

1 COMMISSIONER WILHELM: Mr. deBrueys, you're first on
2 the agenda, and thank you very much for being here.

3 MR. deBRUEYS: I had to borrow a pair of boots to get
4 here, and they were about 14 inches high, but the water seemed to
5 be 15, so the boots do hold water.

6 COMMISSIONER WILHELM: Some in the media have accused
7 us of needing hip boots to wade through what we do here every
8 time, but at least we have an excuse today.

9 (Laughter.)

10 MR. deBRUEYS: Exactly.

11 Well, my background is basically I spent 30 years in
12 the FBI and retired in 1977 as special agent in charge of El Paso
13 Division, and since that time, commencing in 1977 and through
14 1989, I had been managing director of the Metropolitan Crime
15 Commission in New Orleans. It was, for me, a sort of community
16 service job because I love the city, and I think probably, if I
17 don't say anything worthwhile, I think the basic thing to
18 recognize is I'm not being paid for any of this and I'm willing
19 to come out in this rain because I feel strongly, because I love
20 this community.

21 My position, of course, is that gambling does a great
22 deal of harm to society, sociologically and otherwise, and my
23 purpose in being here is at least to go on record and provide the
24 data which the Crime Commission has collected over a 12-year
25 period.

26 COMMISSIONER WILHELM: Thank you.

27 MR. deBRUEYS: Shall I proceed?

28 COMMISSIONER WILHELM: Yes, sir.

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1 MR. deBRUEYS: We began to do a study and monitoring
2 of casino gambling, principally in Las Vegas, because at the time
3 we started it was the only gambling mecca in the country, and
4 while there's a wealth of information, the bottom line and the
5 result of our studies is that there is a striking correlation
6 between hotel casino gambling and excessively large quantities of
7 crime. And that was a period covering from 1960 through 1984, so
8 it's historic in basis, but those facts remain just as effective
9 today as it did at that time.

10 We should point out, while it's so basic that
11 everyone should recognize it, hotel casino gambling possesses the
12 dynamics for producing mega-millions of dollars for the owners
13 and operators of casinos, and the reason they do is its structure
14 of being tri-faceted in having hotel, gaming, and recreation
15 under one single business. And those three groupings help the
16 hotel-casino to provide all the perks that attract the many
17 millions of customers that it has over the decade.

18 The hotel rooms are highly discounted, gourmet type
19 meals are sold at very low prices, and breakfasts go down to
20 below a dollar, and there's a multitude of other benefits.

21 Because of those same factors, we have found, over
22 the years, that hotel-casino gambling -- particularly if it's the
23 unlimited nature, as it is in Las Vegas and Atlantic City -- also
24 attracts hordes of migrant criminals. And the reason they do is
25 for the same perks, but also a more primary reason is that there
26 is simply a sea of potential crime victims in the customers
27 themselves who usually are there on vacation, somewhat relaxed,
28 with their guards down, with more than the usual amount of money

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1 on their person, and at time in some instances may have a little
2 confusion because they're not familiar with their surroundings.

3 And so they have made, for the migrant criminal, a
4 real potential victim, whether it be pickpocket, burglary from
5 the hotel room in principal, theft, prostitution, and so forth.
6 And so we learned that over that 25-year period, the Las Vegas
7 metropolitan statistical area was either first, second, third or
8 fourth, intermittently, in 15 of those 15 years as the highest
9 metropolitan area per capita crime rate, and the number of
10 metropolitan areas in the nation at that time, as I recall, was
11 something like 298, pretty close to 300. That gives you a better
12 perspective as to the intensity of the per capita volume of
13 crime.

14 In short order, they were able to sustain a great
15 deal of that onslaught of crime simply because Las Vegas is
16 located in the middle of the desert and when gambling first
17 started. When it was legalized in 1931 and in following years,
18 it was but a railroad junction which had no established
19 commercial or neighborhood infrastructure; so there was nothing
20 for casino gambling to destroy or devastate. That is not to say
21 that the casinos didn't feel the pinch.

22 But let me say that that excessive crime was
23 compounded by the presence of, I guess you'd say, wholesale lots
24 of corruption inflicted by the Mob. They were there in
25 significant numbers and I think it's widely publicized that on
26 Christmas Day of 1946 that one of the larger type casinos --
27 which was different from the back rooms that had existed prior --
28 named the Flamingo was opened by Bugsy Segal, the gangster.

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1 And in ensuing years, the numbers of casinos that had
2 Mob connections or Mob ownership increased, and included among
3 some of the well-known, the Lansky brothers, Jake and Myron, and
4 Frank Costello, Mo Dalitz [phonetic], but those two were from the
5 New York families and Dalitz was from the Chicago families.

6 They really exploited the situation. They skimmed
7 from their own casinos -- it saved them millions of dollars in
8 tax money by so doing; and they had scams in which they targeted
9 other casinos that were not under their ownership; and they used
10 a great deal of extortion -- stories abound as to the audacity of
11 their threats.

12 One that stays in my memory was Alan Glick who was
13 supposed to be a casino manager and they didn't want him anymore,
14 so they offered him to go overnight on a trip to Missouri, as I
15 recall, and he was brought into a hotel room and told that if he
16 wanted to get out alive, he would have to sign his interest in
17 the casino over to the party designated by the Mob. So they
18 didn't play softball, they played hardball.

19 And I'd say thanks to the intense efforts of the
20 Federal Bureau of Investigation over the last 13 or 14 years, or
21 15 years, that a great deal of the Mob leaders and a large number
22 of Mobs are now in jail and their influence has been diminished
23 considerably, but they still exist.

24 And so the other place that we watched with a great
25 deal of care was Atlantic City, and in 1976 the voters there
26 really were sold a compelling bill of goods and millions of
27 dollars were expended in that election, and gambling proponents
28 had said, why, we learned from the Las Vegas mistakes and that

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1 casinos will bring jobs, jobs, jobs, and because of that there
2 will be a reduction in crime, and that it would also provide
3 additional monies to be able to rebuild Atlantic City.

4 Well, as you know, the only one thing that did take
5 place was it created jobs, but yet I recall many instances, in
6 reviewing the records, where there was probably, in the ensuing
7 years, only a 300 difference in the number of people unemployed,
8 comparing whatever year that was in the period just prior to the
9 casinos, 1977.

10 In just one year, or rather seven months of the first
11 year, when Resorts International -- which was opened on Memorial
12 Day of 1978 and had seven months of operation -- crime in
13 Atlantic City jumped by 30 percent. After about three years, it
14 had increased by 171 percent, and then at the end of six years,
15 it had jumped to 252 percent.

16 We use the metropolitan area in Las Vegas for the
17 principal reason that you had the downtown area which was in the
18 city itself, and then you had the great number now that exist on
19 the strip outside of the area, and so it would be a flawed report
20 just to use the city.

21 I would say that, for Atlantic City, in the year
22 prior to the casino opening -- that's in 1977 -- the metropolitan
23 area for Atlantic City -- which at that time numbered something
24 like 250-, 260,000 and grew in the ensuing years to about 300 and
25 some odd thousand -- was number 50 in the nation as a
26 metropolitan area with the highest per capita crime.

27 With just seven months of the operation of a single
28 casino, it had jumped to number 30; and a year and seven months

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1 later to number 12; and two years and seven months later to
2 number two; and three years and seven months later to number one.
3 And it stayed in that position for about six years, and as best I
4 can recall, up through about '92 it remained in the top ten of
5 metropolitan areas with the nation's highest per capita crime.

6 So we like to emphasize that the Las Vegas crime,
7 vis-a-vis, the hotel-casino gambling was not a fluke because
8 immediately upon the introduction of the hotel-casino business in
9 Atlantic City, we saw the quick jump in crime.

10 The other factors there has to do -- as it did in Las
11 Vegas -- with the massive corruption imposed upon that area in
12 the casinos themselves by organized crime. Although the Casino
13 Control Commission there obviously did an excellent job, there's
14 no way of knowing for certain whether or not the Mob covertly has
15 any interest or had any interest, except for that which surfaced
16 concerning the Resorts International, but it had to do with their
17 prior experience in the islands where they had someone that was
18 Mob connected at that time.

19 And of course, even before the casinos arrived there,
20 there were mobsters in New Jersey as well as New York, but the
21 gambling business, they drew to it like flies to syrup. They
22 entered the ancillary businesses and the unions, key unions such
23 as maybe the bartenders and waitresses unions and other
24 construction unions, and they had control of that. And as a
25 result of that, the casinos there were ever mindful that a strike
26 would really cost them megabucks if they had to close their
27 doors, and that would portend all kind of serious additional
28 problems, because once you close the doors of a casino and people

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1 getting accustomed to go to another, it takes a while for those
2 people to come back in.

3 And so they paid inflated prices for such things as
4 food stuffs, meats, linens, garbage disposal, carpeting, whatever
5 work needed to be done and the Mob was in that particular
6 business to serve the group, they really did a great job in
7 milking the casinos to the maximum that the business would
8 support.

9 And so the promise that casino gambling would reduce
10 crime of course is ridiculous since after about 12 years of
11 operation, rather than reduce crime or rebuild a city, what
12 casino gambling had done was lay waste to the neighborhoods that
13 existed and also diminished -- either because the competition was
14 too great or because the increase in crime compelled them to shut
15 down or leave -- some approximately 1,100 businesses left
16 Atlantic City.

17 So you have sort of a tradeoff of jobs that were in
18 those small businesses and what the casinos were able to provide
19 for the people in the area. But most of the people that worked
20 in the casinos, as I recall from that time, came in from out of
21 state because they had better training and they were better
22 qualified.

23 So what casino gambling did for both Las Vegas and
24 Atlantic City was to make them both crime capitals and Mob
25 meccas. And here again, in recent years the FBI, along with
26 usually the assistance of local and state police departments,
27 have had successful efforts investigating and convicting them,
28 getting them out of the unions and getting the unions under

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1 control -- as they did with the pension fund years ago when the
2 pension fund was used by the Mob in Kansas City and the other
3 areas in the mid part of the central states -- borrow money to
4 construct casinos in which they naturally would have an interest
5 and put a front man there.

6 So we're saying that even though this has happened a
7 number of decades ago, our considered judgement is that casino
8 gambling, unlimited, introduced into any established urban area
9 could devastate the area, as it devastated Atlantic City in short
10 order. Businesses leave and restaurants will close down, and
11 think that's one of the reasons why in New Orleans you have a
12 free-standing casino because we testified yearly for almost 13
13 years setting forth the fact what hotel-casino gambling could
14 do.. And I recall the last mayor of New Orleans saying, Well, we
15 may have a black tie in a free-standing casino. I imagine if
16 they had a black tie, it would probably be there with a dozen
17 other people and there would be no one else.

18 But we projected then that because free-standing
19 casinos lacked the attractiveness of the hotel-casinos and
20 nothing to offer, it would probably die on the vine. And the
21 free-standing casino in New Orleans, after about six months of
22 operation, declared bankruptcy.

23 And yet, while there is not the direct relationship
24 to crime free-standing casinos, all casino gambling, whether it
25 be riverboat or free-standing casinos, have an indirect
26 relationship in that the damage is insidious: you can't see it
27 until after it's happened a number of years; because the amount
28 of addiction rate in Louisiana is probably the highest in the

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1 country, and when you're dealing with juveniles, it's a
2 staggering 14.3 percent prevalence rate; it destroys the work
3 ethic and undermines society.

4 And I don't know how I'm doing on my time.

5 COMMISSIONER WILHELM: You're already over 15
6 minutes; if you could try to conclude it, we'd appreciate it.

7 MR. deBRUEYS: Let me say the bottom line is that
8 hotel-casino gambling -- any form of gambling, but particularly
9 hotel-casino gambling, or even the riverboat gambling -- in
10 Louisiana the riverboats had about 25 million admissions through
11 fiscal year ended on June 30 of this year. That's an awful
12 intense number of gambling and it's almost certain to trigger
13 addiction at levels of thousands of additional compulsive
14 gamblers per year.

15 And based on the given statistic originally cited by
16 [inaudible] and Joseph Dunn of the National Council on Compulsive
17 Gambling, 75 percent of compulsive gamblers commit crime, but you
18 don't see it until after the damage is done sociologically.

19 The final thing I'd like to say is that based on the
20 study in New York when they had the Task Force on Gambling in the
21 20th Century group was combined to do that, they had a definition
22 and they said that stripped of its theatrical trappings, gambling
23 is simply nothing more than a consumer swindle, and it added
24 something to the effect that government should not embark in the
25 consumer swindling business. We're saying if you have a type of
26 gimmick going where the only way you can extract mega-millions of
27 dollars, say \$100 million or more, is to inflict an identical
28 amount of losses on the people that gamble, and for a state to

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1 support something where their own people and their neighbors are
2 going to be fleeced out of those millions of dollars in the
3 aggregate is something that ought to strike the conscious of
4 state and local governments, and we think it's going to undermine
5 this country if we persist in that direction.

6 I thank you for the opportunity to stay and report to
7 you what the Crime Commission has done. This is just the top of
8 the things that we've done, but I think it's the key things and I
9 hope it is of some service to you, Commission.

10 COMMISSIONER WILHELM: Appreciate your wading across
11 the street to talk to us, and if you have any material you'd like
12 to submit to the Commission, please do.

13 MR. deBRUEYS: Well, I submitted some more, but I
14 didn't this, I'll send that too.

15 COMMISSIONER WILHELM: Thank you very much.

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