

COMMONWEALTH OF PENNSYLVANIA
HOUSE AND SENATE
JOINT COMMITTEE ON JUDICIARY

In re: 1989 Crime Commission Report

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Stenographic report of hearing held
in Room 140, Main Capitol Building,
Harrisburg, PA

Tuesday,
April 25, 1989
9:30 a.m.

HON. THOMAS R. CALTAGIRONE, CO-CHAIRMAN
SEN. STEWART J. GREENLEAF, CO-CHAIRMAN

MEMBERS OF JOINT COMMITTEE ON JUDICIARY

- | | |
|-------------------------|-----------------------------|
| Hon. Michael E. Bortner | Hon. Christopher K. McNally |
| Sen. D. Michael Fisher | Hon. Terrence F. McVerry |
| Hon. Michael C. Gruitza | Hon. Nicholas Moehlmann |
| Hon. Lois S. Hagarty | Hon. John F. Pressmann |
| Hon. David W. Heckler | Hon. Robert D. Reber |
| Sen. John D. Hopper | Sen. Jeanette F. Reibman |
| Hon. Babette Josephs | Hon. Karen A. Ritter |
| Hon. Gerard A. Kosinski | Hon. Michael R. Veon |
| Sen. Charles D. Lemmond | Hon. Robert Wright |
| Hon. Paul McHale | |

Also Present:

- Hon. John H. Broujos
- David Krantz, House Judiciary Committee Executive Director
- William Andring, House Judiciary Committee Counsel
- Mary Woolley, House Judiciary Committee Minority Counsel
- Arlene Baker, Senate Judiciary Committee

Reported by:
Ann-Marie P. Sweeney, Reporter

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71 pages

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INDEX

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PAGE

Michael Reilly, Chairman, Pennsylvania Crime
Commission

4

Trevor Edwards, Commissioner

Arthur L. Coccodrilli, Commissioner

Frederick T. Martens, Executive Director

G. Alan Bailey, Deputy Executive Director/
Chief Counsel

Willie C. Byrd, Director of Investigations

1 CHAIRMAN CALTAGIRONE: We might as well get
2 started. Senator Greenleaf's office has contacted me and
3 indicated the good Senator is on his way and he had
4 indicated that he'd like me to start the proceedings, and
5 he'll join us as soon as he can.

6 What I'd like to start off with is the
7 members of the House and Senate Judiciary Committees that
8 are present, if you would just like to introduce yourself,
9 we'll go around with Karen.

10 REPRESENTATIVE HECKLER: Dave Heckler.

11 REPRESENTATIVE RITTER: Representative Karen
12 Ritter.

13 REPRESENTATIVE REBER: Representative Robert
14 Reber.

15 SENATOR REIBMAN: Senator Jeanette Reibman.

16 REPRESENTATIVE McNALLY: Representative
17 Chris McNally.

18 SENATOR HOPPER: Senator John Hopper.

19 REPRESENTATIVE GRUITZA: Representative Mike
20 Gruitza.

21 REPRESENTATIVE KOSINSKI: Representative
22 Gerry Kosinski.

23 REPRESENTATIVE BORTNER: Representative Mike
24 Bortner.

25 REPRESENTATIVE McVERRY: Representative

1 Terry McVerry.

2 REPRESENTATIVE MOEHLMANN: Representative

3 .

4 SENATOR LEMMOND: Senator Charles Lemmond.

5 REPRESENTATIVE JOSEPHS: Representative

6 Josephs.

7 REPRESENTATIVE VEON: Representative Mike

8 Veon.

9 CHAIRMAN CALTAGIRONE: Thank you. And Mike,
10 if you would like to start off.

11 MR. REILLY: Yes. As we have in the past, I
12 would like to reserve as much time as possible for
13 questions and discussion with the committee, but just by
14 way of a preliminary introduction, we actually presented
15 two documents this year. We presented first the Annual
16 Report of the Crime Commission, the 1989 annual report,
17 which we were statutorily required to present, but also a
18 report on organized crime narcotics enforcement. A
19 symposium that we sponsored and participated in along with
20 the Pennsylvania prosecutors and investigators bringing in
21 probably a faculty of some of the best people in the
22 country, and they interacted, as those of you have had the
23 opportunity to look at the report know, they interacted
24 with the Pennsylvania people, and I think this could be a
25 considerable resource as we address what all of us

1 acknowledge to be the most significant crime problem
2 facing the Commonwealth, which is narcotics.

3 We are here once again for the third year.
4 As chairman, I can say that the report is even smaller
5 than it has been in the prior year, and I think better.
6 It's a report that focuses on issues, it focuses on the
7 narcotics problem, it focuses on the legislative
8 perspective that I think we have to bring to this problem,
9 it focuses on the need for coordination, the need for
10 cooperation.

11 It does not ignore the traditional LCN
12 families. It lays them out in some detail and produces a
13 lot more information than we have historically been able
14 to develop because we now have resident agents in a number
15 of communities in the Commonwealth, and frankly, by I'd
16 say in the next three years we should really have the
17 report in the shape that we all intended 10 years ago when
18 we redid the Crime Commission and had it report to the
19 legislature and had it have as its primary annual activity
20 the report to the joint Judiciary Committees.

21 So with that by way of background, I would
22 be prepared to entertain any questions or discussion.

23 CHAIRMAN CALTAGIRONE: Would you please
24 introduce the members of the panel that are with you at
25 the desk?

1 MR. REILLY: Absolutely. Art Coccodrilli is
2 the newest member of our Commission. Art is on the right.
3 Fred Martens, the Executive Director of the Pennsylvania
4 Crime Commission. Trevor Edwards, one of our
5 Commissioners. Alan Bailey, our General Counsel and
6 Deputy Executive; and Willie Byrd, our Chief of
7 Investigations.

8 CHAIRMAN CALTAGIRONE: Thank you.

9 Can everybody hear, by the way? Are you
10 having difficulty hearing?

11 MR. REILLY: I'll try to speak a little
12 louder and project a little more.

13 CHAIRMAN CALTAGIRONE: Let's start off with
14 questions from the joint committee. Does anybody care to
15 start off?

16 Chris.

17 REPRESENTATIVE McNALLY: I'll jump in first.

18 BY REPRESENTATIVE McNALLY:

19 Q. Mr. Reilly, in one of the publications,
20 either your report or the symposium, I read that the
21 enforcement strategy that we use in the Commonwealth can
22 have a substantial effect upon organized crime and the
23 structure that it takes, and so on and so forth. For
24 example, it seemed to suggest that depending on the
25 enforcement strategy, a particular narcotics industry may

1 either become a monopoly or it may be a sort of
2 competitive market. What I was curious is, does the Crime
3 Commission recommend that the Commonwealth law enforcement
4 agencies pursue some particular enforcement strategy to
5 affect the economics of the narcotics industry?

6 A. I think not just the Crime Commission, but
7 having participated in the seminar with a number of the
8 leaders and since the seminar having had the opportunity
9 to discuss these matters with other people in law
10 enforcement prosecution leadership around the
11 Commonwealth, I think all of us acknowledge that a
12 coordinated strategy is the appropriate strategy, and that
13 really the strategy has to have two different focal
14 points. What we talked about a year ago in our testimony
15 here and what I think people have increasingly come to
16 acknowledge is the value of street enforcement. For a
17 long time the idea of picking up that pusher in front of
18 the school or the pizza parlor or over by the park was
19 downplayed and the focus nationally and in the
20 Commonwealth was on going after the dealer who might even,
21 you know, going after the chain after the dealer who might
22 even be able to lead to the seizure of a kilo or even more
23 than one kilo of narcotics. That was a valid strategy 10
24 years ago. It is not a valid strategy today.

25 Today the market, and I'll distinguish. I

1 will speak now focussed on cocaine and Crack. I think
2 those are the two most immediately troubling narcotics
3 that we're dealing with here in the Commonwealth. Those
4 markets are so over supplied that going after multi-kilo
5 dealers and thinking that the focus should be on
6 eliminating the multi-kilo dealer is not the best effort,
7 not the best use of our efforts. I think we have to focus
8 on street level enforcement one way because it is much
9 harder to replace a street level dealer who knows the
10 people he sells to and is known to the people he sells to
11 than it is to replace a multi-kilo supplier today.

12 I think our sophisticated enforcement has to
13 go not just at that individual multi-kilo supplier but at
14 the organization that he represents. I think that's the
15 strategy that's emerging here in the Commonwealth, and I
16 think that's the strategy that law enforcement and
17 prosecution are trying to encourage, and we have to
18 coordinate that strategy, so we do it together. But the
19 one way, attacking whole networks, whole combinations,
20 whole partnerships, and the other way, still
21 re-emphasizing the importance of getting those people off
22 the streets. I mean, one of the real measures is how easy
23 is it for our children to buy narcotics? How tempted are
24 our children? How long does it take our children to, if
25 they want to go out and make a narcotics transaction, how

1 long does it take them to find a dealer? And I think that
2 can be significantly impacted.

3 Now, the real concern that we have, one of
4 the real concerns, is change in that street level market.
5 If we go from a market where the dealer knows the person
6 that he sells drugs to and the person buying the drugs
7 knows the dealer, to a free mideastern bazaar market as we
8 have in some sections of our Commonwealth, then street
9 enforcement becomes relatively ineffective. If anyone can
10 buy from anyone, it's a wonderful source of arrests, but
11 not an area where street enforcement, classic street
12 enforcement, arrest street enforcement, is the most
13 effective. Unconventional tactics or nontraditional
14 tactics are more effective in that circumstance.

15 So to try to bring it back in summary to the
16 question that you asked, I think we strongly recommend
17 that we decide how we're going to keep score. We've
18 talked to everybody, we've sat around with everybody.
19 Other States have done this before we did. New York has
20 been through it, New Jersey has been through it.
21 Tremendous effort has been put forth by law enforcement,
22 prosecution, corrections in those States with very mixed
23 results. And what we've said and what the Attorney
24 General has said and what the State Police Commissioner
25 has said is, let's decide how we're going to keep score.

1 Let's decide how we're going to decide whether we're
2 succeeding or whether we're failing. This is not an
3 employment program. This is a program that's intended to
4 interdict or affect the quality of life and hopefully have
5 someone affect on the supply and strength of the narcotics
6 dealing organizations in the Commonwealth.

7 If you drive your system through
8 intelligence, tactical and strategic intelligence, if you
9 make the right decision you can have that effect, but
10 you've got to make those decisions going in because those
11 of us who have been police officers in this Commonwealth
12 are masters of giving societies what it wants, and
13 frankly, the intelligent voice of society in deciding what
14 it wants is this State legislature and the Governor.
15 Those are the two places where the tone and the tenure,
16 and I should have added the Attorney General. I just
17 think of him automatically being in that same group. The
18 whole texture of this campaign, the whole direction of
19 this campaign, will be set at that level, and the
20 commitment is certainly there, the coordination must be.

21 BY CHAIRMAN CALTAGIRONE:

22 Q. I have a question dealing with the video
23 industry. On pages 8 through 14 in the report you'd
24 indicated that organized crime people are permeating the
25 video poker industry in the Commonwealth, and because of

1 that, they're able to make more attractive loans to the
2 machine lessees that--

3 A. Borrowers.

4 Q. The legal vendors or the clubs and what
5 not. Can you expect that organized crime vendors, are
6 they achieving the economic dominance in the video poker
7 industry also? Do you have any specific recommendations
8 to curb the organized crime entry into the video poker
9 machine market beyond the raids and seizures of the leased
10 machines? And I wanted to note that just two weeks ago, I
11 guess it was in Beaver County, over 400 machines were
12 seized in a sweep by State Troopers that were augmented by
13 local police.

14 A. We've seen a number of those kind of
15 efforts. In fact, Pennsylvania, as you saw from the
16 testimony in our report, when Senator Roth and the members
17 of the United States Senate Permanent Committee on
18 Investigations, Pennsylvania has really been in the
19 forefront of this type of enforcement, the seizure type of
20 enforcement. But what's missing there, let me first
21 answer your first question. Yes, organized crime has
22 moved in strongly into this industry. Besides using their
23 traditional resort to violence and the threat of violence,
24 they've also been able to use the economic power that they
25 as providers of what can be used as an illegal machine

1 have over the legitimate vendor, and what can happen here,
2 if we continue to deal in a strategy which primarily
3 intends to penalize the operators through the seizure of
4 the machine, I think we will not be effective in combating
5 organized crime, because if those machines cost \$2,000 and
6 turn a thousand dollars a week, I mean I'll put one in
7 every month, seize it once a month and I'll still make a
8 \$2,000 profit.

9 I think what's required here is a
10 coordinated, if we're going to go after criminal
11 organizations dealing in these things, a coordinated
12 strategy where we go after the organization itself and we
13 try to establish the fact of the existence of the
14 organization and put the Commonwealth in the position to
15 seize the assets and, if necessary, use the civil powers,
16 if criminal powers aren't adequate to address those
17 illegal combinations and those criminal organizations,
18 that organized crime.

19 You know, that can work. One of the things
20 we learned, too, as you've seen in this book is as Bob
21 Blakey pointed out, the author of the Federal RICO laws,
22 RICO is a theory of investigation. You can't make a RICO
23 case going to the arrest and then trying to back into a
24 RICO case. You have to start your investigation as a
25 RICO, Racketeering Influence Corrupt Organization, case

1 because if you don't, you won't gather the kind of
2 information it takes to make these cases. A very nice
3 example of that later on in this report are the Scarfo
4 cases. Those cases were intended from the time they
5 started to gather that information and conduct those
6 investigations to be RICO prosecutions aimed at whole
7 organizations. For that reason, the RICO prosecution
8 succeeded where the individual prosecutions did not
9 because they had gathered so much evidence that they could
10 verify the testimony of the mob members who had turned
11 into government informants. So from that point, you
12 didn't have to make a credibility judgment on the turned
13 mob members, you could make that judgment on the basis of
14 wire taps, on the basis of law enforcement surveillance
15 and physical evidence that had been seized. If we're
16 going to go after organizations, you have to go after them
17 as organizations. If you're going to make a thousand
18 dollars a week on a video poker machine and seize that
19 machine every six months, and that's the primary sanction,
20 you're never going to impair the efficiency of the video
21 poker organizations in this Commonwealth.

22 CHAIRMAN CALTAGIRONE: Thank you, Mike.
23 Senator.

24 BY SENATOR REIBMAN:

25 Q. To what extent is there coordination and

1 cooperation with the Federal authorities in trying to
2 attack the drug business?

3 A. That has varied from region to region in
4 the Commonwealth. A lot of the efforts that have been
5 made in a coordinated fashion have been on a task force
6 basis where local people work together with Federal
7 agents, from different Federal agencies. I think there's
8 room for more of that coordination and I know everyone's
9 committed to doing more of that coordination. I think
10 there is more need to coordinate the Commonwealth's own
11 efforts, and there's a commitment I know from the district
12 attorneys, the Attorney General, the State Police, the
13 local police, to try to do that, but this is a tough time.
14 We're now making a major commitment to go after organized
15 crime narcotics in a way that we never have before and
16 this is a difficult decision for each of the participants,
17 to what extent will they be able to freely cooperate, to
18 what extent will they have to protect their own historic
19 turf. So this is going to be a time when probably
20 diplomacy will probably be a more valuable resource to
21 bring to the war on organized crime than, say,
22 marksmanship or undercover skills.

23 Q. Are there real efforts being made on the
24 part of whoever is coordinating the strategy statewide
25 with coordinating strategy on a national level? Because

1 so much of this is part of interstate commerce.

2 A. Well, what you find there in fact is when
3 you coordinate with the Federal government, it is to what
4 extent you change your program to meet their priorities.
5 I mean, the Federal government historically sets its own
6 enforcement priorities within the Department of Justice
7 and the various agencies and then we try to adjust our
8 strategy to meet the strategy they are following.

9 For example, we have been able to lay back
10 our efforts against the traditional LCN families because
11 the Federal government has elected to be very, very active
12 against those. If the Federal government should elect to
13 change its focus from them to, say, oriental organized
14 crime, we in the Commonwealth would have to pick up the
15 burden of pulling the laboring oar in the LCN
16 investigations and prosecutions.

17 Q. Is there anything that we, as a
18 legislature, can do to use the Federal enforcement or to
19 assist in the coordination and the cooperations, even if
20 the Federal government decides to change its focus from
21 the LCN to an Asian family? I would rather gather from
22 just a cursory review of your report that they're all
23 engaged in the same kinds of industry, whether it's
24 narcotics or video machines, gambling machines. Whatever
25 it is, it's just a different group that's doing the same

1 thing.

2 A. Well, I think there's a great deal the
3 legislature can do because these Federal changes are not
4 done capriciously. I mean, the thought that goes in to
5 change a Federal enforcement target is communicated. I
6 mean, we don't just find out about it when we notice
7 they're making less arrests. It's communicated what
8 their focus is and what their targeting is, and when that
9 is communicated, I think we can adjust our priorities, our
10 funding priorities, our enforcement priorities, within the
11 Commonwealth, and I think those are done most
12 intelligently in the legislature, those kinds of
13 decisions.

14 Q. Are those suggestions, will they be
15 emanating from the Crime Commission to the members of the
16 legislature?

17 A. Well, I hope--

18 Q. Discussions or--

19 A. I hope we're able to do more and more work
20 with the legislature. As those of you who were here 10
21 years ago know, it was taking the Crime Commission from
22 the Attorney General's Office, which was part of the
23 Governor's Office at that time, and having four of the
24 five members appointed by the legislature was a conscious
25 attempt to provide a resource which in the judgment of

1 members of the General Assembly 10 years ago was sorely
2 lacking. That was an ability to do the kind of work and
3 to do the kind of studies and to gather the kind of
4 information that would allow the Pennsylvania legislature
5 to make informed and intelligent choices in allocating the
6 very limited resources that are available to us, and we
7 hope to be able to do more and more of that kind of thing.
8 That's, if you'll notice, a very different focus in this
9 report than in some of our prior reports. This is not a
10 what-I-did-on-my-summer-vacation report, this isn't a
11 your-Crime-Commission-in-action. What it is is an attempt
12 to give you the data that will be helpful to you in making
13 the decisions that you're going to be making in this next
14 budget and beyond, the bills moving through the Judiciary
15 Committees and beyond. That's the same reason for this.
16 I mean, there aren't easy, magic answers.

17 Q. We understand that.

18 A. You look at the people from Harvard in here
19 argue very intelligently about different enforcement
20 strategies and different approaches, and we will have to
21 make an informed decision as to which of those to pursue
22 here in the Commonwealth, and I think the legislature
23 should be a significant player in that decisionmaking
24 process.

25 Q. I would venture to say that the members of

1 the legislature, in reading the report, would not know
2 specifically which strategy to adopt in the form of
3 legislation, so that those of you who have really been in
4 this for a long period of time and have worked very
5 closely with the operations of these various groups, and I
6 assume in cooperation with the Federal government, would
7 be in a good position to form some kind of legislation as
8 a model, or whatever it is, where you think the emphasis
9 should be placed in the beginning and presented to the
10 members of the legislature.

11 A. A lot of it -- there's an element that has
12 never been present that I think now must be present, and
13 that is deciding as you spend the money. As much as the
14 legislation, the statutory legislation is going to be the
15 funding decisionmaking that you make where you elected to
16 use our limited resources, and one of the things we should
17 build into that system is a way of keeping score. I mean,
18 it isn't enough to let the agencies come around every year
19 and tell you what a wonderful job they did in this area
20 because we have to figure an agreed to and not an imposed
21 way.

22 We talked about this very subject with the
23 Attorney General and we discussed that with his focus, his
24 focus on the sophisticated organizations, of having a way
25 to keep track of what success has been achieved in dealing

1 with the more sophisticated organizations. It isn't
2 enough to make arrests. In the arrests, there are so many
3 people in this business, arrests aren't an adequate
4 measure, seizures aren't an adequate measure. I'll tell
5 you the same thing we told him and that he agreed to, when
6 we're back three years from now, do not expect that
7 narcotics will be less available in this Commonwealth
8 despite all of our best efforts - the Federal, State and
9 local best efforts - but hopefully we will have a better
10 quality of life, hopefully we won't have them as available
11 as they were, hopefully we will not have these dominant
12 organizations developing, and we want to work with you in
13 doing that. We, your Crime Commission, want to work with
14 you in developing with these people. These people are not
15 enemies, these people are not opponents. These people are
16 historically very jealous of their own turf, and I'm
17 talking about the people on our side of the street. I'm
18 not talking about the organized crime families, I'm
19 talking about the people in law enforcement and
20 prosecution in the Commonwealth of Pennsylvania, and we
21 have committed, those of us in this business have
22 committed to go forward together, and in so doing, we'll
23 have to work with the legislature so that you get the best
24 bang for your buck. You do things that if they don't
25 work, we can change. I mean, we'll follow some of these

1 strategies and if the strategies don't work out here in
2 Pennsylvania for whatever reason, if there's a legislative
3 problem or statutory problem, we can change the statute.
4 If there's a peculiarity in the way Pennsylvania narcotics
5 structures itself in some part of the State, we'll develop
6 a different strategy in that portion of the State.

7 The thing to remember with these narcotics
8 groups, there's no Mr. Big in Pennsylvania. I mean, this
9 is not if we get the three Mr. Bigs, Pennsylvania
10 narcotics is gone. This is a series of small partnerships
11 and relationships. Some big money companies, but there's
12 these shifting alliances and partnerships of opportunity
13 that exist and it's much, much tougher to attack this kind
14 of an organized crime problem than it is to attack the
15 Scarfo family, where you've got a definite hierarchical
16 organization and you can investigate and make RICO cases
17 and put them all in jail, or the Pagans Motorcycle Club,
18 to pick two examples of successful, coordinated
19 investigation and prosecution. It's more like dealing
20 with the ocean than it is like dealing with an army. It
21 is a problem that we all acknowledge and we have --
22 everyone has a role in confronting it, but we should
23 coordinate what those roles are and keep track of how
24 successful people are in achieving the mission which they
25 have undertaken.

1 Q. Thank you very much.

2 CHAIRMAN CALTAGIRONE: I'd like to mention
3 that Representative Paul McHale has joined us, and
4 Representative Robert Wright, and Senator Greenleaf has
5 also joined us also.

6 Questions, Senator?

7 BY SENATOR HOPPER:

8 Q. Mike, would you give us sort of a verbal
9 update on the developments and the problems in Lancaster
10 and York Counties? I know Representative Bortner's in
11 York, and I represent part of York County. Would you want
12 to elaborate a little bit on that?

13 A. Well, what we pointed out in the report is
14 that there have been significant successes in those two
15 counties. What's present in those counties now, through
16 the good efforts of the district attorneys and their local
17 law enforcement and State law enforcement, is we now have
18 coordinated prosecutions and thoughtful prosecutions going
19 forward in those areas with some significant successes,
20 two of which are mentioned in the report. I think we
21 still, and it is a fact that the purity and the price is
22 still as good as you're going to find, and we learned
23 after we made our report a year ago talking to the police
24 down there that all of a sudden the result of making that
25 advertisement we had some people who decided to come to

1 the Pennsylvania Dutch country for other than the
2 hospitality. So we have no intention of encouraging
3 people because all you're going to find if you go there is
4 your likelihood of being arrested is going to be much more
5 than it is at home because law enforcement and prosecution
6 are coordinating their efforts. It is a significant
7 problem, no more significant than it is elsewhere in the
8 Commonwealth, but there is a marked aberration there which
9 provides a very pure and relatively cheap product. And
10 they're working hard.

11 Q. A question I have in mind is, do you know
12 Mr. Bennett?

13 A. Do I?

14 Q. Down in Washington. Have you communicated
15 with him?

16 A. I have not.

17 Q. You haven't?

18 A. I have not communicated with him.

19 Q. Have you had observed his modus operandi or
20 anything?

21 A. Yes, as all of us, you know, as concerned
22 citizens, I have kept track with some of the things that
23 he's intended to do.

24 Q. Do you have any comments at all on the way
25 he's pursuing it?

1 A. No, I really don't because when I speak
2 here, I try to speak on behalf of the Crime Commission,
3 and we have not had a chance to in any way examine that,
4 the approach that he's taken. One of the things that has
5 excited us as a Commission with the approach to D.C. was
6 the high priority given to intelligence, and frankly the
7 best intelligence analysts in American law enforcement are
8 in the DEA, and those are the kinds of people that are
9 being made available to try to focus the strategy. I
10 mean, we are delighted by the fact that that enforcement
11 strategy is to an extent going to be analyst driven where
12 you really thoughtfully go after the organizations, for
13 two reasons. One, you have to do it if you're going to
14 make the big cases. If you're going to make the RICO
15 cases, you have to have the analysts working on your case
16 to enmesh your material. The other being it allows a much
17 more intelligent approach, and it allows you a way to
18 thoughtfully keep score of how successful you are or you
19 aren't. We would encourage Pennsylvania to do the same
20 thing but we don't have to because the Attorney General
21 and the State Police are committed to moving in those
22 directions, we believe.

23 Q. You mention in your report about the
24 Bufalino family fading. Would you like to comment on
25 that?

1 A. Well, that's a function as you've seen of
2 the age of the individuals. Like all the organized crime
3 families, I think one thing that comes out in this report,
4 because I re-read this report, comes out stronger than
5 perhaps in some of our prior reports is that these
6 organized crime families are not unique Pennsylvania
7 geographic phenomenon. The Bufalino family does not focus
8 its primary attention in the Commonwealth of Pennsylvania.
9 I mean, it is very strong in New York, it's strong in
10 Florida, the MCA ties, you know, through New Jersey that's
11 discussed in here. The Bufalino family is aging and I
12 think prudently has elected not to bring a lot of new
13 blood in. I mean, you contrast what happened with the
14 former Bruno family with the people that Scarfo brought in
15 and what's happened with them and the kind of time that
16 those people are facing, I think it's a mature family.

17 Now, what we're likely to see, though, the
18 market won't change, and when there's an opportunity for a
19 strong family presence in Pennsylvania, whether in the
20 Philadelphia area or up in the hard coal country, we may
21 see another family move in, as we've suggested in here. I
22 mean, we may find, just as we're finding right now in New
23 Jersey, there will not be a vacuum. I mean, if those
24 people are not able to operate, other people will come and
25 move. We have other criminal organizations in that part

1 of Pennsylvania who are not affiliated with them at all
2 who are traditional -- the major gambling organizations in
3 that area are not part of the Bufalino family. They're
4 historic, they're independent, they're successful, they're
5 profitable. They take their share of prosecutions but
6 they've continued to succeed. But I think we will not see
7 a vacuum. As those folks go off the stage, I don't think
8 we'll see a bunch of young turks the way we did in
9 Philadelphia. But I don't think there will be a vacuum in
10 northeastern Pennsylvania.

11 Q. I know there was a time when Attorney
12 General Zimmerman felt that the efforts should be more in
13 the Attorney General's department, and from the experience
14 that I've seen in the last 10 years, you folks have done a
15 good job on investigating. Have you talked about that
16 with Attorney General Preate?

17 A. Yes, we have. The comments I mentioned of
18 Attorney General Preate were in a meeting we had with him
19 about a month ago and it's a real effort to coordinate to
20 try to -- each of us has a role and we're not here to
21 compete with the arrest-making prosecuting agencies. That
22 puts us in a nice position because we don't fight for that
23 piece of the action with those people. We have a
24 different mission, and I think people are coming to
25 understand that. And we are able to fulfill it much

1 better than we ever could as we've gotten better and
2 gotten more intelligence in our own operation and gone to
3 this resident agent concept out there, gathering
4 information, and frankly by centralizing our
5 investigators, we're getting a much better product. When
6 Director Byrd sends his people out in teams from our
7 Philadelphia area base, our Conshohocken base, we are very
8 delighted with the results we are getting.

9 Q. How about the prosecutorial end of it? Do
10 you find that a lot of your investigation has led to
11 convictions?

12 A. Well, we don't focus on that. We've had
13 some that led directly to convictions where we have some
14 that just the nature of the investigation is such you turn
15 it over wholesale and it gets prosecuted. I think of one
16 in the west we had, the Upchinick organization, which was
17 not a classic organized crime, was a big fraudulent
18 organization which took money, which defrauded money from
19 Mack Truck, from Mack finance, and millions of dollars of
20 a prominent evangelist was involved with that and that was
21 one we were able to turn over. We didn't start that one
22 because we were interested in white collar crime, we
23 didn't start it because we were interested in prominent
24 evangelists. We started it for some other organized crime
25 reasons, but when we found these other things, we turned

1 it over to the Federal government who successfully
2 prosecuted it. It's the major RICO prosecution that's
3 been done in western Pennsylvania, and hopefully as the
4 recovery of the moneys is made we will have a substantial
5 amount of money come to the Commonwealth because we're
6 entitled to a share of that pie because we developed that
7 case.

8 In other areas, we turn things over
9 routinely. We work on some of these sophisticated cases,
10 the Roland Bartlett case, as discussed in our report, was
11 one that we worked. We put a lot of man-hours into that
12 case in taskforce approaches, in coordinated approaches.
13 And a number of other things, some of which we can discuss
14 and some of which we can't, when we find a significant
15 prosecutable matter, we turn it over to the appropriate
16 law enforcement or prosecutive agency, but frankly, that's
17 not a focus. I mean, in fact, every year when it's time
18 to do this we have to scramble around and see, gee, what
19 happened last year? Because we don't focus on--

20 Q. Well, you've been doing, in my opinion, an
21 excellent job of investigating, and I was just wondering,
22 the facts that you uncover, if the law enforcement
23 authorities, the Attorney General and district attorneys
24 and others, have taken those facts and led them into
25 convictions?

1 A. Yes, they have, and it's a way, as we're
2 moving more into different, with the resident agent
3 approach, I got some very positive feedback in our Erie
4 resident agency. I mean, that's one of the -- certainly
5 one of the major cities here in the Commonwealth, the
6 third largest city in the Commonwealth, and it might as
7 well have been in the middle of Ohio for what the Crime
8 Commission thought. I mean, our Pittsburgh office, I
9 mean, we're all Pennsylvanians and we know there's some
10 parts -- it's nothing for me to drive to Harrisburg and
11 back from Pittsburgh. I mean, that, to me, is a drive to
12 the store. But for other people, to drive from Pittsburgh
13 to Monroeville, which would be the equivalent of say
14 Philadelphia to King of Prussia, is a major undertaking
15 and you plan it in advance. Well, that same approach
16 happened to us. I mean, Erie might as well, as I said,
17 have been in Ohio or Canada for all we knew about
18 organized crime in Erie. Well, you move a resident agent
19 in and he starts to gather things. And in fact, what the
20 U.S. Attorney's office told me in the western district was
21 he was very significant in coordinating their efforts
22 because when you come in and look at criminal
23 organizations and look at how, as is mentioned in here,
24 how the Hispanics were displacing other ethnic groups in
25 narcotics trafficking, if you look at the whole picture,

1 you make different cases than if you just try to pick
2 people off the street corners. So I think we'll see a lot
3 more of that. I think as our R.A.'s around the
4 Commonwealth are able to work with the district attorneys
5 and the U.S. Attorneys we'll see more and more
6 developments.

7 Q. Thank you.

8 SENATOR HOPPER: Thank you, Mr. Chairman.

9 CHAIRMAN CALTAGIRONE: Bob Reber.

10 REPRESENTATIVE REBER: Thank you, Mr.
11 Chairman.

12 BY REPRESENTATIVE REBER:

13 Q. Tomorrow at 7:00 o'clock there's going to be
14 11 numbers drawn that has anticipated the touching off of
15 a frenzy in the Commonwealth, and looking on page 24 of
16 your report, it talks about, and I'm quoting, "Gambling:
17 The Lifeblood of La Cosa Nostra," and page 3 of your press
18 release there's a statement that I found very interesting
19 and I would hope that my colleagues would take a hard look
20 at the "illegal gambling money provides the revenue for
21 other forms of illicit conduct, not limited to narcotics
22 and loansharking." I know the State of Connecticut is
23 looking into, at this current time, some concept of
24 legalizing, if you will, State controlling, if you will,
25 sports betting. Could you provide, for the information of

1 the members, maybe in some detail after this hearing what
2 is the take, if you will, that is going on in the
3 Commonwealth on this issue? What are your thoughts on
4 making some inroads into it? And I think it's significant
5 where you do make the comment that these moneys are the
6 lifeblood of the narcotics and the loansharking
7 operations, and from all the reports that you hear from
8 what is happening on the streets, it's my information that
9 there's a tremendous amount of this going on. You don't
10 have to go any further than Cincinnati Riverfront Stadium,
11 or whatever it's called, and hear the Pete Rose scenario
12 to see the kind of numbers that allegedly are being
13 bandied about.

14 A. You look at the Landmesser prosecution
15 that's discussed in the report, and the Mastranardo
16 organization before that, and there are tremendous amounts
17 of money to be made in gambling. Now, not the deceptive
18 amounts that you would think would be made if you -- you
19 know, what you make is the handle. I mean, the gamblers
20 don't get all the money that's bet. They get a percentage
21 of all the money that's bet, but that's a significant,
22 significant amount of money.

23 I, as I've said in the past, you know, I
24 went to school in buildings that were built with bingo
25 money. I mean, I'm not here to take a position of moral

1 outrage as regards gambling, but I think we can very
2 significantly underestimate the impact of gambling and the
3 importance of gambling to organized crime generally in
4 this Commonwealth, and it becomes at times unfashionable
5 to commit law enforcement resources to gambling
6 enforcement, or to commit them in the sense of cutting
7 grass, just seizing a video poker machine here, arresting
8 some numbers writer there, and I think there is a lot of
9 room for coordinated sophisticated prosecutions. The
10 reason the people that are in the business don't like to
11 do it is what you get in terms of sentences. I mean, you
12 look at what happened with Landmesser. I mean, there's a
13 big, major investigation and when it's over and done, the
14 people walk away with probation because the societal
15 concern with gambling doesn't parallel with the societal
16 concern with any other organized crime activity.

17 Q. From your perspective, do you think there
18 would be a significant inroad to the revenues that
19 organized crime and those other criminals, if you will,
20 that carry out the activities would be a diminution of
21 that money available to them for these other ventures into
22 the narcotics area and what have you if in fact the State
23 became involved in a regulated scheme on sports betting?

24 A. I don't want to comment on that. I think
25 we could help to draw the information together. We have

1 not addressed that ourselves. I can see that the State
2 getting into the Lottery business does not seem to, across
3 the Commonwealth, have adversely affected illegal gambling
4 or frankly the illegal Lottery. I mean, we don't seem to
5 have driven those people out of business by preempting the
6 market.

7 Q. Of course, those are the same people that
8 run the action on the horses and run the action on the
9 football games and baseball and basketball and what have
10 you.

11 A. Well, and what happens, too, is it's a
12 question of, again, why would people play in an illegal
13 Lottery when they can play a legal Lottery? Because
14 contrast with the big games, you know, tomorrow's 11
15 numbers. But as you see in our report, the payoff is
16 higher in the illegal Lottery and the tax planning is much
17 more creative in winning the illegal Lottery than winning
18 the Pennsylvania Lottery, and if the same thing happens in
19 sports betting, I don't know enough about sports betting
20 and we as an institution don't know enough about sports
21 betting as the legalization aspects.

22 Q. Might I suggest that this might be
23 something that you would key in on, because I think the
24 nexus that you've developed on this statement in your
25 press release on page 3 is very telling. It's

1 impressionable to me.

2 I also want to thank you for providing the
3 last time I think we did meet here with some questions on
4 the offtrack betting scenario which at that time I felt
5 there was going to be some movement on, and the pulsebeat
6 at that time was correct as to the ultimate outcome, and
7 your reports were helpful in disseminating some of the
8 aspects and the concerns that would be within your
9 expertise, and I want to thank you for that.

10 It looks to me that this is another area
11 that somewhere down the road, with what I see developing
12 in Connecticut, what was attempted in Delaware when they
13 got involved in an NFL issue as a result of the sports
14 betting scenarios, that's something we certainly should
15 take a look at. We should certainly have all the bases
16 covered, if you'll pardon the pun, and be in a position to
17 appropriately analyze that.

18 I thank you.

19 REPRESENTATIVE REBER: Thank you, Mr.
20 Chairman.

21 CHAIRMAN CALTAGIRONE: Representative
22 Ritter.

23 REPRESENTATIVE RITTER: I don't have any
24 questions at this time.

25 CHAIRMAN CALTAGIRONE: Representative

1 Heckler.

2 REPRESENTATIVE HECKLER: Thank you, Mr.
3 Chairman.

4 BY REPRESENTATIVE HECKLER:

5 Q. Mr. Reilly, I'd like to get to some
6 specifics, if that's possible. I believe Senator Hopper
7 asked you whether the investigation you folks did ended up
8 in prosecution. I had spoke with your staff earlier about
9 can you give us any number for last year, the last five
10 years, any relative time period of how many cases you have
11 referred which have actually been prosecuted?

12 A. Let me ask my executive director to respond
13 to that.

14 MR. MARTENS: Yes, we've looked into that
15 particular request from the Representative and we put
16 together a list. Some of these I can't go into specifics
17 as far as because -- as far as prosecution because it's
18 still pending. But in '88-'89, there were 47 different
19 investigations that were referred to law enforcement
20 authorities. That was Federal as well as State law
21 enforcement authorities. In '87-'88, we had 12 that were
22 referred. In '86-'87, we had 36 that were referred for
23 further investigation.

24 As an example, if I may, in our recent
25 Chester city investigation, several cases resulted as a

1 result of that particular investigation into gambling down
2 there involving a bar down there, involving several bars,
3 in fact.

4 REPRESENTATIVE HECKLER: Okay, these are
5 cases which are presently under prosecution by either the
6 Delaware County DA's office or some Federal--

7 MR. MARTENS: Or under further
8 investigation.

9 MR. REILLY: Some of them the people have
10 not gone into prosecution yet. They're still
11 investigating.

12 MR. MARTENS: As a hypothetical, we may
13 have developed tax case information that has been referred
14 to, say, Internal Revenue. We can't comment on those
15 types of cases.

16 REPRESENTATIVE HECKLER: So that these
17 numbers you've given me, 36, 12, and 47, are not only
18 cases which have actually been taken up for prosecution
19 but also have been referred to law enforcement agencies
20 for further investigation?

21 MR. MARTENS: That's correct.

22 REPRESENTATIVE HECKLER: Which may or may
23 not result in prosecution at some time in the future?

24 MR. MARTENS: That's correct.

25 REPRESENTATIVE HECKLER: Okay. Thank you.

1 BY REPRESENTATIVE HECKLER:

2 Q. Mr. Reilly, another specific that I'd like
3 to hear a little bit more about, you mentioned that you
4 are pleased, I think specifically referring to the
5 resident agent approach that you're now using in
6 organizing your investigative staff, pleased with the
7 results that you're getting. We talked about keeping
8 score. What are you talking about in terms of results?
9 How do you measure the results of your people?

10 A. Fundamental thing I want from a resident
11 agent is an intelligence product. I want the resident
12 agent to develop informants, not primarily law enforcement
13 informants. I want the resident agent to be in a position
14 to when requests for intelligence data are received from
15 our analysts, our intelligence system is progressively
16 analyst driven where the analysts develop hypotheses or
17 suspicions, if you would, and develop ways to gather data
18 to see whether that's going forward or not. Who is the
19 dominant -- the hypothesis, for example, that Hispanics
20 were moving into the Erie cocaine distribution market.
21 How can we determine that? What is the interrelationship
22 between the different Hispanic groups? How have they
23 displaced the African American groups who previously were
24 dominant in that industry?

25 What I am finding, from just an example, the

1 product in here on the status of the LCN families, you
2 know, keeping the tab on the appropriate areas of what's
3 going on with the LCN families with some of those other
4 organizations, I'm getting a much, much superior product,
5 intelligence product, and thus am able to prepare and will
6 progressively be more and more able to prepare a better
7 product to present to this legislature to assist you in
8 making your judgments on your funding priorities and your
9 statutory decisions on what's needed to control organized
10 crime in the Commonwealth.

11 And it's not limited to criminal statutes.
12 I mean, a lot of these areas that we're starting to move
13 into suggest themselves to regulatory approaches, to
14 approaches other than traditional law enforcement
15 approaches and looking at things like corrections. I
16 mean, and the reality is if we keep making arrests and we
17 don't have places to put the people, we are, you know, we
18 hold a Lottery in Allegheny County and we decide every
19 Friday how many people are going to be in the jail and how
20 many are going to walk out, and it's not as thoughtful a
21 system as most of us would like.

22 Q. Well, I couldn't agree with you more about
23 especially the last point, but I wonder, has the Crime
24 Commission made any recommendations with regard to prison
25 construction or enhancing prison capacity or some other

1 way of dealing with the problem?

2 A. We have not made those recommendations, we
3 have not made recommendations on the most effective
4 methods to control the demand side of a narcotics
5 equation. We've all acknowledged the importance of the
6 demand side, but it's an area where the expertise really
7 is in other areas of the Commonwealth. I mean, we have
8 people who are expert in corrections, we have people who
9 are experts in education and rehabilitation, and we have
10 not presumed to try to move into their provinces.

11 Q. Turning to the conference which you held,
12 actually, I was kind of surprised, I looked through this
13 and I thought it was a prospective, and then I saw it had
14 been held last May.

15 A. That's right.

16 Q. Did you, as a part of this program, have
17 any kind of evaluation material? I know that's something
18 we always did when we had programs with the DAs
19 Association asking the attendees to give you some kind of
20 a this was helpful, this wasn't helpful, kind of--

21 A. We had it evaluated by the PCCD. We had
22 them participate and do the formal evaluation of the
23 program.

24 Q. Okay, but you didn't have the various law
25 enforcement officials who attended this?

1 A. Oh, sure. Now, again, we make the
2 distinction between the kind of things we often did in the
3 DAs Association, which is people giving anecdotal
4 evaluations of what they thought as opposed to a more
5 formal, structured evaluation. The structured evaluation
6 was done by the PCCD. The anecdotal evaluations were done
7 by the participants.

8 Q. Okay, and that, I presume, would be
9 available?

10 A. Sure.

11 Q. My recollection of last year's meeting
12 about this time was that one of the emphases that you were
13 going to be pursuing over the past year was facilitating
14 conventional law enforcement activities both in the drug
15 field and elsewhere.

16 A. That's right.

17 Q. Can you tell us what you've done to
18 accomplish that over the past year?

19 A. One of the problems we're having right now
20 is the PCCD is rethinking how they want to conduct the
21 kind of seminars we have in the past facilitated. Who
22 will appropriately do the RICO training, the narcotics
23 RICO training, and at what level? So some of those things
24 are up in the air at this point. We have not, for
25 example, scheduled the annual RICO law enforcement

1 conference this year because it's a question of who's
2 going to do the training and whether it's going to
3 appropriately be done by the Crime Commission or whether
4 the Attorney General or whether the State Police or
5 whether we're going to send people out of State. That
6 kind of stuff, which we've done in prior years, the kind
7 of things that produced this work product has not yet gone
8 forward this year because there's a re-evaluation within
9 the Commonwealth of who's going to do those kind of
10 activities.

11 Q. One of the major bodies of work that at
12 least the House Judiciary Committee has before it between
13 now and the summer break is a whole host of bills aimed at
14 enhancing drug law enforcement that some could be
15 characterized as the Governor's package, some the Attorney
16 General's package, another batch of strays in there, I
17 suspect. Have you folks done any analysis of those bills?
18 Have you made any recommendations or do you plan to?

19 A. We have not at this point done so. We had
20 anticipated we would be asked to do so and will of course
21 be prepared to go forward and do that, and I think it is
22 appropriate for us to try to work with the District
23 Attorneys Association, the Attorney General, the
24 Governor's legislative liaison. A lot of them are -- the
25 threshold issue in this whole area to me is how are we

1 going to keep score? You know, whatever we do -- now,
2 some of them are very noncontroversial. I mean, enhanced
3 punishments for certain heinous acts taken in the course
4 of a narcotics conspiracy and whether it's effective to
5 quarantine certain areas of our community to enhance the
6 punishment of narcotics that are traded in certain areas
7 of our community. We can help on that pretty easily
8 because we can look at other neighboring States who have
9 tried those kind of programs, some of which have been
10 successful, some of which haven't. That isn't to say they
11 won't succeed in Pennsylvania.

12 But other fundamental concerns, we really
13 have to decide, we being Pennsylvania, have to decide how
14 we're going to keep score. We're going to put millions
15 and millions of dollars into narcotics enforcement, and
16 some of it's Federal money through the PCCD, some of it is
17 State taxpayer dollars, and we have to find a way to
18 intelligently coordinate this because if we don't, we're
19 going to be where New Jersey is today and we're going to
20 be looking over our shoulder and saying, where did that
21 money go and how much good did we get? That isn't to say
22 that they didn't succeed admirably, but there was never a
23 way to document that success, because the success is not
24 going to be -- when we sat in a very candid conversation
25 in Attorney General Preate's office and said three years

1 from now when there are more narcotics available probably
2 cheaper than there are today, which is likely, very
3 likely, despite our best and most intelligent and most
4 strategically and tactically correct activities, how are
5 we going to explain to the people what we did with the \$8
6 million this year and whatever else we're going to get in
7 the next three years? And a big piece of that is to going
8 into the thing of deciding how we're going to keep score
9 and how we're going to know whether we're succeeding or
10 failing. It isn't enough to come back at the end of the
11 year.

12 The master of this game was J. Edgar Hoover.
13 I mean, the man was brilliant in this regard. I mean, I
14 was there when the FBI would come around every day to the
15 city of Pittsburgh P.D. and take down all the cars from
16 out of State that we'd recover in Pittsburgh and at the
17 end of the year, those were billions of dollars of
18 interstate thefts goods recovered. We just can't play
19 those games. We can't afford those kind of games here in
20 Pennsylvania, and we have to work with the Attorney
21 General, with the State Police, the DAs and the local
22 police in developing, for example, one of the things that
23 Attorney General Preate suggested was focussing on
24 organizations. Some of the things we've suggested in
25 here are looking at the quality of life in the

1 communities, looking at violent crime, to what extent of
2 our activities curtail violent crime?

3 One of the other things that we see coming
4 that's suggested in both of these reports is we're going
5 to have to relook at youth gangs. I mean, as the Junior
6 Black Mafia takes on and tries to consciously copy the
7 Scarfo family, but at the same time it has an awful lot of
8 the same characteristics of the youth gangs that a lot of
9 these members come out of, and when you look at the Crips
10 and the Bloods and the other national gangs moving in,
11 it's another place to focus our attention. I mean, these
12 kids are getting younger and younger, the people that are
13 playing these games, and how are we going to interdict
14 that? How are we going keep these gangs from getting
15 older and smarter and getting involved in these areas?

16 I think it can be done and I think what's
17 required is the same thing we did in the city of
18 Pittsburgh when we did the same -- we've got to get
19 everybody together and decide how we're going to keep
20 score and not have some crazy academic lunatic way to keep
21 score, but have a way that everybody agrees this is really
22 what your job is. The district attorney of Allegheny
23 County, you'll focus your efforts in this area. The
24 district attorney of Westmoreland County, you'll cooperate
25 with Allegheny here and with the U.S. Attorney here and

1 with the Attorney General there and then see six months
2 later or a year later or a year and a half later to what
3 extent you've achieved the objective you set for
4 yourselves.

5 Q. Well, if I could, don't we need, before we
6 figure out how we're going to keep score, to figure out
7 what the rules of the game are going to be? And I say
8 specifically in connection with the members of this
9 legislature want to do something about the problem with
10 drugs in our community, and we're going to be asked to act
11 on a whole host of legislation, some of which makes sense
12 at least as I perceive the law enforcement system, some of
13 which makes precious little sense, and I'm wondering what
14 role, and I hear a lot about coordination and I hear about
15 your role in advising us, but I haven't heard from you
16 about language and stuff.

17 A. We would be happy to come forward and try
18 to assist in playing that role. I think it's our
19 responsibility.

20 REPRESENTATIVE HECKLER: Thank you, Mr.
21 Chairman.

22 CHAIRMAN CALTAGIRONE: I'd like to
23 recognize Representative Pressmann and Representative
24 Hagarty have joined us, and Senator Fisher.

25 Representative Wright.

1 REPRESENTATIVE R. WRIGHT: Thank you, Mr.
2 Chairman.

3 BY REPRESENTATIVE R. WRIGHT:

4 Q. Mr. Reilly, I'd like to follow up on your
5 answer to a question Representative Heckler asked you
6 about what the Commission was doing regarding the demand
7 side in narcotics, and I think your answer was that that's
8 an area best left to other departments dealing in
9 education and rehabilitation. My question is, do you see
10 the enhanced penalties and find that we deal with here
11 that I think would be somewhere in your area of expertise
12 as to recommendations, you don't see that as having any
13 effects on the demand side?

14 A. I think the way it can have a significant
15 effect on the demand side, and I should have added that,
16 and I appreciate your giving me the opportunity to do so,
17 I think more than the enhanced penalties, and I don't
18 think they will impact the demand side as much as a
19 conscious decision to go after users and small traders. I
20 mean, right now people can -- in most of the Commonwealth
21 the focus is away from users, and users are handled
22 because of the massive overcrowding in our corrections
23 systems. When you get users in or you get people in with
24 small quantities, the temptation is awesome to divert them
25 out of the system, to put them in a probation without

1 verdict type of setting, and though it's an inconvenience
2 and they've had to pay a lawyer and they may or may not
3 have had to post a bond, most times, I know when I was a
4 street cop, I mean, if I'd go into a place and I'd find --
5 if I'd go in looking for something and I'd find minor
6 drugs, I wouldn't make the arrest. I'd flush it down the
7 commode, because it would be a waste of my time to have to
8 go through the system to try to make a drug case on those
9 people who were users, essentially, not traffickers, and
10 by the time I got done, my time was better spent on the
11 street trying to go after more significant people. Now,
12 where I was probably wrong and we let that individual
13 street cop make that judgment, had I been instructed when
14 you find it, make the pinch, bring the people in, make it
15 right, make it legal, make it kosher, bring the people in
16 and the system will have something to do to discourage
17 that person continuing to use and to redirect that person
18 in another direction.

19 Q. I would think that by letting the user off
20 you have still left in the community that individual that
21 the seller is looking for.

22 A. I concur with you 100 percent. I have not
23 impacted the market, and the way I could have impacted --
24 and, in fact, it probably was the right thing to do in
25 those prehistoric days when I was on the street, because

1 the system was not there to deal with that, but you sit in
2 the criminal courts and you see these cases come in in the
3 district attorney's office and until we have a method to
4 be able to rationally deal with these users, and I
5 personally, and I'm not speaking for the Crime Commission
6 because we haven't taken a position, I've tried to draw
7 that distinction, but I personally believe that one way
8 that law enforcement can affect the demand side is with
9 sanctions, and I think the certainty and the rapidity and
10 the rationality of the sanction is very, very important.

11 And I have two things that come to mind.
12 We've seen, you know, these boot camp approaches where you
13 bring the first offenders in and you have them go through
14 a program that allows them then to get clean and to be
15 retrained. The other approach is intensive probation. I
16 mean, I was, when I first made detective, I worked in what
17 was our youth squad in Pittsburgh. I worked with
18 juveniles - juveniles as criminals, juveniles as victims.
19 And we had profited by the experience in Philadelphia in
20 dealing with gangs. We worked very hard in our gang
21 neighborhoods and really never had gangs develop, but the
22 principal reason they didn't develop was I coordinated my
23 efforts as a street detective with probation officers who
24 were in intensive juvenile probation, probation officers
25 who had 15 kids who they took to school in the morning,

1 who they made sure were there all day, and, you know, you
2 can still save kids. I mean, you really can. If you can
3 interact with them at a certain age, then you can save the
4 adults, you can save these user adults.

5 And another approach to consider I suggest
6 to you not as a Crime Commission, because we haven't
7 studied it, but it is a hell of a lot cheaper and more
8 certain to have these programs where we interdict the
9 early user, the user before he's gone on to get a full
10 jacket, I think that's something we in law enforcement
11 should look to. I think that's a way we can, I believe,
12 not as a Crime Commission, because we haven't studied it,
13 but I, as a former law enforcement officer and former
14 prosecutor, believe we could have a significant effect.
15 We as a society could have a significant effect on demand,
16 not by making it a 20 years in prison rather than 10 years
17 in prison as much as by making it if we catch you, you're
18 gone. And it just seems to me to work. I mean, it did
19 work in other situations. Anecdotal evidence, but the
20 best I have.

21 Q. Thank you. I wanted to ask you a few
22 questions more specifically about the city of Chester.

23 A. Um-hum.

24 Q. Last year, the topic was brought up, and I
25 asked the question, and frankly, I had the feeling that I

1 was a little bit misled at the time. When you were
2 talking about the city of Chester and I asked the
3 question, had you found anything, but the answer I
4 received I believe was well, not anything involving
5 organized crime in the traditional sense. That was the
6 answer I got.

7 A. A year ago, that was correct.

8 Q. And I look now on page 15 and we're
9 referring to Chester as a classic case study. We're also
10 mentioning people who are supposedly connected with Scarfo
11 or Cosa Nostra families. These two characterizations of
12 what I see in this report and the answer that I got last
13 year don't seem to match.

14 A. Well, what we had, you know, our
15 investigation continued to bear fruit as we went forward.
16 Now, we knew that those people were there, we knew there
17 was a Federal investigation pending. We were able to do a
18 lot of work beyond what the Federal investigation
19 indicated, and we were able to do things that, for
20 example, didn't limit organized crime's involvement in the
21 gambling operations in the city of Chester to Idone and
22 the Scarfo people. We were able to, you know, we played
23 the tape at the hearings of John Gotti discussing Gambino
24 family, discussing his efforts to resolve a dispute about
25 the placement of video poker machines in the city of

1 Chester.

2 That was a good example because that
3 investigation started very slow. We first went in because
4 of the killings, because of our concern that being as
5 close to the border as the city of Chester is with
6 Delaware, that there might have been an across-the-border
7 narcotics situation that might have suggested a
8 coordinated effort between Pennsylvania and Delaware. We
9 went in and didn't find that, didn't find the level of
10 violence that, for example, exists in Philadelphia. It is
11 a relatively stable situation. You don't have the coke
12 dealers in the projects in Chester shooting at each other
13 or blowing each other up. Most of the violence has
14 related to specific rip-offs. It's not the situation like
15 we're encountering right now in D.C., for example, or that
16 open market. But then we just continued to investigate.
17 Our people developed sources, our people developed
18 informants. We started to hold these private hearings
19 where we would bring people in under oath and have them
20 testify, and the further we got, the more we learned, so
21 that by the time we were able to go with these public
22 hearings, we had learned a substantial amount about the
23 way the organized crime subculture operates within the
24 city of Chester, Pennsylvania.

25 Q. Another question that I had to ask you,

1 which may now have been answered, and that was whether or
2 not there were any other indictments being sought. I
3 believe your indication was that you had developed some
4 information which may lead to something as far as taxes or
5 whatever else?

6 A. That's correct.

7 Q. So there still may be more to come?

8 A. That is correct.

9 Q. Okay.

10 A. We answered that hypothetically, but you
11 drew the correct inference.

12 Q. The city of Chester, I guess, is about four
13 square miles, very small, and we tend to have one of the
14 problems that when something bad occurs, it seems to
15 blanket the entire city, a little different than, say, a
16 city the size of Philadelphia where it's large enough that
17 you can kind of separate the good from the bad and one
18 from the other. But for a city the size of Chester, do
19 you find the problems there different than other cities of
20 a comparable size now, or municipalities or towns of a
21 comparable size that have drug activities?

22 A. In our experience, it was, for a city the
23 size of Chester, the way the trafficking was going on in
24 the William Penn Homes and in some of the other projects
25 was much more than we have found in other cities

1 comparable to the city of Chester and that open bazaar.
2 The people now, as you know the district attorney and the
3 city police have cracked down, have attempted to cut back
4 on people from the Main Line, people from Delaware, people
5 from other parts of Pennsylvania and Delaware coming in to
6 buy their drugs in Chester. But where that presents a
7 major problem to us as a Crime Commission, it's the
8 comment I made a little earlier. When you move from a
9 situation where the person who sells the drugs knows the
10 person he sells the drugs to and the person who comes to
11 buy the drugs knows the seller to an open bazaar, which is
12 a situation we had in the William Penn projects, that is
13 incredibly more difficult for law enforcement to control
14 and it requires, generally speaking, tactics beyond making
15 buys and then arresting the person you bought from because
16 what that generally tends to do is just have younger and
17 younger people making the sales. And to an extent, we've
18 encountered that in Chester.

19 What's happened in Chester is that you've
20 gone to some of that unconventional enforcement. You've
21 gone to finding other ways to stop that from happening by
22 publicizing the people you arrest, by using video tape and
23 using other devices to try to discourage people from other
24 areas coming into the city of Chester. I might add, one
25 of the things we do not advocate and we have never

1 advocated is saying that, well, as long as it's just a
2 problem of Chester junkies buying from Chester dealers,
3 it's no problem. I mean, I am old enough and experienced
4 enough in law enforcement and prosecution to remember when
5 narcotics was just an interesting aberration in the black
6 community in terms of American law enforcement. Just
7 those junkies, jazz musicians and junkies, do these kind
8 of things, and had we taken a more proactive role and a
9 more direct role and dealt with the problem in the
10 communities back then, we might not be facing the kind of
11 problems we are all facing right now.

12 Q. You've hit on something that I find quite
13 interesting and an observation that I had made and I think
14 others have made. It seemed as though when drugs were
15 just peculiar to the black community, nobody wanted to do
16 anything about it, then when it spread to the rest of
17 society, all of a sudden now it becomes a big deal. You
18 say that this city of Chester you have found is definitely
19 different, and to what do you attribute why things are
20 going on in the city of Chester the way they are as
21 opposed to other places?

22 A. We're going to make a very detailed report
23 on the city of Chester. You've got an executive summary
24 in there. We're going to try, because we think there are
25 lessons to be learned from the city of Chester. We have a

1 very detailed report in preparation right now, and that's
2 a report that's not going to be focussed as much on law
3 enforcement, or the presentation of that report is not
4 going to be focussed as much on law enforcement as in
5 giving that report to the legislature and talking about,
6 you know, how can we deal with the underlying social
7 problems, structural problems that really are the reason
8 we believe for some of these things?

9 Now, the city of Chester, in our experience,
10 you know, the Crime Commission is not there for the first
11 time. I mean, we were there and did a big report and came
12 back and found a lot of the players were still there, that
13 some of them had taken some time in jail and come back,
14 but they've moved into the same kinds of situations, and I
15 think one of the real dangers in a situation like Chester
16 or Newark or a number of other cities in America is the
17 government, the formal government, is replaced by an
18 informal government that is the real government, and
19 that's a combination of a dominant political machine in
20 some communities, a traditional organized crime families,
21 nontraditional organized crime groups, power brokers, and
22 I think we're going to have some intelligent things to say
23 about what we think the legislature, and really more from
24 a local government focus than from a judiciary focus, the
25 kind of things that we ought to think about, the lessons

1 that are to be learned from the last 10 years in the city
2 of Chester.

3 Q. Do you think the legislature, based on what
4 is going to appear in your report, will be able to impact
5 on those situations?

6 A. I would hope so. I would hope so.

7 Q. I don't want to monopolize all of the time.
8 Thank you very much.

9 A. Okay. Sure.

10 CHAIRMAN CALTAGIRONE: Representative
11 Josephs.

12 BY REPRESENTATIVE JOSEPHS:

13 Q. I guess maybe this is more of a comment
14 than a question, but as I asked last year and will again
15 bring up and other people have discussions I guess on what
16 we're calling the demand side, you've discussed the person
17 who was caught. There is still, I believe, a population,
18 and I know not how many people are involved, who without
19 being caught would like some help with an addiction
20 problem, who in this State if they depend on the public
21 system, depending on where they live, have to wait for
22 weeks or months before they can even be seen by anybody.
23 I don't know that one has to be an expert to know that
24 that's a situation which is not conducted through law
25 enforcement or the improvement or the maintaining of

1 status quo in our society, and I wonder whether there
2 might be a time when you could adopt, as a position,
3 without doing -- without becoming experts, some statement
4 about the need for prevention, education, rehabilitation,
5 and that whole range of programs which I think the State
6 is not providing on a level that begins to be adequate
7 anyplace in the Commonwealth.

8 A. I think we could. The other thing that's
9 interesting to me is what we're likely to do here is kind
10 of an unusual thing, but if you think about it, we're
11 likely to set these programs up where the best things
12 somebody could do is be arrested, because if we set up the
13 right kind of programs to deal with the first offender,
14 the person that's an initial user, you know, some of the
15 programs proposed providing GEDs, getting them off the
16 drugs, getting them into boot camp, you know, we my find
17 ourselves setting up a system where the lucky ones will be
18 the ones that were caught because they may get a chance at
19 significant rehabilitation.

20 Q. It seems to me that we need a system where
21 anybody who wants help and qualifies can get it fairly
22 immediately, and I think we can afford it. We just don't
23 seem to have the will. We seem to have the will to put
24 enormous numbers of dollars into the enforcement end of
25 it, but not in the end which cuts the demand, and I find

1 that very counterproductive, and I think in your semi-
2 prediction that three years from now we may find ourselves
3 in the same kind of situation or worse than we find
4 ourselves now is likely to be true and very likely to be
5 based on the fact that we are not helping anybody at all
6 really who's a user.

7 A. Well, and I think those points are well
8 made, and I guess one of the reasons I suggested the
9 people will be lucky that get caught is that they will be
10 forced to when an awful lot of people aren't seeking.

11 Q. I don't really care how many people are not
12 seeking it. I get very upset if there's one person in the
13 whole Commonwealth who is seeking help and can't get it
14 because we're not providing the resources. I think that
15 puts us almost in the same league as the folks who are
16 selling stuff.

17 A. As I was when I flushed the stuff down the
18 commode rather than going forward.

19 Q. Now, you were better off. We know better.
20 You maybe didn't.

21 REPRESENTATIVE McNALLY: Mr. Reilly, I would
22 just concur with Representative Josephs. You, I think,
23 appropriately discounted arrests and seizures as an index
24 of success in the war on drugs, and I think that there is
25 only one appropriate index, and that is the index of

1 consumption, how many people use drugs and how much is
2 being used, and only when we see that index decline can we
3 really say that we're being successful.

4 MR. REILLY: The other phenomenon that we
5 have experienced, and all us of have experienced, is that
6 for the younger people under 35, we're dealing with cross
7 addiction. I mean, it isn't that the old heroin junkie
8 situation where that's what they were addicted to. The
9 kids -- the kids are a lot younger, I've noticed. As I
10 get older, the kids get older, too. And what you've got
11 is an awful lot of people now are just routinely cross-
12 addictive. They are cocaine addicts, they are speed users
13 if they can get it. They'll use whatever they can. So in
14 fact hitting one of these markets effectively, meth, you
15 know, meth, speed, methamphetamines have been
16 significantly impacted with the PCP, you know, it comes
17 and goes. You know, the mob, taking the mob out of the
18 speed business by, you know, cutting back on the Scarfo
19 families, the Pagans not cooking it anymore, they make
20 more money selling cocaine than they do cooking the speed
21 now. But that doesn't mean there are less addicts. I
22 mean, the people that used to buy that are out buying
23 something else.

24 CHAIRMAN CALTAGIRONE: Representative McHale
25 has a question.

1 REPRESENTATIVE McHALE: Thank you, Mr.
2 Chairman.

3 BY REPRESENTATIVE McHALE:

4 Q. Mr. Reilly, I sat in this room about two
5 years ago and listened as a young dismissed State Trooper
6 talked about his addiction to cocaine and how as a result
7 of that addiction he would wear a Trooper's uniform during
8 the day but by night commit armed robberies to support his
9 habit. I was stunned at the speed of which this
10 particular man became addicted and the intensity of the
11 addiction leading him to violence very quickly. I have a
12 grave concern about cocaine, and specifically Crack. How
13 widespread is the availability of cocaine in Pennsylvania?

14 A. It's pervasive. Cocaine is available
15 throughout the Commonwealth. Crack is very available in
16 eastern Pennsylvania and is becoming available, I know
17 you saw in our report it's the major focus in western
18 Pennsylvania on trying to control it with the Ralph
19 Gambino and people in the west believe is the major
20 narcotics problem they're facing.

21 Fred, did you want to comment on that?

22 MR. MARTENS: Yeah. If I may,
23 Representative, I'm going to go back a little
24 historically. In '72 I had worked undercover narcotics in
25 New Jersey, and I worked in a parking lot of a shopping

1 mall, and I often use this story. I had about a
2 12-year-old kid that came up to me and asked me if I could
3 buy him a bottle of wine at the liquor store. In that
4 parking lot he could buy anything he wanted - heroin,
5 cocaine, marijuana, LSD, speed. He could buy anything he
6 wanted in that parking lot. To get at bottle of wine, he
7 had to come to me. That was 15 years ago. The prevalence
8 of Crack in this State, in New Jersey, in New York, is,
9 I'd say, as prevalent as video poker machines throughout
10 the State. You can buy it anywhere, particularly on the
11 eastern part of the State, and there's no problem buying
12 it. We drove in Chester uniformed -- not uniformed, but
13 people in suits drove in to the William Penn projects and
14 purchased Crack. In suits, down in the William Penn.
15 That's how easy. Within three minutes they had a buy.

16 MR. REILLY: You see, anyplace you have
17 cocaine you can have Crack. I mean, it's a cottage
18 industry. Anybody can turn cocaine into Crack.

19 BY REPRESENTATIVE MCHALE:

20 Q. Mr. Reilly, I want to talk about that. You
21 seem to indicate that cocaine trafficking is a very
22 fragmented source of criminal impropriety, that it does
23 not seem to perform to hierarchy?

24 A. That's correct.

25 Q. How is cocaine brought into Pennsylvania?

1 Could you describe the physical process? Are there main
2 points of entry? Is it brought in through the urban areas
3 and distributed to the more rural? Is it brought in by
4 airplane? How does it get here?

5 A. I'd say most of what we deal with comes in
6 over land, doesn't come in by air, though we've had
7 massive air transshipment locations here in Pennsylvania
8 up in the Pocono areas where the stuff was flown in.

9 Q. Typically small shipments? Large
10 shipments?

11 A. No, those were large shipments. Most of
12 what we see coming in are smaller shipments, I would
13 think, a kilo, a couple of kilos. What has helped me to
14 understand the way this market has developed is just to
15 look at the economics. I mean, it is cheaper to do it
16 that way and it's less dangerous seizure to move it in
17 multiple small quantities rather than one massive
18 quantity.

19 The other thing to remember, when we talk
20 about coke, because I don't want to miss this point, is we
21 could seal the borders today, assume we could,
22 hypothetically assume we could eliminate all cocaine from
23 coming into Pennsylvania, we would just develop some new
24 designer drug or drugs that would displace it, that would
25 fill the gap. I mean, the example we use in here is the

1 China White problem that we had in the coal country and
2 out in western Pennsylvania, that there are so many people
3 who bring it in, when we talk about cocaine--

4 Q. Is that systematic at all? You talk about
5 so many people. Is there--

6 A. Well, yes, but they are small
7 entrepreneurial groups. If I am a cocaine trafficker here
8 in Harrisburg, I can probably buy multi-kilo quantities of
9 cocaine from nine different sources. Some of them are
10 Cuban, some of them are--

11 Q. Nine different independent sources?

12 A. Nine different independent sources. Nine
13 different places I can go, and that's without traveling a
14 half an hour.

15 Q. Just because of how fragmented the system
16 is and also the availability of alternatives, are you
17 suggesting that interdiction is hopeless?

18 A. I think interdiction, there's a pretty good
19 argument for interdiction made in here, interdiction not
20 from the sense of the Commonwealth interdicting but the
21 national perspective on interdiction. I think it's still
22 worth doing. I believe that it's still worth nationally
23 attempting to do significant interdiction focussing on the
24 countries from which it comes. I don't think interdiction
25 of cocaine coming into this Commonwealth is an intelligent

1 strategy.

2 Q. When the cocaine comes into the
3 Commonwealth, typically does it come into and arrive
4 directly at the point of distribution, or is there any
5 kind of funneling effect?

6 A. No, they're generally middle people. They
7 don't tend to amass it. They're people who go and get and
8 sell as fast as they bring it back in. The interesting
9 thing again that was pointed out to me is an awful lot of
10 this stuff deals in consignment. It's one of the reasons
11 for the violence is that people have the drug, you know,
12 people are given the drugs and sent out to sell it and
13 then they bring the money back after they do the sale.

14 Q. Is there any kind of geographic pattern to
15 the middle men? Do they tend to be located in any
16 particular spots throughout the Commonwealth?

17 A. No, they tend to be located -- they don't
18 tend to move, they don't tend to be traveling salesmen.
19 If someone doesn't sell multi-kilo quantities of cocaine
20 in Harrisburg today and then move on to Pittsburgh
21 tomorrow. Once they get into a market, they tend to stay
22 in that market. But if we were to arrest those nine
23 people this morning, by tomorrow four of them would have
24 been replaced, and in two weeks probably all nine of them
25 would have been replaced by other people who then see the

1 opportunity to become multi-kilo dealers. It is
2 extraordinarily frustrating to--

3 Q. Well, I don't want to monopolize the
4 committee's time. This, to me, is a very, very grave
5 concern. When I listened to that State Trooper sitting
6 there, former State Trooper dismissed and disciplined,
7 talk about his addiction, when I realized that Crack
8 addiction had spread to that level of our society, and
9 also when that kind of a concern was confirmed by what I
10 was hearing in my home town concerning the availability of
11 Crack, that struck me very forcefully.

12 A. Sure.

13 Q. Final area of questioning, if I may. I
14 noted on page 59 of the report reference is made to the
15 arrest of a Jerry L. Mark, age 30, of 616 West Union
16 Boulevard, in Bethlehem. That's three blocks from my
17 home. If I recall correctly, it's six blocks from the
18 home of your executive director and a block and a half
19 from a major public middle school. I heard from Mr.
20 Martens, when he and I appeared on a television program,
21 that he had a concern that the Lehigh Valley was becoming
22 a conduit for the distribution of drugs to a larger
23 geographic area, and I've heard from colleagues in the
24 House, and certainly the Philadelphia area, the statement
25 that drugs are coming into the Lehigh Valley for

1 subsequent redistribution in the Philadelphia area. And
2 then I note in your report this specific arrest.

3 Mr. Martens, could you or Mr. Reilly comment
4 on that? Do you have a concern regarding the possibility
5 that the Lehigh Valley is the becoming or has become a hub
6 for distribution? Is the arrest on page 59 typical or
7 atypical of the drug distribution network existing in
8 Pennsylvania?

9 MR. MARTENS: Yeah, we've discussed this in
10 the past and my prediction, and I stand by it, is within
11 the next decade, you won't recognize the Lehigh Valley,
12 and the reason for that is obviously it's becoming the
13 third largest metropolitan area in Pennsylvania. The
14 growth of the Lehigh Valley is phenomenal. Part of that
15 growth is obviously a growth in crime and a growth in
16 organized crime. We currently are conducting
17 investigations there that will hopefully demonstrate
18 relationships between people who have lived there for
19 years, I don't want to make it look like they just moved
20 into the area, have lived there for years that are
21 involved in the rackets in that particular area.

22 REPRESENTATIVE MCHALE: Including drug
23 distribution?

24 MR. MARTENS: Including drug distribution,
25 definitely. Let me point out, and a question arose or

1 questions arose regarding this: You can't isolate drug
2 distribution from other rackets. If we proved one thing
3 in the Chester investigation is racketeers are involved in
4 a variety of activities, not just one, and narcotics
5 trafficking tends to be part of a broader spectrum of
6 racketeering, and that pattern is coming to fruition in
7 our investigations in the Lehigh Valley.

8 REPRESENTATIVE McHALE: Do you have any
9 evidence that drugs are being systematically brought to
10 the Lehigh Valley for redistribution in other urban areas?

11 MR. MARTENS: I can't say in other urban
12 areas. I can't say they're systematically being brought
13 to the Lehigh Valley. We haven't been able to bring it
14 beyond that yet and say it's going into Philadelphia or
15 out to Harrisburg from the Lehigh Valley. I can't say
16 that.

17 REPRESENTATIVE McHALE: Thank you, Mr.
18 Chairman.

19 BY CHAIRMAN CALTAGIRONE:

20 Q. I have one final question dealing with
21 forfeitures. On page 86, after Sections 6801 and 6802
22 were added to the Judicial Code in 79, Act 79 of 1988, is
23 there anything more that can be done? And you do mention
24 and allude to that on page 86 of your report.

25 A. Yeah. I think there's significant things

1 that can be done, some of which are in this package that's
2 moving now. If you recall, the report we gave you a year
3 ago suggested full blown civil RICO be made available for
4 law enforcement, not for private, for the delight of the
5 plaintiffs and defense bar in the Commonwealth, but be
6 made available for law enforcement through the Attorney
7 General and district attorneys. Also, that a pure
8 forfeiture act be passed, and New Jersey is in the process
9 of experimenting with another enhanced form of criminal
10 forfeiture, and I think both of those should be examined
11 here in the Commonwealth. The key to those things, again,
12 once you have the statutes, is you have to do the
13 investigation right. I mean, you can't get to the end and
14 then try and grab it. RICO is a theory of investigation,
15 and you have to have people that do sophisticated
16 investigations and can gather the information to support
17 those kinds of proceedings.

18 I would reinforce the desirability of some
19 of the suggestions we made a year ago, and I know some of
20 those are in the packages that are moving before you.

21 BY REPRESENTATIVE McVERRY:

22 Q. Mr. Reilly, I want to thank you for your
23 presentation this morning. It's been very informative.
24 I'm curiously interested in the section of the report that
25 deals with the video poker industry. Coincidentally,

1 members of the General Assembly were invited last night to
2 a reception at the Marriott put on by the vending dealers
3 and the amusement device distributors and the like. I'm
4 interested in the report on page 12 dealing with the John
5 Duffy Conley organization in Allegheny County because one
6 of the operatives of that organization lobbied me last
7 evening rather heavily for the legalization of the video
8 poker machines. He was at least convinced that it's
9 probably the single biggest economic industry in
10 southwestern Pennsylvania, and that if we were to legalize
11 and license those machines, we could produce revenue to
12 the Commonwealth of hundreds of millions of dollars a
13 year. And I'm interested, in having read this, how the
14 larger organizations benefit, organized crime wise,
15 through the loansharking and the like, of what they do
16 with these machines? And that one of the problems, it
17 seems, that the local law enforcement in winking at the
18 existence, what, if anything, would you suggest we as a
19 legislature do in response to this galloping problem, if
20 it can be characterized as that?

21 A. Well, I think one of the main problems is
22 that legal ambiguity. We have to actually make a play on
23 every one of the machines. One other thing we learned in
24 the city of Chester, now they are like the TV tuners. It
25 used to be there had to be a switch or something. Now

1 they have a think like the remote you use on your TV. And
2 there's no way you can show that it racks up how many
3 games you have or takes off games once racked up, a
4 knock-off switch or what the play is for the day. But as
5 we got to know some of the folks in the city of Chester
6 and they say, well, and we'd say, now, come on, how does
7 it work? And he'd say, well, buzz, buzz, and all of a
8 sudden on the screen is the whole story, because you can't
9 read a micro chip. I mean, the parts that are in there in
10 those machines you can't look at it like a one-arm bandit
11 and see what it does or see what it doesn't do, and I
12 think we will be playing catch up in terms of trying to
13 stay even with the sophistication of the American offshore
14 electronics industry.

15 Where I think we can intelligently make some
16 progress is in our investigations and to try to
17 investigate whole organizations. I mean, there is a
18 salutary affect of seizing the machines and then everybody
19 says, harumph, well, that's well done, but if you make a
20 thousand dollars a week and they cost \$2,000 a piece, as
21 we've suggested, that's not really the way to control it.

22 It is a real problem from the corruption
23 aspect. I mean, it's what took down most of those people
24 that were taken down in the Philadelphia police
25 corruption, gambling corruption, cases. Those were

1 basically video poker situations, and it's hard when you
2 walk in and see the machine in a bar, and if everybody's
3 told you, and we may have hurt ourselves by putting this
4 out today, if you assume every video poker machine in the
5 Commonwealth is a potential gambling device, then do you
6 assume the police are, you know, being paid? Should we
7 consider a rational scheme of regulation for them?
8 Possibly. Possibly, you know, to take it out of the hands
9 of the mob.

10 Q. Should we tinker with the reward section,
11 the language with the reward section of the gambling
12 statute? Because that's where the issue is.

13 A. Yeah. Sure. I don't know whether the
14 better approach there -- we have, as a Commission, not
15 taken a position. I don't know whether the better
16 approach is that or whether the better approach is to
17 consider legalizing the machines.

18 Q. All right, thank you.

19 A. But it's a very troubling issue.

20 CHAIRMAN CALTAGIRONE: I want to thank the
21 Crime Commission and the members of the House and Senate
22 Judiciary Committees, Senator Greenleaf, the chairman of
23 the Senate committee, and we'll adjourn. Thank you.

24 (Whereupon, the proceedings were concluded
25 at 11:15 a.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me during the hearing of the within cause, and that this is a true and correct transcript of the same.

Ann-Marie P. Sweeney
ANN-MARIE P. SWEENEY

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