

## HISTORY OF ORGANISED CRIME IN QUEENSLAND<sup>1</sup>

Crime in Queensland has not been well studied or documented, as the Commission found while preparing its reports on the prostitution and SP industries. This chapter draws heavily on the work for those reports, and, for more recent periods, on the report of the (Fitzgerald) Commission of Inquiry. A considerable debt is acknowledged to the pioneer of the evolutionary view of organised crime in Australia, Dr Alfred McCoy and his analysis of organised crime in New South Wales and Victoria.<sup>2</sup>

This author has previously identified a number of factors favourable to the development of organised crime in a Criminal Justice Commission report on prostitution.<sup>3</sup> Taken out of the context of prostitution alone, these were:

- Severe restrictions or illegal status are attached to the supply of goods or services in considerable demand such as prostitution, various forms of gambling, drugs or rationed goods during wartime.
- A degree of public, and law enforcement personnel, ambivalence about the illegal status of some activities.
- An illegal economy sizeable or centralised enough to support standover "protectors" or more sophisticated levels of organisation.
- Policy making, regulatory or enforcement authorities that are or can be compromised.
- The presence of pre-existing criminally inclined fraternal groups.

The perspective of this history is of the interaction of these various factors in the development of organised crime in Queensland.

### *I. From colonisation to 1920<sup>4</sup>*

Restrictions or prohibitions on sexual commerce, gambling and drugs have applied

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<sup>1</sup>General references: Ross Fitzgerald, **From the Dreaming to 1915: A History of Queensland**, University of Queensland Press 1982; Ross Fitzgerald, **A History of Queensland from 1915 to the 1980s**, UQ Press, 1984; Alfred W. McCoy, **Drug Traffic: Narcotics and Organised Crime in Australia**, Harper and Row 1980; **Regulating Morality: an Inquiry into Prostitution in Queensland**, Criminal Justice Commission, September 1991; **SP Bookmaking Report**, Criminal Justice Commission 1991; Peter Charlton, **Two Flies up a Wall**, Methuen Hayes 1987; **Annual Reports of the Commissioner for Police**; R. Evans, **Soiled Doves** in K. Daniels (ed), **So Much Hard Work: Women and Prostitution in Australian History**, Fontana 1984.

<sup>2</sup>Alfred W. McCoy, **Drug Traffic : Narcotics and Organised Crime in Australia**, Harper & Row, 1980.

<sup>3</sup>**Regulating Morality: An Inquiry into Prostitution in Queensland**, p...

<sup>4</sup>Additional references: R. Evans, K. Saunders and K. Cronin, **Race Relations in Colonial Queensland**, University of Queensland Press 1988.

since the earliest days of the colony of Queensland, providing some of the staples of the illegal economy. A summary of some of the illegal goods and services provided by the illegal economy in the late 19th century would include illicit alcohol and opium, prostitution, illegal bookmaking (including illegal totalisators), gambling, abortions, stolen property and livestock, and slave or "indentured" labour.

Corruption was far from unknown, and involved at various times senior politicians, banks, police and public servants, particularly those involved in land and development finance allocations.

The response of authorities to these aberrations of a frontier economy was to attempt to placate the competing demands of a powerful establishment and a noisily insistent moralist lobby. A highly selective, often racist, focus of legislation and enforcement was the main result. To take various contortions over gambling policy as an example, all bookmaking was illegal until 1923 but on course bookmakers licensed (illegally) by the establishment racing clubs were accepted. Periodic purges undertaken at the urging of those racing clubs or the religious anti-gambling lobby fell exclusively on off-course bookmakers or totalisators (prior to these being licensed exclusively for racing clubs in 1889). Enforcement action against Chinese gambling and Chinese drug taking (opium) was extreme and accompanied by considerable press hysteria. Likewise, scandals, inquiries and legislation over blatant exploitation of Aborigines and "Kanakas" made no headway against the influential connections of "blackbirders" and the pastoral and rural lobbies until the trade was virtually uneconomic.<sup>5</sup> Another factor also helped bring the trade to an end; international comments on the continuing "slave" trade in Queensland were seen as a threat to the State Government's ambition to take a stake in Papua.

Apart from establishment entanglements in illegal or semi-legal activity in blackbirding, land scams and banking, the organisation of illegal commerce was otherwise restricted in locality and scale. In some areas, notably the boom gold rush areas, there was a natural partnership of interests between those engaged in supplying illegal liquor, prostitution and illegal gambling services. Generally, however, the overall scale of the illegal economy was not sufficient to provide for the needs of anyone other than those directly involved in crime.

## II. *Between the wars*<sup>6</sup>

The period between the wars was marked by the sometimes spectacularly violent growth of organised criminal activity in Sydney and Melbourne, and the growth of SP bookmaking as a major illegal industry. According to McCoy:

"While the cultural prerequisites for an underworld, such as the rule of silence and hostility toward police authority, were well developed by the 1890s, Australia's urban economies were still incapable of sustaining

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<sup>5</sup>This is not to be taken as indicating that all Aboriginal/Islander employee acquisition and employment arrangements could be compared to slavery; the comments above apply only to the proportion that could be so compared.

<sup>6</sup>References for this period: **Report of the Royal Commission appointed to inquire into and report upon the control and management of racecourses in and around Brisbane and Ipswich**, Queensland Government Printer, 1930; **Report of the Royal Commission appointed to inquire into certain matters relating to racing and gaming**, Queensland Government Printer, 1936; Niall Brennan, **John Wren, Gambler: His Life and Times**, Hill of Content, 1971.

a large class of powerful professional criminals. It was not until the 1920s that conditions changed enough to allow the emergence of organised crime. Paralleling developments in the United States and Europe, Australia imposed severe restrictions on the sale of alcohol and banned outright the sale of narcotics, both important commercial opportunities for the nascent milieu. The sudden proliferation of telephones and radios throughout urban Australia tied a majority of households into a statewide electronic network and facilitated the rise of the illegal SP bookmaking industry. By the late 1920s the combination of prostitution, illegal gambling, narcotics traffic and the operation of 'sly grog shops' after 6 p.m. hotel closing provided a sufficient economic base for the establishment of a pervasive milieu outside the traditional waterside vice areas.

Perhaps unimpressive by comparison with the United States, the establishment of criminal milieu in Sydney and Melbourne during the 1920s still represented an important step in the growth of organised crime. The expansion of the illegal economic sector spawned a new figure, the progenitor of the contemporary syndicate leader: the male standover merchant. While nineteenth century Australian illegals had been specialists in a particular field, mainly prostitution or gambling, the 1920s saw the emergence of entrepreneurs in violence who collected a form of tax on a whole range of illicit activities. Instead of living on income earned by his own violation of the law, the standover merchant profited from almost every aspect of the economy's illegal sphere by imposing a turnover tax on his comrades in the milieu: prostitutes, cocaine dealers, sly grog vendors, SP bookmakers and thieves."<sup>7</sup>

For a number of reasons, these developments had no parallel in Brisbane, with the exception of the growing significance of the SP industry. Not only was the scope for stand over operations limited by the much smaller illegal sector, but the important area of prostitution was effectively largely excluded. Although nominally illegal, prostitution in major Queensland centres was effectively tolerated and regulated under the Health Act from 1911 onwards.<sup>8</sup> In addition, the cocaine trade in Queensland was relatively insignificant, with a peak of eight arrests in 1930-31.

In Sydney by contrast, the late twenties and early thirties were marked by the "Razor Gang" wars, where two prostitution syndicates fought for control of the cocaine trade. The Razor Gang Wars are especially notable as the prelude to the most successful action ever undertaken against organised crime in Australia; the key factors were public outrage at criminal excesses, the firm legislative response which included the notorious "consorting laws", and decisive interventions by a relatively uncorrupted police force. Not only were most of the principal offenders jailed and their enterprises largely dismantled; cocaine trafficking virtually ceased, only resuming in recent years.

John Wren, a major illegal gambling entrepreneur in Victoria in the 1890s, is sometimes credited with being Queensland's first organised crime leader. This reads too much into Wren's significance - although his fortune had illegal gambling foundations. Wren seems to have left his overtly criminal career behind him when he first came to Queensland in 1909 to buy first a series of racetracks and then a newspaper. There was, however, much that was dubious about Wren's various business and political entanglements in the State. Much of Wren's notoriety is due to his role in provoking three Royal Commissions: the first into a fatal accident at one of his private racecourses; the second into the private racing industry, found to be controlled by Wren and associates despite sales to others during the course of the Royal Commission; and a third, Federal, Royal Commission which examined whether Wren had "bought" a seat in Federal Parliament for a former Queensland Premier.

Queensland did share in the phenomenal growth in the SP bookmaking that

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<sup>7</sup>Alfred W. McCoy, **Drug Traffic: Narcotics and Organised Crime in Australia**, Harper and Row 1980, pp.103-104.

<sup>8</sup>The possibility of minor opportunistic corruption in relation to prostitution, particularly in minor centres, cannot be excluded. Prostitution-related corruption does however appear to have been *relatively* insignificant except in the periods 1940-46, 1957-73 and 1979-87.

accompanied the introduction of the radio and telephone. Prosecutions for all forms of illegal gambling rose from 300 in 1921-22 to 1,221 in 1932-33. In 1936, police estimated there were 749 illegal bookmakers in the State, operating from 205 hotels, 117 billiard rooms, 196 barbers and tobacconists and 156 other premises. It appears that these burgeoning networks did involve a degree of localised corruption, often merely an extension of existing accommodations between local police and publicans trading out of hours. Allegations of corruption arose from time to time in Parliament but were steadfastly ignored by Labor governments, on the partly justifiable rationale that the conservative parties were promoting the interests of the "establishment" racing clubs. When a third Royal Commission into racing was called, in 1936, it was in response to moralist lobby clamour over the level of gambling. Prudently perhaps, the government excluded corruption from the matters to be examined by the Royal Commission. Two of the Commissioners recommended greater restrictions and enforcement activity against SP bookmaking; the third, the then Police Commissioner, recommended recognition of off-course betting. The government took cosmetic notice only of the recommendations.

Increased SP bookmaking did not, however, lead to an overall pattern of more organised criminal activity in Queensland. Those engaged were generally on the fringe of the racing industry and to survive, needed a degree of specialist knowledge not common in other fields of criminal endeavour. Nor was there much serious enforcement activity directed against SP bookmaking. Accordingly there was little to link bookmaking with any other illegal activity apart from sly-grogging. Additionally and significantly, one effect of localised corruption is the protection of smaller operators from incursions into their market.

New South Wales also held a Royal Commission into SP bookmaking in the pre-war years. Unlike the Queensland State Government, NSW authorities had a serious intent in calling the inquiry. At its conclusion and against a great deal of opposition, the NSW conservative government passed legislation which, by enabling the designation of hotels as common gaming houses, was intended to stamp out the industry. The police were instructed accordingly and, initially, the onslaught appeared to be having some effect. The industry adapted to the new circumstances: some bookmakers opted for Federal jurisdictions such as the A.C.T or the telephone system while others sought out or found themselves offered the services of traditional criminals able, through their corrupt contacts, to offer more "protection" than the hitherto purely local arrangements could offer.

Between 1928 and 1938 a number of Italians and one Australian prostitute were murdered or mutilated in the Ayr, Ingham and Innisfail areas of north Queensland. Although some of the murders appear to have been related to the domestic affairs of some of the victims, others seemed to be linked to the extortion activities of an organisation known as *the Black Hand* or *Mano Nera*. The murders ceased after the killing, in 1938, of suspected gang leader and Ingham baker Vincenzo D'Agostino. In 1930 and 1934, prominent members of the Calabrian communities of Sydney and the Riverina town of Griffiths were killed. Police investigations showed family and other connections between these victims, their associates, and the "Black Handers" of Ingham, including, notably, D'Agostino. No particular significance was to be attached to these events until another round of killings in the Calabrian community of Melbourne in the 1960s.

#### *Impact of the Second World War*<sup>9</sup>

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<sup>9</sup>Additional references for this period: J.H. Moore, **Over-sexed, Over-paid and Over Here: Americans in Australia 1941-45**, University of Queensland Press, 1988.

Following the Japanese entry into the Second World War Queensland became a forward base for the conduct of the war. The influx of servicemen was a major boost for the illegal economy with the demand for illegal services increasing perhaps three-fold. In particular, the technically illegal but effectively regulated prostitution "houses" were unable to cope; an unregulated industry quickly sprang up to meet the deficiency, allegedly with some tacit assistance from Federal authorities calling on the Sydney criminal establishment to provide additional prostitutes. In addition, wartime restrictions on many goods created the conditions for a thriving black market.

Precincts sprang up where illegal alcohol, prostitution and gambling occurred in close proximity to one another. For the first time Queensland's illegal economy was sizeable and centralised enough to support persons taking the role of organisers or "protectors".

A listing of the principal illegal goods and services of the wartime era would include unlicensed alcohol, gambling, unregulated prostitution, vehicles and fuel, stolen or "recycled" military equipment, official documentation, black market commodities and abortion.

Although little hard evidence survives, anecdotal accounts support the view that corruption in the police force increased significantly during the war years, and that it extended well beyond the hitherto relatively benign activity of turning a blind eye to the activities of publicans and SP bookmakers.

The illegal economy collapsed at the end of the war. The healthiest sector, sustained by continuing post war shortages, was property crime. Thieves and their fences then adjusted with minimum discomfort to an era of increasing prosperity and the greatly increased availability of consumer goods. The war left a significant legacy; at least some of the detectives exposed to corruption during the war maintained corrupt informer/partner relationships with favoured criminals. With the most significant rewards in property crime, those thieves and fences in particular who had influential police contacts were regarded as the criminal elite. They were to remain so until the 1960s.

The SP industry boomed during the war despite the requisitioning of racetracks as troop camps. Unlike Sydney, Queensland's SP operators continued to maintain their independence of the general criminal milieu, finding only a natural community of interest with publicans trading out of hours. Both activities certainly benefited from corruption, as far as is known, usually through mainly local arrangements.

### *III. Postwar development of organised crime<sup>10</sup>*

Against a background of frequent allegations of widespread illegal gambling and, to a lesser extent, corruption, the State Government established a fourth Royal Commission on racing in 1951. Police then estimated there were 980 illegal bookmakers in the State, with

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<sup>10</sup>Additional references for this period: **Report of the Royal Commission Appointed to Inquire into Whether it is Desirable to make Legal the Method of Betting and Wagering Commonly Known as Off-the-course Betting**, Queensland Government Printer, 1952; **National Hotel Royal Commission Report**, Queensland Government Printer, 1964; **Report of the Commission of Inquiry Pursuant to Orders-in-Council (Fitzgerald Report)**, Government Printer, 1989; Transcripts of Evidence, **Commission of Inquiry Pursuant to Orders-in-Council**; K. Blanch, The Hiley File, **The Courier-Mail**, 18 and 21-22 September 1982; P. Dickie, **The Road to Fitzgerald**, University of Queensland Press, 1988.

530 in the metropolitan area alone. The Royal Commission recommended that off-course betting be permitted outside the metropolitan area, or sufficiently distant to avoid upsetting the principal racing clubs. The government enacted legislation in 1954 in line with these recommendations but with the added proviso that a local referendum had to approve the setting up of betting shops. Little changed.

Later evidence to the (Fitzgerald) Commission of Inquiry indicated that both SP bookmakers and publicans were involved in political as well as police corruption, making payments into a "Premier's Fund". A new Country Party-Liberal Party government took office in 1957, and in 1962 introduced legal off-course betting in the shape of the TAB. The discovery by the government that its newly appointed Police Commissioner, Frank Eric Bischof, was in receipt of considerable corrupt payments from SP bookmakers, was kept concealed from public knowledge. Bischof stayed in office.

In retrospect, the appointment of Bischof handed control of the police force to a clique of officers who had become accustomed to corruption during the Second World War. Some evidence has come to light indicating an almost immediate attempt to extort protection monies from the technically illegal but by long tradition "regulated" houses of prostitution; when this foundered because of the scale of demands for payment by police, Bischof unilaterally closed the brothels. Restoring the status quo would, the government realised, place them in a difficult position politically; the celebrated "houses" remained closed and prostitutes began to work from streets, bars and suburban homes. This could occur regularly only with the tacit approval of police; with the restraining influence of medically-based regulation removed, corruption flourished.

The effect of Bischof's action was to bring prostitution into the mainstream illegal economy, increasing both the overall size of the illegal economy and the scope for greater criminal organisation. For the first time a generalised criminal elite began to develop in Brisbane, composed of corrupt police and their favoured thieves, fences, prostitutes, sly grog merchants and gambling entrepreneurs. In such a grouping, police were able to exert a considerable degree of control over crime, on occasion, it has been alleged, organising it. When required, crime could also be "solved" with amazing rapidity. In the early 1960s, however, the focus of corruption in the police force began to shift away from sharing in the proceeds of crime towards the receipt of regular income from the providers of illegal services, most significantly the prostitutes, SP bookmakers, and the relatively new baccarat clubs, the precursors of the illegal casino.

Institutionally, this trend was marked in 1962 by the consolidation of Licensing Branch responsibilities to include policing all metropolitan prostitution, out of hours liquor trading, gaming and SP bookmaking. It was confirmed by the subsequent voluntary transfer of a number of notable Consorting Squad detectives to the Licensing Branch.

Cosy relationships between police and criminals have one weakness, an in built tendency to recurrent scandal. In 1963, one such scandal led to a Royal Commission, into alleged police toleration of after-hours drinking and prostitution at the inner city National Hotel. The police in question, including Bischof, emerged essentially unscathed; later there was to be evidence that with the assistance of civilian and criminal associates they had significantly manipulated the evidence put before the Royal Commission.

The effective control of much crime by a clique of corrupt police was not unique to Queensland in this period. A similar situation appears to have prevailed in both New

South Wales and Victoria. Interchange service by detectives in other states fostered a high level of contact between corrupt police cliques and was paralleled by the "transfer" from one state to another of members of the criminal elite.

Regulation of crime by close association between corrupt police and criminal elites in all three states began to fall apart in the late 1960s. The causes were complex but the result was to be that crime passed to criminal control.

In Victoria, a determined campaign by a doctor and some media outlets over police involvement in illegal abortion rackets sparked the first of a number of inquiries which were to lead, in time, to a substantial clean up of the Victorian Police Force. In New South Wales, a change of government weakened the position of some formerly well-connected members of the criminal elite, leading to a violent struggle for control of the illegal rackets, beginning with prostitution and abortion. In 1967-68 Sydney witnessed a spectacular series of bombings and shootings which, with a few notable exceptions, effectively ended the dominance of the criminal entrepreneurs who had achieved their position during the Second World War. The ability of corrupt police to influence crime was also diminished; the new criminal elite with its extensive waterfront connections was little inclined to share influence. One factor in the rise of this new group was its economic base in gaming machine and club extortions, and once their overall supremacy was acknowledged, deals were made for the protection of prostitution, the illegal casinos and the SP bookmakers. Nor was it long before the new syndicates began to take a closer interest in a new growth industry - the trafficking of illicit drugs.

The events in New South Wales had a number of consequences in Queensland. The interstate network of corrupt police was weakened by the loss of its ability to "control" crime through the control exercised over significant criminals. In Queensland this reinforced the growing pre-eminence of the Licensing Branch over the Consorting Squad as the centre of corruption within the police force.

In Sydney, those criminals formerly in partnership with police were among the principal targets and sometimes the victims of the power struggle. Some survivors sought refuge in Queensland, bringing with them new practices; for instance the massage parlour and its close stablemate, the "photographic studio", appear to have arrived in Brisbane in 1969, introduced by a former employee of a Sydney prostitution entrepreneur murdered a year earlier. Finally, having consolidated itself, Sydney's new criminal hierarchy increasingly began to look north for opportunity.

The events in Sydney and Melbourne and their repercussions had already placed criminal arrangements in Brisbane under considerable stress when a new development intruded; the appointment of a capable and determined Police Minister, Allen Maxwell (Max) Hodges, in 1969. Hodges had few illusions about the police force moulded by Bischof over a decade and even less when the results of a specially commissioned study of the force were received. An outsider, Raymond Wells Whitrod, was appointed Commissioner to implement the findings of the highly critical review. Whitrod commenced his pursuit of the corrupt with the appointment of a Crime Intelligence Unit.

Although the course of events in Queensland differed, the effect was the same - corrupt elements in the police force now under attack themselves were in no position to exert much influence over developments in crime. The pacesetter industry was prostitution, with the first chains of massage parlours being established in the early 1970s. One of these

parlour groups involved itself in illegal gambling and sly grogging and all would appear to have been linked with the developing trade in illicit drugs. There is some evidence as well of links between prostitution and property crime, particularly a new and brash group involved in motor vehicle theft and the disposal of stolen vehicles interstate. Some displaced Sydney criminals appear to have tried their hand at standover attempts on the volatile illegal markets; it may have been such a gambit that cost the lives of 15 nightclub patrons and staff in the Whiskey Au Go firebombing in March 1973. Certainly crime had a greater undertone of violence in the early 1970s, one factor probably being the removal of the de-facto regulation exercised by corrupt police.

However, Brisbane's illegal industries did not succumb to outside syndicate control, as was rapidly becoming the situation in Sydney. Consolidation was largely limited to prostitution and illegal gambling, with SP bookmaking remaining the enterprise of a large network of smaller operators it had long been. Abortion began to move from the status of an illegal service provided by criminals and the semi-medically qualified to a semi-legal industry dominated by defiant members of the medical profession.

There were however, two areas where Sydney-based criminal standover syndicates did exert some control, on the evidence of some of the NSW police telephone taps later made public as "the Age tapes". "Mock auctions" were streetfront businesses where goods, sometimes legally acquired and sometimes not, were sold by a process resembling a continuous auction. In all three eastern States, there was heavy criminal involvement in the industry and connections to other illegal enterprises, notably organised theft, drug trafficking and illegal gambling. The principal Brisbane businessman operating mock auctions appears to have paid fees to the leading Sydney criminal syndicate for the privilege.

The same businessman also paid fees to the same syndicate for the "rights" to operate illegal gaming machines in Brisbane sporting clubs. In 1974, a Queensland parliamentary committee (of government members only) recommended the introduction of "in-line" amusement machines in clubs. (The machines were already in the clubs, and it was fairly widely known that illegal gambling, not amusement, was the reason for their popularity.) The Queensland government accepted the recommendation; the impost of a hefty machine licensing fee makes it hard to accept that the real purpose of the machines was not appreciated. The decision was also made in the face of the first Royal Commission into organised crime in Australia, in which Mr Justice Athol Moffitt found Australian and United States organised criminal involvement in the NSW club industry and the gaming (poker) machine industry. Bally, the company most under question in New South Wales because of its alleged links with a US mafia family, did not operate directly in Queensland at that stage, but did supply machines to local enterprises. Of three large Queensland in-line distributors, one was controlled by a former operator of illegal gaming houses, and another by the leading "mock auction" entrepreneur and his Sydney associates. This latter entrepreneur, in turn, paid dues to Sydney's leading Australian criminal syndicate.

The later (Fitzgerald) Commission of Inquiry did not find any evidence of corruption surrounding the decision of the Queensland government to allow the machines.

Whitrods' campaigns did not end corruption; in his latter years as Commissioner of Police it transpired that one element in the ability of the SP industry to survive unchanged was continuing protection from some police. When overtures from the industry began to come back to the cleaned-up Licensing Branch, the Crime Intelligence Unit laid charges against a police officer, a former Licensing Branch officer Jack Reginald Herbert, and a

bookmaker. In one of the longest criminal trials ever held in Queensland, the credibility of the prosecution was attacked through recourse to another case in which it was alleged that members of the reformed Licensing Branch had fabricated evidence against another bookmaker. Herbert and his co-accused were acquitted in November 1976; the complicated inter-related sequence of events now known as the *SP Bribery Case* and the *Southport Bookmaking Case* effectively marked the end of the first sustained campaign against corruption in the Queensland Police Force.

The reforms of Whitrod and Hodges had aroused intense antagonism within the police force and union, which sought direct recourse through a developing relationship with the Premier, Johannes Bjelke-Petersen. Hodges fell victim to a brutal political coup in August 1976 and Whitrod resigned of his own accord when Cabinet promoted an officer formerly favoured by Bischof, the then Junior Inspector Terence Murray Lewis, over 122 equal or more senior heads to be his deputy in November. Lewis was immediately appointed Commissioner of Police.

During the early years of the Lewis commissionership, the reformed Licensing Branch that was a legacy of Whitrod's stewardship struck a number of significant blows against organised vice and illegal gambling. A number of well publicised "sledgehammer" raids succeeded in forcing the closure of the most significant illegal gambling venues on Brisbane and the Gold Coast. A large number of brothels were also closed, especially following a campaign against the landlords of premises. The prostitution industry began to fragment, a development assisted by the disappearance and presumed murder of the leading brothel owner in 1977. Finally, a determined campaign against SP bookmakers forced many to re-locate across the NSW border to Tweed Heads.

According to the evidence put before the (Fitzgerald) Commission of Inquiry, police corruption began to re-emerge as a significant factor in late 1978, initially in regard to the illegal in-line gaming machine industry. Some evidence to the Commission of Inquiry, all the subject of denials, indicated that the gaming machine entrepreneurs were making payments to the Licensing Commission chairman and a political figure prior to receiving overtures from police. Another factor in the industry was increased involvement in Queensland by the Sydney-based Bally distributor, Jack Rooklyn, a principal figure in the Moffit Royal Commission into crime in NSW clubs. Both Rooklyn and former Commissioner of Police, Terence Lewis, were convicted of corruption-related offences following the (Fitzgerald) Commission of Inquiry.

In what, with hindsight, appears a predictable development, the highly effective Licensing Branch became the subject of attack from senior police. The attacks occurred from within the force and through adept use of the media and parliament. Initially, there were attempts to limit Licensing Branch operations, particularly in relation to forays on to the Gold Coast in pursuit of SP bookmakers, one of whom was a convicted major drug trafficker. Following this, a compromised officer raised allegations about the misuse of reward monies for SP informants by the Inspector and other key branch officers; in the ensuing "investigation" by an assistant commissioner with a Bischof-era reputation for corruption, most of the active Licensing Branch personnel became the subject of punitive transfers. An initial appointment as Licensing Branch inspector turned down Herbert's offer of corrupt payments from SP sources and was rapidly moved on. His replacement was more amenable; a highly co-ordinated system of regular payments from illegal vice and gambling entrepreneurs and SP bookmakers was thereafter channelled through Herbert to senior officers of the branch and others up to the Commissioner.

This systematic corruption was both the product of and contributed to the emergence of a highly consolidated vice and illegal casino gaming sector. In Brisbane, a former Sydney couple who may or may not have had southern syndicate backing staked out a position in prostitution and pornography outlets, supported by payments to police which peaked at \$23,000 per month, according to Herbert's evidence to the (Fitzgerald) Commission of Inquiry. Another syndicate, whose dominant personalities were ethnic Italians, augmented their traditional interests in illegal casino gaming and sly-grogging with substantial prostitution interests, once the green light had been given through the police. This group, which also had intermittent interests on the Gold Coast, north Queensland and other regional centres, contributed up to a peak of \$17,000 per month to Herbert and his associates.

Although the SP industry was also a part of this system of systemic corruption, contributing up to \$16,000 a month, it maintained its separation from the vice and illegal gaming sector. This was in marked contrast to the situation prevailing in New South Wales, where SP bookmaking was but one of a number of illegal service industries under the overall control of the durable syndicate that had emerged victorious from the violence of 1967-68. Once again, corrupt protection of Queensland's independent SP operators was protecting them, not only from authority, but also from being taken over by southern operators and their syndicate controllers, some of whom had a foothold on the Gold Coast.

Although there is both some evidence and many indications of illicit drug trafficking by Queensland's vice and illegal gambling corporations, it does not appear that they ever assumed a dominant position in the drug trade. In this also, Queensland differed from the southern States where vice, all forms of illegal gambling and all forms of illicit drug trafficking were or are becoming highly integrated illegal industries. In Sydney in particular another layer of organisation existed with some of those syndicate figures who had emerged victorious from the 1967-68 violence extracting "fees" under a variety of pretexts from the entrepreneurs of single or combined vice, illegal gambling, illicit drugs or thieving and receiving enterprises.

Illicit drugs are the area where there is less hard information than any other area of the illegal economy; relatively little evidence on drugs was called before the Fitzgerald Inquiry. Tracing the recent development of illicit drug trafficking since Queensland's first cannabis arrest in 1963-64 is therefore as much hypothesis as history. The hypothesis is that developed by this author, which in turn draws heavily on Dr Alfred McCoy's analysis of more developed and better known southern markets. It appears that illicit drug trafficking as a significant illegal industry largely died down following the cocaine wars of the 1920s, save for the ever present sly-grogging trade. While there was wild cannabis present (from bird seed mixes prior to 1938) and some indications that a very small number of persons used the drug it was relatively unknown until the 1960s. From then however, cannabis use escalated rapidly, a development connected with its adoption as a symbol by the youth or counter-culture and the associated Vietnam War movement.

Early illicit drug production and trafficking was basically an enterprise of "lifestyle" drug users whose connection with other criminal activities was generally minimal. As the demand for cannabis increased and as other illicit drugs, particularly heroin, became increasingly popular, some of the "lifestylers" became more criminally adept and found common ground with traditional criminals interested by such a lucrative venture. The benefits of such association were quickly demonstrated as the use of Sydney as a rest and recreation base for American servicemen from Vietnam caused a several-fold increase in the number of potential drug customers, along with an increase in demand for nearly every other

illegal service industry.

Early drug enforcement was haphazard and there was little deterrent to the cultivation of the major drug in demand, cannabis, in reasonable proximity to the major markets of Sydney, and a little later, Melbourne. Aside from areas more immediately adjacent to both cities, the Murrumbidgee Irrigation Area, roughly midway, became a major cannabis production area. In this area, the main producers were of ethnic Calabrian extraction with past criminal links to the Calabrian communities in both Sydney and Melbourne. Members of these metropolitan Calabrian communities were in turn already heavily involved in the main produce markets in both cities.

The murder of political candidate and anti-drugs campaigner Donald Mackay in Griffith in July 1977 focussed considerable attention on cannabis growing in the Murrumbidgee and Canberra areas. Thereafter, cannabis production in North Queensland and South Australia in particular increased, suggesting that the Griffith-based Calabrian criminal fraternity, which had a metropolitan distribution mechanism and market, had turned to other areas where there were extensive southern Italian ethnic communities to fulfil the shortfall in supply. In turn, members of these communities sub-contracted out some cannabis supply requirements to existing "lifestyle" growers.

In the case of north Queensland, there were family links to Griffith, and some indications, going back to the 1930s and extending to as recently as 1963, of common membership in a Calabrian criminal fraternity known variously as *Mano Nera*, *L'Onorata* or *N'Andrangheta*. It can be shown that since the late 1970s a large proportion of the persons apprehended on large cannabis crops in Queensland have been, or have been linked to, ethnic southern Italians.

Although there was no evidence to the (Fitzgerald) Commission of Inquiry of any systematic corruption in regard to drugs, this author has postulated the existence of such a corrupt network, based on the movements of some Italian criminal identities around the State; parallel movements by a senior police officer and certain associates; a whitewashing investigation of early drug corruption allegations raised in Parliament; the manipulation of evidence to a Royal Commission which considered the involvement in heroin trafficking of a prominent former police officer; attempts to corrupt a police intelligence officer and discredit his work for an interstate agency; and the rapid but extremely dubious "solving" of a long outstanding drug related murder when it appeared necessary to forestall southern law enforcement interest in north Queensland.<sup>11</sup>

The market for heroin and other drugs appears to have operated along quite different lines. Queensland has always been and remains a smaller market for the harder illicit drugs compared to Sydney and Melbourne. This has no doubt contributed to a general pattern of distribution into Queensland from the southern States by a variety of criminal interests, including members of a number of European and Asian criminal fraternities. In relation to heroin, however, the most notable suppliers appear to have been individuals or families from Sydney with a Middle East ethnic background. Outlaw motorcycle gangs and their members are over-represented in the manufacturing, distribution and retailing of amphetamines.

Media revelations about the concentrated vice and illicit gambling enterprises and

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<sup>11</sup>These matters were detailed in a series of three newspaper articles in 1989;

their apparent connections to certain areas of the Police Force in 1987 led the government to commission an inquiry headed by Mr G. E. Fitzgerald, QC. The inquiry reported just over two years after it was commissioned, recommending, among other measures, substantial restructuring of the police service and the establishment of this commission. Many leading criminal figures, particularly in the areas of vice and illegal gambling, a number of SP bookmakers and a number of senior and other police were charged with offences; a majority were convicted.

The two year inquiry and its aftermath in the form of major police reforms and the establishment of a Commission with responsibilities encompassing both corruption investigation and organised crime control was the major single determinant on developments in the criminal arena from 1987 on. Other significant influences more recently have been an increase in legal gambling outlets in Queensland following a change of government in 1989, and a recession in the overall economy from 1989 on. Current developments in key criminal areas are summarised below:

### *Vice*

The ending of systemic corruption and the removal of key criminal figures has fragmented the prostitution industry and broken its close connections with other criminal activities, particularly illicit gaming. Some industry identities have attempted to consolidate their position in the industry but these have been largely unsuccessful. Law enforcement pressure on the industry was initially heavy during and immediately following the inquiry. This was followed by a period of relatively light enforcement while the Criminal Justice Commission prepared its report on prostitution; in this interim, there was a brief period of de-facto regulation of the industry by taxation authorities. A sudden renewal of law enforcement pressure forced the industry underground again, where it remains. The Government rejected the Commission's recommendations of decriminalisation and regulation of small scale establishment based prostitution and introduced its own scheme. This scheme, which banned all establishments and advertising but allowed individual prostitutes to operate from their own residences has resulted in a new variety of establishment on the "girlie bar" model and an increase in street based prostitution. Relatively vigorous prosecution of establishments is continuing despite a number of setbacks in the courts.

Retail pornography outlets, operating as an integral part of the prostitution "corporations", closed during the inquiry. Most of the demand for pornography is currently being met through mail-order material, particularly through the Australian Capital Territory.

### *Illicit gaming/machine gaming*

Illicit gaming and machine gaming is now at a relatively low level, mainly confined to within ethnic groups, due mainly to the break-up of the former corporate vice groups, the end of systemic corruption and, no doubt, the marked increase in legal gambling outlets, particularly with regard to machine gaming. There was some evidence, immediately following the Commission of Inquiry, that organised Sydney interests were attempting to move into the illicit gaming industry in Queensland; however, this coincided with a period of vigorous anti-gaming enforcement by the reformed and closely supervised Licensing Branch and was not successful.

*Illegal bookmaking*

The Commission of Inquiry ended decades of corrupt protection of local SP bookmakers, not only from the law but also from encroachment from the southern SP industry which is heavily integrated with other criminal activities. As a consequence, the local SP network has now become more heavily enmeshed in the national SP network and some southern operators have moved their base of operations to Queensland.<sup>12</sup> Law enforcement pressure was initially heavy in the wake of the Commission of Inquiry but is currently at a fairly low level. The Government is currently considering recommendations made by the Criminal Justice Commission for the control of this industry, including permitting licensed bookmakers to take telephone bets. Such changes must be considered likely in the light of South Australia permitting the taking of telephone bets. Other influences on the industry have been technical in nature, with widespread use of cellular telephones.

*Illicit drugs*

The Commission of Inquiry appears to have had the least effect in this area. Cannabis and heroin use overall appears relatively stable but there have been large increases in amphetamine and cocaine use. Patterns of production and distribution are essentially similar to those that developed prior to the inquiry. Considerable law enforcement resources have been directed at the drug problem and more significant levels of dealers are being apprehended as a result. Changes in the level of penalties, first towards very severe mandatory sentences and then some liberalisation of these sentences, have affected the location of drug trafficking dealings; they do not appear to have affected the extent of trafficking or drug use.

*IV. Summary: Lessons from history*

Apart from a brief interim during the Second World War, Queensland's illegal economy was until recent decades simply too small to support any significant degree of organisation. This was not only because of the relatively small size of the overall economy. Unlike the southern centres where organised crime started to develop from the 1920s, some significant goods and services in Queensland were supplied independently of mainstream illegal activity - technically illegal but effectively regulated prostitution and tolerated and locally protected SP bookmaking. Between the 1960s and the late 1980s increasing consolidation of the illegal sector and increasing corruption went hand in hand, although the process was subjected to some interruptions. It remains to be seen whether the (Fitzgerald) Commission of Inquiry represents a major disruption to the underlying trend or whether the consolidation of illegal activities will recommence at some stage. Re-iterating, the key factors in the degree to which crime becomes organised appear to be:

- Goods or services in considerable demand are severely restricted or illegal;

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<sup>12</sup>One such operator, Terence Page, a retired legal bookmaker who had formerly been a prominent Sydney bookmaker was convicted of illegal bookmaking offences in 1992 and was the subject of a proceeds of crime order. At the time he was allegedly the head of the largest SP bookmaking organisation in Queensland.

- To some extent society, and in turn enforcement personnel, are ambivalent about the illegal status of some illegal or restricted goods and services;
- The illegal economy is relatively sizeable or centralised;
- Regulatory and enforcement authorities are or can be compromised;
- Pre-existing criminal groups are available to organise vice and illegal gambling.

The first manifestation of organised crime is usually concentration of ownership of illegal enterprises and the linking of a number of illegal activities - in vernacular terms, various businesses in crime are amalgamated into a big business of crime. The further growth in influence of organised crime upon an illegal sector will depend upon the attitude of Federal, State, regional and local regulatory and enforcement authorities. If these remain committed to enforcement or committed to pre-existing arrangements, organised criminal interests may remain marginal players in any illegal industry. If, however, an accommodation can be reached with enforcement or regulatory authorities organised crime will assume greater dominance of an illegal industry through two primary mechanisms:

(1) the regulatory or enforcement burden will fall disproportionately onto independent operators outside the arrangement;

and

(2) the arrangement will make it feasible for organised interests to seek dominance through more traditional economic means - capital investment, intensive marketing, and improved client services.

The effect of dominance of the illegal sector by organised criminal interests is increasing inroads into and increasing disruption of the legal economy. There are two inter-related processes involved; criminal interests need to invest in legal enterprises to launder their funds, and those hidden funds carry with them the ability to "compete" in the legal economy on unfair terms.

Theoretically, such a process can continue until criminal interests can exert a disproportionate say in determining the direction of whole communities, such has occurred in a nation like Columbia where the illegal and semi-legal activity is economically more significant than legal activity. More usually, however, well before this stage is reached the social disruption accompanying large scale criminal activity provokes a reaction where the danger lies in the granting of unduly repressive powers to authorities in order to combat the crime menace or its principal manifestations.

In relative terms, Queensland, thus far, has not suffered greatly from either criminal depredations or unduly heavy handed responses to crime, although law enforcement powers were considerably enhanced with the formation of the Criminal Justice Commission and there have been unfulfilled periodic calls for powers to be further augmented

.The agency charged by Fitzgerald with the responsibility for developing organised crime control strategies considered but stopped an overall review of organised criminal activity in Queensland in favour of concentrating on developing a more effective law enforcement response to the apprehension of significant criminals and the break-up of criminal organisations. While there have been some notable successes in apprehensions it is not known whether these have had any more than a very temporary effect on the degree of criminal organisation or the operations of illegal markets.

The (Fitzgerald) Commission of Inquiry's call for an "integrated, comprehensive and wide range of corrective measures" would seem to remain unfulfilled.

