



**ROYAL COMMISSION ON
the activities of the Federated
Ship Painters and Dockers Union**

FINAL REPORT, Volume 4

The Government of the Commonwealth of Australia
and

The Government of the State of Victoria

ROYAL COMMISSION ON THE ACTIVITIES OF THE
FEDERATED SHIP PAINTERS AND DOCKERS UNION

Commissioner: Mr Frank Costigan, Q.C.

Final Report

Volume 4 SP Bookmaking

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OF THE FEDERATED SHIP PAINTERS & DOCKERS UNION

FINAL REPORT

VOLUME 4

SP BOOKMAKING

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CHAPTER 1 - INTRODUCTION

"Under the village poplar tree
The village butcher sets
The butch, a poplar man is he
For he takes S.P. bets"

Lennie Lower: Confessions of Village Blacksmith

1.001 Any consideration of SP bookmaking in Australia would have to give appropriate weight to the Australian ethos. The Australian character likes to "have a go". The big gambler (whether the gambling is on horses or on the stock market) is likely to receive a favourable press. This may be due to the origins of Australia as a convict settlement; it may be because of the large number of Irish immigrants; it may be because of the traditional anti-authoritarian views held by Australians. There are endless sociological reasons for this phenomenon.

1.002 Whatever the reason or reasons may be, Australians are natural gamblers. The predominant and traditional mode of gambling has been on horse-racing. This, in turn, has led to the burgeoning of bookmakers. These may be of the "registered" variety. Alternatively, there has developed a "network" (although that word is used loosely at this point) of unlicensed, unregistered off-course bookmakers.

1.003 These off-course bookmakers offer "starting price" odds to the punters. Thus they have been referred to over many, many years as SP bookmakers or "the SP's".

1.004 Because of the Australian attitudes, although SP bookmaking is illegal in all States of Australia, SP's have continued to thrive. The SP bookmaker fits an

acknowledged and traditional role in Australian society. He is not, as is the drug dealer, a criminal fulfilling a necessary quasi-medical function. Rather he is regarded as a businessman providing a service in, at worst, a quasi-legal activity in which many people find relaxation and enjoyment.

1.005 Thus, the Premier of New South Wales has announced from time to time over recent years that he believes SP bookmaking should be de-criminalised. For example an announcement was made by Mr. Wran on 29th October 1981 that the Treasurer of the State of New South Wales had been ordered to report on the most appropriate means of legalising gambling operations in that State.

1.006 The Australian attitude towards the SP bookmaker may be demonstrated by the following evidence received by me:-

"Counsel: ...why is it you place your bets with an SP bookmaker?"

Witness: "I am 53 years of age and I have been betting with SP bookmakers for almost exactly 40 years - since I was 13. At the time that I was a child, I lived in a country town and the SP operation was exactly next door, not two away or three, but right next door, over the back fence. Country towns have a need for betting services and the SP bookmaker, in those days anyhow, is the form in which that could happen. So what we are describing here is what has happened. If you have been smoking a pipe for 30 years, it is a habit. No matter what reasons are given for it, it is hard to break that habit, however one speaks of the reasons right now why I should do it. But because of those long-standing habits, I do not really see much difference in what I am doing to the

person who goes shopping at Saba on Sunday afternoon. Apart from that, the real reason for people like Mr. Price, even though they may not contribute to the community in the way they ought by paying their taxes in the way a regular bookmaker does, they nevertheless provide a very good service for people who do not go to the races. Even though I am known as the owner of Melbourne Cup and Caulfield Cup winners, I have not gone to the races over the last few years. I think I have been once to a metropolitan meeting in the last two and a half years, something like that. Therefore, this hobby of mine which I find very relaxing and very worthwhile and certainly profitable - that, too, is beside the point. I find it very worthwhile to continue and it is only through the service of an SP bookmaker that one can find out what the value of a horse is, and continue the hobby."

(Transcript p. 17138-9)

1.007 But of course the matters raised by the witness and the perceived Australian attitude generally towards this area are over-simplifications. Certainly it is easy at one stroke of the pen to de-criminalise what was previously an illegal activity. That, unfortunately, will not rid the community or the Government of the fringe problems relating to any particular criminal activity. It might be argued, for instance, that the TAB has a vested interest in stamping out SP bookmaking. Consequently any attempt to stamp out the off-course operator would be seen as being at the instigation of the TAB. However, the facts are that the TAB has only operated for a reasonably short period whilst the off-course bookmaker has always been with us and has always been a semi-target for law enforcement agencies.

1.008 It is not my purpose to argue the case one way or another. I start with the premise that SP bookmaking is illegal and consequently costs the Government and community a great deal of money as it is presently organised. There is also the strong suggestion that allied with the industry are other unpleasant and distasteful activities. This will be developed later in this chapter. Some of those associated activities would, hopefully, be eliminated by any legalisation of SP bookmaking; for example, corruption of police officers and violence associated with the collection of outstanding debts would become unnecessary.

1.009 In Victoria by the 1980's the operation of SP bookmakers was of such large dimensions that concern was caused to the leaders of the Victorian Police Force. In October 1981 the Chief Commissioner formed a special taskforce, code name "Zebra", to combat SP operators and their associates both in and out of uniform. This taskforce was led by Inspector Pittaway and it provided a report to the Assistant Commissioner on 6th September 1982.

1.010 This Report was in response to matters raised by Mr. Xavier Connor Q.C. then conducting the Casino Enquiry on behalf of the Victorian Government. It had emerged during his inquiry that SP bookmaking represented a huge source of untapped revenue for the Victorian Government. It was suggested that TAB turnover in 1978/79 was \$685M and for 1979-80 was \$740M. Mr. Connor, basing his "statistics" on New South Wales material, believed the SP betting industry in Victoria represented at least \$1000M turnover a year. Based on that figure, the bookmaker licence fees and betting taxes would if collected represent an amount larger than that collected from TAB betting.

1.011 The Report commented on the utility of a suggestion that SP operators be legalised. It did so in these terms:-

"5. It is also thought that the legalisation of S.P. operators would not deter the illegal industry as they would be required to pay fees and dues to fund overseers and officials as well as declaring full tax returns, payroll tax and the 2 1/4 percent turnover tax which few, if any, of them now pay. This would, in itself, make it financially unattractive as they would be competing on a level with the TAB and not able to provide the more attractive advantages to SP punters.

6. The matter of extending credit to punters would also need to be curtailed in line with TAB Regulations, which would again make the system less palatable to their illegal punters and take away one of the largest advantages they now have over the TAB. Furthermore the legislation would no doubt provide for licences to be only issued to persons without convictions which would bar many of the present SP operators."

(File 87/321, p.7)

1.012 In evidence before me in November 1983 Mr. George Frew, a well-known Melbourne business man, independently confirmed the comments made in the Zebra Report in that legalisation of SP bookmakers would not necessarily overcome the problem. Mr. Frew who was shown to be a very big gambler pointed out that fluctuations in the betting were a very important factor in his type of gambling. He thought some of the problems lay at the feet of the TAB in that he found on important race days it was very difficult to get through on the telephone to the TAB and place bets with that organisation because of its lack of telephone facilities. He made the further point:-

"..with an SP if you have a win you can immediately put those winnings on some other horse. With the tote you have not always been able to do that. Even now there is a delay factor where you are waiting but it is improving all the time and I can see it getting very close to the time when it will be close to the service offered by SP bookmakers."

(Transcript p. 17139)

1.013 Mr. Frew indicated a method of overcoming SP bookmaking. This was for the provision of telephones to rails bookmakers.

"I am able to bet on credit. If I want to bet on credit with rails bookmakers those rails bookmakers do not have a telephone but they might do so and then the transactions could be recorded the way the TAB records them. Then there would be no need for an SP bookmaker because they would not be patronised."

(Transcript p. 17139)

Mr. Frew also emphasised the fact that while SPs gave credit, no other organisation involved in legitimate gambling did so. (For the sake of argument, I disregard the bigger on-course bookmakers).

1.014 The Zebra Group had provided an earlier report to its Deputy Commissioner on 7th April 1982. In that report it was stated as follows:-

"The extent of SP betting is indicated by matters including the following:

- (a) SP's have interstate clients, and interstate affiliations.
- (b) Punters can get odds over the telephone, and the SP operators

usually receive three telephone calls with progressive prices before each race, for each race.

- (c) Punters are allowed 10% off their losing bets.
- (d) Up to 5 persons have been required to staff some operations.
- (e) Credit is extended to punters.
- (f) Debts for punters of up to \$193,000 have been discovered."

(File 84/568, p. 2)

1.015 The Report noted the arrest and conviction of one Patrick John Brennan. Brennan had been operating a telephone service-SP bookmaking operation from premises in Carnegie and was arrested on 25th November 1981. As part of the police investigation his books and accounts were examined by the State Audit Inspector. The business of Brennan was operated through a company whose business was that of "Commission Agents" and the Brennan family derived income from that company through a family trust. The following matters were noted in respect of that investigation:-

"- On the day Brennan was detected, up to the 6th race punters had invested \$24,869.00 in bets.

- For the four and a half months from 2.7.81 to 21.11.81, punters' wins and losses amounted to \$1,243,918.00. This amount is much less than total bets by punters, as wins and losses are only the summary of a days betting.

- Invoices or remittances for the day were posted to punters in Victoria, New South Wales and Queensland.

- One punter had a debt of \$179,114.00, and had been indebted to a high of \$193,354.00."

(File 84/568, p. 3)

1.016 The fact that Brennan was intercepted on a mid-week meeting was an indication that the figures were a minimum. Saturday betting is heavier than mid-week.

1.017 Brennan eventually appeared in court on 16th March 1982 and was fined the maximum for a "first offender", namely \$5,000. This was on the basis of evidence led as to his turnover and income. Although he had previous convictions for "street betting" in the fifties these were not treated as previous convictions within the terms of Section 23 of the Lotteries Gaming & Betting Act; if they had he would have been subject to heavier penalties.

1.018 The report continued with various paragraphs under the heading "Tax Evasion or Avoidance":-

"11 According to Mr. Rod Holland of the Bookmaker's Tax Section, a registered bookmaker would be liable to turnover tax of 2 1/4% on Melbourne races. This tax cannot be collected from Brennan as he was not a registered bookmaker. On the day he was detected, Brennan was holding bets of \$24,869.00. Tax on this amount at 2 1/4% is \$559.55.

12 Mr. Whelan calculated that if the bets placed with Brennan had been placed with the TAB the commission collected by the TAB would have been a minimum of \$4,227.73.

13 Therefore, on one day on these bets, the State was deprived of \$4,787.28. Extrapolating these figures, for the period from July 79, as declared in the taxation return, at two race days per week (an extreme under-statement) the State did not receive taxes of \$1,081,925.28.

14 The fine of \$5,000 is inadequate for this day alone, but absolutely insignificant when it is considered that Brennan has operated in a similar manner

for years. Even though Brennan pays income tax, it appears that the income declared is nett winnings, not total income, and it appears ridiculous that an unlawful operation can spawn both a body corporate and a Family Trust."

(File 84/568, p. 4)

1.019 In the opinion of the officer making the report Brennan's detection had produced evidence of the magnitude of unlawful SP betting operations. The existing fines should were regarded as "absolutely inadequate" and jail sentences for first offenders were recommended for considered as "powerful deterrents".

1.020 It was suggested that the financial accounts of this particular bookmaker supported the view that unlawful SP betting operators were threatening the established racing industry and the TAB. It was also claimed there was "clear evidence that many others (SP's) have operations which are as extensive or more extensive than Brennan".

1.021 On 11th November 1983 the first National Racing Ministers' Conference was held in Melbourne. This was hosted by the Victorian Minister for Youth Sport & Recreation and attracted representatives from all States and Territories except Queensland. A press media report contained the following paragraphs:-

"Illegal SP gambling will be one of the prime topics at the first national racing Ministers' conference in Melbourne today.

The contentious question of illegal SP operations is the first item on an agenda which covers such varied issues as promotion, uses of TAB facilities and price fluctuations. The conference will

also examine data on gambling in Australia, ways and means of maintaining and increasing media coverage and a national approach to promotion of all codes of racing."

(The Age, Friday 11th November 1983)

1.022 A further report of the matters discussed at that conference appeared the following day. The report was under the heading "National Bid to Smash SPs". The full text of that report was as follows:-

"A national campaign against SP bookmaking will be launched in a bid to smash the illegal, multi-million dollar industry.

State racing and gaming Ministers decided on the national approach at a top level conference in Melbourne, the first of its type to be held.

The Victorian Minister for Youth, Sport & Recreation, Mr. Trezise, today said this move marked the start of a uniform and united campaign against SP bookies.

It is believed the Ministers agreed that tougher Federal Government controls need to be introduced in a bid to help stamp out starting price operators.

Concern was expressed at the conference, held yesterday, over what appeared to be Telecom's apparent lack of action on SP betting.

Mr. Trezise said some new legislation might be necessary and it was now up to the Federal Government to tackle the problem 'with the gloves off'.

The meeting agreed to approach both the Federal Government and Telecom and press both bodies to use every possible method to detect and reduce the incidents of SP booking. Mr. Trezise said: 'There was concern that Telecom should appear to be taking more positive action.'

'If it hasn't got the power to take the action that is required then it's up to the Federal authorities to give it that power,' he said."

(The Herald, 12th November 1983)

1.023 It is not clear what action has taken place to implement the enunciated policy of the Ministers. No approach has been made to me for any information or assistance, despite the fact the interest of my Commission in this area was well known; particularly as public hearings were held into the affairs of various SP's in the very week following the Ministers' meeting. The proposed "National Campaign" will be the subject of further comment by me later in this chapter.

CHAPTER 2 - MY EARLY INVESTIGATIONS

2.001 In earlier Reports, I have noted the involvement of members of the Union with SP bookmaking activities. In chapter three of my Second Interim Report, delivered on 29th July 1981, I described the way in which the Commission became aware of a large network of SP's operating in the Melbourne metropolitan area. Many of those involved were Union members. A preliminary analysis of banking records indicated regular and sizeable transactions between Patricia Fox and Harold Price. The information then available to me, and later confirmed by my own investigations, was that Price was one of the leading SP bookmakers in Australia. At that stage it was also thought that Patricia Fox, or her husband Donald Fox, were "part of.. a large organised illegal gambling enterprise". I have been unable to confirm that view. Donald Fox in evidence before me in October 1983 claimed he was "a punter" rather than a "bookmaker", and that he had been particularly fortunate in those activities. No real explanation was given by him for the use in his "hobby" of bank accounts in the name of his wife. I was left with the implication that it was to disguise his source of income.

2.002 Various members of the Union involved with SP bookmaking either as punters, commission agents or bookmakers were identified in that early report. Included amongst them was Phillip John Charles Scott, a member of the Executive of the Union (1977-1984). He was then thought to have a substantial operation in the western suburbs of Melbourne. This was confirmed by the fact of his three subsequent prosecutions and convictions for betting offences

between October 1981 and May 1982. I will refer to him again later in this chapter.

2.003 My conclusion in Interim Report No. 2 was:-

"The associations so far established justifies a far deeper investigation into the activities of these people. It does appear that the illegal gambling organisation extends beyond the boundaries of Victoria and reaches into every State in the Commonwealth."

(p. 67)

2.004 A "deeper investigation" as anticipated by that report has been carried out. It was justified in that it has demonstrated the extent of the organisation and the extent of its operation throughout the country. The investigation is, however, by no means complete. Nor has it been as wide-ranging as would be necessary to effectively suppress SP bookmaking, if that were to be an option seriously sought by Governments. It must be remembered that my Commission comes from the Federal and Victorian State Governments. The Federal Government has no particular interest in stamping out illegal gambling - provided income tax is paid and there are no contraventions of other Federal laws. For its part the Victorian Government, through its police force, has fought a fairly effective campaign against the SP bookmaker. It believed by early 1984 that most of the major operators had been driven across the border into New South Wales.

2.005 The suppression of SP bookmaking needs to become a national target for it to become an effective undertaking. Hence, no doubt, the expressed views of the various State Ministers at their meeting last November. Whilst the law in New South Wales - and Government policy seems to support it - deals benevolently with the SP bookmaker then operators from Victoria and Queensland merely

"cross the border" and operate in that State. If they are arrested - as they appear to be fairly regularly - they receive modest fines (ranging between \$200 and \$500) which they no doubt regard as reasonable business expenses. I have evidence, which I will detail later, of the use of false names by some of those apprehended and charged. This device presumably not only hides the true identity of the bookmaker but also disadvantages the State in collection of any fines imposed.

2.006 In my Fourth Interim Report delivered in July 1982 I described the investigations that had taken place since my Second Report. I said that it had been possible to identify highly organised starting price bookmaking operating throughout Australia and bearing the hallmarks of a central organisation. I described the organisational structure which had, at its lowest level, a bookmaker established in the bar of a hotel.

2.007 Such a bookmaker is responsible for taking bets, which he does by word of mouth and often without maintaining a written record. He uses the telephone at the hotel for the purpose of communicating the wager to an operator established in a house or office. Often money will not change hands. Settlement takes place the following week. In some cases the bookmaker collects the losing wagers and pays out the winners. Money is then delivered to a "supervising" bookmaker. Many of the bookmakers operating in the hotels are painters and dockers, but they do not have a monopoly.

2.008 At the next level there may be a controlling operator who bears the responsibility for the conduct of the operation at a number of hotels in an area. Roy Holman and Phillip Scott, members of the Executive of the Victorian Branch of the Union, at times carried out this function.

This supervisor is responsible for the installation of "his man" as the bookmaker and the removal of any opposition. That may be achieved by notifying the local law enforcement authority of the operation of the opposition bookmaker. Following his "disappearance" the supervisor will install his man at the hotel. Should the publican raise objection, the supervisor "persuades" him to withdraw by threats of violence. An example of that is given in that part of my Fourth Interim Report dealing with the Station Hotel at Port Melbourne. The supervisor would also appear to be responsible for enforcement of payment by the punters. Since recourse to the law is not possible, payment may be enforced by the threat of physical injury. The other level of operation is at the "safehouse" where the book is kept. Whether it be at a private house, in an office or in a factory, it consists of a number of telephones, usually unlisted and unknown to the authorities at Telecom. There have been several occasions upon which the operation rooms have been discovered by law enforcement authorities, a number of telephones found installed and yet no official information about those particular telephones available from Telecom. In many cases the bookmaker in charge of the operation will be present in the "safehouse"; in others he will have left a "manager" in charge and not attend that "control room" thus distancing himself from the operation.

2.009 The principal bookmakers form part of a network stretching around Australia. Amongst each other they lay off heavy commitments that might otherwise have to be borne individually. This system of laying off is widespread. The "biggest" of the SP bookmakers will accept the laying off of bets of some of the more minor bookmakers. It is also of interest that many registered bookmakers place bets with the off-course unlicensed bookmakers. This may be the laying off of big bets taken by

those registered bookmakers themselves off-course and prior to commencement of race meetings (and, that is, in breach of the law). They are the results of illegal pre-post betting. Very large sums of money pass through the accounts of these off-course bookmakers.

2.010 As is well known, these principal bookmakers do not operate solely through "runners" in hotels. They have clients who deal directly with them. Those clients are given the telephone number of one of the telephones in the control room. They are allowed credit and telephone their wagers direct. Many of those clients wager very large sums of money.

2.011 The odds quoted by the bookmaker through that control room, either directly to the punter over the telephone or indirectly through a hotel bookmaker, are subject to fluctuation during the course of the betting on a particular race. The punter is able to be advised of the current odds being bet at the course on a particular horse when he wishes to place a bet. He can then judge for himself what is likely to be the starting price eventually fixed in respect of that horse. This is one of the services which was described by Mr. Frew in evidence before me as being of particular advantage to the punter. I will discuss later in this chapter the provision of "pricing services" to bookmakers and a method of "fixing the odds" adopted by the more unscrupulous of those bookmakers.

2.012 As I stated in my earlier Report, there are apologists for SP bookmakers who claim that they do no harm and that their "criminal activity is of small moment". They claim, with considerable justification, that many in the community take advantage of the service that is provided. They say further that if there is such a demand then perhaps

it ought not be unlawful. Similar submissions are, of course, made in support of legalisation of marijuana and other drugs.

2.013 It is not for me, as I have indicated earlier, to moralise or express opinions of a moral nature on starting price bookmaking. Whatever philosophical decision may be made, there is little doubt in my view that in practice it constitutes a significant social evil and steps should be taken to suppress it.

2.014 The various State and Territory Governments impose taxes upon registered bookmakers. Starting price bookmakers avoid that tax, and, consequently, it becomes a form of tax evasion. (I note here, incidentally, that I am aware that in the Northern Territory there has been for some years a form of licenced off-course bookmakers.) Out of the tax, which is a turnover tax, a percentage is paid to racing clubs which conduct the meetings upon which the starting price bookmaker gambles. (In some States, the taxes might also be applied to other causes worthy of the State's munificence). By avoiding the tax, the SP makes no contribution towards the cost of operation of the race meeting. If starting price bookmaking proliferates, it may well be that attendance at race meetings will fall, or continue to fall, and use of the TAB will decline. The result will be less money for racing clubs and less revenue for State Governments. These are obviously the kinds of matters which the Racing Ministers were anxious to combat when discussing their "national campaign". They, and others no doubt, obviously regard these matters as serious enough. However, there are even more serious considerations. There is little doubt that criminal organisations play a big part in the control of starting price bookmaking. With that

control comes the worst aspects of criminal behaviour. Violence is endemic to it. Moreover, the criminal organisations do not hesitate to corrupt. It may be the corruption of a police officer or a bank manager or of anyone occupying a position from which the organisation can derive a profit. These matters have been amply demonstrated to me in the course of my investigations.

2.015 The campaign by law enforcement agencies throughout Australia against starting price bookmaking has a long history and has been generally unsuccessful. I take into account the limited success which is obtained from time to time by all out efforts by police forces such as the much publicised efforts of "Beck's Raiders" in New South Wales and the Zebra Task Force in Victoria. Notwithstanding those limited successes, as I would regard them, it has not been an easy fight. Criminal organisations develop techniques designed to frustrate the operations of the authorities. The control rooms are heavily barred and turned into fortresses. Records kept at such places are disposed of at the first hint of apprehension. Telephones are often not recorded at Telecom and it has been difficult for law enforcement authorities to locate premises used by SP bookmakers without allotting full-time and costly surveillance teams to a particular target. In consequence, the criminal organisation conceals both the fact and location of its operation and accordingly renders its suppression most difficult.

2.016 I have approached the problem from a different direction to that which is open to law enforcement agencies. This is for obvious reasons, given my different powers. Rather than attempt a frontal assault, which would require considerable surveillance resources and use of undercover agents and informers not available to me, I have

attacked by commanding production of banking documents and other appropriate records. I have previously detailed the investigative techniques used in relation to my investigation of SP bookmaking. That appears in Interim Report Four. Moreover, I have devoted the whole of Volume Two of this my Final Report to a discussion of the investigative techniques developed during the course of my Commission. I will say no more about those techniques in this chapter.

2.017 I have already indicated that from an analysis of various banking documents I had identified that a man called Harold Price was of some significance in the network of SP bookmakers. I obtained records from his bank over a lengthy period and submitted those to a very detailed alysis. From that I was able to have prepared a network owi g his potential role. That network was made available to the Zebra Task Force. It allowed it to identify other significant bookmakers operating in Victoria. In due course the Commission was approached by police officers from other States, particularly South Australia, Tasmania and the Northern Territory, who sought information from that network as to the identification of bookmakers operating in those places. That information was given. In addition information was communicated to Queensland as to the identity of some operators in that State.

2.018 I noted in my Fourth Report that as a result of investigations to that time a national intelligence operation into SP bookmaking was facilitated. It was then envisaged that a joint operation with this Commission and the Australian Bureau of Criminal Intelligence would be conducted. It was hoped that it would be possible to identify with great precision all of the major SP bookmakers operating throughout Australia. That has proved a rather optimistic view of what has transpired. Nevertheless, it is

true to say that such an identification would be possible if a higher profile were given to an investigation into Australia-wide SP bookmaking. That will be the subject of a recommendation at the conclusion of this part of my Report.

CHAPTER 3 - HAROLD EDWARD PRICE & ECRIP

"The great Australian and English bookmaker Joe Thompson was once asked whether it was better to back favourites or to back outsiders. Joe replied promptly, 'If you back favourites, you'll have no laces in your boots.'

'And what about outsiders, Joe?'

'Outsiders,' said Joe thoughtfully. 'Outsiders. If you back outsiders you'll have no boots.'

A.B. Patterson, Racehorses
and Racing (1914)

3.001 The company Ecrip Pty Ltd was selected as a target because of the flow of money between it and Donald Fox. It was quickly established that one Harold Price was the force behind Ecrip. A detailed examination of his affairs was conducted. It is not proposed in this Report to set out all the information that was obtained. Price was born at Melbourne on 5th November 1932 and is married to Patricia Lorraine Price. They reside in the bayside suburb of Brighton, Victoria. The investigation has included details of his bank accounts, travel movements and an investigation of his associates - more particularly those of a business kind.

3.002 On 16th June 1973 Harold Price was arrested at 91 MacGregor Street, Middle Park. He was charged with using those premises for betting. There was substantial delay in having the proceedings brought to court and he did not appear until 7th February 1975. He was then convicted at the South Melbourne Magistrates Court and fined \$500. In the course of evidence Price admitted that he had been using those premises for two and a half years for betting. That was his only conviction, and was in his own name.

3.003 On 16th June 1973 (that is, on the same day) at St Kilda, Patricia Lorraine Price was arrested by Victorian Police. She was charged with using premises at Dickens Street, Elwood for the purpose of betting. Those premises were the residential address of Harold Price's brother. On 4th October 1973 she was convicted and fined \$1,000. I received information that Price's involvement in SP bookmaking went back at least to 1969 but I was unable to positively substantiate that. Nevertheless, it is clear that Price was involved as an SP bookmaker from the early 1970's up until, at least, October 1983.

3.004 Although Price and his family have continued to the present time to reside in Victoria it is clear that he has conducted his SP betting operations from interstate from at least 1978. In fact the information I have indicates that it is more than likely that, following his conviction in February 1975, he transferred his operations interstate. I have previously indicated a very thorough analysis of Price's banking arrangements was undertaken. Price conducted accounts in the name of the company Ecrip Pty Ltd (it will be noted that "Ecrip" is an anagram for "Price") at the ANZ Bank Middle Park and, separately, at a branch of the Commonwealth Trading Bank in Little Collins Street, Melbourne. In September 1969 Price opened a cheque account at the ANZ Bank Middle Park with \$100 cash. He also had a savings bank account with a balance of \$4,000. The manager at the time indicated that Price was self-employed as a "commission agent". I pause here to note that the euphemism "commission agent" has been found by me to be commonly used as an alternative for "SP Bookmaker". In 1979 the then manager recorded in an internal banking memorandum that Price had banked at the branch for some 20 years and during that time had never required any financial assistance. He stated that Price had provided excellent

creditor funds over a long period and that his turnover for the period 1977-79 was close to \$2M. That manager made the further statement that because of the nature of Price's business it was preferred "not to record these details". Again, I have noted repeatedly during the course of my investigations that banks and their managers at times demonstrate a peculiar disregard for the breach of the criminal law by their customers.

3.005 In December 1972 the Manager of the Middle Park branch opened an account in the name of Harold Edward Price. The account was opened up specifically as a "managers" account. Banking sources have stated that it is usual for a branch to have a "managers" account; however, these accounts are normally used to hold money in trust for short periods of time. This account, therefore, was of a highly unusual nature; if not, in fact, contrary to general banking regulations. After exposure of this account, which was described as a "bottom drawer" account, the branch stopped Price's use of it in April 1981.

3.006 It had been a very convenient account for Price as funds were regularly placed into it during the period December 1972 until April 1981. During the period August 1976 - April 1981 \$1,859,425 was paid into this account by him. (This is not the total amount for the complete life of the account). Additional bank statements extracted indicate that a further \$489,051 was paid into this account during the earlier period. This amount, however, does not include at least four statements which could show a further \$100,000 (if the known figures were extrapolated.)

3.007 It appears Price would deposit a number of selected cheques which were then credited to the manager's

account. Approximately two weeks later Price would then contact the bank to ascertain whether or not the cheques had been cleared. When all the cheques had been cleared Price would advise the bank that he wished to withdraw these credits in cash. The bank would then order the additional cash, Price would then come to the bank, withdraw the cash and walk out. Price's explanation would obviously be that this money was needed for settlement of bets. However, it is likely that this money was tax-free cash.

3.008 There are no vouchers associated with the manager's account. But an examination has been carried out of this account and a number of cheques relating to credits have been identified. It appears that the account was being operated with the full approval of a number of ANZ bank managers. There is no doubt money was being laundered through this account. The conversion of the cheques into cash form and the covering of the identity of the depositors was a deliberate attempt to hide information from Taxation authorities. There was no reason why Price should use the managers account if all of his betting transactions were proper and/or, alternatively, he was intending to make complete disclosure to the revenue authorities.

3.009 Using the premise that these funds were in actual fact laundered through this manager's account, in the four and a half year period from August 1976 to April 1981 Price had been able to avoid the payment of tax to the amount of \$260,000 per annum on average. This, however, is somewhat simplistic in that it assumes that all the money put into this account went to Price's betterment. What has been established is that Price has not included these funds in his taxation declarations. As a result of various investigations, Price has now received tax assessments in the vicinity of \$2 million.

3.010 The ANZ Middle Park branch had four managers during the period 1972-1981. The manager who produced to me the documentation relating to the manager's account gave evidence that he found it highly unusual that this practice had continued for so long. This manager, King, stated he was surprised "as to why over 8 or 9 years auditors have not mentioned it (the manager's account) in any of their reports." King made a close examination of all the reports dating back to 1975 and found that no mention of this account had been made. The manager further stated that on telling Price that the account had been closed Price was not at all perturbed. However, when he did come into the bank, Price said:-

"all I do is pass cheques through it that I do not want passing through Ecrip".

(Transcript p. 4100)

3.011 Even after closing the account Price wanted to know how he could negotiate cheques without passing them through Ecrip. King gives a strong indication in the transcript that he was a little surprised with the response he received from his superiors. In evidence Mr. King stated:-

"So I reported the matter (ie the manager's account) to Melbourne. As a result of this enquiry as well I am supposed to report everything I can find. You know, they just wrote back and said 'close the account and tell Mr. Price it no longer exists'. There was nothing - nothing about why it had not been raised in audits or they did not know how the account operated in the past - nothing."

(Transcript p. 4102)

3.012 When Price spoke to the bank manager in late August early September 1981 he wanted to know how he could

negotiate cheques without passing them through any account. The bank indicated that it would be quite legal for him to present a cheque to the bank for clearance and when the cheque was cleared the customer who had been identified could then return to the bank after a suitable period and withdraw the money either as a bank cheque or in cash.

3.013 I have already indicated that the information I had received was that Price had transferred his operations interstate. It was said that he was operating from New South Wales, although informal enquiries made by me in that State were insufficient to prove the matter one way or the other. Certainly there was no record of a person by the name of Price having been convicted in New South Wales of any offence. There was nothing to indicate that Price was a "target" of any New South Wales police department. Nevertheless, the information continued to point to his involvement interstate. It was fairly clear that he was not operating from Victoria. He was however continuing to operate a sizeable book as the transactions through his bank account indicated. The investigation that followed was quite complicated but became very necessary. It was only through the closest analysis of all the information that became available that I was able to form some picture of Price's actual activities from about 1978 onwards. I would not descend to the detail which is set out below unless I thought it was of some assistance in pointing out the difficulties which law enforcement officers have in combatting this kind of offender.

3.014 From time to time my Commission has come into possession of teledex or address book information which has included references to Harry Price either as "HP" or under some other name. For example, telephone numbers appeared in the address book of one Ossie Mairou obtained by me during

1983. Mairou is a licensed off-course bookmaker in the Northern Territory. One of the numbers appearing in Mairou's teledex was 02 5885266 together with the initials "HP". Enquiries had indicated that that telephone service was in respect of a property situated at 1/116 Railway Parade, Kogarah (a suburb of Sydney) in the name of H. Shaw. The phone number in that name and at that address continued in service until 12th February 1982 when it was cancelled.

3.015 I have received a copy of the application for the telephone service, and the subsequent cancellation thereof, at Suite 1, 116 Railway Parade, Kogarah. This service was cancelled by a "L.A. Ramsey" on 12th February 1982. "Ramsey" gave his occupation as a company director. An examination of his signature shows it bears a strong resemblance to that of Price. The file documents also contains details of telephone accounts accumulated during the period of Shaw's (Price's) stay at the premises.

3.016 On 29th July 1982 Price rented premises at 2/368 Forest Road, Bexley (another suburb of Sydney). This time he used the name of R.J. Walsh. On 10th August the same year he leased the telephone service at that number. This number was 02 5972622. Price, whilst using the name of Walsh, described himself as a "general agent".

3.017 A copy of the lease and application form for the tenancy of the premises at Suite 2, 386 Forest Road, Bexley has been obtained. These premises were leased to Price under the name of Ronald James Walsh. The lease actually commenced on 22nd June 1982. "Walsh" gave his previous address as Flat 2, No 5 The Esplanade, Elizabeth Bay. These latter premises are actually owned by a Barbara Williams who is an associate of Price. Price leased the

premises until 18th April 1983 when he advised the agents, Raine & Horne, that he would be leaving the flat to live in Melbourne. He advised the agents that his forwarding address would be:-

The Manager,
P.O. Box 70,
MALVERN. Vic

This post office box is in fact registered to Leslie William Alfred Mantach. This man is an acquaintance of Price in Melbourne.

3.018 Evidence has been given to me by Josephine Taylor, the property manageress for the firm of Raine & Horne. In evidence she positively identified Harry Price as the same man as the Walsh who had rented the premises. She indicated that he remained at those premises until August 1983 when he vacated. He apparently dropped a note at the front desk of the firm and left the forwarding address of Mantach.

3.019 Price in the meantime had been arrested at Suite 1, 368 Forest Road, Bexley for SP bookmaking. This was on 27th November 1982. He was then using the name of R.J. Hunter. A check with Telecom in respect of the telephone service at Suite 2, 368 Forest Road, Bexley (which is also apparently known as Suite 1/2 Harrow Road, Bexley) indicates that the telephone numbers connected at that address were:-

5972622
5972587
5972409

The service for the phone was leased in the name of R. Walsh and the handwriting of that person is very similar to that of Price. Price advised Telecom on 18th April 1983 that he wished the service to be cancelled and all bills forwarded

to P.O. Box 70 in Malvern. He traded under the name of R. Walsh general agent. He "appeared" in the Kogarah Court of Petty Sessions on 29th November 1982 and was fined \$400.

3.020 In November 1982 a person by the name of Lawrence Scott rented premises on the top floor of 417 Forest Road, Bexley. The rent was for 12 months at a monthly rental of \$541.66, the landlord being Dorothy Lynch.

3.021 On 5th February 1983 Price was arrested with two other men at the premises at 417 Forest Road, Bexley. He was using the name of Ross James Hunter. He appeared in the Kogarah Court of Petty Sessions and was fined \$600. The other two men were John Allan Morris born 28th April 1942 and Robert Deering born 9th November 1938. Price gave Hunter's date of birth as 23rd May 1934.

3.022 In the midst of his problems with the police in New South Wales, Price also needed to consult his accountants in Victoria. It was at this time that the Taxation Department were putting extreme pressure on him with a view to assessing him for close to \$2M in tax. He consulted his accountants on 18th February 1983 when the following note was made by the accountant as to Price's method of betting:-

"Bet back on other bets

Lay Off

Five Meetings

Tuesday Wednesday Thursday and Saturday
and Saturday night

Cash \$5,000-\$10,000 cash per week

\$5,000 by six equals \$2M

\$650 per week - for Sydney costs

\$162,500

Cash for phones and offices ex cash

\$60,000 - \$100,000 for six years"

(File 95/166, p. 8)

3.023 There is another note on 14th February 1983 made by the accountant, dealing with Price's assets noting the "illegality of the business". Separately there was a discussion with his accountant at about this time relating to the Manager's account at the ANZ branch at Middle Park. This discussion was presumably an attempt to justify the banking practice to the Tax Department. The following note appears:-

"Some time some cash on hand..say
\$160,000.. and cash paid into Commonwealth
Not prepared to name names re losing
bets."

(File 95/166, p. 7)

3.024 The significance of the matters set out in the previous paragraphs should not be overlooked. Price was effectively saying to his accountant that he had operated out of Sydney for something like 5 years (implicit from the weekly and total calculations). There was also the statement that the payment for "phones" and "offices" has been by cash. This was made with a view to justify the expenditure from the manager's account over and above that claimed in the actual tax returns. Of course, now that the various aliases of Price have been established it is clear that he has in fact operated throughout that period (i.e. 1978-83) in New South Wales.

3.025 The further significance of Price's "difficulties" with the Federal Tax Authorities is this. It is often claimed by the Tax Authorities that one of the bases for the secrecy provisions contained in Section 16 of the Income Tax Assessment Act is the voluntary disclosure by taxpayers of income earned from illegal activities. That is, taxpayers are prepared to disclose their illegal activities and the income therefrom on the basis that they are secure from that information "getting into the wrong hands" (namely law enforcement agencies). The evidence that I have taken during the course of my Commission gives no credence to that philosophy. Although SP bookmakers may well declare some of their income and the illegality of the means of earning it, nevertheless they also use all the techniques of other tax evaders. Separately, I might point out that I have no evidence of any person who has earned income from drug trafficking declaring the source and fact of such income. I will have more to say about that in a separate chapter of my report.

3.026 On 5th March 1983 Price was again arrested. This time he was in company with one other man. Again it was Robert Deering, at premises at 8/744 George Street, Sydney. Price was again using the name Ross James Hunter. He appeared in the Castlereagh Street Court of Petty Sessions on 18th March 1983 and was fined \$500. In none of these cases does it appear that prior convictions were alleged against "Hunter".

3.027 Following this latest court appearance - and the fact that Price was obviously becoming well-known to the police in New South Wales - it was clearly time to "leave". This no doubt led to his letters of 18th April 1983 when cancelling his existing telephone services. In a letter to the landlord of the premises at 417 Forest Road, Bexley.

Price (under the name Scott) stated he had gone out of business owing a large amount of money and he was to depart to Perth on 17th April 1983 as he was not able to "face" people. Incidentally, when applying for the premises at Forest Road, Bexley "Scott" had also given as a home address 2/5 The Esplanade, Elizabeth Bay (being the premises of his associate, Barbara Williams).

3.028 The attempts by my staff to ascertain the whereabouts of Price during the latter half of 1983 intensified but without a great deal of success. Informal information was received that he was now operating in Queensland. However, checks on airline movements out of Melbourne did not reveal any movement by Price. Furthermore, it was clear that he was not travelling under that name or paying travelling expenses by cheque from any of the accounts he was known to operate. It was subsequently to appear that he was aware of my interest in him and was "laying low". He was, however, still operating his book.

3.029 The teledex of Ossie Mairou referred to earlier was examined for other numbers. There was a telephone number 07 3914222 in it. A check on this indicated it was connected to the business HTS Travel Servie at 814 Stanley Street, Woolloongabba in Brisbane. The proprietor of this business was one Keith Harkins. The number had been crossed out in the Mairou teledex but, from the position of it, it appeared to be connected with Price. Harkins is also connected with a company Amcomm of Australia involved in the importation of telecommunications equipment. He was also a Telecom employee. Harkins was a valuable starting point in obtaining information in regard to Price although it was not until his appearance before me in November 1983 that he was able to give firm evidence in

relation to his association with Price. Harkins was able to identify a person by the name of "Harold" who had come to his premises early in 1983 to enquire about telephone equipment - "diallers and divertors, etc." He said that he only met him on two occasions. He only knew him as "Harold". He explained why his telephone number was being given as that for Harold Price. His explanation was that Price used his office (which was only a part-time operation in any event) for a few weeks. Harkins said that Price had been there for something like a week or ten days and spent close to \$400 on telephone calls. He also sold a dialler to Price.

3.030 Harkins indicated that the introduction to the man he now knew as Price was from Pat McMahon who had formerly been a bookmaker in Brisbane. Harkins identified Harold Price before me as the man who had used his premises. It appears on balance that Price was probably operating from those premises in about April or May of 1983.

3.031 In or about June 1983, using the name of "R. James" Price rented premises at Flat 2, No 24 Castlebar Street, Kangaroo Point. The following four telephone numbers were found to be connected to this unit:-

3931291
3931438
3931624
3931800

3.032 The latter number was one which had appeared in the teldex of Ossie Mairou and was the introduction to a check of these premises.

3.033 Queensland Police armed with the address, and at the request of the Commission, carried out surveillance activities in respect of the premises at Castlebar Street.

On 11th October 1983 observations made at the premises revealed a person fitting the description of Price entering the unit. On 18th October Queensland police officers spoke to a female residing at Unit 1 and she confirmed the person residing in Unit 2 was in actual fact Harold Price. This was done by checking descriptions. At this stage no enquiry was made of the estate agents in respect of the premises for fear of alerting the tenant.

3.034 The Telecom details for the number at Castlebar Street have been obtained. These numbers were subscribed in the name of James. They were cancelled on 22nd November 1983 with accounts in respect of them to be forwarded to P.O. Box 70 Malvern (again being the address of Mantach).

3.035 It appears that once again, by October 1983, Price was becoming jumpy of the surveillance being conducted in respect of his activities. He therefore obtained new premises at 4/68 Thorn Street, Kangaroo Point. Under the name of Miles Ogden he obtained telephone numbers 3931816, 3931899 and 3931846 at those premises. From information received I became aware of one of these telephone numbers. By obtaining the details of it from Telecom I was able to confirm the address.

3.036 It was intended to call Price before the Commission during the week of 16th November 1983 and for this purpose a subpoena had been issued. It had been taken to Queensland by officers of the Commission with instructions to effect service. They conveyed to officers of the Queensland Licensing & Gaming Squad details of the address in Thorn Street. My officers, in company with two Queensland police officers, attended at those premises in the afternoon of Thursday 10th November 1983. Price was

there found operating as an SP bookmaker. He was duly served with his subpoena to appear before the Commission. He has subsequently been charged by the Queensland police. There has been considerable difficulty in effecting service of the proceedings (Price being absent overseas from to 13th June 1984). He has since been served and was due to appear before the Brisbane Magistrates Court on 10th September 1984. At the time of preparation of this chapter of the Report there was no information available as to the outcome of those proceedings.

3.037 A number of betting cards were seized from Price at the time of the service of the subpoena. These cards demonstrate the manner in which Price ran his operation. They also demonstrate the extent of the turnover. On 22nd September 1983 Pat McMahon invested a total of \$11,650 with Price with a winning total of \$13,525. Price added \$530 commission to this resulting in an overall win of \$2,457 for McMahon. The net result of those transactions would be a cheque from Price to McMahon for \$2,457. In fact, the total turnover including commission for bets with McMahon, that day was \$25,757. An examination of a separate account in the name of Tom Pettiona for 9th November 1983 shows that on that day Pettiona invested \$39,000 with Price. This resulted in wins totalling \$18,750 and losses of \$27,125 to Pettiona with a result and differential of \$8,375 to be paid by Pettiona.

3.038 Although Price was subpoenaed to appear before the Commission, and did appear at the hearings at Hawthorn Court on the relevant days in November 1983 he was not required to give evidence at that time. This was largely because of the likelihood that proceedings would be issued by the Queensland police. I should note, however, that his counsel had foreshadowed an application that he not be

required to give evidence because of matters relating to my terms of reference. Those matters were not fully argued as Counsel Assisting me indicated that in the circumstances then existing he would not be putting any matters to Price. As a result of the likely issue of the Queensland proceedings Price's name was kept confidential at the hearing although all the evidence in relation to his operation was allowed to be made public.

3.039 It is of some interest to note the provisions of the Racing & Betting Act in Queensland. Price has been charged with a breach of Section 217 of the Act. It provides as follows:-

"(1) A person shall not have in his possession an instrument of betting not authorized by or under this Act, in respect of a horse race, trotting race or greyhound race.

(2) A person who brings into Queensland an instrument of betting on any horse race, trotting race or greyhound race that he has had in possession at a place not in Queensland in circumstances where -

(a) if he had had in possession that instrument in Queensland in respect of a transaction occurring in Queensland, he would have committed an offence against subsection (1); and

(b) the having in possession of that instrument constitutes an offence under the laws in force at the place where he had in possession that instrument,
commits an offence against this Act."

3.040 Section 218 of the Act provides for the penalties. An offence against 217 is a misdemeanour and the penalty for a first offence is an amount of:-

"not less than \$15,000 and not more than \$20,000".

Sub-section 3 provides for the Judge before whom the person is convicted to impose a lesser penalty if he is satisfied "that in particular case there are special circumstances that make it just so to do..."

3.041 It will be apparent from this chapter that I have had access to the records of the Tax Department relating to Harold Price. I have also obtained from his accountant copies of the income tax returns filed by Price both personally and in respect of his company Ecrip Pty Ltd. These returns between them cover the period since 1972/73. I have been able to prepare tables from those documents. All the matters which are set out in this chapter referring to his taxation affairs are taken from the documents tendered before me by the accountants.

3.042 One of the advantages that SP bookmakers enjoy over registered and legitimate bookmakers is that they do not pay turnover tax. In all States of the Commonwealth turnover tax is paid by bookmakers. This is calculated at differing rates but on the amount of bets accepted by the bookmaker. That is, each bet is taxed rather than the profit that might be made by a bookmaker on the book made by him on each race or the net result from the day. It is therefore essential from the taxing authority's point of view that proper records be kept by the registered bookmaker and, in particular, that each bet be recorded. From time to time registered bookmakers fall foul of these requirements and are prosecuted by the appropriate authority. But for the SP bookmaker there are no such problems. He is operating outside the law and therefore need not obey the regulations and abide the restrictions imposed on the registered operator. Two results flow from this. Firstly, the Government (and the beneficiaries thereunder - namely the racing clubs and the community generally) are denied access

to the appropriate taxes. Secondly, not only does the unregistered bookmaker obtain a much higher rate of profit from his activity but he is also able to offer better facilities to his clients. That is, he can offer credit facilities, better odds and a percentage rebate on losing bets. He is clearly well ahead of the game.

3.043 That these matters have some significance for taxing authorities can be seen from the table which appears as Attachment 4.3A to this volume. Using the Victorian Metropolitan turnover tax of two and one quarter percent it will be seen that during the relevant period Price's operation avoided turnover tax of \$664,737.57. Even using the lower tax in New South Wales of one and one quarter percent during the period from 1976-77 to 1982-83 the turnover tax avoided was \$335,809.94.

3.044 And these figures do not take into account the significant factor that the tax itself is imposed on the bets received. The table prepared from Price's copy tax returns is based on his declaration of "winning bets" as income and "losing bets" as expenses. Those figures in fact are the totals of his payouts or receipts from particular customers on particular race days. They are not the total of the actual bets taken. There is with this volume as Attachment 4.3C one of Price's betting slips for 9th November 1983. It shows a number of bets on that date. Those bets are all from a particular client. The net result of the days transactions was that the client lost \$8,375. It was that amount which had to be "settled" as between Price and the client. That amount would be shown as winning bets in Price's declaration of income. However, the actual amount invested during the days racing was \$39,000. That is a factor of 4.6 times the settling amount. That "factor" cannot be used generally but is some indication of the

difference there can be between the two figures. Almost, inevitably, the amount invested (on which turnover tax should properly be paid) will be much greater than the winning or losing bets on the day (although a big return on a winner on long odds would upset this proposition). Therefore, it is necessary to look at the figures set out in the Attachment with that in mind. Either way there is a very significant loss of revenue to Government and other agencies.

3.045 It is also significant to note the total of the "turnover" of winning and losing bets as disclosed from Attachment 4.3A. It will be seen that in the 1982/83 year the total was in excess of \$5M. The total for the eleven year period was close to \$30M. Mr. Price, although a large operator, is by no means the largest. The total loss of revenue from the various SP bookmakers operating throughout Australia is, quite clearly, enormous.

3.046 There have also been suggestions from time to time that SP bookmaking is declining. That this is not the case, in respect of Price's operation, can be seen from Attachment 4.3A the figures from which are demonstrated graphically in 4.3B.

3.047 The other point that can be made of Price's operation is the breadth of it. He was clearly known to the off-course licensed bookmaker from the Northern Territory, Ossie Mairou. I have evidence of financial transactions between the two. Price has also dealt with the major illegal off-course bookmakers in Tasmania, South Australia, Queensland, Victoria and New South Wales. The identities of those operators is clear from Price's banking operations up until mid-1983. Where appropriate, I have made information available to policing authorities in those various States to assist them in their apprehension of those operators.

CHAPTER 4 - PHILLIP SCOTT

4.001 Phillip John Charles Scott was born at Carlton, Victoria on 20th January 1949. At all material times Scott has been a member of the Federated Ship Painters & Dockers Union. Since 1978 he has been an executive member of the Melbourne branch of the Union.

4.002 My interest in Scott, apart from his Union membership, arises from the following matters:-

- (a) The adoption of his identity by one Frank Kinsella a painter and docker who had absconded from bail in Queensland in 1974 (and in respect of whom I have made comment in previous Reports);
- (b) the peculiar employment history of Scott at the Navy Dockyard at Williamstown;
- (c) his financial association with Stuart Perry and Barry Rycroft (another convicted SP bookmaker) in the abortive Namsina building project at Noosa Queensland - to the tune of \$90,000;
- (d) his very substantial involvement with SP bookmaking.

4.003 It is the latter matter with which I am mostly concerned in this chapter. Scott has a substantial criminal history between 1969 and 1978 but there are no convictions during that period which relate to bookmaking and therefore they do not bear detailing at this point.

4.004 Scott ceased employment at the Williamstown Naval Dockyard on 4th July 1980 after a series of accidents and long periods off work on workers' compensation. He has not returned to work at the dockyard since that time. However, his name has appeared in the Roster Book maintained

by the Union secretariat. This shows that in January 1981 he was employed by the firm of Duke & Orrs at its drydock facility. I have no other evidence of employment by him as a painter and docker since that time. I have been informed, however, that as at August 1984 he was still a member of the Executive of the Union. On the face of it that may appear surprising but presumably he was well regarded in Union circles and was considered as having something to offer in regard to its "management". Of course, I have been unable to explore matters of this kind with members of the Union since June 1981. I have dealt with this matter elsewhere in this and other Reports.

4.005 It became apparent to me, from information received and the public prosecution of Scott for SP bookmaking offences, that he had another substantial source of income. Accordingly, I undertook an examination of his banking arrangements. This was complicated, as it has been with many other similar investigations, by the fact that Scott had a number of accounts in false names at different branches of different banks.

4.006 Investigation into Scott's banking arrangements reveal once again the complicity of bank officers in the illegal activities of SP bookmakers. Scott conducted an account in the name of "Alan James" at the State Savings Bank branch at Altona East. This account was identified as that of Scott by the accountant of the branch, Phillip Weakley, who operated the account on Scott's behalf. This account was transferred together with a cheque account from the Footscray West branch of the bank in 1979. This was because the accountant himself had changed branches at that time. The address given for the operator of the account was that of the accountant. Subsequently, in May 1981, these accounts were transferred to the ANZ Bank at

Newport. Scott apparently obtained an "introduction" to that bank and severed his association with the man Weakley. Weakley gave evidence before me in relation to the operation of the account in the false name. It was clear that he knew that this was the account through which Scott operated his bookmaking activities. The bank officer knew he was assisting Scott to operate that business and was assisting him in his deception.

4.007 Scott conducted bank accounts at the ANZ Bank at Newport in a number of different names. These included Phillip Williams and Phillip Leen. At different times Scott had in excess of \$100,000 on interest bearing term deposits in those differing names.

4.008 In 1982 Scott shifted his banking to the branch of the ANZ Bank at Albert Park. There he operated an account in the name of "Phillip Adams settlement account". The address given for this account was 67 Florence Street, Williamstown and the description of its operation was as a "commission agent". The address at Florence Street is that of Lynette Tyrrell. This person was charged with an SP bookmaking offence in conjunction with Phillip Scott in 1982. The file maintained by the bank at Albert Park indicates that a man called Ebsworthy is the manager of that branch. He had previously been the manager of the bank's branch at Newport prior to Scott's transfer of accounts. Ebsworthy gave evidence before me. He was fully aware of the use by Scott of the various aliases. Documents on the bank file record the account in the name of "Phillip Adams & Associates Pty Ltd" as the trustee for the P.J. Scott Family Trust and for the "Phillip Adams Settlement". It confirmed that "P.J. Scott" was the director of that company and noted his correct home name and address. Once again the bank was facilitating an illegal operation.

4.009 By 1980 Scott wished to regularise his relationships with the Australian Taxation Office. He had not filed tax returns for most of the previous decade and was therefore anxious to bring his affairs up to date. With this in mind he consulted Thomas Yates of Day's Taxation Services. Mr. Yates in evidence to me confirmed that he had acted for a number of painters and dockers over the years. He acted, for example, for Nicholls and Sproule. Scott was referred to Yates through his other friends in the Union. From Mr. Yates the Commission has obtained draft taxation returns prepared for the period 1974-80. These include a calculation of Scott's net income over that period using the betterment method. The figures shown therein are patently false and do not bear real consideration. The calculations made by the accountant indicated that the tax payable by Scott to make up for that not paid over the previous six years would be \$6,610.53 with the possibility of some provisional tax. Those documents also included a draft letter to the Taxation Department enclosing the various documents and explaining why Scott had not filed returns in the previous years.

4.010 The letter attached to the tax returns was dated 15th May 1981 and drafted by the accountant for signature by Scott. The letter claimed that the last return he filed was in 1973 when he had stopped working for wages. During the next "3 years or so" he worked as a sub-contract carpenter and then took a job as a painter and docker at Williamstown. He claimed in the letter that at the same time he started to augment his wages by distributing and collecting "4 place cards" and also "betting commission". He claimed not to have kept an accurate record of the income gained from these undertakings and that the returns were based on his recollections and bank records, together with an assets betterment statement. He claimed he conducted the "Commission business in partnership" with his wife but had

shown the income on the tax returns as his for the sake of simplicity.

4.011 In the returns themselves he was classified as a "waterside worker/painter and docker". He claimed to have commenced employment at the Naval Dockyard on 1st July 1976. The records of the Commission and the Naval Dockyard itself indicate that he actually commenced work in February 1976. The return for the 1975/76 tax year does not refer to employment at the Naval Dockyard but merely noted that he earned "casual wages" during that period.

4.012 Scott obviously became dissatisfied with Yates' handling of his affairs. In particular, he may have been upset that Yates handed over his file to me. On the other hand he may have been annoyed that it appeared that he would be up for something close to \$100,000 following the Taxation Department's inspection of his financial affairs. Whatever the reason, he changed his Taxation advisers to the firm of Maurice Wheatley & Co of Williamstown. This firm arranged for the incorporation of the company, Phillip Adams & Associates Pty Ltd.

4.013 The Commission has obtained documents from the solicitor, Tony Hannebery, in respect of the proposed transfer of Scott's one half interest in a property at Hoppers Crossing. This is his family home. These instructions were given to Hannebery on or about 22nd June 1982, claiming there were "matrimonial hassles" between he and his wife. As a result of those instructions a transfer of land was prepared and signed by Scott and his wife on 24th June 1982 and witnessed by the solicitor. The transfer was then submitted to the Comptroller of Stamps, together with the Statutory Declaration to support the expressed consideration, namely "love and affection". In that document the market value of the property was said to be

\$85,000 and there was no reference in it to the outstanding mortgage to AGC Advances registered on 30th January 1974, nor to that to the ANZ Bank registered on 4th August 1981. The transfer was submitted to the Comptroller and an assessment of \$956.25 imposed which was then paid on or about 15th July 1982. It appears that nothing further was done about the transfer as at 16th May 1983 when Scott rang Hannebery. The file notes that he said "things okay but Julie would like house transferred officially. He will try and get some money together to pay out ANZ". It is not clear whether that step was ever carried out. The suspicion is that Scott was divesting himself of his interest in this property to ward off action being taken against his estate by the Taxation Commissioner.

4.014 On 26th November 1982 a Supreme Court Writ was issued against Scott in respect of unpaid tax assessments which had been served. Those assessments followed the tax investigation which in turn followed my reference to the Department of my knowledge of Scott's activities. The total tax assessed for period between the years ending 30th June 1974 and 30th June 1980 was \$95,652.02. In addition to those amounts there was additional tax and interest due; the total amount claimed was \$105,254.80. Judgment was entered on 29th April 1983 in the Supreme Court for the total sum of \$112,205.29 which included further interest and costs.

4.015 The Tax Commissioner's list of tax defaulters (published annually in the press) of 9th December 1983 included an entry under the name of Scott. This described him as a painter and docker and commission agent. During the period 1976-80 he was said to have understated his income tax by the sum of \$72,194.

4.016 Scott's involvement in SP bookmaking is clear from documents which originate from himself. For example, it has already been noted that he had admitted to augmenting his wages by distributing place cards and carrying out "betting commissions" during the period when he was employed at the Naval Dockyard.

4.017 In July 1981 Scott opened an account with American Express. In the application for the card he described himself as a "commission agent and SP bookmaker". He named in that application form, as a "company" reference, Tom Yates the accountant. The application, which bears Scott's signature, is a further indication of the contempt which this man holds for the law and his flouting of it. It is also of some significance that he is prepared in a document of this kind to "publicly" announce the illegality of his source of income.

4.018 On 28th November 1981 premises at 54 Maxwell Street, Ardeer were raided by the Victorian Police. Scott was there arrested in company with Michael Foley and Stuart May on charges of SP betting. On 27th May 1982 this charge was dealt with at the Sunshine Court. Scott did not appear and pleaded guilty through his solicitor, Peter Ward of the firm of Galbally & O'Bryan. He was fined \$3,500. May and Foley were also convicted and fined \$2,500 each. Scott admitted being the employer of the other two men.

4.019 On 16th January 1982 Scott was in charge of operations in the City of Melbourne when premises were raided by the Zebra team. As a result on 31st May 1982 Scott was once again before the courts. This time it was the Melbourne City Court where he was fined \$2,750. His associate on this occasion was Paul Anthony Curran who was fined a similar amount. Peter Ward this time appeared for

Curran. Francis Galbally appeared for Scott and another defendant Lynette Moira Tyrrell. An adjournment was obtained on behalf of Tyrrell who, it will be recalled, lived at 67 Florence Street being the address Scott used in some of his banking documents. (Tyrrell was subsequently dealt with on 5th November 1982 when she was given a bond). In respect of Scott, the lawyer Galbally said that he had been arrested on the first day that he had manned the telephones. It was said that Scott:-

"..had been having a bad run in the building industry and was in the middle of a renovation job in Footscray".

(Report in Melbourne Herald Newspaper,
31st May 1982)

Scott was described as a carpenter who had since given gambling away.

4.020 I do not accept that Scott has "given gambling away". The information I have received indicates no gainful employment in which he is currently engaged. To maintain his life style it is inevitable that he will resort to illegal SP activities.

CHAPTER 5 - ALAN TRIPP AND THE CUMMINS SETTLEMENT ACCOUNT

"Bookmaker's Son: 'Doctor, run quick!
Father's gone mad.'
'How do you know he's gone mad?'
'He's gone down town backin' 'orses!'"

A.B. Patterson, Racehorses and
Racing (1914)

5.001 Another Victorian of some significance is Alan Tripp. He is a man well known in the gambling industry although relatively young, having been born in April 1953. He has a number of criminal convictions resulting from his activity in illegal gambling. He was charged in April 1978 with being the owner of premises where "a contrivance of gambling was kept". He appeared in the Moonee Ponds Magistrates Court in July 1978 when he was fined \$100.

5.002 Tripp was apprehended in November 1981 and charged with using premises for betting, knowingly and wilfully permitting premises to be used for betting and securing premises to prevent entry by police. These premises were located at Union Road, Ascot Vale. Tripp was arrested with Kelvin Wade, Peter Bartholomew, Richard Cummins and Hayden Flinn. The police report made available to me stated that they had run an SP book in the rented premises at Union Road under the guise of Epsom Office and Window Cleaners. When the police raid took place there were five phones on the premises with an estimated daily turnover of between \$30,000 and \$60,000. As a result of these charges Tripp appeared at the Moonee Ponds Magistrates Court in February 1982, and was fined \$2,500 on the charge of using premises for betting and \$500 on the charge of securing premises to prevent entry by police.

5.003 Before Tripp could appear at Moonee Ponds he was again apprehended on charges of using premises for betting. The arrest occurred in January 1982. The premises used on this occasion were located at 19/313 Little Collins Street, Melbourne. Arrested on this occasion with Tripp were Wade, Bartholomew and Cummins and a person identified as James Hilton Peters. According to the police report there were four phones in the premises. The report also indicated that Tripp had conducted the SP Operation at the above address but had used "dummy premises" in the building and redirected the phones to the actual premises being used. As a result Tripp appeared before the Melbourne Magistrates Court on charges of using premises for betting for which he was fined \$5,000, interfering with a Telecom installation (fined \$500), securing premises to delay entry of police (fined \$500) and attaching an apparatus to a Telecom installation (fined \$500). His fines totalled \$6,500.

5.004 On 13th August, 1982 Tripp with three accomplices again was before the courts. According to a newspaper report, Tripp had used a "fortified" Moonee Ponds shop. The operation was described by the Magistrate as large and well-organised. The Magistrate in imposing a fine of \$7,500 for using premises for betting (and a further \$2,500 for securing premises to delay police entry) said that Tripp should consider himself lucky that he was not sent to prison. The other three defendants were Genevieve Dow, Leanne Embrey and James Hilton Peters who were fined \$3,000 each.

5.005 Subsequently, Tripp has not "come to notice" in the State of Victoria. The succession of convictions in 1982 in Victoria apparently convinced him to move his operations across the border. Tripp obviously took into consideration the fact that fines imposed by New South Wales courts are far less than those imposed by the Victorian courts.

5.006 On 24th July 1982 Tripp together with Leanne Embrey and Genevieve Dow, was arrested at premises at South Cowra, New South Wales on charges of SP Bookmaking. Tripp was fined \$1,000 and each of the other defendants \$500.

5.007 On 29th January 1983 Tripp together with Richard Cummins, James Peters, Geoffrey Bell and Lou Mutch were all arrested at Moama, New South Wales in relation to SP betting. Tripp and Mutch were fined \$600, Cummins and Peters \$500 and Geoffrey Bell \$200. Previously Tripp together with Peter Cummins and a John McDonald were all arrested at Berowra, New South Wales. Each were fined \$400 on SP betting charges. Finally, on 18th May 1983 Tripp, Bell and Frank Maloney appeared at Moama Court charged with SP betting offences. Tripp was on this occasion fined \$1,000 and Bell and Maloney \$600 each. The size of the fines is obviously not a deterrent to Tripp's operation in New South Wales. I understand that he continues to operate, regularly travelling north on a weekly basis.

5.008 On 29th October 1982 Anthony William Ryan, a former Telecom linesman, was fined \$109 and placed on a good behaviour bond having been found guilty of charges which arose from police raids on two illegal betting operations. Evidence was given by the Zebra task force that Ryan had illegally lent the SP's telephone cords - using Telecom materials - at premises used for illegal betting. Ryan had admitted during an interview he had agreed to assist Alan Tripp in the setting up of telephones which he, Ryan, assumed would be used for illegal off-course betting operations.

5.009 One of the major problems confronting an SP bookmaker is the difficulty in obtaining settlement of debts and maintaining a good cash flow. Quite obviously, in an industry that relies so much on credit facilities, it is

often left up to the client to settle his debts on time. If he does not then difficulties can arise for the SP who must settle his own losses - either to other clients or bookmakers - promptly.

5.010 It would appear from my investigation of the operations of SP bookmakers the settlement problem is one that confronts a great many of them. In the case of Tripp, and his associates Cummins and Wade, the difficulties accompanying settlement shortfalls were, for a period of two years, overcome in a novel manner.

5.011 As I have noted in other investigations, the successful performance of many illegal operations depend, on obtaining the services of a sympathetic bank manager. In the case of Tripp, Cummins and Wade this situation this was certainly true.

5.012 In May 1980 Tripp was introduced to the then new manager of the State Bank of Victoria branch at Newmarket, Mr. Graham Peile. This introduction was made by Tripp's father-in-law Mr. Jack Dow. Dow has been well-known for many years for his close involvement in the SP bookmaking business.

5.013 The account opened by Tripp, with Richard Cummins as co-signatory, was the Cummins Settlement Account. Peile claimed in evidence that initially he was not aware of the nature of the business of Tripp and Cummins. When it was put to him that the expression "settlement account" must have alerted him that it was a SP bookmakers account, he stated,

"I thought as far as his occupation was concerned I thought he was a licensed bookmaker and I got wind that he was a SP".

(Transcript p, 17227)

When questioned as to his attitude after he learned that Tripp and Cummins were highly active SP bookmakers, Peile stated that the occupation of his client did not alter his attitude to maintaining such an account. He (Tripp) "bought a lot of business to the bank and that's all the bank wanted... to get new business". This seems to be a fairly standard attitude/excuse used by bank managers when attempting to justify their course of action particularly in relation to the operation of accounts that may bring some adverse publicity to the bank as a whole.

5.014 Peile became known to people frequenting the Laurel Hotel in Flemington. He said that it was at this hotel he got a lot of new clients. Accordingly he got the reputation as being a "willing lender" Tripp, Cummins and Kelvin Wade were the recipients of some of the "innovative" banking assistance being offered by Peile and his bank. Peile offered very good "services" to his favoured customers.

5.015 The Cummins Settlement Account was on occasions issued with non-mica encoded cheque books. The mica is a computer-readable identification mark at the bottom of cheques. The reason that Tripp was issued with this style of book was that such cheques took longer to come through the banking system. This in effect (as was admitted by Peile and obviously understood by Tripp and Cummins) gave Cummins and Tripp:-

"...breathing space because he (Tripp) was owed that much money and it was not coming in".

(Transcript p, 17237)

Thus, a situation was created where debiting of the Cummins Settlement Account was fact delayed knowingly by the bank manager for the benefit of the customer and the detriment of the bank.

5.016 Investigation by the State Bank indicated that nineteen loans had been advanced to people (some in assumed names) who were connected to Tripp and Cummins. The purpose of these personal loans, from examination of the methods of settlement, was to channel the loan money back into the Cummins Settlement Account. Peile claimed, in evidence, that only two of those loans were in actual fact made to people in false names. The first one was to a Sandra R. Bird with the guarantee made by Terry Hill (an alias for Tripp) and the second was a loan to a John Stace (an alias of Tripp) and guaranteed by Michael Coulson (an alias of Richard Cummins).

5.017 The method of raising loans through the bank was effectively a guarantee to Tripp and Cummins that they would never have a shortfall in settlement funds. Peile was authorised by the bank to lend up to \$10,000. In the majority of cases the amount loaned was in the range of \$7,500 to \$10,000. With the backing of Jack Dow, Peile believed that the loans would be guaranteed by that person.

5.018 Peile indicated that he did not assist Kelvin Wade in the same way as he did Tripp and Cummins. This was probably because Wade was introduced by Tripp and as far as Peile was concerned the verbal guarantees given by Dow to the bank did not apply to Wade. What he did do, though, was allow Wade to continue to operate a number, twenty-two in all, of accounts all registered in false names. In registering the accounts at the bank Peile in the majority of cases endorsed the registered sheets with "personally known to me or identified by..." and signed his name.

5.019 In mid-1982 Tripp and Cummins arranged alternative banking with the ANZ branch at Moonee Ponds. Once again an overdraft was obtained with John Brennan Dow

and Christine Dow as guarantors for the amount. Tripp continued to have some liquidity problems and was given some assistance in this regard. The account was in the name of "Alcum Settlement". It appears that the name chosen was a combination of the given and surnames of Tripp and Cummins. The nature of the business was obvious to the Bank but, nevertheless, the Bank chose to encourage the activity. Tripp was regarded as:-

"...a good ambassador of the Bank..being known to have..good connections".

(File 97/606, p. 73)

A number of leading sportsmen were named as having been introduced to the branch as customers.

5.020 The money flow through the accounts operated by these men were substantial. In a two year period between January 1981 and December 1982 deposits and payments from the Cummins settlement account with the State Bank at Newmarket totalled \$7,384,440.55. For the 18 month period from July 1982 to December 1983 the Alcum Settlement account at the ANZ branch at Moonee Ponds showed total deposits and payments of \$6,831,728.95.

5.021 An examination of the accounts reveals an enormous diversity of people using Tripp's services. The exact number of clients is unknown but it must have been well in excess of one hundred, amongst whom were professional people, other SP bookmakers, registered bookmakers, and sporting and media personalities. Whilst it would appear from the way Tripp ran his banking accounts that he was (and probably still is) in perpetual financial trouble the fact that he continues to operate and operate what seems to be an exceptionally successful business with a large number of clients confirms that the SP industry is

paying big rewards. The problem that Tripp had with the police in Victoria has been overcome with his relocation to southern New South Wales.

5.022 The bank accounts operated by Tripp and Cummins confirms their integral part in the general network of SP bookmakers operating throughout Australia. Their name has appeared in banking documents obtained from a number of the SP operators (for instance, those of Harold Price). There has obviously been - at various times - laying off of bets as between Tripp and Phillip Scott. Moreover, the Cummins Settlement Account figures very largely in banking records of New South Wales SP operators and pricing services identified by me. I will develop these matters later.

CHAPTER 6 - TELECOM AND THE SP INDUSTRY

6.001 During the searches by the Zebra squad of premises in Victoria used by bookmakers large banks of telephones and sophisticated electronic devices have been seized. In many of the cases it was the belief of Zebra Group that the installation of the telephone banks and their associated sophisticated electronic equipment could not be installed without the assistance of trained telephone technicians. There was also information made available to Zebra Task Force which indicated that Telecom employees were warning bookmakers of impending police action.

6.002 As a result of Zebra enquiries it became apparent that further investigations should be made into the complicity of Telecom employees in the establishment of SP operations. The Zebra Group found it very difficult to ascertain whether the provision of equipment to SP bookmakers was the work of isolated individuals or whether there was an established and highly-organised group of technicians who assisted in these operations.

6.003 In one report Zebra set out examples of "improper installations". They did emphasise that the list was only meant to illustrate the problem and that such examples were far from exhaustive.

"a. Eight telephones were located at 343 Little Collins Street Melbourne. Some of these telephones had been diverted from other rooms in the building.

b. Four telephones were located on the 4th Floor, 313 Little Collins Street, Melbourne. All had been expertly diverted from the 6th floor. One of the bookmakers in

this case was an ex-Telecom employee.
c. Seven telephones were located on the 6th Floor, 126 Wellington Parade, Melbourne. All phones had been diverted from the 1st Floor.

d. Six telephones were located at Bass Highway, Grantville, Victoria. Two diverter phones and a radio telephone were in the premises. Four separate telephone cables including a ten pair cable entered these premises. Three of these cables were illegal. A technical inspection of the premises was requested but was delayed for some weeks. When the inspection was carried out all illegal installations had been removed.

e. Thirteen telephones were located in premises at Elenora Road, Noble Park. The installation included illegal telephone lines four on automatic dialing systems, recording devices and complex electronic circuitry.

f. Four telephones were located at 6 Charnwood Court, St Kilda. These telephones had been re-located from 106 St Kilda Road. There were only three vacant lines available at the nearest telephone junction box and therefore utilised to connect to the premises. The fourth line was connected to another junction box by means of cable looped over rooftops."

(File 97/778, p. 17)

6.004 Zebra recognised the problems associated with this line of investigation. Firstly they did not have the resources to initiate further investigations and more importantly such investigation did not fall within Zebra's terms of reference; nor could they investigate the activities of Telecom employees. It was subsequently decided that no further action could be initiated by the group. They did, however, make strong representations to senior officers in the Victorian Police. Eventually a meeting between Telecom

and many interested law enforcement bodies including the Australian Bureau of Criminal Intelligence was convened in July 1982. As a result of the meeting it was decided that all police forces would forward information relating to SP bookmakers to the Australian Bureau of Criminal Intelligence. The Bureau's particular interest was because of the "Federal" problem involved in the use of telephonic devices. There was also the suggestion of corruption of Telecom employees in association with the operation of the bookmakers. Therefore, there has been since a collection of material and intelligence by ABCI in this area.

6.005 Whilst the information forwarded to ABCI was of relevance to the general inquiry into SP bookmaking, it was decided that a full and complete investigation of the connections between SP bookmakers and Telecom employees was not possible by the Zebra group in the then current circumstances. Because of the inability of Telecom to supply details on technicians associated with the installation of Telecom equipment to SP bookmakers.

6.006 As an integral part of my enquiries into SP bookmaking it was inevitable that I should also briefly examine many of the allegations levelled against Telecom. In general these allegations centred around the hypothesis that Telecom's complacent attitudes could be interpreted as a tolerance by it of the communication needs of organised SP bookmaking.

6.007 I conducted some investigations in this area. These were mainly in conjunction with other matters being investigated by me. For instance, I have referred to the evidence of the Telecom employee Harkins. There were other Telecom witnesses before the Commission. Nevertheless, my

enquiries in this area were not pursued when the Federal Government appointed Mr. Frank Vincent Q.C. to conduct his enquiry into the allegations which had been made. In particular, Mr. Robert Redlich the Special Prosecutor had referred matters to Government following his involvement with prosecution of offenders associated with SP bookmaking in Victoria. There seems little need for me to further comment on those areas at this stage. I have not had made available to me a copy of Mr. Vincent's report but I have, of course, read the media coverage of his major recommendations. I would support them and, in particular, those that recommend access by policing authorities to the information contained on the subscriber call recorder printer (SCRIP machine).

6.008 I might say that Mr. Vincent and his staff attended at the Commission's premises with a view to obtaining any information or documents in my possession which might assist him in his enquiries. I offered whatever assistance was sought. In particular, a short briefing was conducted by one of the counsel assisting me.

6.009 Although I did not investigate fully the various allegations made, I did carry out some enquiries in respect of the activities of the man Harkins. This was the Telecom technician who had "lent" his part-time business premises at 814 Stanley Street, Woolloongabba to Harold Price in the first half of 1983.

6.010 Harkins had lived in Brisbane most of his life and had been a Telecom employee for many years. Together with his full-time working commitment to Telecom he had also set up a company Amcomm Pty Ltd. Through that company he had imported \$25,000 worth of telephonic equipment and machines.

6.011 Harkins appeared before the Commission on 16th November 1983. He claimed that his superiors at Telecom were aware that he was importing telephonic equipment. From his evidence, it was implied that someone at Telecom had suggested that he should not "be seen to be" involved in the importation of Telecom-approved equipment as it could be interpreted as a conflict of interest situation. As a result of that "suggestion" Harkins incorporated the company Amcomm using his sister and her husband as nominee directors.

6.012 In addition to the electronics business Harkins also ran a hire-car and travel business. This he claimed was also known to Telecom. In truth, it would appear strange if it were not known to his superiors as these extra-curricular activities of his received substantial media coverage in Brisbane. When questioned as to the time taken in running these businesses Harkins admitted it was extremely time-consuming and was only possible because he was "on shift work". Harkins' evidence in relation to his association with Harold Price was most unconvincing. He admitted he had met a man called "Harold" who had been introduced to him as someone who was to start up a business selling wall sheeting. "Harold was after some diallers and divertors for his office staff". Harkins eventually admitted:-

"Harold had put a proposition to me that until his office was started would it be possible to use my office (that is, Harkins') and he said he would be willing to pay the rent".

(Transcript p. 17188)

This story stretched credibility; Harkins (who up until this

point in time had never heard of Price) suddenly rented his office out to him, with no questions asked. Harkins explained that in addition to rent, Price paid over \$400-500 in advance for proposed phone calls. Harkins claimed he was not suspicious as to Harold's activities and considered him reasonably honest. However, he wanted cash in advance for the rental and phone calls. Eventually, Harkins conceded that the introduction to Harold had come through another man. This was Pat McMahon. This man is known to me as a "client" of Price and a bookmaker in his own right. Harkins admitted being friendly with McMahon over many years. He also admitted that he was himself a regular gambler. I have no doubt that Harkins knew that Price was an SP bookmaker and, in negotiating with him for telephonic equipment, was aware of the use to which that was to be put. That is not to say that his employer in any way knew of that particular activity. Nevertheless, it is consistent with a proposition that Telecom needs to be on its guard against employees abusing their positions and cooperating with criminals who might take advantage of their access to equipment and technical knowledge.

6.013 One final point about Harkins' business was that whilst he imported telephone divertors through his Brisbane company they were forwarded on to his agent in Melbourne. This was another Telecom employee, Brian Pratt. Pratt also gave evidence before me. His private business - operated in the name of his wife - sold equipment to Raymond McCaughan (now deceased). McCaughan was fined very heavily for SP betting offences shortly prior to his death. The business of Pratt's wife had supplied the telephonic equipment used in relation to those offences.

CHAPTER 7 - THE PRICING SERVICE AND RAY MICHAEL

"Sir, I have two very cogent reasons for not printing any list of subscribers; - one, that I have lost all the names, - the other, that I have spent all the money."

Boswell's Life of Johnson,
Vol IV Pg 111, May 1781

7.001 I have already touched on the provision of a pricing service to participants in the SP bookmaking industry. This is a very necessary facility to which, it seems, most leading SP's subscribe. It enables them to give to their clients reasonably up-to-date information about the odds being offered on-course. It must be remembered that the punter is looking for value when placing his bets with the SP. He cannot get price fluctuations in any legitimate way save and except that it is permissible for broadcasters to give out, over the radio, totalizator figures. But those figures do not give an accurate guide to the odds available in the ring; and it is the latter which dictates, in due course, the odds that the punter will get.

7.002 There are and have been operating from Sydney two or three men who, with their staff, provide the pricing service. One of these was Ray Michael. This man gave evidence before me in November and December 1983. He claimed to have ceased operating the service earlier in the year. This was partly in response, he said, to the pressures placed on his business by my Commission. In one sense, that might be regarded as a compliment; on the other hand, as I am by no means convinced as to the truth of his evidence, I reserve my appreciation.

7.003 Ray Michael had operated a pricing service since the early 1970's. His clientele reads like a "who's who" of the SP bookmaking industry. He also had a number of registered bookmakers on his list. Included amongst his clients were Harry Price of Ecrip, Tripp of the Cummins Settlement account and Phillip Scott. I mention those names particularly as they are the subject individually of some discussion in this volume. The names I have not mentioned, however, are in some cases of even greater significance; The public exposure of those men must wait another day.

7.004 In case there should be any misunderstanding, I should make it clear that Michael did not provide me with a list of his clients. Quite the opposite, he appeared determined to be as uncooperative as possible. The list of names is one that I was able to establish from an analysis of the banking records obtained by me. Michael claimed that he did not maintain a list of clients, as such. He was able to recall, on being pressed, that Phillip Scott was a client for some period but was unable to provide me with any details of the services provided by him to Scott.

7.005 On 13th December 1983 it was submitted to me that I should take appropriate action to deal with the failure of four witnesses before the Commission to answer questions. The witnesses were Michael, Phillip Scott, Douglas Sproule and Leo McDonald. These submissions arose under Section 6 (1) of the Commonwealth Royal Commissions Act which require a person appearing as a witness to answer any questions relevant to the enquiry. I reserved that decision but handed it down prior to Christmas 1983. The paragraphs that follow are taken from my Ruling given at that time and set out some of the history regarding the appearance of Michael before me.

7.006 Mr. Michael first appeared before me on 23rd

November 1983 in Sydney. My interest in his evidence was in the area of his activities as a "Commission Agent". Michael had operated a substantial pricing service from Sydney. One part of that service was concerned with pre-post prices for registered bookmakers and was of no immediate interest to me. The major part of his service involved the provision of betting information to people euphemistically described by him as clients or customers but who were, in fact, SP bookmakers. One such client was Phillip Scott, a senior member of the Victorian Branch of the Painters and Dockers Union. Understandably Mr. Michael would not take on a new client unless he was referred by someone whom Mr. Michael knew and trusted. He ran his business in a way which reflected either an instinctive appreciation of the basic principles of covert intelligence or a thorough reading of the novels of John Le Carre. He maintained a number of cells in different locations around Sydney; members of one cell did not know the names of members of the other cell. The names of his clients were not known to those who manned the telephones thus making it impossible for an investigator to secure from those persons any information which might identify the clients. Of course, records were kept by Mr. Michael himself to enable him to sent out bills for his services but these are no longer available as he destroyed them some months ago as they would be likely to incriminate those whose names and addresses appeared.

7.007 It was and is a matter of great interest to me to discover how Phillip Scott, a Painter and Docker operating an SP service in Melbourne, was able to penetrate the protective screens which Mr. Michael had built around himself and become a client of this service. Mr. Michael agreed that Mr. Scott must have been referred to him. At

this point Mr. Michael sought legal advice and I ultimately adjourned the hearing of his evidence until the following morning to enable him to seek such advice.

7.008 On the next day, 24th November, he was represented by Counsel. Mr. Michael agreed that Mr. Scott was introduced to him by someone whose reference he valued. He agreed that the name of this person would have appeared on the records which he destroyed. Mr. Michael was forced to rely on these introductions because normally he would have no contact with his clients other than through the telephone and he would have no assurance that the name given to him was, in fact, the correct name. Indeed, Mr. Scott traded under a false name in the initial stages. Mr. Michael agreed that if one of his clients owed him a lot of money he would look to the person who introduced that client to help him recover that money. When asked how he would expect the introducer to do that he said:-

"Well, you know, talk to the man in question and hopefully appeal to his good nature and his principles to pay his debt".

(Transcript, p. 17339)

No doubt it would be sufficient for the introducer to call on the recalcitrant client and say hello to him. Mr. Michael told me he could not remember the name of the person who introduced him to Mr. Scott. I do not believe him but that is his evidence. I asked him to tell me the names of the various people who made such introductions so that I could pursue my own enquiries to determine who it was introduced Mr. Scott. Mr. Michael at this stage discovered religion and said that he regarded the relationship between himself and his clients as akin to a priest in a confession box. Those who like me were trained by the Jesuits will understand exactly what Mr. Michael meant, "Bless me

Godfather for I have sinned". He resolutely declined to give me any such names and rejected any suggestion by me that he was apprehensive that he might come to some harm if he gave me those names.

7.009 I was concerned not to cause unfair embarrassment to any person whose name might be mentioned by Mr. Michael and I offered him a number of alternative methods of securing that names would not be mentioned publicly unless they clearly had something to do with the work of my Commission. One such alternative was to take his evidence in confidence; another was for him to provide me with those names in writing so that I could consider them without public mention. Neither such alternative seemed to appeal to Mr. Michael but, in view of the circumstances, I adjourned the hearing of the evidence until the following Wednesday on my direction that he then answer the question I had put to him.

7.010 On the following day, Friday 25th November, Mr. Scott, Mr. Leo McDonald the Welfare Officer of the Victorian Branch of the Union, Mr. Douglas Sproule the Vigilance Officer of the Victorian Branch and a fourth man caught the 4 o'clock TAA plane to Sydney where at the airport they joined some other men. They then proceeded to Mr. Michael's hotel. On arriving at the hotel they sent a message to Mr. Michael that they wanted to see him. They spoke to Mr. Michael for some ten minutes. It was later put to me by Mr. Michael that it was merely a social call and quite unconnected with the evidence he had given the previous day and the direction I had given that he disclose to me the names of his introducers. Having called in and introduced themselves the group left the hotel and went about their other activities and returned to Melbourne the following morning.

7.011 This material was not known to me when Mr. Michael returned on the following Wednesday, 30th November. Mr. Michael was then represented by Mr. Larbalestier Q.C.. He came with a prepared statement. The essence of the statement was that he would answer no further questions. Included in the statement was the following:-

"...If Mr. Phillip Scott is a member of the Union I had no knowledge of it until so informed by this Commission; as at 23rd November 1983 I had never met Phillip Scott nor do I have any specific memory of speaking to him over the phone at any time."

(Transcript, p. 17400)

The significance of those words did not become apparent to me until I became aware on the following day of the circumstances of the previous Friday's trip. Bear in mind that the contents of the statement could not be checked because Mr. Michael had declined to answer any further questions. It is really quite extraordinary that Mr. Michael should enter the question box on 30th November, five days after he had received a visit from six or seven painters and dockers including Mr. Scott, and should deliberately intend to leave me with the impression which this statement clearly creates. It is, of course, quite understandable that he should not wish to mention the visit if he had cause for some apprehension or fear. Certainly if the purpose of the visit was to dissuade him from giving me the information I had sought, it was successful.

7.012 As a result of investigations done by the Commission, I formed the clear view, which I still hold, that Mr. Michael was in fact warned off. I made arrangements to see Mr. Michael in Sydney. I took every possible step to ensure that the fact that the Commission was seeing him would not be made known. It was apparent

when Mr. Michael came before me in Sydney that he believed the purpose of my calling him was to seek from him, in confidential sessions, the information which he was not anxious to give me. He made an urgent plea through his Counsel that the proceedings be made public. He seemed quite apprehensive that it should be in confidence. I could understand his fear that he would not wish it to be known that he was speaking to the Commission confidentially lest the wrong impression be taken of those proceedings by others. That was not, of course, the basis upon which he made his application. He was asked only one question directed to whether he had had this visit on 25th November. He was clearly shocked that the Commission knew of that visit and his Counsel immediately sought an adjournment to discuss the matter with his client. After such discussion, Mr. Michael refused to answer the question in confidential session but stated he would do so if the hearings were in public. That evening he attended on Mr. Kerry Packer at his home seeking advice or solace.

7.013 When Mr. Michael returned before me on 13th December, his Counsel went to great pains to have written into the records that Mr. Michael had not attended voluntarily before the Commission in Sydney and that he had insisted on any evidence being given by him being in public. It was evident he was desperate to make it clear to others that he had said nothing to me in confidence. When Mr. Michael entered the witness box he gave evidence of the visit to the hotel but stated there was no threat. He then refused to answer the questions I had put to him.

7.014 I accordingly referred Michael together with the other men to the Attorney-General for consideration of whether charges should be laid pursuant to the Royal Commissions Act. The results of those referrals are dealt with elsewhere in my Report. I turn now to a consideration of the operation of the pricing service itself.

7.015 The prices that are bet on racing courses by bookmakers are influenced to a great extent by large scale pre-post betting which is conducted on the mornings of race meetings. This pre-post betting is illegal but, nevertheless, according to the information I have received, is widespread. A pre-post operator offers clients what he considers to be a fair price in relation to a horse racing that afternoon. Naturally, if a sizeable bet is laid in respect of a particular horse then the pre-post operator will shorten that horse's price and otherwise "balance" his prices and his book. This pre-post betting begins at about 10.00 am and involves horses racing in both Sydney and Melbourne. The betting finishes approximately an hour prior to the commencement of the first race in Sydney. It is important for this pre-post betting for there to be an initial idea of the appropriate odds to bet on a horse. Those prices are determined by a number of sources, which include Ray Michael. In his evidence before me he made it clear that he regarded himself as something of an expert in the field. He not only studied the form but also the mathematical probabilities in such a way as to be able to impart good estimates of the appropriate odds which should be bet on various horses. Of course, whatever odds are initially on offer in respect of a horse need to be adjusted to take account of the market forces.

7.016 Michael in his evidence to me did not speak of the illegal pre-post betting. (I might add that the information I have is that that activity is conducted by registered bookmakers). Michael claimed that his "legitimate" pricing service was for registered bookmakers and did operate roughly in the timespan I have referred to in the previous paragraph. However, its sole purpose was to provide those registered bookmakers with sufficient information to enable them to frame their commencing markets once betting on a particular race commenced at the track.

Michael claimed that although he had ceased the illegal, as he admitted it to be, aspect of his pricing service (that is, that part of it which operated during the afternoon of the races) he was still maintaining the provision of morning prices to the registered bookmakers.

7.017 I am not concerned here to speak of the "legitimate" provision of prices to registered bookmakers as claimed by Michael. Nor shall I deal with the illegal pre-post betting of registered bookmakers. The information I have in respect of those matters has not been fully investigated by me for reasons which I will develop in the final chapter of this part of my Report. The matter I am more interested in at this point is the provision of the fluctuating prices to the off-course SP bookmakers during the course of an afternoons racing. This is the aspect of the service provided by Michael of which I became aware following the analysis of the various banking records of SP bookmakers around Australia.

7.018 I have indicated earlier the importance of a pricing service to the SP operation. This service informs the SP's of the latest quotes on offer in respect of horses running in Sydney and Melbourne (and, to a lesser extent, Brisbane). The SP's are then able to pass that information on to clients to give them some idea of the odds available. This, of course, is one of the great attractions for the client as expounded by the witness Frew before me. I remind the reader that the transmission off-course of fluctuating on-course odds offered on horses is illegal in all States. It is because of the illegality that some effort is made on racecourses to prevent the use of certain telephones by unauthorised persons.

7.019 It therefore becomes a technical problem to obtain from the course itself the changing odds being bet in the ring. This problem is covered fairly simply in the following manner. Two men employed by Ray Michael (and known colloquially in the trade as "wombats") discuss between them the fluctuating odds. One of these men carries a radio device in his pocket which has a low range transmission. This in turn can be picked up by associates in a motor vehicle parked at or near the racecourse. The transmission is then boosted and relayed to the operational base. Melbourne fluctuations are given over the public address system at Sydney racing tracks. Two men on the track in Sydney on race day can therefore provide odds for both Sydney and Melbourne races.

7.020 There are other methods of obtaining the prices. Until fairly recently the various racecourses telephoned through the information to the Northern Territory giving them the fluctuation of the odds. This is and was "legal". Of course, in the Northern Territory there are licensed off-course bookmakers who are able to bet on starting prices. Because those betting shops in the Territory had the appropriate information it was possible to obtain the fluctuations by ringing STD from Sydney, Melbourne or elsewhere. There may be from time to time some technical hitches involved in using that system. For instance, there can be delays in the use of telephones and the provision of the information by the racing clubs in Sydney to the Territory. Furthermore, in recent months, the racing clubs have denied the service to the Northern Territory racing clubs. I understand that this has been prompted by the "use" being made of that information to inform SP operators interstate of those odds.

7.021 Another method is the use of other telephones oncourse. That facility does involve access by an employee

of the pricing service to such a telephone. This is not an easy matter to arrange. I have had information that this has taken place in the past but I am unable to offer any firm opinion as to the extent of currency of that use. Obviously, the system of the "wombats" is one more firmly in the control of the pricing service operator and does not depend upon other people. It is therefore more reliable.

7.022 Once the information is received at base it is passed through an open line with a "supervisor" calling out the prices for the various horses which are noted by a number of telephonists employed at that office. These "telephonists" telephone through the information to the various clients of Michael. Those clients might be in any State of Australia although Michael in his evidence to me claimed that most of his clients were in New South Wales. During the course of the betting on a particular race up to three sets of fluctuating prices would be provided by the wombats and on through to the clients of Michael. This would depend on the particular "service" requested by the client.

7.023 Michael indicated in evidence to me that the service required by the customer would vary quite a deal. The maximum service was three (in some rare cases four) sets of fluctuations for each race run at Sydney, Melbourne and Brisbane on the particular race day. At the lower end of the scale a smaller SP operator might only require one set of odds per race at a particular venue, say Melbourne. In calculating the cost of the service to the client Michael would take into account whether STD calls were necessary. He would then maintain some "list" of the clients (whether in their true names or not) sufficient to enable him to render accounts on a monthly basis.

7.024 It was clear that Michael maintained as much distance as possible between himself and his "operational team". The evidence I have is that he operated from a number of different premises in the Sydney Metropolitan area. Each one of the teams acted independently of each other. Each team was under the general command of a "supervisor". It was his job at the commencement of the proceedings in the morning to hand out to each of the team a list of telephone numbers (being that of individual SP operators/clients) in respect of whom the operator was to be responsible during the course of the day. The pay for each of the team was contained in a separate envelope and it was the responsibility of the supervisor to hand out that pay at the end of the day. Michael himself would not be present and, in most cases, would not even be personally known to the team member.

7.025 I have caused some analysis of the banking records and the financial details of Michael's business to be conducted. The company through which he has operated his pricing service is Ray Michael Agencies Pty Ltd which is a trustee company for the Raymond Michael Trust. The profit and loss statement for the company for the financial year 1981/82 shows an income of \$306,521 with expenses of \$302,684 and a net profit of \$3,737. This document indicates the "cost" of operating the service. The telephone expenditure amounted to \$56,899, "commission, rent and management fees" to \$81,661 with salaries amounting to \$89,000. It may be that part of those "salaries" included amounts paid to Michael himself from the company. Nevertheless, the amount is sizeable and indicates a large number of employees. Figures for the following year are not available to me. I am not confident that the above figures actively reflect the profitability of the pricing service. It was obviously beneficial to Michael to continue to

operate until at least mid-1983. At the same time it is worth noting that he also owned a hotel and clearly was a man of some substance as far as his property was concerned. I do not propose to detail those matters any further in this Report. I believe that some further investigation may be warranted.

7.026 I should, however, refer to a company Nopac Pty Ltd. This was a company in which Ray Michael held shares. The company was the owner of properties at Ultimo which were purchased by Michael. They figure in statements made to his bank from time to time as to his asset position. The company Nopac had as its directors as at 30th June 1982 Raymond Michael and Judith Campbell. The secretary at this time was Peter James Cook. Another shareholder was the company Ahejani Pty Ltd who numbered amongst its directors Michael John Moloney. The company Ahejani was struck off the New South Wales Companies Register in 1982 but surprisingly has retained its shareholding in Nopac Pty Ltd.

7.027 In July 1979 \$40,000 was paid to Nopac Pty Ltd by Eagleview Finance Pty Ltd. This latter company had been established by an accountant John James Smiles in April 1979. It had been formed at a time when Frank Nugan of Nugan Hand had decided to set up his own finance company. The first transaction by Eagleview was to "on lend" \$41,000 to Nopac Pty Ltd. I have not been able to fully investigate this matter but possibly it will receive further investigation by the Stewart Royal Commission into Nugan Hand.

7.028 It is possible that the transaction between Nopac and Eagleview in some way involved a tax avoidance scheme. Ray Michael also had an interest in the company

Kene Pty Ltd which lasted from January 1977 to June 1980. On 26th June 1980 there was a change in directorship from Michael to Phillip Mackey and another company Riste Pty Ltd. On 30th June 1980 there was a further change in the directorate with control passing to David William Cantwell and James Arthur Smith. Both these men were actively involved in "bottom of the harbour" operations of that time. Cantwell has since been charged with offences relating to those matters. It is therefore more than likely that the company Kene Pty Ltd was used by Michael for some tax scheme although, once again, I have not been able to fully investigate that matter.

7.029 I have previously referred to telephone numbers which were found in the possession of Ossie Mairou, the Northern Territory bookmaker. There is a record amongst those numbers which reads "Mick Rey 2125444 (02)". Checks with Telecom indicate that this number was registered to Nopac Pty Ltd of 8/744 George Street, Sydney. There is no doubt that the reference to "Mick Rey" is to Ray Michael. Interestingly enough, Harold Price - using the name Ross James Hunter - was arrested on 5th March 1983 (and subsequently convicted) on a charge of using those premises for SP bookmaking. This may indicate a closer association between those two men than would otherwise be thought.

7.030 One other aspect of Michael's operation, and his evidence before me, requires discussion. An examination of the bank manager's diary notes, maintained in respect of Michael's accounts, dated 11th October 1979 shows the notation that Michael was:-

"...a commission agent providing estimates of betting market prices to both on-course and off-course bookmakers. He also operates a smaller agency in Melbourne."

(File 88/791, p.19)

7.031 Michael was asked about the statement by the bank manager and denied that he had ever operated his business from Melbourne. Nevertheless, it appeared that the bank manager had been telephoned by an estate agent from Melbourne shortly prior to 11th October enquiring as to the credit worthiness of Michael. Those agents were advised by the manager that Michael was "quite wealthy..".

7.032 I believe that the explanation given by Michael as to these matters was false. I believe that he operated a business from Room 7, 344-350 Victoria Street, North Melbourne. Michael had leased those premises from about 26th September 1979 following a visit to Melbourne in that month when he had conferred with estate agents W.B. Simpson & Son. He indicated to a representative of that real estate firm that he was interested in the room provided he could install five telephones. Enquiries made by my officers from Telecom have failed to clarify whether five phones were in fact installed in the premises. The information received from Telecom indicates that the phone for those premises during the period October 1980 to November 1981 was in the name of a Denyse Jenkinson. No further details were available and she has not been identified. Michael continued to pay the rent for those premises until November 1981. The conclusion therefore is that this woman was associated, probably as an employee, with Michael. I have been unable to take this particular investigation any further but must say that I am suspicious as to the evidence given by Michael bearing in mind the circumstances surrounding the leasing of the North Melbourne premises. It is only a coincidence, no doubt, but a Melbourne SP bookmaker Lou Mutch was apprehended in Room 11 of the same premises on 11th December 1982.

7.033 One other matter leads me to suspect that Michael operated a "branch" in Melbourne. In evidence before me he claimed he knew Scott's real name only when he saw it on a cheque towards the end of their business association. The only cheques I have found from Scott to Michael were dated in October and November 1981. This was just about the time that Michael ceased paying rent for the North Melbourne premises. But Michael claimed their arrangement had lasted about a year. That suggests previous accounts were paid by Scott in cash. If that is so, it is likely they were paid direct to Michael's "collector" in Melbourne.

7.034 Michael's central role in the SP bookmaking network has provided him with a good living and some power. Given his admitted activities over recent years I am surprised he has not "come to the notice" of the New South Wales Police. I would suggest, with respect, that his future activities be more closely monitored than they have been in the past. If the pricing services could be "busted" then major difficulties would follow for the SP industry.

7.035 There is one other aspect of the pricing service, whether operated by Michael or some other individual, which is worthy of mention. The role of the "odds fixer" can give that person a position of some power in the racing industry. Suppose the pre-post odds for a particular horse, because of its form ability and the like, should be fixed at 4/1. Say the odds fixer is favourably disposed toward the connections of that horse. He may suggest an incorrect price for that horse at 12/1. The connections could then take advantage of that pre-post estimate and get set at odds well above the going rate. They would, no doubt, look with approbation on the friend who fixed the initial price. It is not suggested these could happen too regularly, though, lest the reputation of

the person recommending the odds could be lost. These matters are not merely speculation on my part. I have information that this scenario occurs from time to time to the mutual advantage of the connections and the price fixer.

CHAPTER 8 - FIXING THE ODDS

"For forty years he's followed the track
And played them hosses to Helenback
And they ain't a thing he shouldn't know,
that bloke.
So I sez to him, 'I want advice
On beatin' this dodge at a decent price.
And what have you got to tell me, old
soak?'
'Well, son,' he sez, 'I've bet and won,
And I've bet and lost, and when all is done
I'm sure of one thing - and only one -
All hawss players must die broke.'"

Damon Runyan, The Old
Horse Player

8.001 I have endeavoured not to moralise in this section of my Report. It is not my role to do so. I am concerned with criminality not morality. It concerns me not one iota whether punters lose or win. What does interest me, and should interest Governments, is the legitimacy of the "chance" being offered to the investor. Is it truly, in all cases, a question of good or bad fortune? Or does fate and form get some "assistance" from the "financiers" of the racing industry?

8.002 In the course of taking evidence I have noted occasions when witnesses have sought to explain otherwise unexplained wealth or assets by their gambling successes (I do not include in this context the witnesses George Frew and Donald Fox who clearly did receive, from time to time, large returns on their gambling investments). I do include John Knight, alias Andrews - alias Bees, who claimed that income in excess of \$30,000 over a twelve month period in 1980/81 came from successful, winning gambling. I am reminded of the scepticism with which Mr. Justice Woodward treated the evidence of Robert Trimbole in his report to the New South

Wales Government on the latter's involvement in drug trafficking. I read in the press in August of this year a report of the unsworn statement made by the drug trafficker Darryl Sorby. He offered as the source of income - otherwise alleged to be from drug profits - successful gambling on horses, cards and backgammon.

8.003 The advantage of the gambling explanation is that it is not capable, generally, of being proved untrue - particularly if the money has been received in cash. Naturally, there can be cross-examination of the explanation (when given in the witness box) as to the name of the horse, the particular race and the odds. The manner in which those answers are given may show the person to be a liar. If the witness learns his lines properly, however, it may be very difficult to show the falsity of his position. The tribunal is left with the general experience of mankind that, in the main, bookmakers who earn their living through their trade are winners, and punters who do not are losers.

8.004 Mr. Justice Woodward in his report dealt with the laundering of money which can be effected through bookmakers but these appear to have been of the registered variety. It seems that to date the person seeking to explain a "windfall" must use a registered bookmaker as his source as the latter is the only one prepared to expose himself (presumably for some fee). The illegitimate SP bookmaker no doubt would prefer to maintain anonymity which would be lost if he was seen to be the source and support for an explanation by a miscreant of the origin of his ill-gotten funds.

8.005 It follows from these observations that I have received no direct evidence of the "laundering" of funds through SP bookmaker's accounts. On the other hand, I have

a great deal of evidence of tax evasion by SP bookmakers themselves - both using the simplistic device of failing to declare cash received and by the more intricate tax minimisation schemes marketed over recent years. In cases where I have become aware of evasion I have referred the matter to the appropriate authority and, as I understand it, action in those cases has been taken to issue assessments and recover unpaid tax.

8.006 But I am concerned here not so much with the use made by punters or clients of the SP bookmakers of the facilities offered to them; rather by the impositions that can be placed upon the punter by the machinations of the SP and his friends in a network of organised manipulation of odds and fixing of races. It is certain that once a profit-earning motive is involved in any activity there will be those to seek to profit thereby without regard to the other man. Despite the "the holier - than - thou" stance adopted by some SP's, they are lawbreakers. To provide the service they do to their deserving clientele they are robbing the racing clubs, the public and the Government. Why should they feel any particular remorse at robbing their clients also?

8.007 The bigger SP operators, particularly in Sydney, adopt a system of manipulating the odds on-course to limit their potential loss to their client and/or to ensure a winning margin for themselves. The system is one which comes into operation if some other even more effective action cannot take place (that is, the "holding" of a horse"). Given the amount of money involved, it is hardly surprising that steps are taken by the big SP's to prevent horses which are "bad risks" from winning. SP bookmakers and, for that matter, registered bookmakers are not usually punters. As far as possible, they set a book to win - even

if it is only five percent of turnover - not to lose. The dishonest bookmaker sets out to increase his percentages. The pressure on jockeys are no doubt immense. The allegations about these activities have continued for years. I have not had the opportunity to fully investigate them - because of the limited connection with my terms of reference - but I believe they deserve a higher profile in the listing of criminal activities to be monitored by law enforcement agencies.

8.008 I have mentioned that the most effective means of producing the desired result from the bookmakers' point of view is to know, in advance, the result of the race. Thus, if a large amount of money is bet on a particular horse the bookmaker would obviously prefer it not to win. The dishonest bookmaker carries out some steps to ensure that his desire in that matter is accorded proper respect by the jockeys. Nevertheless, there are occasions when there can be no access to the riders. For instance, the bet which makes the horse a bad risk may be placed late in the betting. It may be after the horses have left the mounting yard and are no longer in contact. In these situations the manipulation of odds is organised. It is orchestrated in a remarkably simple manner. There are two variations on the scheme. It must be remembered that the odds paid by the SP to the client are fixed by the starting price of the horse. It is obviously of utmost importance to have as the starting price of the winning horse the lowest price possible. Generally speaking, the most money is placed on the favourite and therefore the favourite is usually the one which provides the biggest potential pay-out for the SP bookmaker.

8.009 During the afternoon's racing the "agents" of the SP who are on-course remain in touch with him. This is done by a system of "runners". The latter must be in touch

with the SP either by telephone (perhaps in a house close to the racecourse) or by radio. The SP seeks through those agents on-course - who might be regarded as true "commission agents" - to influence the prices bet on the biggest "risk" in his book. On behalf of the SP the agents will place bets very late in the piece when most bookmakers have already "balanced" their books. In these circumstances the horse's price is bound to shorten fairly abruptly. The net result is the ordinary SP punters value on his bet is eroded. This can be better understood by way of illustration. Say the SP is holding bets on a particular horse of \$20,000 to win (whether from one punter or a number in combination). That horse's present odds on-course are 5/1. The SP faces a potential pay-out of \$100,000. He contacts his agents on-course to invest the total \$20,000 on the same horse. This is done late in the betting. The horse's price will shorten fairly dramatically - say to 4/1 - but the agents will "average" 9/2. If the horse wins then the SP collects \$90,000 but only pays out \$80,000. He wins \$10,000 without risking any of his own money. If the horse loses, then he breaks even on that bet but has had no outlay.

8.010 A refinement of the system is to reinvest only part of the original stake. Presume again the same figures but with a reduced outgoing bet of \$15,000 by the SP. In these circumstances, if the horse wins he will receive \$67,500 but pay-out \$80,000. He will have lost \$12,500. If the horse loses he will have won \$5,000. Effectively, he is laying a 4/1 chance at 5/2. The net result for his own "book" is quite dramatic. The unsuspecting punter has no idea that it is his own money being laid off which drastically reduces the odds payable to him. The whole system is designed to "milk" the punter/client dry.

8.011 One of the major difficulties confronting the SP operator is that of apprehension by the authorities. Not only is the court appearance a social embarrassment - even if only of a minor kind - but the disruption to the afternoon's betting is a major calamity for the SP and his clients. The risk of apprehension is, therefore, a real one and the SP attempts to fix the odds involved in that area. His success rate will vary, obviously, according to the level of corruptibility of the police with which he is confronted. Like every other criminal activity, however, it is one based on the profit motive. There are funds available for "business" expenses and it would be naive to expect that some of those funds were not expended. Perhaps if Governments looked less benevolently on the overt criminality involved in SP bookmaking then those exposed to its corruptive influences would not seek to justify their own behaviour as merely ancillary to a "victimless" crime.

8.012 I said earlier that I have received no direct evidence of laundering of monies through SP's accounts where that money is sourced from other criminal activities. It would not be realistic to deduce that this does not, or could not, occur. The monetary flow in the industry is huge. It is an underground cash economy with tremendous potential to finance many other illegal acts. These are matters which have concerned other Commissions and boards whose enquiries have touched upon gambling and organised crime. Their findings should not be ignored. There must be control of this cash economy.

CHAPTER 9 - CONCLUSIONS & RECOMMENDATIONS

9.001 A vast network of SP bookmakers exists throughout Australia; it operates in every State and Territory. There is, at least, a loose interconnection. There is an immense flow of money between various bookmakers. Registered bookmakers participate in the network. This network cannot be sustained without the provision of pricing services and advanced telephonic equipment. There is a substantial loss of income to the States by way of avoidance of turnover tax and/or lesser receipts by the TAB's. Moreover, there is evasion of income tax payable to the Commonwealth Government. I have received information that collections of outstanding debts have involved violence. There have been allegations of bribery of State police officers to avoid apprehensions and/or prosecution. There have been, from time to time, successful prosecution of offenders for currency violations and matters relating to improper provision of telephones by Telecom employees.

9.002 During the course of my Commission the involvement of quite senior members of the Union has caused me to look at SP bookmaking in some depth. However, I have not conducted a free-ranging enquiry into it and much remains to be done to identify fully the participants and to expose them. In this area, my race is run and I hope that the matter can be taken up by the National Crime Authority.

9.003 SP bookmaking was one of the potential areas of investigation referred by me to the NCA. The Authority was advised that as at 30th June 1984 I had obtained banking

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records of a large number of people identified as SP bookmakers together with, in some cases, accountants' and taxation records. Approximately three quarters of that material has been analysed. That analysis has been continuing but is still not complete. In particular the bank records of a Sydney SP bookmaker who is thought to be one of the biggest operators in the country has only recently been obtained and analysis of those has only just commenced.

9.004 Although the Authority has indicated for its part an intention to investigate it, amongst other matters there are problems in a special reference of this area to the NCA, I have looked at the legislation of most of the States and Territories which deal with illegal gambling and horse racing. The only offence found in any of the appropriate Acts which had a penalty commensurate with that required for inclusion in the definition of "relevant offence" under the National Crimes Authority Act was that contained in Section 134 of the Racing and Betting Act of the Northern Territory. A penalty of five years is there provided for an offence which could colloquially be described as "race fixing". The more orthodox offences of "street betting", "using premises for the purposes of.." and "conveying betting odds" carry very modest penalties.

9.005 Thus although I have referred the matter generally to the NCA I am conscious there is no direct offence capable of fulfilling the definition even though the expression "illegal gambling" is contained in it. Furthermore, there is no direct Federal offence. It is in the area of conjunctive offences that justification for the reference probably lies; that is, tax avoidance, corruption, violence and currency offences which are attendant upon the SP bookmaking industry. The recommendation I made to the Authority was that it conduct an ordinary investigation

pursuant to Section 11 (1) (b) of the NCA Act and coordinate task forces pursuant to Section 11 (1) (c). However, thorough investigation - once analysis of the documentation presently held by my Commission is completed - will require further bank records, and other information; and of course, a special reference will be required before that can be done.

9.006 I believe that the SP bookmaking industry is of such dimensions throughout Australia that it justifies the national effort to combat it which was anticipated by the meeting of the racing ministers held in Melbourne last year. This Report is delivered to the Federal Government and Victorian Government. I recommend that those Governments use their best endeavours to obtain a joint reference from all the Governments represented on the Inter-Governmental Committee for a full investigation into SP bookmaking in the country.

9.007 It would be unwise to underestimate the mythology of the SP bookmaker. His position is so entrenched and the myth of innocence so pervasive that a concerted and national programme is needed to eliminate what should be recognised as an insidious, corruptive influence. It is necessary for Governments, on behalf of the community, to show where their sympathies lie in this area. The lead has to come from Government. A start in that direction was made in the national meeting of the respective State ministers responsible for racing which was held last year. I believe it is essential that those ministers, in consultation with police ministers, educate themselves about the evils of SP bookmaking and then commit their Governments to a policy of destruction of the illegal industry. It can be done. I set out below some suggestions that might facilitate that aim. I understand the racing industry is in peril because of falling attendances and, no doubt, other problems; it could accordingly be expected that the

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necessary consensus could be achieved in time. As will be apparent from my recommendations below it is virtually impossible to fashion an effective programme to combat the industry without the support of each State.

9.008 I appreciate that such cooperation is not always easy to achieve. In a slightly different context, Mr. Xavier Connor QC and Counsel for Federal Hotels Ltd exchanged the following observations during his Inquiry into the proposed casino for Victoria (this discussion took place in 1982).

"THE BOARD: Mr. Southee, I noticed comparatively recently - it was before this Inquiry started - that when this matter of telephones was raised in the Federal Parliament the responsible Minister made a statement in Parliament that there was no evidence that anything wrong was being done in Telecom and the following day the appropriate trade union secretary made the same statement and with those bland sort of statements the matter goes off again for another two or three years. The approach ought to be, but it is happening and if there is no evidence it means we have not discovered it yet, so we will look harder, but that is not the approach and I cannot see any signs of anything changing myself.

MR. SOUTHEE: It is, no doubt, because the matter has not been properly tackled.

THE BOARD: You run into extraordinary problems when you start to try to get combined Federal/State things going.

MR. SOUTHEE: As I understood, Mr. Chairman, that was one of the purposes of this Federal Crimes Commission that they were able to do it."

(Transcript p. 5149)

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I recognise the difficulties in securing combined "Federal/State things going" (there is the interesting ancillary observation by counsel as to the anticipated contribution of a crimes commission to that particular problem). But where parties are "ad idem" agreement and combined action can result. For instance, the Victorian Consumer Affairs Minister and his New South Wales counterpart were able to announce on 16th August 1984 uniform laws to protect users of consumer credit in their respective States, such laws to come into effect in February 1985. Where there is the necessary will then a bilateral and cooperative solution can be obtained.

9.009 In framing laws aimed at suppression of illegal SP bookmakers it is necessary to bear in mind a number of matters:-

1. Direct Commonwealth interest is mainly in the field of income tax evasion (although it must be said that the Commonwealth should have a substantial interest in assisting the maintenance of the rule of law).
2. Massive amounts of potential State turnover tax are being evaded.
3. There is much disparity between State laws; moreover the description of offences throughout the country differs.
4. There are attempts made by the SP operators to find a "locus conveniens" in which to commit their offences. This inevitably results in a favourable "lex fori". In frank terms, this means, as far as Victorian and Queensland SP's are concerned, border-hopping into New South Wales.
5. The Northern Territory at present has provision for registered off-course bookmakers who can legitimately take interstate telephone SP bets.

Conclusions & Recommendations

An approach to SP bookmaking which I perceive as acceptable to the Australian community, involves it being viewed primarily as tax evasion. In the first instance the attack should be restricted to pecuniary penalties; they should reflect the large sums of money involved. In addition, there should be provisions facilitating recovery of lost tax, that tax to be calculated on the basis of the equivalent turnover tax being paid by registered bookmakers.

Enforcement

9.010 Firstly, let me deal with the enforcement of the criminal law. The prosecution of offences in Victoria is complicated by the classification of those offences. There are offences of "street betting" and "using premises" which have caused some difficulty in interpretation over the years for the courts. In Queensland the corresponding legislation provides an offence of "possession of instruments of betting". Pursuant to it, SP's travelling to and from their place of business may be apprehended and convicted of possession - even though not "caught in the act". I recommend the inclusion of such a provision in the Victorian law. It would mean that SP's who reside in Victoria but cross the border to operate on weekends or other days could be apprehended in Victoria enroute and charged. The definition of "instruments of betting" needs to be wide rather than narrow. It would certainly include settlement sheets (see Attachment 4.3C). I would hope that in the drafting of legislation to effect such changes consultation would take place with officers of the Victorian police experienced in this aspect of law enforcement. The extent of powers of arrest and questions of issue and execution of warrants should be clarified. That clarification should reflect the determination of the community to stamp out SP's, consistent with a due regard to civil liberties.

Conclusions & Recommendations

9.011 On conviction for an offence involving SP betting, the penalty to be applied should reflect no differentiation between the individual offences which are then specified. Those penalties should be imposed without regard to the tax liability that will be imposed (see my recommendations below) and the legislation should specifically exclude the tax liabilities from consideration. I have already indicated that the penalties should reflect the large sums of money involved. The penalty for a first conviction should be a fine of up to \$25,000. No minimum fine should be imposed thus allowing more latitude to the courts to impose an appropriate penalty on minor functionaries. But if a conviction is warranted on the evidence then it should be imposed mandatorily. That is, there should be no discretion in the Magistrate not to proceed to conviction by substituting bonds or other alternative sanctions. Alternatively, if this proposition is not acceptable, then any order of a court reflecting a decision that the charge was proven should, thereafter, be treated as if it was a conviction notwithstanding that as a matter of leniency some other lesser sanction was imposed. This is an important proposal in that the flow-on provisions relating to the tax collections depend upon a finding of guilt and/or conviction.

9.012 A second conviction should lead to a minimum penalty being imposed of, say, \$25,000 with a maximum of \$100,000. A third conviction should lead to a possible gaol sentence but also to a penalty of between \$50,000 and \$250,000. It is suggested that a maximum of three years imprisonment be provided. One of the bases for that particular period is that it is tied to the definition of "relevant offences" contained in the National Crimes Authority Act.

Conclusions & Recommendations

9.013 It is most important that there be proper identification of offenders in order that prior convictions can be properly proved. I have received evidence that SP bookmakers operating in New South Wales have given false names and addresses and thereby avoided having convictions recorded against them under their correct names. This may not be of any great moment pursuant to existing laws but under the provisions I have recommended it will be most important, to the collection of tax. Consideration should be given to including amongst the SP betting offences one of giving a false name and address at the time of apprehension. (Section 23 (3) of the Lotteries, Gaming & Betting Act 1966 (Vic) provides for such an offence. However, it applies to street betting only and carries a penalty of \$200).

9.014 Consideration should be given to making it unlawful to place a bet with an SP. It has been made clear in evidence before me that the SP claims to provide a valuable service. In one case at least it was suggested that the only reason the man operated as an SP at all was because of the demands made upon him for that service by his friends and associates. In those circumstances, why should the punter be put in a more favourable position than the bookmaker himself? Once again, in Victoria "street punters" may be guilty of an offence (penalty \$500) but not those using telephones. There are difficulties in enforcing laws against telephone gambler, but they are not insurmountable. I express no concluded view in this area but do recommend earnest consideration. A penalty of \$500 is inadequate, and it should be more in the range of \$25,000 if serious punting is to be deterred.

Recovery of Tax

9.015 Where a person is found committing an SP offence, there should be an imposition of tax in addition to prosecutions. This should follow conviction on appropriate application to the court. Given the likely reaction of people charged where these consequences are likely to ensue - namely they will attempt to disburse their assets - it will be necessary to have some provision of law enabling an application to be made for their known property to be frozen immediately upon their arrest or as soon thereafter as possible. I envisage Mareva Injunctions or the like, but with a statutory base. The tax I have in mind as being imposed is one which is equivalent to the turnover tax applicable in the State (say Victoria) from which the SP has derived his clients. In this connection it has been noted that many of the large SP's are leaving Victoria to conduct their investigations over the border. It follows that the Victorian law should provide for a situation where persons normally resident in Victoria who accept wagers either within or without the State, but in whole or part from other Victorian residents, shall be liable to the imposition of turnover tax, irrespective of whether the bookmaker is entitled in law in that other State to accept such wagers. This would take into account the Victorian SP operating in New South Wales. It is in this area that there needs to be willing cooperation between States. If there is not such cooperation there will be difficulties in the implementation of the "remedies" I recommend.

9.016 As the apprehension of an SP bookmaker is likely to produce records only for the day of operation on which he is caught, the law should provide for the use of such records to permit an assessment to be made of his turnover for that day which shall then be the "basic daily turnover" for that person. It will, of course, only be

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notional. Thereafter, the law should provide for there to be a prima facie presumption that the person has conducted a book with a similar turnover on each day on which race meetings have occurred in say Victoria and New South Wales for the preceding twelve months. If some more precise presumption needs to be specified, it may be accepted, as a rule of thumb, for example that there are one hundred major metropolitan week-end and mid-week meetings during the year. Some such presumption would enable a computation to be made of the total turnover for the SP but limited to, in the first instance, a period of twelve months. On this turnover, the tax would be calculated at the highest rate applicable for metropolitan meetings; the resulting figure then being the amount of tax immediately payable.

9.017 There will be quite difficult problems in making those calculations. Firstly, it is not uncommon for a SP bookmaker to destroy his records as the door is being hammered down. This, after all, is the purpose of the "Cockatoo". If it is confidently expected by those police officers experienced in the field that it is unlikely that sufficient records will be produced to enable any proper presumptions and assessments to apply then consideration should be given to fixing in advance a "set" assessment. A calculation would be made on the basis of the average turnovers of registered bookmakers operating in the State during the previous twelve months; that figure could then be allocated to the SP operator. If, for example, the average turnover tax paid by registered bookmakers was \$100,000, then an assessment for that amount would immediately issue upon the convicted SP bookmaker.

9.018 The presumed figure - calculated in accordance with the proposals in one of the previous two paragraphs, should be capable of rebuttal by either the State or the bookmaker. In the case of the State, upon a conviction

Conclusions & Recommendations

being recorded the law enforcement agency should be entitled to access to all bank accounts and accounting records of the convicted person. If by an examination of those records it is established that the person has been conducting a book for a period longer than twelve months - and without payment of turnover tax - then a higher assessment for a longer period up to, say, ten years may be imposed. Similarly, if the records reveal that the turnover was higher for the past 12 months than that calculated by either of the methods referred to above, then the higher turnover may supplant the presumed figure. On the other hand the bookmaker may adduce evidence that his turnover was less. However, oral evidence given by him as to the correct figure should be accepted as rebutting the prima facie presumption only if it is corroborated by other evidence in material particulars. Similarly, the person convicted may adduce evidence by which it is established that he acted only as the agent for some other person. In this event, upon this other person paying the assessed turnover tax, the convicted person's liability shall accordingly decrease.

Detection

9.019 Within Victoria (it being recalled that my recommendations go to that Government together with the Federal Government) there should be an investigating team comprising police officers charged with the enforcement of the criminal law. This team will be similar or perhaps identical with that known as the "Zebra" Group. There should be an associated team, possibly operating as an integral part of the first, of fiscal investigators who will be charged with the recoupment of the tax. This team should have access to the Crown Solicitors' Office by a direct means so that injunctive remedies may be procured quickly in appropriate cases. It may be that a legal officer is permanently assigned to this task.

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9.020 Arrangements should be made with the Commonwealth for this team to be complemented by income tax investigators. Section 16 of the Income Tax Act would require amendment to facilitate the interchange of information between the two groups of fiscal investigators with a coordinated tax attack as the basic scheme. The taxation returns of the accused SP bookmaker should be made available to the State fiscal investigators to assist in the determination of the turnover tax lost; similarly the State investigators should make their files available for the income tax investigators. It will be recalled that I recommend that the State investigators have access to the bank accounts of the SP bookmaker following his conviction.

9.021 There should be a coordinating intelligence body equipped to handle the data collected on SP bookmakers operating around Australia. The Australian Bureau of Criminal Intelligence may be the appropriate body; it already has intelligence holdings and a knowledge of the area. If it were to be selected there should be, in my view, a small group within it whose responsibility would be for this area alone. The National Crimes Authority is also appropriate but subject to the limitations on its area of responsibility mentioned earlier in this chapter; namely the Act requires an amendment to leave no doubt that SP betting does come within its terms of references. It should be requested to investigate fully selected major operators in this field.

9.022 Each State would need to establish a similar group of investigators; for the most effective suppression there would need to be a united approach taken. Naturally, that attack would be assisted by proper coordination.

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9.023 If neither the AECI or the NCA takes up the central intelligence role then there should be established by the States operating in consultation a group to carry out that task. It would collect information on SP bookmakers around Australia. For so long as a State imposes turnover tax within its own borders it should regard it as a civil obligation to assist itself and other States in the recovery of the respective taxes.

9.024 As part of the intelligence gathering role access should be granted to appropriate agencies to the SCRP machine facility operated by Telecom. Certainly State police should have access to it without administrative difficulties being placed in their way. I would have thought that insofar as Telcom employees are alleged to assist from time to time in SP bookmaking operations it should be regarded as a legitimate area for investigation by Australian Federal Police without the necessity for referring the matter to any investigative team within Telecom. No doubt that matter received some consideration by Mr. Vincent in his report.

Pricing Services

9.025 I have made no specific recommendations in relation to pricing services. The law prohibits the provision of off-course betting fluctuations as part of its attack on the service given by SP's to their clients. It follows that the pricing service operators should be subject to the same heavy financial penalties as the SP's. However, there is no basis for tax liability being attached to them.

Banking Facilities

9.026 I have previously had cause to criticise the morality of some of the operators of the banking system in

Conclusions & Recommendations

Australia. In the area of SP bookmaking, it is clear that the provision of proper banking facilities is absolutely vital. In every case where I obtained banking records, the manager or accountant of the bank knew the purpose for which the account was operated. In my view, they are in fact (if not in law) aiding and abetting the SP. To ensure that the two concepts coalesce, I recommend that it be made an offence to allow an account to be opened, or to continue to operate, where the bank or any of its officers knows that the purpose of the account is to facilitate an SP operation. The defendant in the prosecution would be the bank, in its corporate identity. The penalties would be as for the other offences.

9.027 I made recommendations in my fifth Interim Report relating to banking controls. They dealt to some extent with the opening knowingly by bank officers of accounts in false names. I repeat those recommendations here in the hope they will receive more consideration than they have to date.

"(1.) Each person applying to open a bank account be required by law to provide a written statement containing the information set out below. This form should be signed personally and witnessed by the bank officer opening the account. The statement should contain, inter alia, the following details:-

- (a) the full name currently being used by that person;
- (b) the name under which the person was born;
- (c) the date and place of birth;
- (d) any other name used between the date of birth and the date of the statement;

Conclusions & Recommendations

- (e) whether the person is or has been a taxpayer and, if appropriate -
 - (I) The name under which he lodged his last return.
 - (II) The place of lodgement.
 - (III) The taxation number allocated to him.
 - (f) his current address and any address used by him as his principal place of business or residence during the previous 5 years.
- (2.) The legislation should provide appropriate penalties for making a false statement. Banks tend to require proof of incorporation of companies before opening accounts. The law should demand they obtain such proof. The statement of personal particulars should be supplied by all proposed signatories for the account. If a banker fails to obtain the appropriate statements then it should be subject to severe financial penalties. The same provision should also apply to the use of accounts in business names or in the names of trusts.
 - (3.) In conjunction with (2.), similar legislation dealing with all financial institutions be negotiated - as appropriate - with State Governments.
 - (4.) Every applicant to a bank or other financial institution seeking the remission of funds overseas should be identified on a record to be kept of that transaction. This should then be forwarded to the Reserve Bank to be included on a computerised record of all overseas transactions.

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- (5.) Banking records, including all vouchers, should be retained by the banks for a minimum period of 7 years. In the event originals of such documents are released to a customer, then copies of any such documents including endorsements appearing thereon should be made and likewise retained."

(Interim Report No. 5 vol 1,
p. 38-39)

The recommendations relating to the retention of records, overseas remissions and other financial institutions are also of great significance.

Conclusion

9.028 I am aware that some of the recommendations made in this paragraph may be regarded as harsh. I have seen in my investigations that the SP bookmaking industry is one which makes no contribution to the gross national product. It provides some part-time employment on weekends and at other times for people who are prepared to break the law. They deserve little consideration. Governments must either legitimise SP bookmaking (which means abandoning turnover tax) or implement a plan akin to that which I have recommended to eradicate it. The middle course, of continuing to legislate for its illegality whilst at the same time condoning it, reflects no credit on Governments or the communities they represent.

SP BOOKMAKING

ATTACHMENT 4.3A

(Pg. 38)

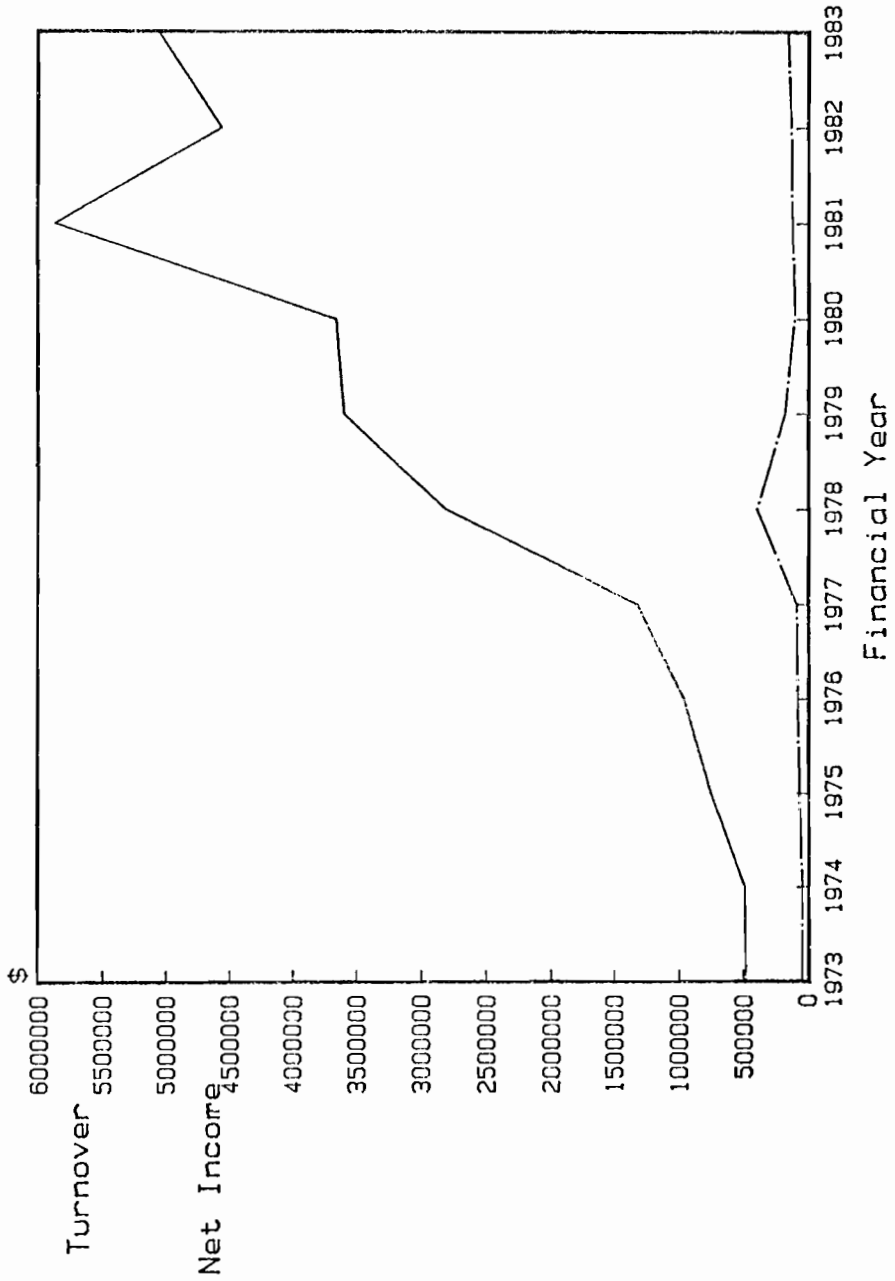
WINNING & LOSING BETS
H. & P. PRICE FAMILY TRUST

<u>YEAR</u>	<u>WINNING BETS</u>	<u>LOSING BETS</u>	<u>TOTAL</u>	<u>VIC TAX @ 2 1/4% (from 1/1/76)</u>	<u>NSW TAX @ 1 1/4%</u>
1972/73	262,814.75	215,284.65	478,099.40	10,757.23	
1973/74	266,626.30	222,234.20	488,860.50	10,999.36	
1974/75	410,343.27	343,170.95	753,514.22	16,954.06	
1975/76	529,471.64	429,152.10	958,623.74	21,569.03	
1976/77	712,872.86	604,033.55	1,316,906.41	29,630.39	16,461.33
1977/78	1,614,768.17	1,189,786.00	2,804,554.17	63,102.46	35,056.92
1978/79	1,879,632.73	1,717,200.90	3,596,833.63	80,928.75	44,960.42
1979/80	1,903,797.97	1,754,858.85	3,658,656.82	82,319.77	45,733.21
1980/81	3,021,615.90	2,850,993.98	5,872,609.88	132,113.72	73,407.62
1981/82	2,372,248.54	2,190,470.38	4,562,718.92	102,661.17	57,033.98
1982/83	2,616,728.35	2,435,788.55	5,052,516.90	113,681.63	63,156.46
TOTALS	\$15,590,928.48	13,952,974.11	29,543,894.59	664,737.57	335,809.94

ATTACHMENT 4.3B

(Pg. 39)

PRICE SP BOOKMAKING TURNOVER
1972 - 1983 (11 YEARS)



ATTACHMENT 4.3C

(Pg. 38)

"SUN" PRICES

Mr. Tam (P)



The following is a confirmation of your transactions

at _____ on Week 9-11-83

Amount Invested	HORSE	WIN	LOSE
\$5000	Incorlate		5000 00
\$1000	Warming Ball		1000 00
\$6000	Parabalanu		6000 00
\$5000	Bune Of Rhythm 1 st 7/4	8750 00	—
\$3000 x 3000	Blazing Grey 2 nd 5/2		1125 00
\$5000	Elated Star		5000 00
\$4000 x 1500	Pass The Baton		6000 00
\$1000	Sandhurst Town		1000 00
\$2000	Ever Elegant		2000 00
\$2000	Deep Driveway 1 st 5/1	10000 00	
	Total \$8375.00	18750 00	27125 00

	WINS		LOSSES		
Previous Acc.					
Bal. 1st Sheet					
Bal. 2nd Sheet					
Bal. 3rd Sheet					
					TOTAL
FINAL BAL.:					TOTAL \$ CREDIT DEBIT