge, it was possible to establish through direct and circumstantial evidence that the Provenzano Crime Group was a racketeering enterprise; that it had a scope, diversity and vitality which transcended that of any single conspiratorial act; and that it was likely to remain viable notwithstanding the incarceration and death of some of its principal members. This evidence was absolutely fundamental to the theory of the case.

The second cornerstone of the Civil RICO litigation was the predicate racketeering acts, which Judge Ackerman would later characterize as a "multifaceted orgy of criminal activity". Among these predicate acts were nine which had resulted in a judgment of conviction, as follows:

1. The Dorn Trucking "labor peace" extortion scheme by Anthony Provenzano between 1952 and 1959;
2. The murder of Anthony Castellitto by Salvatore Briguglio, Harold "K.O." Konigsberg and Salvatore Sinno at the behest of Anthony Provenzano on June 6, 1961;
3. The Braun Company "labor peace" payoff demand by Salvatore Briguglio and Nunzio Provenzano in December of 1961;
4. The Middlesex County loansharking conspiracy involving Thomas Andretta and Armand Faugno during March of 1967;
5. A theft from interstate shipment of some \$100,000 worth of Skil Tools by Thomas Andretta and Frederick Salvatore Furino during January of 1968;

6. A counterfeiting conspiracy involving Salvatore Briguglio Thomas Andretta, Armand Faugno and others during 1971;
7. The Seatrain "labor-peace" payoff scheme involving Anthony Provenzano, Salvatore and Gabriel Briguglio, Stephen and Thomas Andretta and others between 1969 and 1977;
8. A conspiracy to obtain kickbacks on a loan from the Utica (N.Y.) Teamster Benefit Plan for the renovation of the Woodstock Hotel involving Anthony Provenzano and others during 1974; and
9. The so-called "City-man" labor-peace payoff scheme relating to the operations of four interstate carriers, which involved Nunzio Provenzano and others between 1971 and 1980.

In addition to these adjudicated racketeering acts, the Government alleged the following transactions as predicate acts of racketeering activity:

10. The fraudulent conversion of some \$223,785 in assets of Local 560 through "salary increases" to Anthony Provenzano between 1962 and 1976;

11. The murder of Walter Glockner allegedly by Thomas "Happy" Reynolds on May 24, 1963;\*
12. The receipt of kickbacks in connection with a loan of 51% of the assets of one Local 560 Benefit Plan to a Florida real estate developer, which had involved Anthony Provenzano, Stephen Andretta, Salvatore Briguglio and others between 1974 and 1977; and
13. An additional misappropriation of Local 560 assets in the form of a so-called "half-salary pension" to Anthony Provenzano beginning in 1979.

In all, 30 years of felonious conduct involving some dozen principal actors, all of whom were associates of the Provenzano Crime Group and six of whom held positions of trust within Local 560 on one or more occasions.

\* At trial, the evidence was not deemed sufficient to prove Reynolds' actual commission of the murder; however, the Court held that the evidence did demonstrate a public perception that the Provenzano Group had been responsible for the murder and that the Provenzano Group had used this perception to further the Hobbs Act Extortion.

As impressive as this litany of racketeering acts may appear at first blush, it was open to debate whether they would suffice to carry the day against the current leaders of the Provenzano Regime within Local 560. The Executive Board defendants could be expected to argue by way of defense, as they later did, in essence: "So what! We were not convicted of those crimes; and, the individuals who were convicted or otherwise involved in them are either in jail or since murdered -- so leave us alone". This response was not entirely devoid of substance. Of the then-current Executive Board Members, Salvatore Provenzano and Michael Sciarra had been charged with, but acquitted of, participation in the City-man Labor Peace Payoff Scheme and Trustee Thomas Reynolds had been jailed as a material witness in the 1963 Glockner Murder, but never prosecuted. Thus none of the current Executive Board Members had been convicted of a predicate racketeering act and none could be prosecuted for one at that time. Hence, only civil remedies were available.

In order to make the predicate offenses relevant to the current situation within Local 560, the Government averred that the Provenzano Group had created and maintained a "climate of intimidation" within the Local and that this had induced the members to surrender their LMRDA rights (29 USC 411) to union democracy, all of which amounted to a continuing Hobbs Act Extortion. The essential ingredients of this extortion had been (1) the murders of Anthony Castellitto

(1961) and Walter Glockner (1963) and (2) the 20-year pattern of appointing convicted felons and reputed henchmen thereof to positions of trust within the Local.

It was this theory which became the third cornerstone of the RICO Complaint. Preliminarily, Judge Ackerman held that there could be such a cause of action -- that is, the Hobbs Act does protect such intangible rights and the wrongful deprivation of such rights by violence or fear of violence, however subtle and intangible, would constitute extortion. With the issue thus joined, the defense position -- bolstered by several experts in labor law -- was that Local 560 was no different than any other local from the standpoint of union democracy. In support of this position, the defense presented a videotape of a membership meeting and evidence that the attendance record was no different than that of any other local. Moreover, the mere fact that the Provenzano Regime had been able to maintain power for almost twenty-five years was neither atypical nor indicative of any erosion of union democracy.

The Government countered with the expert testimony of Professor Clyde Summers of the University of Pennsylvania Law School, an expert in union democracy. He agreed that the

absence of contested elections since 1965 was not in and of itself probative of a racketeering problem and that the membership meetings were not different in kind from those of most other union locals. Professor Summers contended, however, that the Local 560 meetings were different in quality from those of other union locals -- even locals in which one political faction had been dominant for decades. The most striking qualitative difference was a complete absence of any publicly voiced dissent or criticism of the incumbents or their policies from 1965 onward. In reviewing some 17 years of history, Professor Summers found abundant examples of circumstances which should have caused at least some of the members of Local 560 to have raised a voice in protest, yet the written minutes were totally devoid of even the slightest murmur of dissent. Among the incidents which should have sparked controversy -- even assuming the normal degree of membership apathy and that some percentage of the membership was fiercely loyal to the Provenzanos -- were (1) the payment of \$223,785 in "salary increases" to Anthony Provenzano, beginning while he was in jail and continuing during the period that he was barred from holding union office under federal law; (2) the reappointments of Anthony and Nunzio Provenzano and Salvatore Briguglio, despite their convictions for serious labor racketeering offenses; (3) the appointment of Anthony Provenzano's daughter to his position as secretary-treasurer; and (4) the grant of a "half-salary pension"

to Anthony Provenzano following his 1978 conviction for the murder of Anthony Castellitto. Professor Summers was most persuasive in his meticulous analysis and explanation of the dynamics within a captive labor organization. In this regard, however, it is important to note that his emphasis was not upon the predicate acts of overt criminality, but rather upon the accumulated impact of lingering perceptions about those criminal acts taken in combination with the appointment and reappointment over a protracted period of time of the very individuals who had been linked in the public mind with those acts. In the final analysis, it was the persistent and protracted refusal of the Executive Board Members to counter such perceptions which became central to the RICO-Extortion theory.

Having heard all of the evidence, Judge Ackerman concluded that the incumbents had been guilty of "gross misconduct" with respect to both the appointment process and their studied indifference to the systematic misconduct of their fellow officers -- so much so that they had become aiders and abettors of the Provenzano Crime Group's RICO violations.

Several other points about this particular facet of the litigation merit additional comment: First, an incident occurred during the trial that considerably bolstered the Government's

theory with respect to the impact of lingering perceptions as a factor in the continuing climate of intimidation. During an informal meeting at a trucking company terminal, a 58 year old union member openly criticized Salvatore Provenzano. The Business Agent and Executive Board Member who represented the employees for that terminal and who weighed 108 pounds more than the vocal member struck the latter and flattened him against a wall. The member instantly recalled the similar circumstances which had preceeded the Glockner Murder 20 years earlier, and he believed that he too would be killed in retaliation for the indiscretion of voicing criticism publicly. The Government learned of the incident and the member was compelled to testify at the 560 trial. His demeanor on the witness stand, perhaps more than any other single piece of evidence, was probative of the Hobbs Act Extortion theory. He was a man in the grip of stark terror because the Court had ordered him to tell the truth publicly.

Secondly, one of the most troubling issues throughout the case related to the fact that some of the Executive Board Members were not "gangsters" in any sense of the word. They did not engage in or directly profit from the racketeering activities which flourished around them. Their sins were of omission,

not commission. Judge Ackerman's reaction to this was, however, particularly remonstrative. He cited Edmund Burke's poignant observation that "the only thing necessary for the triumph of evil is for good men to do nothing". As to one official, Judge Ackerman said that "he sold himself to the devil"; and, as to the other, that he was "decent, devout, blind and bought". Hence, the absence of direct pecuniary gain from the Provenzano Group's pattern of racketeering activity did not preclude RICO liability.

As to the fiduciary duty itself, the Labor Law contains very little in the way of specifics about what officials should do, as opposed to what they should not do. The Executive Board defendants had argued that, in making the appointments, they had adhered scrupulously to the precise letter of Labor Law. This was true insofar as the Section 504 disability provision was concerned. But, the Labor Law also says that officers "occupy positions of trust" (29 USC §501). One Federal District Court had interpreted this provision to mean that "such officers should adhere to the highest standard of responsibility and ethical conduct in administering the affairs of their labor organization". (Local 107 v. Cohen, 182 F.Supp. 608 [E.D.Pa. 1969].) From this proposition, the Government argued and Judge Ackerman held that union officials have an affirmative duty and responsibility (1) to ensure

to the extent possible that the persons whom they appoint and retain in positions of trust will adhere to the same high standards of responsibility and ethical conduct; (2) to ensure that they obtain the true facts with respect to the character of potential appointees; and (3) to evaluate to the greatest extent possible the impact which any particular appointment might reasonably be expected to have on the membership in light of existing circumstances. In essence, Judge Ackerman said that the Executive Board Members had a duty to inquire and to use common sense and that, if they refused to do either, they were liable for the reasonably foreseeable consequences -- in this case, aiding and abetting the resulting racketeering violations. Judge Ackerman's application of this fiduciary standard to labor organizations can be expected to have an impact far beyond the confines of this litigation.

The fourth and final cornerstone of the action came from the defendants themselves. It is in this respect that the Civil RICO is particularly attractive as an enforcement tool. Typically, the prosecutor does not think of getting useful evidence from an organized crime defendant. In the world of civil litigation, however, silence can be probative of deliberate concealment and can support the common sense inference that a truthful answer would be detrimental to one's position. To avoid this consequence,

e defendant must explain his conduct. Thus, when Business  
gent Andrew Reynolds refused during the deposition process to  
answer a series of questions about meetings which he had had with  
members of the Genovese Family concerning the affairs of Local  
60, the Court drew the adverse inference. This bolstered the  
proof that the Provenzano Crime Group remained a viable faction  
of the Genovese Family, notwithstanding the various imprisonments  
and deaths. And the rule that a witness must testify leaves little  
room to maneuver: For example, one of the Provenzano Group defendants,  
who had intended not to take the stand, was immunized during the  
trial and forced to testify. Confronted with the details of his  
past sins, all he could do was lie. He claimed not even to be  
able to remember the key evidence in the Seatrain Case that had  
resulted in his imprisonment. The lies were so transparent that  
they not only damaged his position, but the spill-over affected  
the other defendants and added weight to the Government's contention  
that the Provenzano Crime Group remained viable.

The situation was somewhat similar with respect to Executive  
and defendants. They could not bring themselves to admit that  
they had been negligent or culpable with respect to the

appointment process. In order to justify their actions, each testified that he discounted the convictions in the belief that they were the product of a Government vendetta against the Teamsters -- all beginning with Bobby Kennedy. This assertion simply lacked credence given the number of different prosecutors, trial judges, petit jurors and appellate court judges involved in the various cases in multiple jurisdictions over a 20-year period. Similarly, the Executive Board defendants attempted to explain away their individual and collective failure to institute preventive measures within the Local by insisting that absolutely nothing could be done to forestall or detect labor-peace payoff schemes. This assertion was transparently disingenuous because the union members always know when they are deprived of work to which they are contractually entitled and any union official worth his salt cannot help but know. As the evidence unfolded, however it was not necessary to rely exclusively upon any abstract proposition. A series of events in 1982 suggested the existence of yet another labor-peace payoff scheme involving parties who had been participants in a similar scheme six years earlier. The circumstances were such that the particular Local 560 officials should have recognized the situation for exactly what it was, yet they claimed profound ignorance and amazement.

These, then, were the principal components and several of the more important aspects of the Local 560 Civil RICO action. As to the overall utility and efficacy of the Statute, several observations may be appropriate:

First, Civil RICO is not a shortcut or a quick cure. The notion that a prosecutor can simply slap together two predicate felonies and obtain a sweeping injunction with respect to a victimized union does not find support in the Local 560 experience. The theory in that litigation was propounded and refined over a three year period. Historical research and evidence gathering were in progress throughout those years and drew heavily upon state and federal investigations and prosecutions which had spanned a 20-year period. The Complaint underwent more re-drafting than anyone cares to remember. The final version was 35 pages long and had an appendix containing 77 exhibits (312 pages). The trial lasted fifteen weeks and involved three prosecutors and three full-time litigative support agents. The submission of proposed findings of fact and conclusions of law required a month to draft and ran to 205 pages. The appellate papers are just as voluminous, and the appeal is still pending more than three years after the Complaint was first filed. In short, this Civil RICO involved a very substantial commitment of prosecutive and investigative resources. To be sure, future cases will benefit from this precedent and experience; but, it remains to be seen to what extent use of the Civil RICO can be streamlined and simplified.

Secondly, a question remains as to the type of situations for which the Civil RICO is appropriate. Local 560 was an extreme situation -- so much so that one expert witness for the defense was constrained to concede under cross-examination that its record was absolutely unprecedented in the history of the American labor movement. Judge Ackerman's decision thus vindicates the use of Civil RICO in what is perhaps the most egregious example of a captive labor organization currently extant. If the appellate courts agree, then prosecutors can begin the always delicate task of determining applicability to less egregious, though compelling instances of impacted labor racketeering.

Finally, it is important to recognize that the ultimate efficacy of the Civil RICO vis-a-vis the Local 560 problem is still an open question. To date, the Court has taken jurisdiction and has agreed to fashion an equitable remedy. The removal of the current Executive Board Members and the appointment of a trustee is only an interim measure and not an end in itself. The object of the litigation has always been to give the membership of Local 560 an opportunity to throw-off the yoke of Provenzano Group tyranny.

Whether that ultimate objective will be achieved depends upon a number of factors -- some of the most important of which are beyond the control of both the Government and the Court. In the final analysis, the attitude and courage of the rank-and-file union members will be decisive. To date, however, the Civil RICO has proven to be the best available tool for creating the conditions which will afford the members of Local 560 an opportunity to regain control over their union and to end 30 years of intimidation and exploitation by the Provenzano Crime Group.

HEARINGS ON LABOR RACKETERRING

CLOSING STATEMENT OF  
THE HONORABLE IRVING R. KAUFMAN  
CHAIRMAN, PRESIDENT'S COMMISSION ON ORGANIZED CRIME

APRIL 24, 1985

The testimony developed during these last three days of hearings has reconfirmed one of the more troubling themes running through the Commission's investigation thus far. Very simply, we have again been reminded that organized criminal cartels could not exist in their present form -- and with their present levels of influence and profitability -- but for the corporation of legitimate enterprises. In assessing the enormous problem of money laundering, we discovered that respected financial institutions had been drawn into the web of organized crime -- either by sloppy business practices or even by the lure of huge sums of money. This week, we have heard testimony indicating that otherwise upstanding corporations have allowed themselves to be used by corrupt and dangerous racketeers operating through the labor union infrastructure. Although most unions are not controlled by racketeers, it is clear from the evidence that millions of working men and women who pay union dues in the expectation that the money will be used to advance their

interests and who look to labor unions to safeguard their economic security, are not having their expectations fulfilled. We observed Jackie Presser, the leader of one of the nation's largest unions, repeatedly invoke the fifth amendment when questioned about union activities.

It may be that legitimate businesses simply do not take the time to inquire into the true identities of those with whom they do business. Or, worse, it may be in their interest not to inquire. R. Phillip Silver, President of Continental Can Co., testified: "I am positive that neither Continental Can nor any other responsible business has any interest in doing business with . . . companies which engage in illegal activities under the control of organized crime." Yet engage they did. "With the advantage of hindsight," said Mr. Silver, "Continental Can should have disengaged more promptly and completely." Listening to this week's testimony, one is hard-pressed to understand why "hindsight" is necessary in so many instances, or why business enterprises have permitted organized criminals to become silent partners.

In upcoming hearings, we will, of course, continue to delve into the organized criminal groups that the President has charged

us with investigating. Equally important, we will continue to examine the delicate relationship that exists between these underworld cartels and legitimate institutions. If our informational efforts convince some honest businessmen to eschew involvement with these pernicious groups and, in the interest of our society, cut the cord that binds them, we will have served an important purpose.

CLIMACO, CLIMACO, SEMINATORE & LEFKOWITZ CO., L.P.A.  
ATTORNEYS AND COUNSELLORS AT LAW

JOHN R. CLIMACO  
MICHAEL L. CLIMACO  
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JOHN B. WEBSTER

1500 LEADER BUILDING  
CLEVELAND, OHIO 44114  
(216) 621-8484

April 22, 1985

Honorable Irving R. Kaufman  
Chairman, President's Commission on  
Organized Crime  
Suite 700  
1425 K Street, N.W.  
Washington, D. C. 20005

Dear Judge Kaufman:

I represent Jackie Presser, General President of the International Brotherhood of Teamsters. As you are aware, Mr. Presser has been subpoenaed to appear before the President's Commission on Organized Crime (the "Commission") on Tuesday, April 23, 1985.

Please consider this letter to constitute a request, on behalf of Mr. Presser, that he be excused from appearing before the Commission on April 23, 1985 and that his appearance before the Commission be continued until a later date.

Public Law 98-368, Sec. 2(a), July 17, 1984, 98 Stat. 490, 18 USC §1961 provides in pertinent part:

A person to whom a subpoena issued under this subsection as directed may for cause shown move to enlarge ... the time of attendance and testimony....

Section 9(a) of the Commission's rules and regulations provides in pertinent part that:

The Commission shall adopt rules and procedures (1) to govern its proceedings;.... and (5) to accord the full protection of all rights secured and guaranteed by the Constitution of the United States. (Emphasis supplied.)

Honorable Irving R. Kaufman  
April 22, 1985  
Page 2

Rules 6.3(7) and 6.3(8) of the Commission's Rules of Procedure provide that:

Except in a case where the Commission finds that public interests requires otherwise, the chairman, in accordance with the procedures set forth in the Federal Advisory Committee Act and regulations thereunder, may close any portion of a meeting when he properly determines that that portion of the meeting is likely to - ... (7)(B) deprive a person of a right to a fair trial or an impartial adjudication, (C) constitute an unwarranted invasion of personal privacy....

Mr. Presser is currently under investigation by the Office of Inspector General of the Department of Labor and the Justice Department's Organized Crime Strike Force. In January, 1985, the Cleveland, Ohio, office of the Strike Force recommended an indictment of Mr. Presser. While, in my opinion, there is no basis for Mr. Presser's indictment, the recommendation of indictment by the Cleveland, Ohio, office of the Strike Force is currently under review by David Margolis and Paul Coffey, Chief and Deputy Chief of the Strike Force.

In light of the foregoing, and the fact that the Cleveland Strike Force has recommended Mr. Presser's indictment, I am sure that Your Honor, as one of the leading jurists in the United States, can readily recognize my ethical and professional responsibility to advise him that answering any questions raised by the Commission, however innocent, while a recommendation for his indictment is pending, raises serious legal questions including the waiver of his constitutional rights. Given the foregoing, I have advised Mr. Presser that, at this point in time, he must exercise his Fifth Amendment rights before the Commission. As recognized by the Honorable Gerhard A. Gesell, United States District Judge, on Friday, March 22, 1985:

He (Mr. Presser) has a natural concern that he not be jeopardized because of his pending grand jury inquiry that may interject him into difficulties he doesn't really now foresee. But he'll have to make the choice as to whether or not he is going to assert his constitutional rights and await testifying later if his situation with the Department of Justice is cleared up.

As stated previously, I am requesting that the Commission continue Mr. Presser's appearance before the Commission until such time as

Honorable Irving R. Kaufman  
April 22, 1985  
Page 3

the Justice Department has concluded its investigation. At that point in time, and with the Justice Department investigation completed, Mr. Presser would be in a better position to appear before the Commission. It would be highly unfair, considering the circumstances, to require Mr. Presser, at this time, to appear when he would have to invoke his rights under the Fifth Amendment and, thus, be forced to undergo the public criticism which would inevitably arise in the minds of the public which will not understand, as you do, these constitutional protections. Additionally, the media will exploit and sensationalize the fact that Mr. Presser, upon advice of counsel, invoked his Fifth Amendment right.

I thank you for your cooperation, and I trust that you will look favorably upon Mr. Presser's request for a continuance.

In the meantime, should you, any other members of the Commission or the staff have any questions, please do not hesitate to call.

Sincerely,



John R. Climaco

JRC:dmc

cc: Commissioners:

- Jessie A. Brewer, Jr.
- Carol Corrigan
- Justin J. Dintino
- William J. Guste, Jr.
- Judith R. Hope
- Philip R. Manuel
- Thomas F. McBride
- Eugene H. Methvin
- Edwin L. Miller, Jr.
- Manual J. Reyes
- Honorable Peter W. Rodino, Jr.
- Charles H. Rogovin
- Barbara A. Rowan
- Frances A. Sclafani
- Samuel K. Skinner
- Honorable Potter Stewart
- Honorable Strom Thurmond
- Phyllis T. Wunsche

Executive Director and Chief Counsel: James D. Harmon, Jr.  
Deputy Counsel: Stephen M. Ryan  
Strike Force Chief: David Margolis  
Strike Force Deputy Chief: Paul E. Coffey  
General President, International Brotherhood of Teamsters:  
Jackie Presser

# PRESIDENT'S COMMISSION ON ORGANIZED CRIME

Suite 700  
1426 K Street, NW  
Washington, D.C. 20005  
202-786-3500

Suite 2-122  
26 Federal Plaza  
New York, N.Y. 10278  
212-264-3400

Chairman:  
Honorable Irving R. Kaufman

Executive Director and  
Chief Counsel:  
James D. Harmon, Jr.



Commissioners:  
Jesse A. Brewer, Jr.  
Carol Corliss  
Justin J. Dintino  
William J. Guste, Jr.  
Judith R. Hops  
Phillip R. Manuel  
Thomas F. McBride  
Eugene H. Melthvin  
Edwin L. Miller, Jr.  
Manuel J. Reyes  
Honorable Peter W. Rodino, Jr.  
Charles H. Rogovin  
Barbara A. Rowan  
Frances A. Scalfani  
Samuel K. Skinner  
Honorable Potter Stewart  
Honorable Strom Thurmond  
Phyllis T. Wunsche

April 23, 1985

John Climaco, Esq.  
Climaco, Climaco, Seminatore and  
Lefkowitz, Co., L.P.A.  
1500 Leader Building  
Cleveland, Ohio 44114

Dear Mr. Climaco:

This letter will serve to memorialize the agreement now existing between your client, Jackie Presser, and the President's Commission on Organized Crime ("the Commission"). The terms of said agreement are:

1. The Commission affirms that if Mr. Presser were called to testify before the Commission in its public hearing on April 24, 1985, he would be asked questions concerning and based upon Mr. Presser's prepared statement submitted to the Commission in its deposition of him on March 26, 1985;
2. The Commission affirms that in addition to the questions described above, the last three questions posed to Mr. Presser in his appearance before the Commission in its public hearing on April 23, 1985, would be asked again in an appearance on April 24, 1985;
3. The Commission affirms that it would order Mr. Presser to answer the aforesaid questions in an appearance on April 24, 1985, because it is the Commission's position that by virtue of the prepared statement submitted in his deposition of March 26, 1985, Mr. Presser has waived any Fifth Amendment privilege against self-incrimination he might otherwise claim in response to them;

4. It is Mr. Presser's position that he has not waived any Fifth Amendment privilege he might otherwise claim by virtue of the prepared statement submitted in his deposition on March 26, 1985, and that therefore if called to testify in the Commission's public hearing on April 24, 1985, he would continue to assert his Fifth Amendment privilege notwithstanding the Commission's order to testify described in paragraph number 3 above;
5. The Commission and Mr. Presser stipulate that this agreement is entered into to spare both the Commission and Mr. Presser the exercise of putting their respective positions on the record in the Commission's public hearing on April 24, 1985;
6. The Commission agrees to excuse Mr. Presser from his scheduled appearance in its public hearing on April 24, 1985, upon his execution of this letter agreement;
7. Counsel for the Commission and for Mr. Presser agree to use their best efforts to establish an expeditious briefing schedule should the Commission choose to place the issues raised in Mr. Presser's appearance and in this agreement before a United States district court;
8. Mr. Presser acknowledges that the Commission's deposition subpoena and hearing subpoena previously served on him remain in effect, subject to any ruling entered by a court pursuant to the steps described in paragraph 7 above.

By their signatures below, the parties hereto and their respective counsels affirm that the terms set forth herein constitute the entirety of the agreement currently existing between Mr. Presser and the Commission, and that neither party has waived hereby any rights to which he or it is otherwise entitled.

Jackie Presser 4/23/85  
Jackie Presser/Date

Samuel S. Skinner 4/23/85  
For the Commission/Date

Garrett L. ... 4/23/85  
Counsel for Jackie Presser/Date

Steph M. ... 4/23/85  
Counsel for Commission/Date

# American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.  
Washington, D.C. 20006  
(202) 637-5000

## EXECUTIVE COUNCIL

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Marvin J. Boede	Patrick J. Campbell	Kenneth J. Brown	
Owen Bieber	John T. Joyce	Lynn R. Williams	

April 16, 1985

Mr. Rodney G. Smith, Deputy Executive Director  
President's Commission on Organized Crime  
1425 K Street, N.W., Suite 700  
Washington, D.C. 20005

Dear Mr. Smith:

I have no choice, in light of a scheduling conflict, but to decline your kind invitation, received this past Friday, April 12, 1985, to present the AFL-CIO's views to the President's Commission on Organized Crime. I am a member of the Board for International Broadcasting which is meeting in Munich on the dates -- April 22-24, 1985 -- you have proffered and I have a longstanding commitment to fulfill my obligation as a Board member to attend that meeting.

The AFL-CIO recognizes that the Commission has been entrusted with a major responsibility. While I cannot meet your immediate request, I would therefore be pleased to work out with you an alternative means of presenting the Federation's position on the range of law enforcement questions affecting labor and management outlined in your letter.

Sincerely,

President

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

HARD L. LESHER  
PRESIDENT

April 18, 1985

1015 H STREET, N.W.  
WASHINGTON, D. C. 20002  
202/463-5300

Mr. Rodney G. Smith  
Deputy Executive Director  
President's Commission on  
Organized Crime  
Suite 700  
1425 K Street, N.W.  
Washington, D.C. 20005

Dear Mr. Smith:

Thank you for your recent invitation to testify at the April 22-24 hearings on the issue of Labor and Management Racketeering. I appreciate your extending the opportunity to us to address this important matter.

The Chamber is interested in reducing crime of all types, and we are pleased to learn that hearings are underway to study this growing problem. It is very important that business management and labor squarely face this critical issue, develop policies and set standards of conduct which will lead to a reduction in crime. Most importantly, businessmen and their organizations should continue to help federal, state and local government enforcement agencies in dealing with problems of crime and civil disorder.

Unfortunately, I will not be able to testify at the upcoming hearings due to previously scheduled commitments. However, the Chamber certainly will monitor the Commission's important efforts to research, collect and evaluate crime data. If we can assist in some other aspect of the Commission's task, please do not hesitate to contact us.

Sincerely,



Richard L. Leshner

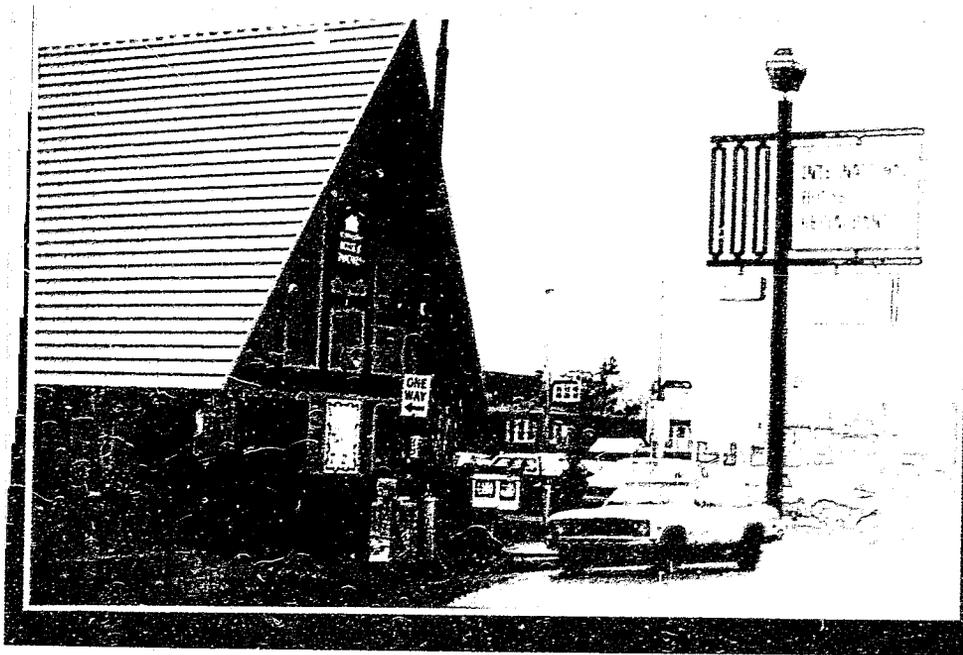


Commission Executive Director James D. Harmon Jr. briefs the press on the hearing.

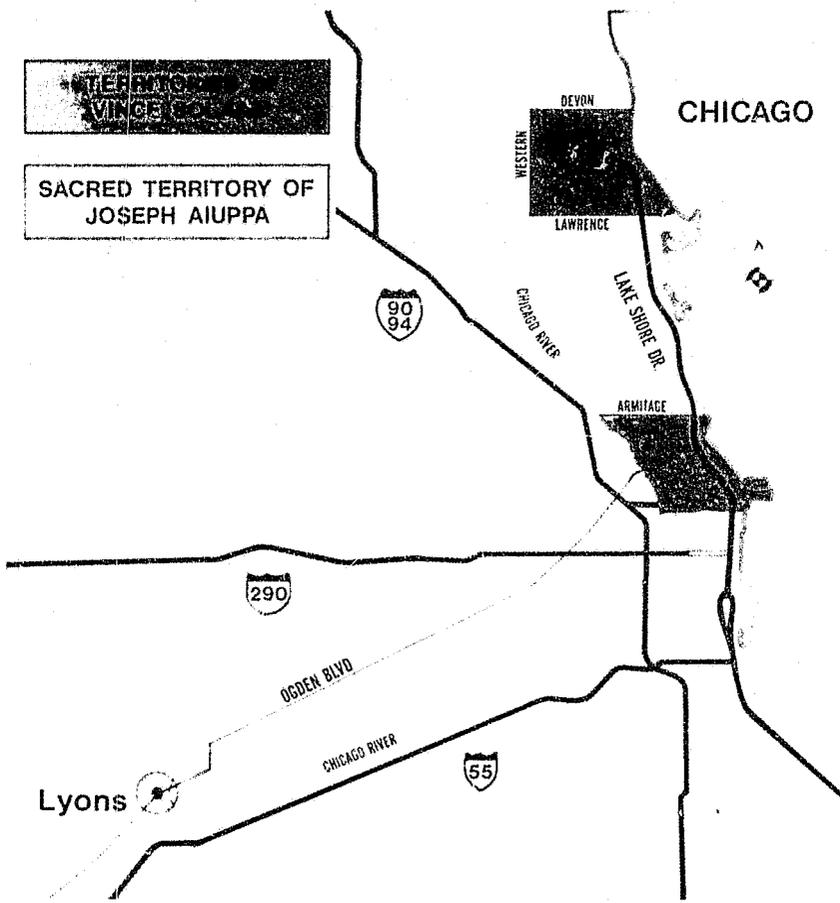


Former Chicago organized crime associate Ken Eto, now a protected federal witness, describes being shot three times in the back of the head by Chicago mobsters.

I-HOP BELMONT & CENTRAL AVE.



The International House of Pancakes at Belmont and Central in Chicago where Vincent Solano, a leader of the Chicago "Outfit," held meetings with associate Ken Eto.



Map shows areas where Vincent Solano and Joseph Aiuppa control illegal activity.



A photo of a dinner party involving alleged organized crime members. Witness Ken Eto identified the individuals in the photograph as (front row, left to right) Tony Accardo, Joe Amato, Caesar Di Varco, Turk Torello, and (back row, left to right) Joey Auippa, Dominic Dibella, Vincent Solano, Al Pilotto, Jackie Cerone and Joe Lombardo, past and present leaders of the Chicago "Outfit."

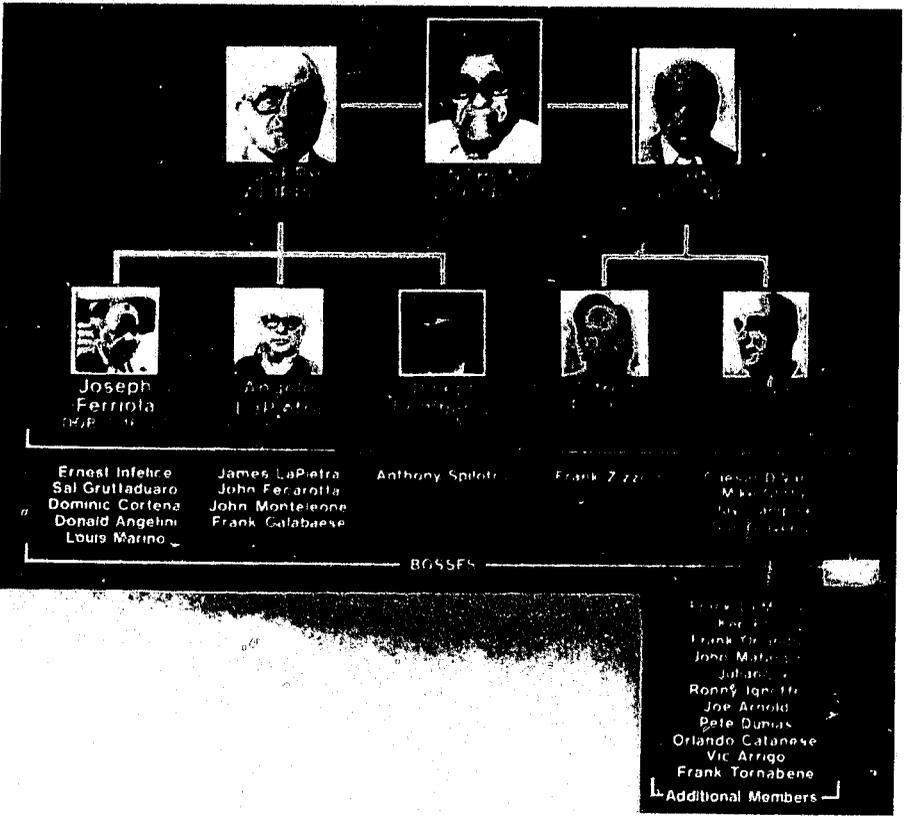
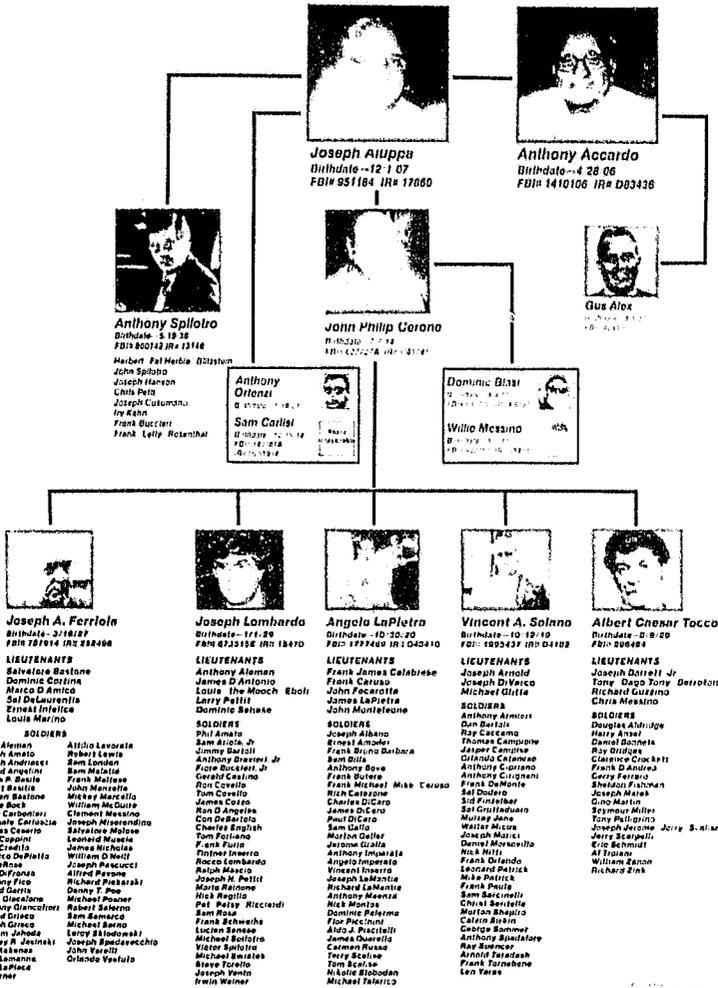
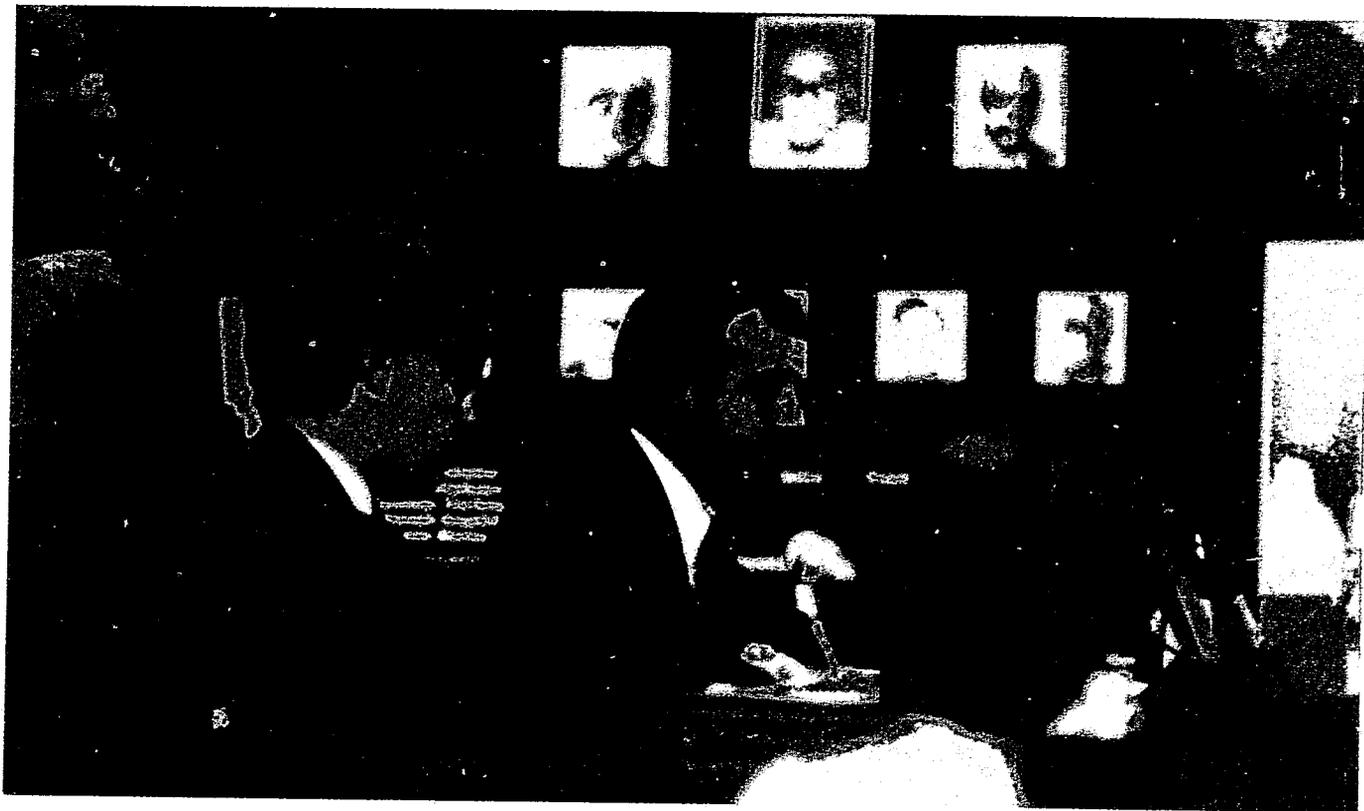


Chart depicts the organization of the Chicago "Outfit" according to witness and former organized crime associate Ken Eto.



Organization chart of the Chicago "Outfit" as depicted by the State of Illinois and the Chicago Crime Commission.



Executive Director James Harmon and Deputy Counsel Stephen Ryan question a witness.



**Vincent Solano, President of Laborers Local 1, flanked by his attorneys Patrick Tuite and Cynthia Giacchetti, invokes the fifth amendment in response to Commission questions.**



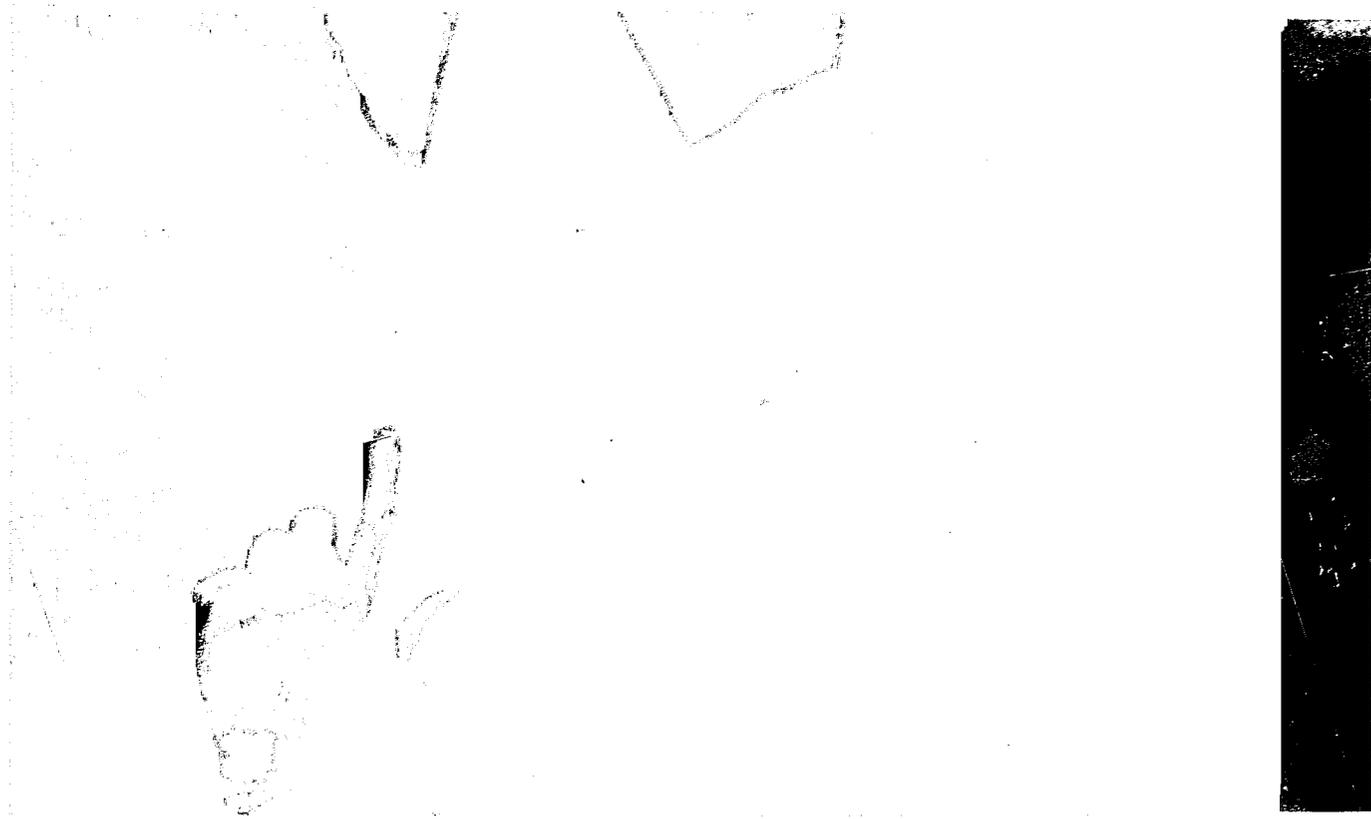
The headquarters of Laborers Local 1, where Vincent Solano runs his criminal organization.



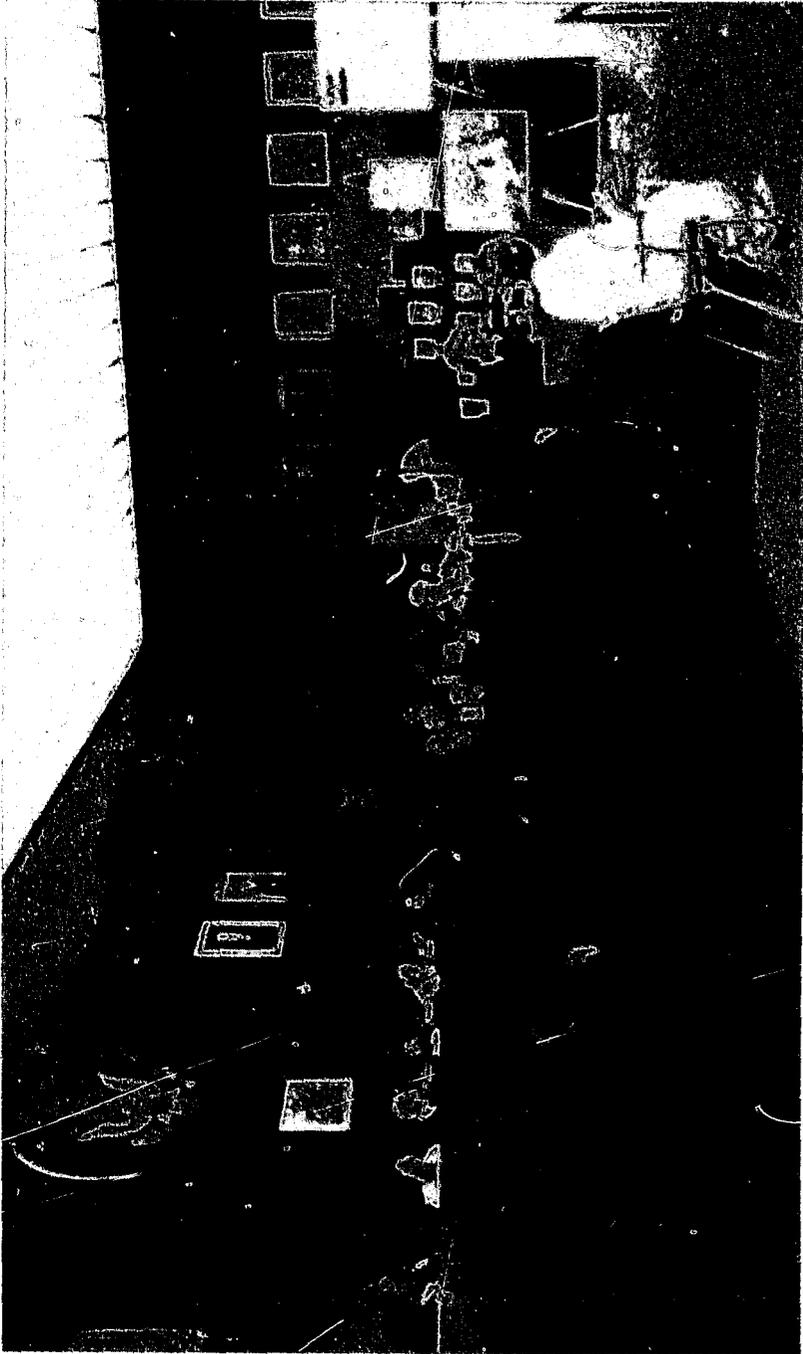
**Frank De Monte (center), an officer of Laborers Local 1 and an associate of Vincent Solano, declines to answer Commission questions about his labor activities. His attorneys, Patrick Tuite and Cynthia Giacchetti, look on.**



Salvatore Gruttadauro, Vice President of Laborers Local 1, with his attorney.



Hooded to protect his appearance, informant Bravo testifies on labor kickbacks. To protect his identity, another person amplifies his response.



Commissioners listen to a witness's testimony.



**Robert E. Powell, retired First Vice President of the Laborers Union, testifies on the intimidation and death threats directed at him.**



**Angelo Fosco (foreground), General President of the Laborers Union, accompanied by his attorney Jack Carriglio, invoked the fifth amendment in response to Commission questions beyond his identity.**



Acting Commission Chairman Samuel K. Skinner (left) and Deputy Counsel Stephen Ryan confer.

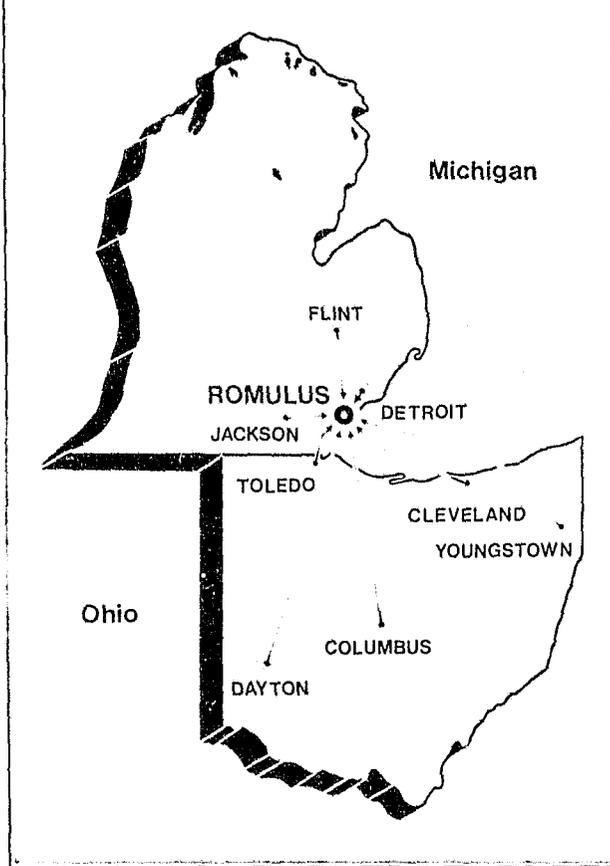


Robert Cantazaro (left) was incarcerated for failing to respond to questions about a dental plan of Laborers Local 8 and the Central States Joint Board after he was immunized.



**Commission investigator Brian Hitt (left) and Officer Van Poelvoorde of the Romulus, Michigan Police Department describe a Teamster raid to break up a meeting of the Teamsters for a Democratic Union.**

**BLAST RAID**  
OF  
TDU NATIONAL CONVENTION  
OCTOBER 1983



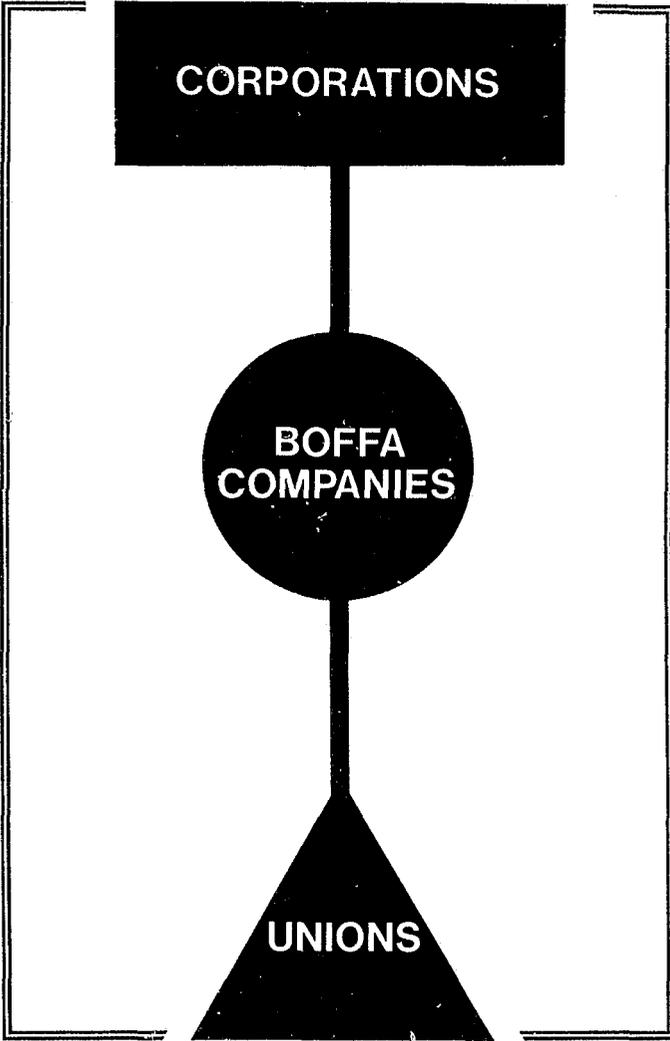
The raid against a meeting of the Teamsters for a Democratic Union in Romulus, Michigan drew Teamsters from cities in Ohio and Michigan.



Ohio Teamster official Wendell Quillen declines to respond to questions about his participation in the raid on the Teamsters for a Democratic Union.



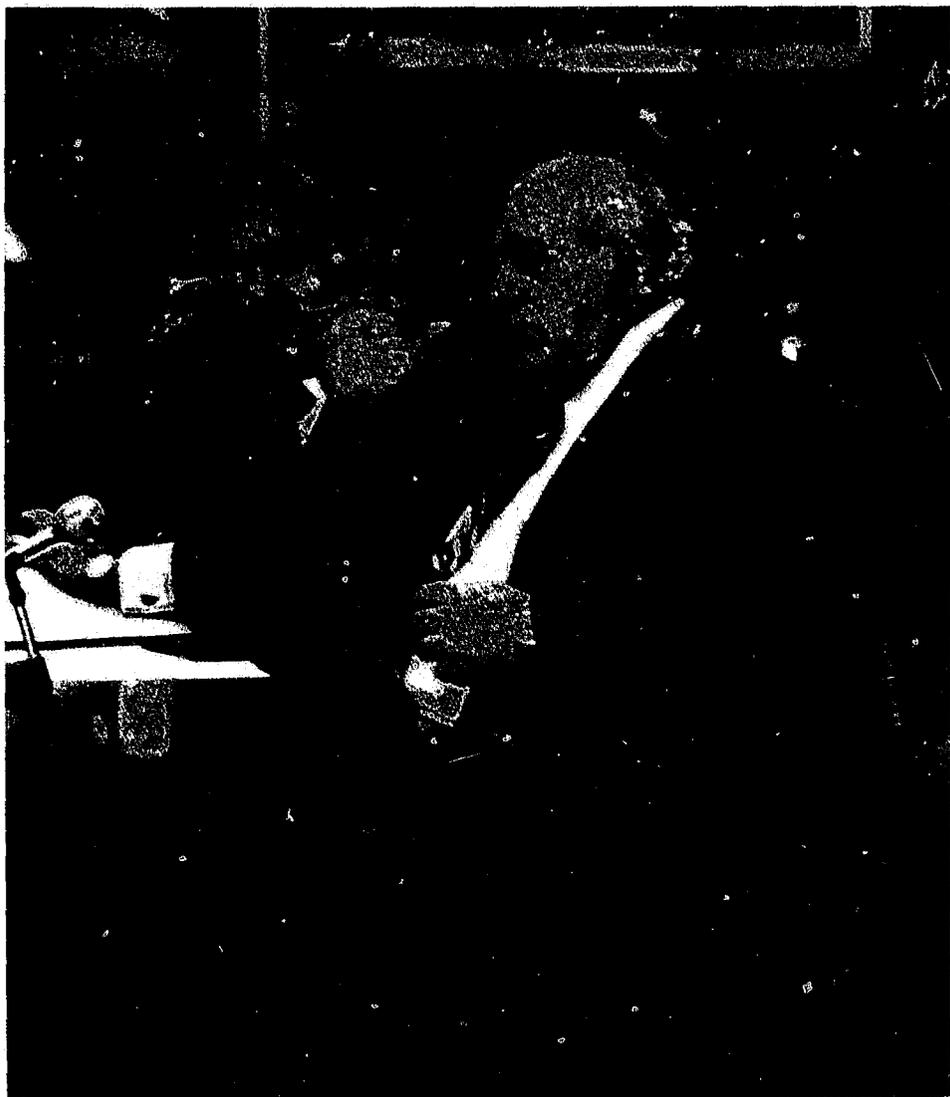
Convicted racketeer Robert G. Boffa Jr. consults with his attorney Axel Kleiboemer before invoking the fifth amendment in response to Commission questions.



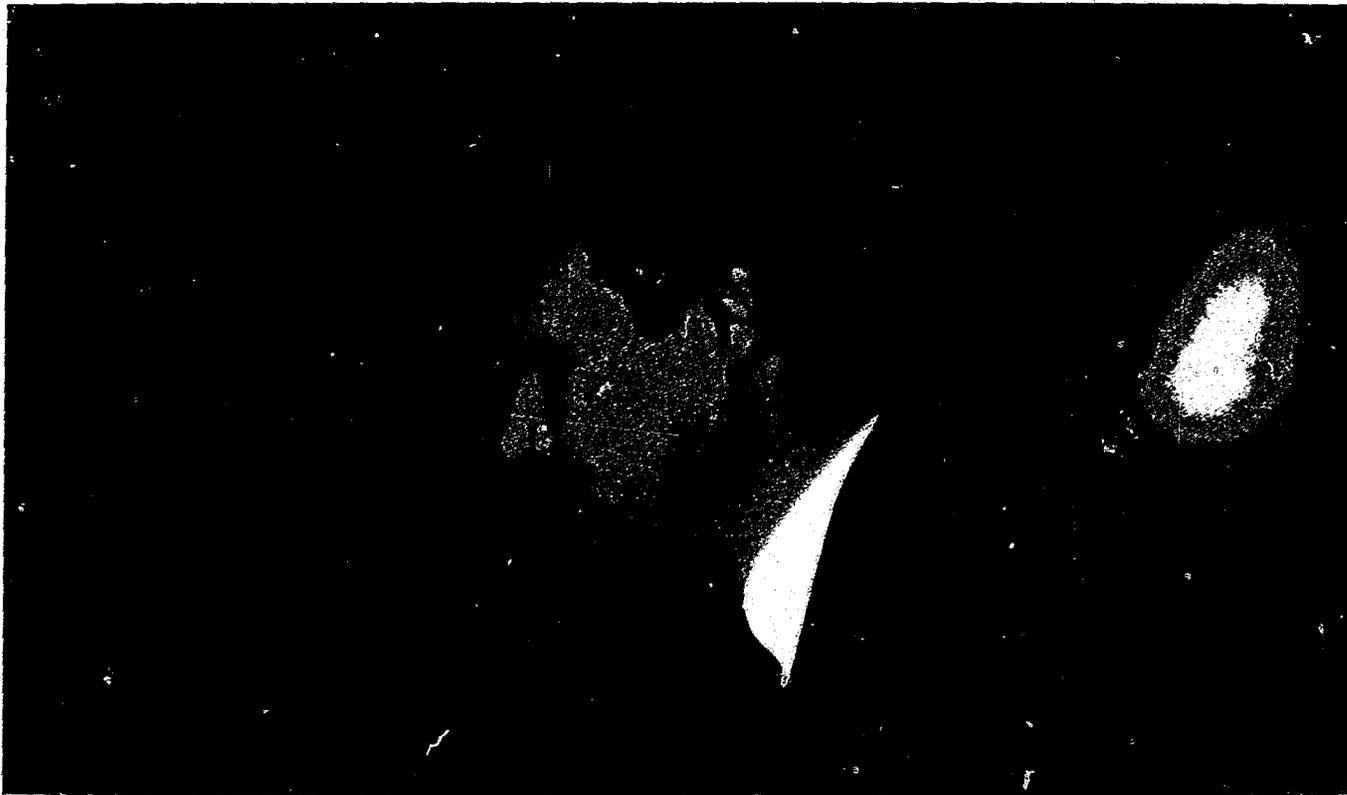
Schematic of buffer role played by Boffa labor leasing companies between corporations and unions.



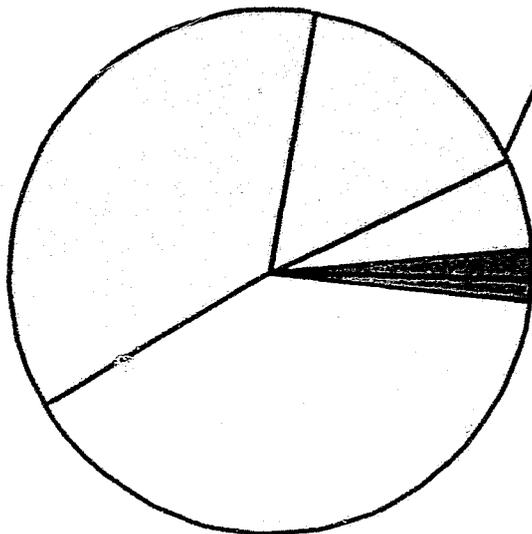
Samuel Solomon (foreground), accompanied by his attorney Allen Zagas, responds to Commission questions about his labor leasing business.



Teamster President Jackie Presser is sworn as a witness. Presser relied on his fifth amendment rights in response to Commission questions.



Commission investigator David Williams describes unions' payment of legal fees for convicted racketeers, including former Teamsters President Roy L. Williams.



CENTRAL STATES PENSION FUND (INSURANCE REBURSED)	\$ 1,500,000
INTERNATIONAL BROTHERHOOD OF TEAMSTERS	600,000
CENTRAL CONFERENCE OF TEAMSTERS	230,000
AMALGAMATED INSURANCE AND TEAMSTER SERVICE PROVIDERS	1,690,000
[REDACTED]	30,000
	98.2% 4,050,000
	45,000
	30,000
	1.8% 75,000
	100.0% 4,125,000

Chart depicts how convicted labor racketeers got union funds to pay their legal fees. Commission investigator David Williams described the scheme during his testimony.



Jeffrey Schaffler, a Department of Labor Office of Labor Racketeering agent, testifies on corrupt independent unions.



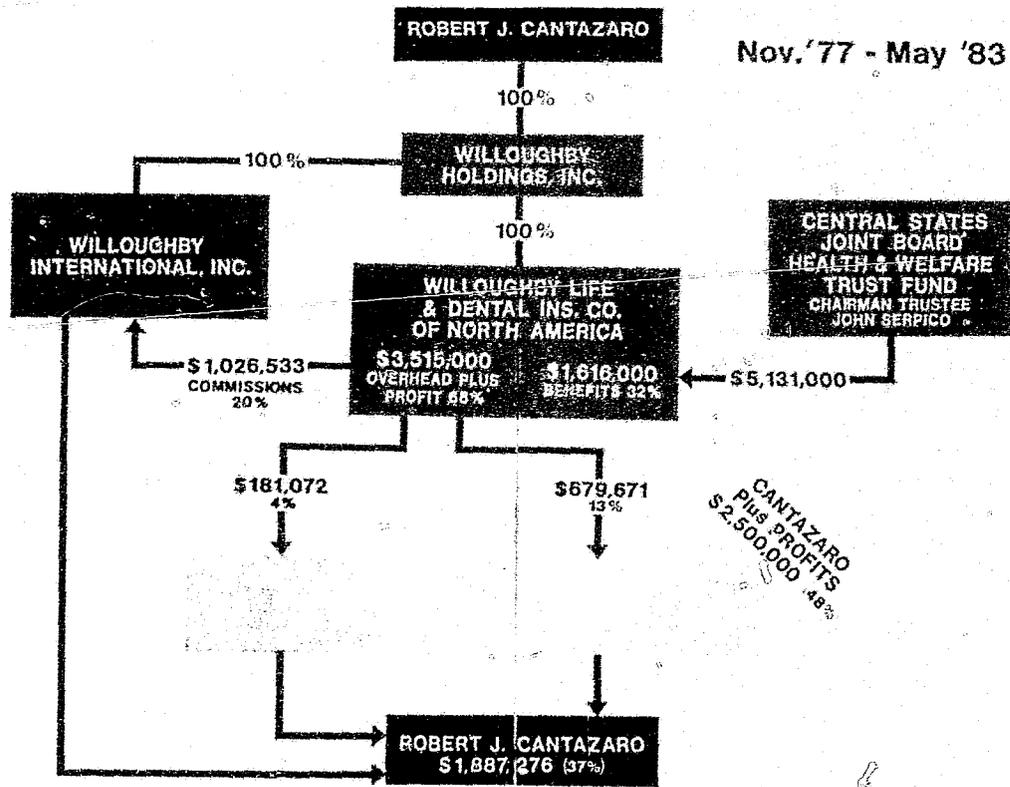
**Racketeer Daniel Cunningham, compelled to testify under an immunity order, describes how he bought and ran a union.**



Robert Connerton (center), general counsel of the Laborers Union, testifies.  
He is accompanied by attorneys Stephen Sachs (right) and Earl Dudley.

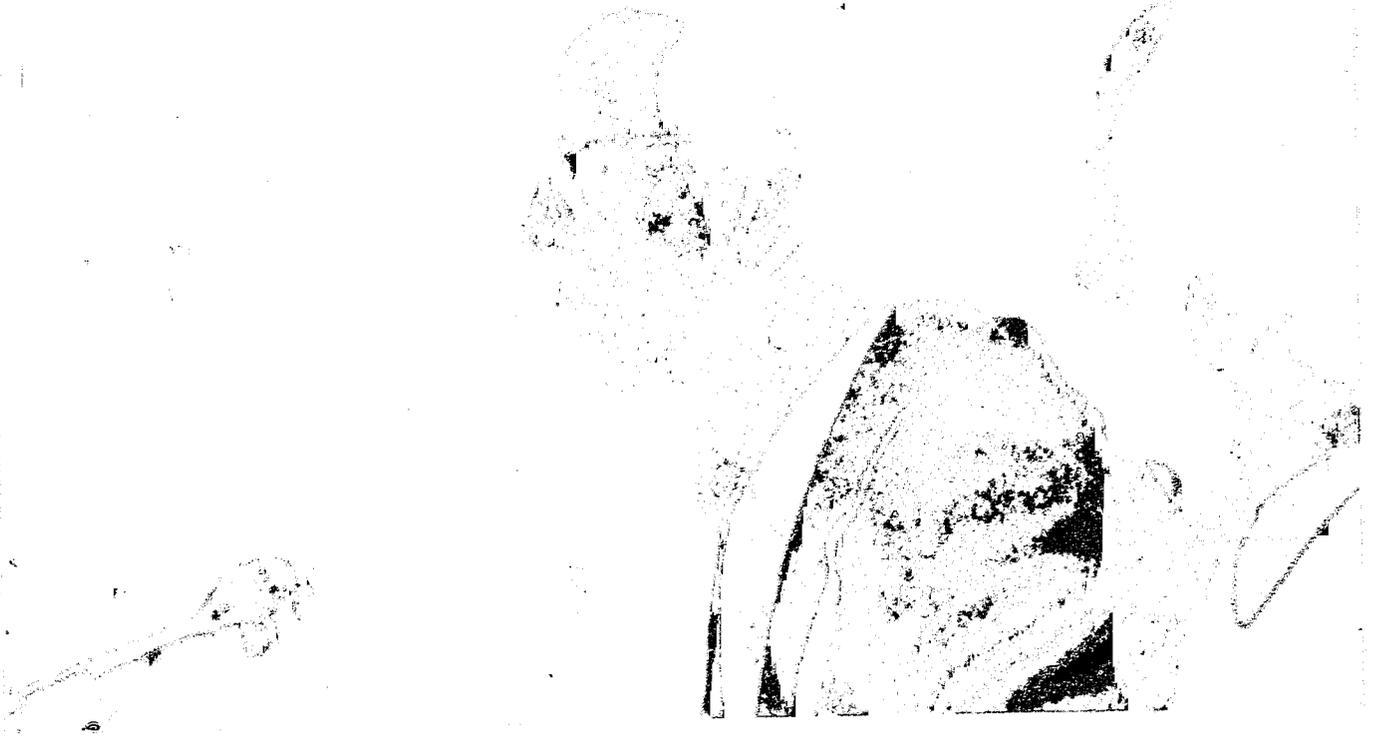


Commission Investigator Jack Walsh describes the looted dental plan of Laborers Local 8 and the Central States Joint Board.



Nov. '77 - May '83

Chart shows the inception of the dental clinic operation and its organized crime ties.



**Dr. Dominic V. Aiossa, dentist for Laborers Local 8 and the Central States Joint Board clinic, testifies concerning the dental plan.**

Sept. '76 -  
Dec. '77

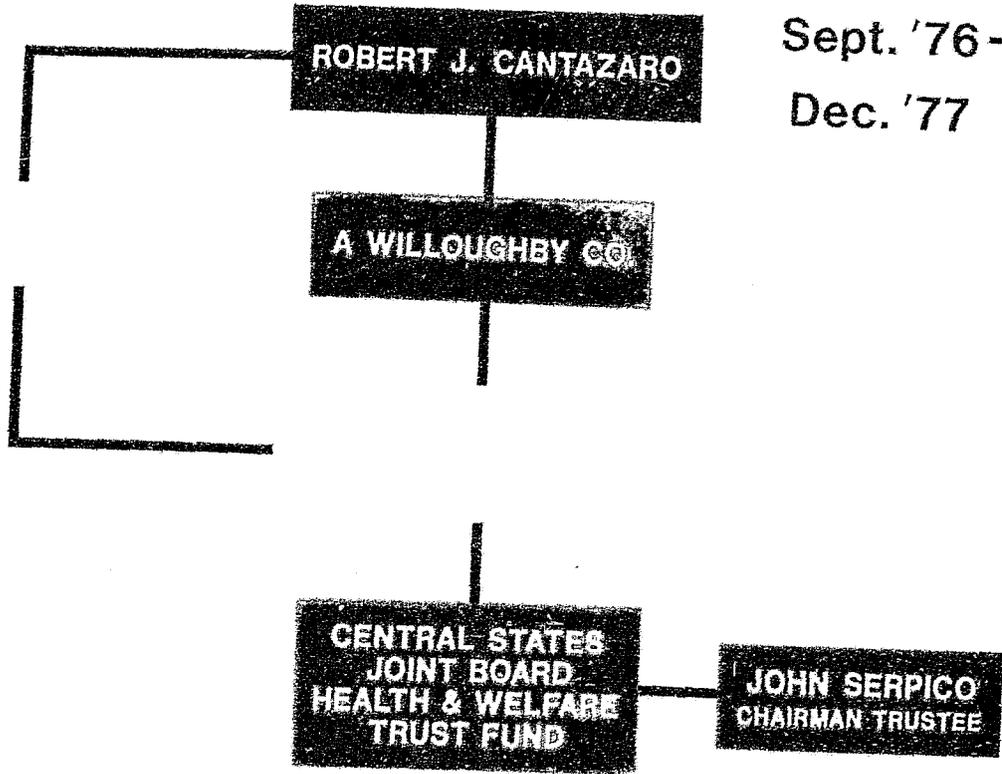
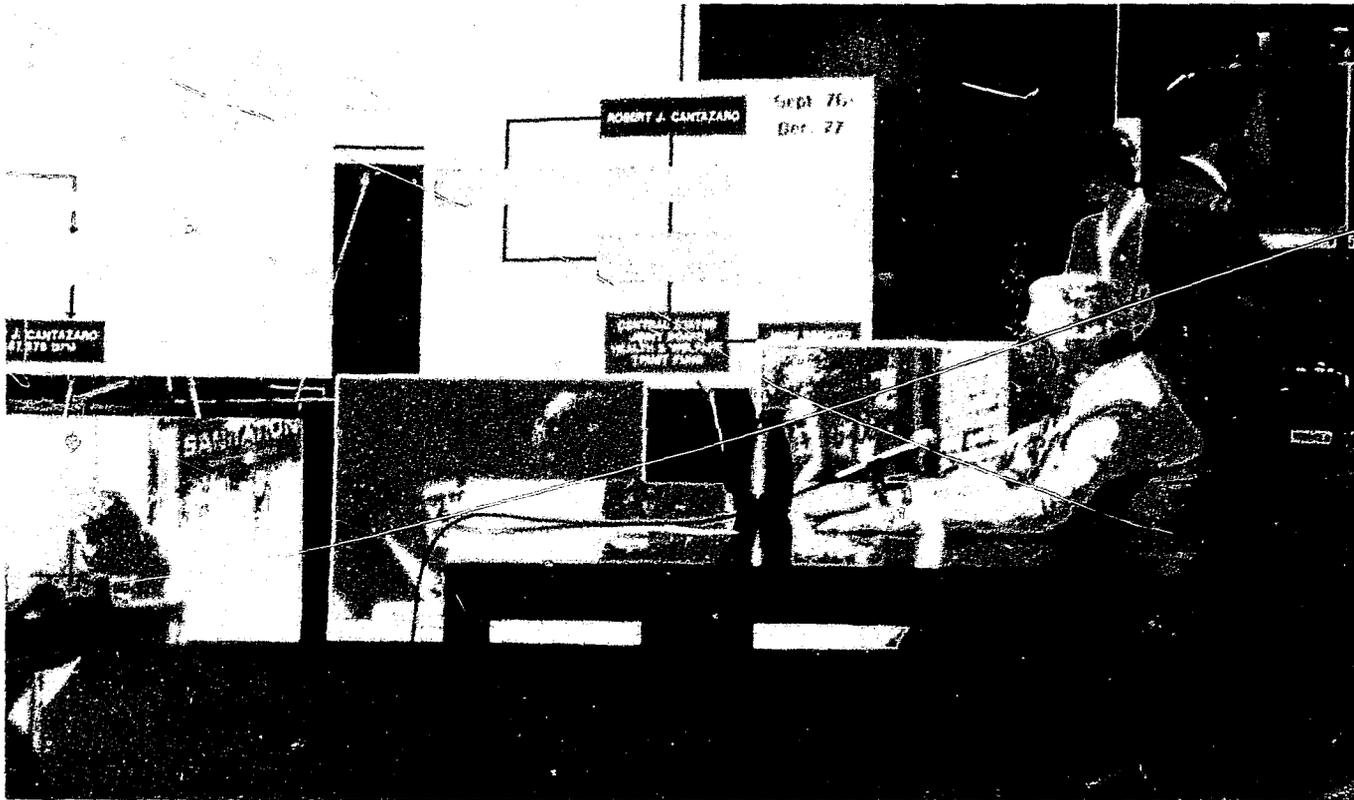


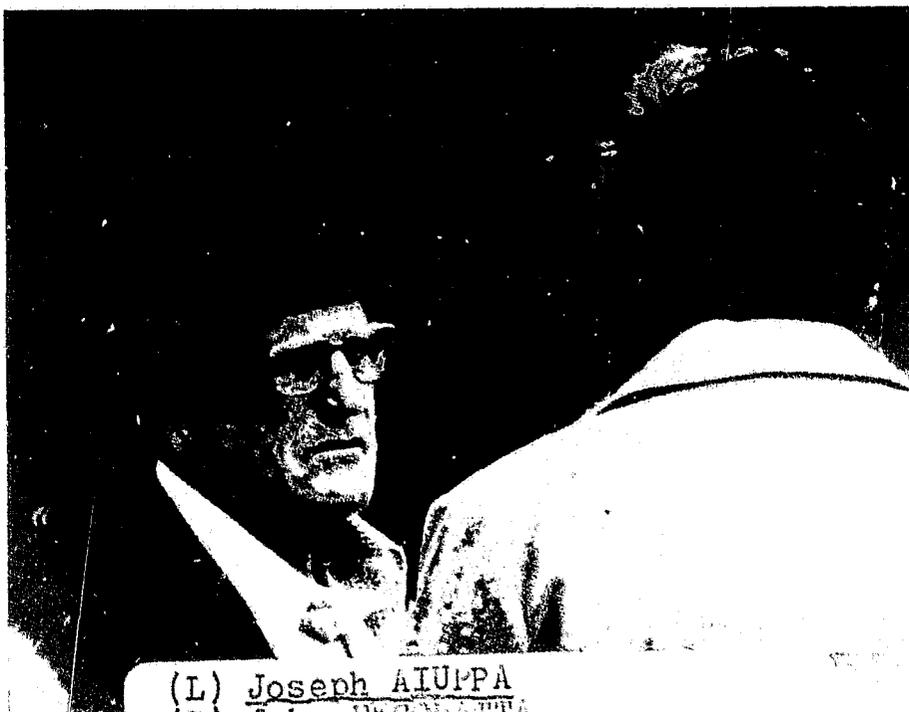
Chart depicts the ownership of the dental plan for Laborers Local 8 and the Central States Joint Board and the disposition of funds from the plan.



Deputy Counsel Stephen Ryan questions a witness.



Chicago Police Department Intelligence Officer James Madden testifies on organized crime in Chicago, and Laborers Local 8.



(L) Joseph AIUPPA  
(R) John FECORATTA

(9-27-72)

Joseph "Doves" Aiuppa, second ranking leader of the Chicago "Outfit," discusses business with organized crime member John Fecoratta, later an employee of Laborers Union Local 8.



**John Serpico, International Vice President of the Laborers and President of Local 8, responds to questions regarding his personal ties to organized crime leaders in Chicago.**

**President: John Serpico**

**LABORERS INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO**

**Industrial Workers Union, Local 8**

**INTERNATIONAL UNION OF ALLIED NOVELTY & PRODUCTION  
WORKERS, AFL-CIO**

**Production Workers Union, Local 10**

**Allied Production Workers Union, Local 12**

**Metal Processors Union, Local 16**

**Plastic Workers Union, Local 18**

**Chemical & Allied Product Workers Union, Local 20**

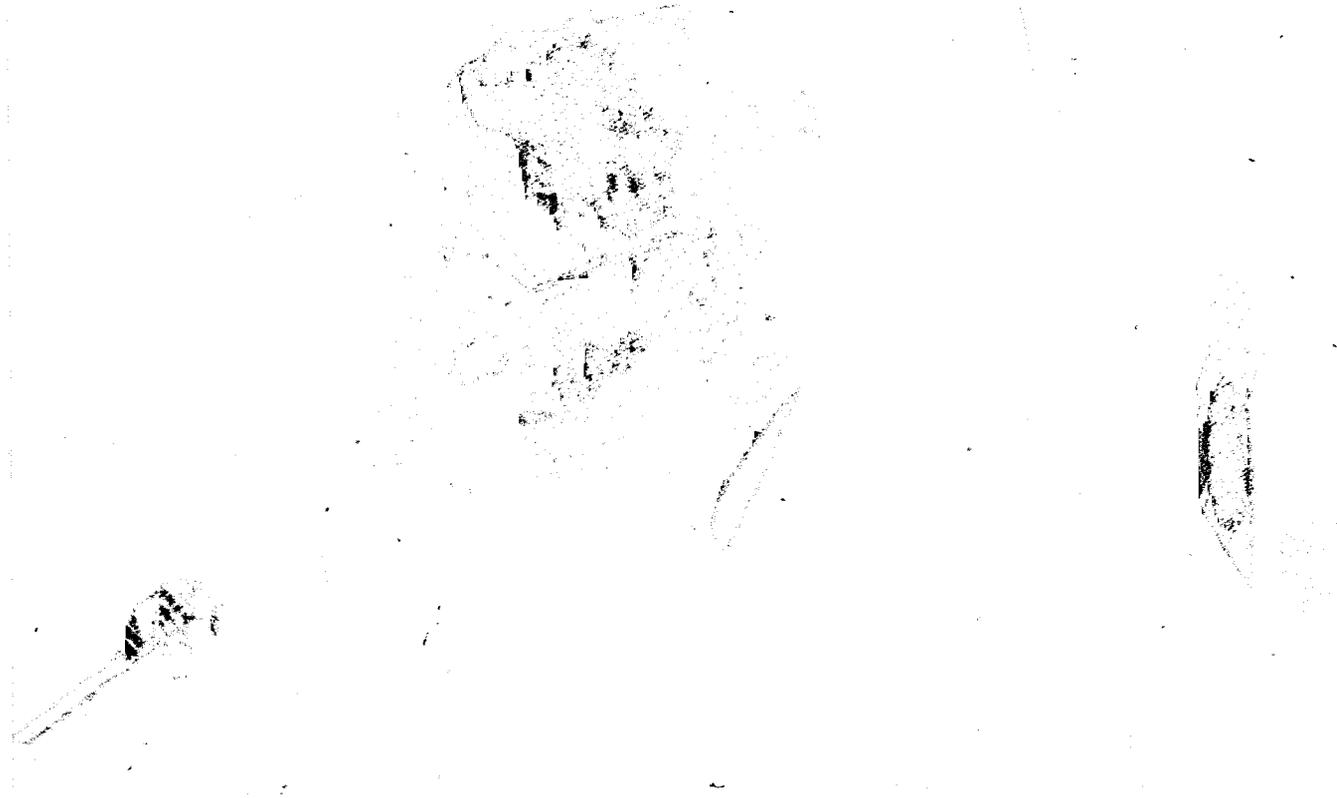
**Novelty & Allied Workers Union, Local 24**

**Amalgamated Production Workers Union, Local 803**

Union locals of the Central States Joint Board. All are controlled by John Serpico.



Ronald Goldstock, Director of the New York State Organized Crime Task Force, describes his investigations into labor racketeering.



Teamster member Glenn H. Hall describes his attempts to obtain a Teamster pension.



George Lehr, Executive Director of the Central States Pension Fund, describes the Fund's present efforts to serve members.