



Department of Justice

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BY

THE HONORABLE JOHN N. MITCHELL
ATTORNEY GENERAL OF THE UNITED STATES

Delivered Before

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1. INTRODUCTION.

It is a pleasure to accept the invitation of the Bond Club to be the speaker this evening.

Many of you may have reasonably expected that I would come back from Washington and tell you what's going to happen to interest rates; or the oil import quota; or to our antitrust policy.

Personally, I would like to talk on these subjects. But that might hurt my image among the Washington columnists. They have dubbed me, among other things, "Mr. Tough," the "Iron Chancellor," and the "Inquisitor General."

In order not to let down my Washington columnist friends, I am going to talk briefly about the problem of organized crime and its growing infiltration into legitimate business, including yours.

Rather than deal in vague generalities, I would like to offer you a few specific case histories which we have developed. Take the example of air freight.

2. AIRPORT EXAMPLE.

Air freight is one of the nation's fastest growing and most promising industries.

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Its total volume has increased 800 percent in the last 15 years to where it now flies almost 2.5 billion ton miles a year.

An integral part of the success of the air freight industry is the speed and efficiency with which products are moved to and from an airport, generally by truck.

There is a rather large airport in this country which over the years has experienced rather curious phenomena. The first was that one local union slowly became the dominant union. This is a local union which we know is controlled by elements connected with the organized criminal syndicate.

Simultaneously an air freight trucking organization was organized which became incorporated into a larger trucking organization.

Suddenly, two men publicly listed as being members of a prominent organized crime family appeared as consultants to the trucking organization.

Then the trucking organization's dues increased 750 percent in 5 years and its initiation fee went up to \$5,000.

The net result is that, in our opinion, there is strong evidence to warrant a suspicion that the entire air freight trucking industry at this airport is controlled by organized crime; that it is trapped between a racketeer dominated trade union on the one hand and a racketeer trade association on the other.

We have received reports that truckers who do not belong to the trucking association find themselves the victims of sabotage and constant labor problems with their unions. They find it difficult to obtain business. Freight that is scheduled to be shipped on non-trucking association trucks has a curious habit of not arriving at all or arriving badly damaged.

One airline, for example, tried to switch to a non-organization trucker and a threat was issued to shut down the entire airport.

Whenever any goods are shipped on a truck from this airport, members of organized crime are in a position to inspect them and to steal whatever appears to be of value.

The operation of organized crime at this airport is not confined to air freight trucking operations. Recent investigations have indicated that organized crime

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is involved in airline terminal operations.

Recently a large shipment of antibiotics was stolen from the terminal. The average fence would find it difficult to dispose of this specialized antibiotic.

We have evidence to indicate that organized crime provided the marketing operations by arranging to have the pharmaceuticals transported to major European cities where the drugs were easily sold on the black market.

Thus, organized crime not only steals but provides a smooth system through which goods stolen by an independent thief can be disposed of.

The total picture at this particular airport amounts to this: organized crime exacts a tariff on the trucker, a tariff on the truck driver, a tariff on the airline, a tariff on the sender, on the recipient and indirectly on the eventual consumer.

It also underwrites thefts by providing a marketing system. Our investigations of this airport have resulted in several criminal cases and this investigation is continuing.

3. TRUCK THEFT EXAMPLES.

Organized crime is very active in another facet of the trucking industry. It facilitates the hijacking of trucks in much the same way as it facilitates other thefts by providing a conduit for stolen goods.

Because of its activities in loan sharking, and because of the corruption in some unions, organized crime has forced otherwise unwilling laborers in the trucking industry to point out especially valuable shipments.

Members of La Cosa Nostra who operate warehouses and their own trucking companies as fronts permit their facilities to be used for storage of stolen goods. Members of La Cosa Nostra often depend on their own hijacking operations for revenue to pay their Cosa Nostra dues.

A few years ago Joe Valachi's name was a household word. He was the prominent La Cosa Nostra figure who exposed the internal organization of La Cosa Nostra families and the La Cosa Nostra Commission before the McClellan Committee.

He recently testified in a trial involving armed hijacking. According to Valachi, in 1959 when both he

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and a defendant were being held at the West Street Federal House of Detention in New York, the defendant complained bitterly about the cut his family was taking from each of his hijackings.

The defendant was a member of what was then the Profaci Family, and according to Valachi the Family got about \$1500 from each of his jobs. It was a very simple arrangement. The defendant had to pay the money to retain his membership in La Cosa Nostra and to benefit from its distribution network.

4. SECURITIES EXAMPLE.

Finally, let me draw your attention to your area of business where organized crime is operating with a great deal of efficiency and profit: The area of securities transactions. In the first nine months of 1969, \$45 million in securities was lost or stolen from banks and brokerage houses.

The recent conviction involving thefts from Orbis Brothers demonstrates how vulnerable the securities market is to organized crime.

One of the defendants in that case was a margin clerk for Orbis Brothers. The margin clerk entered into a scheme

with three members of the Vito Genovese family. The clerk stole every customer's check he could lay his hands on -- a total of \$90,000 -- and turned them over to the organized criminals.

The organized criminals opened bogus bank accounts in the name of Orbis Brothers and they even had a phony corporate seal. Within a day or two after depositing the stolen checks in the bogus accounts, the criminal confederates started to draw payroll checks totalling up to 80 percent of the deposited accounts.

The scheme was uncovered when a bank in Queens became suspicious of the sudden activity.

We are becoming more aware every day of how vulnerable securities are to organized crime. Recently, two men were arraigned here for the theft of over \$2 million from a New York bank. Another prosecution is pending for the theft of stock warrants. Because of the volume of transactions in securities, the possibility for organized crime exploitations are endless.

But they are variations on the same theme. Utilizing bribes, or threats, or loansharked debts, the organized criminal makes a contact inside a securities house.

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He then activates his wide-spread and rather sophisticated marketing structure in order to dispose of the stolen goods.

But we too are becoming more imaginative every day in attempting to deal with this problem.

For example, quite recently our undercover agents were able to make contact with an organized crime middleman. He claimed he had almost a million dollars in Treasury bonds and other securities stolen from a New York brokerage house.

One morning last August, our New York Strike Force was able to arrange a meeting with the middleman who insisted on seeing at least \$130,000 in cash or checks. While we could have arrested the middleman at that time, we were anxious to recover the securities and find the principals.

At noon our Strike Force contacted the securities house from which the bonds were stolen. The securities house consulted the New York Stock Exchange. By 2 P.M., we had cashier's checks totaling \$130,000. We brought the checks to the middleman who produced some of the stolen bonds. This arrest gave us a lead to an organized racketeer who

was subsequently arrested and charged with participating in counterfeiting in another city.

We are now negotiating with the New York Stock Exchange to set up a permanent fund of about \$250,000. We plan to use the fund as front money in undercover purchases of stolen securities. As in the original case I cited, we do not expect that any of the money will ever be lost, although there is a remote possibility that something could go wrong.

The Exchange's great interest in helping us stop these thefts is shown by its willingness to negotiate on the establishment of this fund under appropriate safeguards.

Another new response we are developing is to initiate a lightening-fast inspection of banks which we suspect may have dealings in stolen securities.

The bank to be inspected is selected by our Organized Crime Coordinating Committee which is made up of representatives from the Department of Justice, and Federal and State agencies.

During the inspection, these agencies will comb the bank's records for prospective leads to organized gangsters and their business operations.

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5. THE FEDERAL EFFORT.

I think that these examples should cause you to re-think your traditional concepts about organized crime. While organized crime's major income is still from gambling -- probably in excess of \$20 billion a year -- it is aggressively moving into the area of big business where it is as resourceful as any legitimate businessman.

And, of course, organized crime has a big competitive advantage because it utilizes physical intimidation, political corruption, blackmail and bribery as standard operating procedures.

The airport freight industry I mentioned earlier is now seriously infiltrated by organized crime and many shippers are reluctant to use this facility.

We can all anticipate the reluctance of banks to accept pledges if there is a substantial risk that commercial paper has been stolen and fraudulently negotiated. We can appreciate how a manufacturer will react to a new order with an apparently good credit rating when there is a likelihood that the customer might have a false credit rating, or that the goods, if they are valuable may be hijacked in transit.

The Department of Justice, in the last year, has launched a major campaign to eliminate organized crime. We almost doubled our budget to \$61 million this fiscal year. We have asked for another increase next year.

We have dispatched highly trained Strike Forces throughout the nation. These are special teams of Justice Department lawyers and agents from other federal agencies whose orders are to concentrate on breaking the back of the criminal syndicate.

They select the known members of an organized crime family and they investigate them for possible violations of tax laws, mail fraud laws, conspiracy laws, and the whole network of federal criminal statutes.

We are also hoping to develop some new weapons. There is a proposed bill, just passed by the Senate, which utilizes civil remedies to attack organized crime.

This bill would permit us to order forfeiture of property owned by an organized criminal. It would permit us to require dissolution of his business and would empower the courts to enjoin him from ever again entering that sort of business.

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We can jail an organized racketeer, but generally another comes to replace him. I think you can appreciate how much damage we could do if we could seize his trucking firm, if we could force him to forfeit his warehouse and if we could destroy his contacts by barring him from a certain type of business.

CONCLUSION

It is true that the Federal Government is going after organized crime -- that we have selected it as a target and that we mean to put it out of business.

Some persons have argued that these extraordinary measures are in some way unfair: That we are persecuting the Mafia. My view is that the business community, which is being victimized by organized crime, has a right to demand that the government counterattack. For too many years, the government's effort, though well-meaning, was understaffed and underfunded.

Now we are striking back. Our indictments against organized criminals last year were 30 percent over the year before. And most of our Strike Forces are just getting started.

You can help us. When you have even the slightest suspicion that organized crime is involved in your industry, I urge you to contact our Strike Force headquarters here in New York City.

I also know that occasionally in the past businessmen have contacted the Federal Government but the Federal Government did not have adequate resources to investigate your complaints.

I have asked for more resources and, with the strong backing of the President, Congress has given the Department of Justice the money and the manpower to finally launch a broad attack on organized crime, particularly its infiltration into legitimate business.