

Criminal-Private-Sector-Corruption:
Mafia Involvement as Brokers and Patrons in Construction Contracts in Montreal

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Abstract

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Abstract: Starting in 2012, several industry-insiders described a system of corruption to the Charbonneau Commission, an inquiry by the Quebec Government to investigate corruption in Montreal's public works contract tenders. Many testified about a cartel-like system where construction companies colluded to win bids. Funds from the public contracts were diverted to corrupt bureaucrats, political parties, city engineers, and to the Rizzuto Mafia family. The relationship between private sector construction companies and the mafia is an illustration of Criminal-Private-Sector-Corruption, because it involves corruption of private sectors by a criminal organization. Morselli's network analysis model and Albin's patron-client model will be applied to this case to better understand the nature of CPSC. This thesis argues that CPSC within the Montreal construction industry persisted over time due to the construction industries' natural susceptibility to corruption, the use of racketeering and bid-rigging, and due to Vito Rizzuto acting as a 'broker' within the criminal network.

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Chapter One: Introduction

This MA thesis uses a case study approach to analyze organized crime-related corruption that is tied to the private sector – or what will be referred to as criminal-private-sector-corruption (CPSC). The case study used to explore CPSC entails price-fixing and bid-rigging, involving private sector construction companies and the Montreal Mafia.

Construction companies bidding on public sector contracts set up a variety of cartels. Cartel participants would agree to take turns winning contracts using inflated bids. This collusion resulted in increased costs of the contracts (relative to the costs that would have resulted from a competitive bidding process). Engineering firms illegally donated to election campaigns and, when their candidate won, they cashed in on city hall contracts.

The Rizzuto Mafia organization in Montreal played numerous roles in the conspiracy: organizing the cartel, determining which companies would be the winning bidder on any one contract, arbitrating disputes, and using intimidation and violence to ensure the cartel system was not disrupted. In exchange for these services, the Mafia took a cut of the winning contracts, which were delivered in cash to senior Mafia members often by officials from companies in the construction industry.

The over-riding goal of this thesis is to better understand the nature of criminal-private-sector-corruption through a case study of corruption in Montreal's public sector construction contract tendering process. Specifically, this thesis will examine (i) how CPSC emerges and persists through time, (ii) the roles of key actors in the criminal sector, private sector, and public sector, (iii) the relationships among these actors, and (iv) a conceptualization of the roles played by the Mafiosi in this CPSC by applying specific theoretical models.

CPSC within the Montreal construction industry persisted over time due to the construction industries' susceptibility to corruption and Mafia infiltration, the use of racketeering and bid-rigging by the Montreal Mafia and the personal interventions of its leader, Vito Rizzuto, as a driving force behind the Mafia's infiltration of the construction sector. Vito's main roles include arranging financing for construction projects, choosing a contractor for a project (including the winning bidder of a rigged contract) and resolving conflicts.

Carlo Morselli's network analysis model and Joseph Albin's patron-client model are applied to this case to better understand the role of the Mafioso as a "broker" within this corrupt network and a "patron" to the conspiring private actors. This study argues that there is the overlap between Morselli's network analysis (specifically his conception of the role of the broker in criminal networks) and the patron-client model of organized crime. It concludes that the conception of the Mafiosi as an all-powerful patron to his clients greatly influences and even subsumes the broker or mediator role they play in a criminal network. Regardless of the brokerage role Vito Rizzuto played, as a traditional Mafiosi the roles were imbued with and heavily influenced by his self-conception as a patron to his clients. While a patron and broker share roughly the same roles (bringing parties together, making business deals, protecting their clients, mediating conflict), the main difference when applying the two theories to this case study is that the conception of the patron in the context of the Mafia is that the contractors are often victimized by the Mafiosi through a protection (extortion) racket, which is generally not the case with brokers in a criminal network.

Chapter one of the thesis details the goals of the research along with its contributions to knowledge, research design, methodology and methodological

limitations. Through a review of the extant literature, chapter two provides a background on the relationship between organized crime and the private sector with an emphasis on describing and analyzing racketeering (including bid-rigging) in the construction industry. Chapter three presents the research findings and provides a brief overview of the Montreal Mafia and Rizzuto family. This chapter also analyses how organized crime is involved in the corruption of the construction industry. Chapter four describes Morselli's network analytical framework and Albin's patron-client model, with emphasis on identifying the key conceptual elements of the frameworks. These conceptual elements and frameworks are then applied to the Montreal CPSC case study. Chapter five provides a detailed discussion and analysis of Vito as the patron and broker. Based on the findings of this research, Chapter six draws conclusions based on this case study and extrapolates these conclusions to better understand CPSC.

Problem Statement

Lyman (2011) states that corruption is a strategy used by criminal groups to support their profit-making activities and can implicate a range of public sector actors: law enforcement officers, judges, prosecutors, and elected officials. However, little research has been done on the scope and nature of CPSC; that is, the corruption that involves private sector entities.

The scholarly literature fails to comprehensively analyze and explain how organized crime has contributed to corruption in the private sectors. There have also been few attempts to apply theoretical or analytical frameworks to understand the nature of CPSC. Perhaps of most importance is the lack of scholarly research on organized crime related corruption in the private sector in Canada, generally, and with specific respect to

the construction industry. This includes a lack of research on the bid-rigging and price-fixing involved in the awarding of construction contracts.

There have been few scholarly studies of the Canadian construction industry's various crime problems, in part, because scholars and academics had previously not had access to the necessary material or research tools needed to conduct a detailed analysis of the widespread corruption problems within the industry (Kelly, 1999). There has only been a few government reports and commissions that have established widespread corruption and racketeering in the industry in the United States and Canada. Sources that support this information are the following: the Kefauver Committee (1951), the McClellan Committee (1960), Virgil W. Peterson's scholarly research on organized crime in New York (1983), the President's Commission on Organized Crime (1986), Peter Reuter's work on racketeering in legitimate industries (1987), Schneider's research on Canadian organized crime (2009, 2017), and the Charbonneau Commission of Inquiry (2015) examining the granting of public contracts in the construction industry in Quebec.

Based on the above information, this thesis offers a different analytical framework to assess the problem by providing the following: (i) a description and analysis of how organized crime and the Montreal Mafia facilitate corruption in Canada's private sector, as well as a description of bid-rigging and price-fixing in the construction industry specifically, and (ii) a conceptualization of the specific roles played by the Mafiosi by applying Albin's patron-client model and Morselli's criminal network analysis to the Montreal case study. This thesis can also provide an empirical and theoretical foundation for public sector policies and applied interventions on how to prevent CPSC corruption by shedding light on the roles that Mafia groups and the Mafioso play in such corruption.

Research Objectives

The over-riding goal of this thesis is to better understand the nature of criminal-private-sector-corruption – including how it emerges and persists – through a case study of corruption in Montreal’s public sector construction contract tendering process. In particular, this thesis will examine (i) how this CPSC emerges and persists through time, (ii) the roles of key actors in the criminal sector, private sector, and public sector, (iii) the relationships among these actors and (iv) a conceptualization of the roles played by the Mafiosi in CPSC by applying specific theoretical models. The specific objectives of this research are as follows:

- Provide a background on CPSC and, more specifically, the use of corruption and racketeering by organized crime in the private sector by exploring definitions, causes, specific racketeering techniques used, and the negative consequences of private sector corruption.
- Describe and analyze a select number of CPSC case studies documented in the literature (restricting this analysis to case studies involving the Sicilian Mafia in Italy, La Cosa Nostra in America, and Italian-Canadian organized crime and those cases involving bid-rigging and price-fixing specifically).
- Provide a brief overview of the Montreal Mafia and Rizzuto crime organization.
- Describe in detail the CPSC case study that will be used for this thesis.
- Describe the theoretical frameworks used in this study: Morselli’s criminal network analysis framework and Albini’s patron-client model.
- Apply Morselli’s and Albini’s theoretical frameworks to the Montreal case study in an attempt to better understand the roles played in the CPSC by the Mafiosi.

- Draw conclusions on this case study specifically and CPSC generally, emphasizing the role of the Mafiosi.

Research Design

The research for this thesis uses a case study approach to investigate organized crime related corruption that affects the private sector. In particular, this research examines corruption within the Quebec construction industry, focusing on the role played by the Montreal Mafia and the nexus between organized crime related corruption and certain construction companies between May 2012 and November 2014. This period was selected because the Charbonneau Commission of Inquiry began its hearings in May of 2012 and ended in November of 2014. The main source of primary data for this study is transcripts from the Charbonneau Commission of Inquiry (2015). Although public corruption was certainly present in this case, a direct link between organized crime and the public sector (politicians) was never proven. Certainly, a limitation of this thesis is that it couldn't provide a sufficient amount of evidence that criminal-public-private-sector-corruption existed. However, the important point is that bid-rigging could have been conducted by the Montreal Mafia and private sector companies without the use of public officials (politicians). Moreover, the private sector corruption (bid-rigging) could have existed even without any facilitating of corruption from the public sector. This research focuses on private sector corruption because public sector corruption would have been beyond the size and scope of this thesis. The other primary reason this thesis did not pursue public sector corruption is because there is extensive research conducted in this field; however, there is very little research conducted on criminal-private-sector-corruption.

Case Study Research

As Thomas (2011) points out, “case study research is one of the principal means by which inquiry is conducted in the social sciences” (p.512). For the purposes of scholarly research, a case study method entails a detailed and intensive analysis of a single, self-contained example of a broader phenomenon that is the focus of the research. When conducting a study, characteristics of the case are analyzed in extensive detail (Bryman & Teevan, 2005). Definitions and descriptions of what constitutes a case study for the purposes of research are varied. This is partially due to the variation in objectives, methods, and epistemological standpoints among differing disciplines (Thomas, 2011). The case study provides a foundation to generalize about a certain phenomenon by providing an in-depth analysis of the causes, nature, scope, and impact of a specific example of the phenomenon. Information from the analysis of the case is then examined and compared to other cases, to see if any new insights can be made regarding the phenomenon under study.

Thomas (2011) argues that case studies are “analysis of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case is an instance of a class of phenomena that provides an analytical framework within which the study is conducted” (p.513). Simons (2009) offers the following definition of a case study: “an in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, program or system in a “real-life” context” (p. 21).

The Quebec case is being used as the subject for this thesis because of how it encompasses a cogent example of CPSC. At the core of the Montreal case study is

CPSC, where a significant role was played by an organized crime group in bid-rigging and price-fixing by private sector companies that included bribes to public sector actors. Analyzing such a case can potentially provide knowledge of and insight into CPSC in this specific circumstance, which can be used as a basis for a limited extrapolation into CPSC.

The main source of primary data for this thesis comes from the transcripts of the Charbonneau Commission of Inquiry (2012-2014), a provincially-charted government commission in Quebec mandated to investigate corruption in Montreal's public sector contract tendering process. Much of the evidence collected by this inquiry came from the RCMP's Operation Colisee, a police operation that investigated the Montreal Mafia and which used electronic audio and video surveillance to capture the Rizzuto crime family with private sector associates. The second main source of information collected by the inquiry was testimony from witnesses including police, construction industry insiders and known Mafia associates.

Government commissions of inquiry have been used extensively in the U.S. and Canada to investigate organized crime and, in general, are considered a reliable and rigorous source of information when the commission is not overly politicized. In the United States at the federal level, there have been a number of special congressional and presidential commissions that have addressed organized crime, including the Kefauver Committee (1950-51), the McClellan Committee (1963), the President's Commission on Law Enforcement and Administration of Justice (1965-69), and the President's Commission on Organized Crime (1983-1986). As Schneider (2018) notes, there have also been a number of government-appointed commissions in Canada addressing organized crime. In 1901, a judicial inquiry was held in Toronto that was charged with

investigating underground gambling and government corruption in the city. Another judicial inquiry in Canada took place in Montreal and investigated vice and its enforcement in Montreal. Justice Louis Coderre conducted this inquiry in 1924 and 1925 and documented the dozens of houses operating in the city's red-light district. There was a judicial inquiry into the local vice industry and resulting police corruption that was held in Vancouver in 1928. Canadian judicial inquiries continued with the Commission of Inquiry into Gambling and Commercialized Vice in Montreal-which was held between 1950 and 1953 under Justice Francoise Caron. More recently, starting in the 1960s and continuing into the 1970s, the Quebec government held several commissions that targeted organized crime. These inquiries sought answers from powerful Montreal gangsters, including Vic Cotroni and Paolo Violi (Schneider, 2018, 525-527).

The most prominent role of a government and judicial commission is to obtain as much information as possible on a criminal phenomenon to better understand its scope, nature, causes, and impact. Government crime commissions can be considered a valid source of primary data for scholarly research examining criminal activity and organizations. They are typically well resourced, have subpoena power, can compel accurate testimony through the threat of penalties for non-participation or perjury, and they often have the resources of the state at their disposal, including confidential law enforcement intelligence or investigative information as well as law enforcement and prosecutors on staff. Police and prosecutors also have a stake in ensuring information is accurate and collected in a rigorous manner.

The United States Senate Special Committee to Investigate Crime in Interstate Commerce, which was created in the early 1950s to investigate the growing influence of organized crime in America, was influential in setting the mold for future government

commissions investigating organized crime in the U.S. and Canada. Through televised hearings, the committee raised awareness of the problem of organized crime in that country. The committee's findings also led to legislation aimed at controlling illegal drugs by expanding appropriations for the Narcotics Bureau and raised the priority of organized crime and inter-state investigations by federal, state and law enforcement (United States Senate Special Committee to Investigate Crime in Interstate Commerce, 1951).

With that said, government commissions may also be a source of distorted information. According to Schneider (2018, xi) state actors – including politicians and civil servants, government commissions, and law enforcement agencies – “have used their role and powers to become highly influential in the social and political construction of organized crime. However, their views on [organized crime] may be biased and deliberately distorted (to help secure enforcement resources) or they may be influenced by broader ideologies that may bias data collection, analysis, and policies.” The Chairman of the afore-mentioned United States Senate Special Committee, Estes Kefauver, was accused of promoting exaggerated claims about the nation-wide scope of the Mafia in America partially to raise his national profile in his bid to be a candidate for U.S. president (Moore, 1974). A Royal Commission in Ontario headed by Justice Wilfred D. Roach in the early 1960s was created following accusations that prominent provincial politicians intervened to secure charters for the social clubs that were used for illegal gambling by Mafia-connected offenders. The result saw Justice Roach clearing government officials of corruption and even denied the existence of the Mafia in Canada. Some critics argued that Roach whitewashed the commissions' findings to take the pressure off the provincial attorney general and the Conservative government in Ontario,

which had been accused of corruption and failing to take sufficient action against organized crime in the province. These criticisms led to another provincial commission in Ontario that was headed by Justice Bruce Macdonald, who contradicted Roach by concluding, “organized crime has existed in Ontario and in some cases still does, in varying degrees from time to time as conditions change” (Ontario Police Commission, 1964, 117-118). In short, government commissions can be highly politicized and may not always be a reliable source of data for research.

Due to these shortcomings, this research did rely on a critical analysis of the transcripts of the Charbonneau Commission of Inquiry, making sure to take into consideration any potential biases of the Commission as well as evidence and testimony provided by witnesses.

Another limitation of this case study research is that Charbonneau Commission transcripts were only available in French. As such, they were translated into English using Google Translate. Machine translation is the application of computers and computer software to the translation of texts from one natural language into another (Hutchins, 1986: 15). The computer-based translation is most often fully automatic translation, with no intervention from a human translator (Guerra, 2000).

The language barrier was an obstacle for the thesis and the automated translation did not always produce comprehensible English-language sentences. While the literal translation is not as important as the over-arching information and themes discussed, caution must nonetheless be exercised as digital language translation software is not always accurate and has a hard time picking up nuanced meanings in the original language. Guerra had the following to say regarding limitations of MT: “We must, therefore, admit, from the very beginning, that MT does not produce perfect (or almost

perfect) translations. In order to obtain translations of that kind, we need a combination of both the human translators' knowledge and the help MT programs offer; a co-operation that is, therefore, indispensable to get the job done well" (Guerra, 2000, 22). MT (machine translation) will always be incapable of grasping the subtleties and nuances that a human mind can comprehend, or a human language can express. The reason for this is that MT is still unable to deal adequately with features of human language such as ambiguity, lexical mismatches, idioms, collocations and the like. Human translators may also find problems in dealing with those features; but, as a rule, they can tackle most of them adequately. Since translating is not just a matter of knowing formal vocabulary equivalents, the translator needs to know the culture and social context of both languages (Guerra, 2000).

One of the most common problems in MT is that of ambiguity: when a word, a sentence, or expression has more than one meaning, the MT system may not have enough information about which one to choose, and therefore it might choose the wrong one. MT cannot always decipher these differences without adequate information, so this must be done with post-editing. In the case of this thesis, post-editing looks at English news media articles to support the information found in the transcription (Guerra, 2000). Idioms are problematic for MT (and sometimes for human translators as well). Idioms are expressions whose meaning cannot, as a rule, be completely understood from the meaning of its component words. For most programs, common idioms are already inserted in the original semantic dictionary of that program; but still, there would be further problems in recognizing the idiom, since they are not generally fixed in form, due to variations or possible adjectival modifiers. Collocations are also difficult for MT to handle. Collocations are phrases composed of words that co-occur. For example, a heavy

smoker is a person that smokes a lot, but a heavy student is not someone that studies a lot. These phrases are usually different depending on the language and thus, solely using MT for a translation such as this may not be appropriate (Guerra, 2000).

Because of the limitations of the English language translation, and to ensure a critical analysis of the Commission's findings, the research for this thesis also relied on other secondary sources. These secondary sources can be demarcated into the following categories based on how they were used for this study: (i) English news media that reported on the findings of the Charbonneau Commission, (ii) other English language sources that reported on the case study directly, and (iii) other secondary sources (books and studies) that reported on the case study and background issues, such as the Montreal Mafia.

To address the limitations of machine translation (i.e., to help verify the veracity of the translation) this research relied on English news media sources that independently investigated and reported on accusations of corruption in the public contract tendering process as well as media reporting and analysis of the Charbonneau Commission's findings, observations, and conclusions. English-language news media sources that reported on the Commission's findings and directly on the case study itself included CBC News, The National Post, Global News, and The Montreal Gazette.

However, the news media has also been criticized for its superficial, simplistic, saturated, and sensationalized coverage of organized crime, not to mention a proclivity for ethnic and racial stereotyping. The media focuses on sensational stories to maintain and increase readership and viewership. Therefore, certain representations of events may be skewed or altered to keep generating profits for the news company (Bortner, 1984). Lyman and Potter (2014, 59) accuse journalistic accounts of providing "very little

substantive knowledge or analysis of organized crime” because it fails to cover “the complexity of organized crime and paints a simplistic picture of an entity that is at odds with the elegant complexities of the real illicit market and the organizational dynamics of real organized crime groups.” In short, “there exists a broad consensus that the media tend towards oversimplification, forms of selectiveness and hyperbole, focussing largely on individual pathologies and violence. Structural factors such as poverty, the political and social construction of crime, or the interface between the legal and illegal are given considerably less coverage across the various genres” (Rawlinson, 2012, 294).

Given these critiques, the English news media articles used for this study were also critically analyzed not only to assess their consistency with the findings of the Charbonneau Commission Inquiry but also to detect bias and sensationalized reporting. This included comparing different English media-language articles that are reporting on the same story to assess the veracity of the information reported.

Due to the Charbonneau Commission Inquiry being so recent, there have been no scholarly publications that reported on the inquiry specifically. There were several books, however, that looked at relevant issues, including the history of Canadian organized crime, the nature of Montreal Mafia, and the influence of the Rizzuto family in Montreal’s construction industry. Schneider’s (2009, 2018) research on organized crime in Canada were key sources for this study as they provide a description and analysis on the Montreal Mafia and its involvement in CPSC. The *Final Report of the New York State Organized Crime Task Force* identified how organized crime infiltrated the construction industry in New York City. Lee Lamothe and Adrian Humphreys book, *The Sixth Family: The Collapse of the New York Mafia and the Rise of Vito Rizzuto* (2014)

provides a detailed catalog of how Vito Rizzuto rose to power. Peter Edwards and Antonio Nicaso's book, *Bad Blood: The End of Honour* (2015) was also used and provides a detailed history of the Rizzuto family as well. These are only a few of the secondary sources used to analyze the Montreal case. Other sources of information are revealed in greater detail in the literature review as well as the research findings and discussion and analysis sections of the thesis.

In sum, while this research relied overwhelmingly on the Charbonneau inquiry transcripts as the main source of primary data for this study, the research also emphasized a triangulation of data from different sources (including those that reported on, interpreted, and analyzed the commission findings as well as other secondary sources such as news media, books, and studies) that reported on the case study directly. Bhatnager (2012, 2) describes the benefits of using multiple sources of data in research, "A key benefit of using multiple sources is that of data triangulation where a broad range of inquiries converges on the same set of conclusions. Construct validity (i.e., the extent to which a construct corresponds with variables used to measure it) is also enhanced as additional measures are generated through each investigation." Using secondary sources (i.e., scholarly books and articles, the news media, true crime non-fiction) can also help in the critical analysis and corroboration (or refuting) of testimonies by witnesses that appeared before the Charbonneau Commission. There is no real way of knowing how truthful a witness is being and other sources may have to be used to verify information given in inquiries. Bhatnager (2012) explains the importance of triangulation of data when conducting case study research, "Gathering and analyzing evidence from multiple, as opposed to a single, source is recommended for enhancing the quality of case studies.

Corroboration of findings from more than one data source addresses the issue of construct validity as more than one measure is used in assessing issues of interest. Additional investigations and creativity in reconciling apparent contradictions are called for where inconsistencies in findings from different sources emerge” (Bhatnager, 2012, 3).

CHAPTER 2: LITERATURE REVIEW

The goal of this section is to provide an overview of the literature pertaining to the salient issues addressed in this thesis, and which coalesce around the central theme of CPSC. This includes focusing broadly on organized crime-related corruption and racketeering generally, and more specifically within the construction industry. This literature review will also examine cases studies involving the infiltration of the construction industry in New York City and Toronto by Mafia groups. The purpose of these case studies will be to demonstrate the vulnerability of the construction industry to organized crime and the linkages of these past examples to the Montreal case study.

Bid-Rigging and Price-Fixing

Organized criminal activity within the construction industry that is most relevant to the Quebec case is collusive bidding, otherwise known as bid-rigging. According to the Competition Bureau of Canada (2015), “Bid rigging occurs when two or more persons agree that, in response to a call for bids or tenders, one or more of them will: not submit a bid; withdraw a bid; or submit a bid arrived at by agreement.” The process of bid-rigging typically involves competitors agreeing to artificially increase the prices of goods and/or services offered in bids to potential customers (Competition Bureau of Canada, 2015).

There are four common types of agreements according to the Competition Bureau of Canada (2015), that result in a pre-selected supplier winning the contract:

- Cover bidding gives the impression of competitive bidding; however, suppliers agree to submit token bids that are usually too high.
- Bid suppression or withdrawal is an agreement among suppliers either to abstain from bidding or to withdraw bids.
- Bid rotation involves the pre-selected supplier submitting the lowest bid on a systematic or rotating basis.
- Market division involves an agreement among suppliers not to compete in designated geographic regions or for specific customers.

Price-fixing and bid-rigging can be facilitated through a number of measures. Corrupt officials in the agency tendering a contract, or in the firm bidding on a contract, can “sell” inside information about in-house estimates or about other bidders and their bids. Design specifications can be drawn in such a way as to favour certain contractors. Without the proper safeguards, corruption can be even easier to effectuate when non-competitive bidding procedures are used, as in the awarding of emergency contracts (Goldstock, et. al., 1990).

There are several common factors that could suggest that a call for bids or tenders may be a target of bid-rigging:

- There are few bidders in the market that offer the good or service.

- Two or more proposals contain similar handwriting, typos, or mathematical errors.
- Competitors' bids are received together.
- Over a series of awards, one bidder always wins, regardless of competition (Competition Bureau, 2015).

The offence of bid-rigging is committed only if the person requesting the bids or tenders is not informed beforehand about the agreement made between the parties. Bid-rigging results in several negative effects within an industry or region. It can serve to eliminate competition within a sector or region, increases the costs of contracts to government entities issuing public tenders, and harms the victimized companies' ability to compete. Whether this occurs on government projects or in the private sector, these increased costs are ultimately passed on to the public and can also have a negative effect on the economy.

Historical research shows that criminal groups have organized "price-fixing territories." At the turn of the century America, Chinatown tongs (quasi-fraternal organizations that were also engaged in criminal activities) helped to enforce a scheme to raise prices among Chinese laundries in New York City. When dissident laundrymen tried to cut their prices or encroach on the territories of other Chinese laundries, Chinese businessmen and their allies in the tongs sent agents to "persuade" the dissidents to honour the unwritten code of competition. Racketeers even organized the ice business, vital before refrigeration, into price-fixing conspiracies (Hortis, 2014).

The following types of bid-rigging have been discovered in the construction industry: (i) predator bidding where construction companies conspire with each other to bid below prevailing fair market rates to drive away competition as typically, when competition is nonexistent or is lacking, prices are inflated; (ii) territorial bidding in which construction companies collude not to interact in competitive bidding in each other's cities, country's or other geographical areas but leave these to specific firms; and (iii) rotational bidding where construction companies take turns in obtaining contracts through low bidding. This process typically requires other firms to conspire to purposefully give inflated bids (Kelly 1999).

The most common bidding crimes within the Quebec case were predator bidding and rotational bidding. (More on this topic will be discussed later in the thesis.) Public construction projects are more vulnerable to bid-rigging than private construction projects because governments are frequently required to issue contracts only after a competitive bidding process. Since government bodies generally must award contracts to the lowest responsible bidder, contractors can collude to decide on who the lowest bidder will be in advance.

Organized Crime in the Private Sector

In order to thrive, organized crime groups seek profitable enterprises. Because of this, organized crime groups make calculated moves into the private sector, which includes owning and operating legitimate businesses. Legitimate businesses controlled by individual organized criminal offenders and groups can be a way to generate profits in a legal market, but can also be used for other illegal purposes, such as money laundering. This section will provide general information on organized crime in the private sector as

well as explain the primary motivating factors as to why organized crime groups infiltrate private businesses.

Several authors have analyzed organized crime from the perspective of an illicit enterprise whose motivations are like those of legitimate companies: the lure of profit and the desire to accumulate power. These motivations explain in part what drives organized crime to infiltrate the legitimate private sector industry. Schneider's (2003) research on criminally controlled companies explains the primary reasons why organized crime groups infiltrate private businesses. "Bars, restaurants, and retail stores have long been popular investments for crime groups due to their use as headquarters, meeting places, 'booze cans', gambling halls, and to launder proceeds of their illegal activities" (130). Criminal groups in Canada and the U.S. continue to control or have interests in private business sectors as diverse as construction, real estate, waste disposal, entertainment, food production and distribution, garment manufacturing, automobile sales, legalized gaming, and telemarketing, to name just a few (Schneider, 2003).

Allum and Siebert (2003, 121) support the information given above with their illustration on organized crime in the private sector:

Why professional career criminals choose to diversify their activities and invest resources in legitimate businesses may be on account of at least three factors. First, illegal enterprises tend to be risky; therefore, as their wealth and incomes increase, criminal entrepreneurs may decide to reduce the overall risks they face. Second, capitalizing the profits of illegal enterprises is a difficult task: since bookkeeping is scarcely possible, and in any case records are not routinely audited even when they are kept to measure business activity, there rarely exists a ready market of buyers prepared to take over an illicit business, even with lucrative profit projections and even at a very reasonable sale price. The characteristics of illicit business ownership ordinarily preclude serious interest among prospective buyers. Given these realities, should a racketeer wish to pass on his wealth to his family, he may wisely choose to invest in other legal enterprises. (One has to imagine a successful gangster attempting to hand over an

illegal drug-trafficking business to his daughter to appreciate the difficulties.) Third, investment in legitimate businesses not only provides a shelter but also affords an image of respectability to a racketeer whose family may be stigmatized by the association with a criminal reputation.

Anderson (1979, 77) describes six reasons for organized crime involvement in legitimate businesses:

Profit. For persons in OC, profit provides motivation; not all members of OC are able to make respectable income from illicit activities ... Diversification. A legitimate business provides the OC member with security of income. Although it may be subject to market and other business conditions, a legitimate enterprise is usually not a target of law enforcement effort. Transfer. Illegitimate enterprises are difficult, if not impossible, to transfer to dependents. Investing in legitimate enterprises such as a business or real estate ensures that an estate can be legally inherited. Services. An OC member with a legitimate business is in a position to act as a patron for a person in need of legitimate employment—for example, people on probation or parole or relatives he wants to shield from the stigma and risks associated with criminal enterprises. Front. A legitimate business can provide a front or a base of operations for a host of illegal activities: loansharking, gambling, and drug trafficking, to name a few. Taxes. A legitimate business can provide a tax cover, thereby reducing the risk of being charged with income-tax evasion. Funds from illegitimate enterprises can be mixed with those from the legitimate business, particularly if it is a cash business.

For Alexander and Caiden (1986, 52-53), there are at “least three factors that explain racketeer diversification into legitimate business investments”:

First, illegal enterprises have high legal and financial risks associated with them. The rational criminal entrepreneur, as his wealth and income increase, so will his diversity as to reduce the overall risks he faces. Second, it is, apparently, difficult to capitalize the profits of illegal enterprises. Briefly, the argument is that since the books are not auditable, there is, for example, not a ready market of buyers will to take over a numbers bank at a reasonable multiple of earnings. Moreover, the enterprise is a personal entity whose continued functioning is dependent on the ability of a new owner to retain the loyalty of participants in it. Hence, the racketeer, if he wishes to pass on wealth to his family, may choose to invest in other enterprises also. Third, investment in legitimate businesses not only helps deal with tax authorities but also provides a patina of respectability, which may be of increasing importance to the aging racketeer.

Albanese (1996, 244) argues, “In many cases of infiltration, the purpose is not to steal from the business until it is bankrupt. Instead, it makes more sense to misuse the business in a way that it can provide a steady source of illegal income without endangering its survival, i.e., using the golden goose without killing it.” Albanese (1996, 243) says “...the infiltration of legitimate business generally occurs in one of two ways: (i) using a legitimate business as a “front” for primarily illegal activity (a scam), or (ii) “bleeding” a legitimate business of some of its profits through illegal means without the use of force and (hopefully) without causing it to fail (corruption or skimming).”

At the Charbonneau Commission, Detective Constable Mike Amato of York Regional Police, whose jurisdiction included Woodbridge, Ontario testified that Mafia organizations around the world have infiltrated legitimate businesses. The commission heard from Amato that members of the ‘Ndrangheta who originated from Calabria, Italy, work as restaurateurs, trucking company executives, construction entrepreneurs, lawyers, and accountants and run banquet balls, nightclubs, and garden centers, among other things. Amato went on to state that working within or owning businesses in the legitimate private sector is part of a broader effort to legitimize the criminal offenders and integrate them into the local community to avoid suspicion.

They’re integrated into the community and most people don’t even know who they are...they also donate to charity, raise money for political parties and take part in community services. It legitimizes your persona. It legitimizes your criminal past. It’s almost like absolving your sins...if you accept that {the Mafia} exists, you have to accept that public corruption exists...if there is numerous murders, if there is a lot of violence, if there is a lot of bombings, it attracts attention. It attracts attention from politicians, it attracts attention from the community, and it attracts attention from the police. You cannot build a successful criminal enterprise if you are continually being investigated and monitored by the police. If you stay under the radar, you are going to expand (Amato transcript, Charbonneau Commission, 2012, 42).

The Caruana-Cuntrera crime group – a wing of the Rizzuto Mafia family that for a time was one of the world’s most prolific cocaine and heroin trafficking conspiracies – is another example of how organized crime infiltrates and uses the private sector to its advantage. Schneider (2003, 130) highlights the reasons as to why this criminal group became involved in the private sector:

Companies established by the Caruana-Cuntrera group can be divided into two categories. The first consisted of companies that were used as fronts for international shipments of drugs. The RCMP in Montreal first became alerted to the Caruana-Cuntrera organization in 1984, when British Customs and Excise agency discovered a 250-kilo hashish shipment concealed in furniture sent by Shalimar Enterprises of Kashmir, India. British Customs took control over the shipment and controlled-delivered it to its destination, a warehouse in London rented by a company called Elongate Ltd, where two Canadian nationals of Sicilian origin were arrested. Police found that this pair was tasked with re-labelling cargo filled with hashish to be re-shipped to a Montreal company called Santa Rita Import-Export Ltd. The second category of companies were made up of those established expressly for money laundering purposes and many of these businesses were numbered companies based in Ontario and Venezuela that existed only on paper. The various shell and operating companies were also used to create an air of legitimacy for family member, which included providing business revenues and salaries. During the search of the offices of one of the companies controlled by Cuntrera family members, police discovered a payroll register for Much More Entertainment, another company controlled by the family. This document showed that Guissepe Cuntrera and his son each had a base salary of CDN \$30,600 for 1998.

Business Racketeering

Schneider (2017, 384) writes:

“In the quest to maximize revenues, the entry of organized criminals in the legitimate business world is frequently accompanied by illegal acts (extortion, corruption, intimidation, violence) that are meant to help them infiltrate, control, and maximize revenue from a particular legal business venture. This is essentially what business racketeering entails: using illegal means to infiltrate a legitimate business and/or market and to subsequently maximize revenues in said business or marketplace. In its goal of profit maximization, business racketeering may entail an attempt to dominate a legitimate industry or marketplace.”

As Lyman and Potter (2014: 163) put it, a concern stemming from business racketeering “is that organized criminals, by combining their illicit and licit businesses, will make it difficult if not impossible for legitimate businesspersons to compete with them.” This section will look to elaborate on organized crime involvement in the private sector by defining business racketeering and describing the process involved with taking over a business.

Grennan and Britz (2006, 76) define racketeering as “Any criminal activity based on a system of extortion.” According to Schneider (2018, 369): “What makes business racketeering unique within the context of extortion is that companies and entrepreneurs are coerced into doing business with criminal offenders (through intimidation, violence, and blackmail), which sometimes means accepting them as partners in their business. Extortion, violence, and intimidation are first used to leverage the entry of criminal offenders into the business or industry and then are employed again against workers, competing businesses, or labour unions to maximize profits and market share for the criminally connected companies.” Von Lampe (2016, 77) defines business racketeering as “the creation or infiltration of businesses associations for the purpose of extracting payments from legal businesses in the form of membership fees and for the purpose of creating cartels in legal markets.”

When the terminology first emerged in the mid-1920s, it referred to a collusive relationship between the legitimate private sector and the underworld (Smith, 1975, 66-69). Rackets were defined as “criminal conspiracies of exploitation in which the conspiring factors are businessmen, certain types of labour union leaders, underworld forces, and politicians” (Hostetter & Beesley, 1929, 6).

The nature of the relationship and balance of power between criminal racketeers and legitimate businesses may not necessarily remain the same over time. For example, the relationship may shift from the predatory exploitation of businesses by organized criminals to collusion. Organized criminals may be welcomed into a business or an industry as investors, as providers of illegal goods and services, as protectors, and as cartel organizers (Hill, 2003, 184). Edelhertz and Overcast (1993) support the above statement with the following illustration: “A large part of organized crime involvement in the legal economy does not involve victims, but rather the eagerness of business persons who see advantages in the collaborative contributions of organized crime figures” (151).

To take over a business, criminal organizations do not need to control all of it; all that is required is to control key officers and the company's assets will then be accessible to the criminals. By investing funds in a business, criminal offenders can significantly influence an entire business sector (Allum & Siebert, 2003). The proceeds of criminal activity can be used to assist their legitimate business and as a result, put their noncriminal competitors at a disadvantage. Criminal groups can attract additional customers to their business by providing access to illegal goods and services (Kelly, 1999). If these additions do not help, consider the following: the debt of a store owner, the financial problems of a garment manufacturer, a racketeer’s willingness to pay more than the market price for a restaurant or bar – any of these factors may lead to a racketeer acquiring control of a legitimate business (Alexander and Caiden, 1985).

The primary methods that racketeers use to successfully take control of an industry include violence, negotiating or collaboration, and labour racketeering.

Alexander and Caiden (1985, 57) describe the use of violence and intimidation in more detail below:

One obvious method is intimidation on behalf of a single firm. Racketeers may choose to intimidate existing and potential competition of some firm they control, either through direct or hidden ownership. In the latter case, payments may be made to the racketeers from receipts that are not recorded by the entrepreneur (as is possible in many low-level distributive trades where receipts are primarily cash) or through payments to consultants, who are themselves racketeers. For example, the late Carlo Gambino, reputedly the leading mafia member during the 1960s and early 1970s, apparently owned SGS Associates, which claimed to offer labour consulting services. Payments to the firm presumably were payments for racketeering services. Such services may have included intimidation of potential and actual rivals.

Von Lampe (2016, 243) describes another example of business infiltration using violence. “A notorious example is that of South Boston gangster James “Whitey” Bulger, who at one point in time wanted to own a liquor store. He reportedly went to the owners of the store that he liked to own and under threat of death forced the owners to sell their business and to accept a price far below market value. Bulger then used the store as his base of operation and to claim that he had a legitimate source of income. Strong-arm tactics are commonly used by organized crime networks to force businesses to cooperate.

Pace (1991, 150) describes strong-arm tactics in more detail below:

Usually, the confederation will first try to “buy off” the business. They make the initial offer so attractive that it is difficult for the owner not to cooperate. If a cooperative agreement fails to materialize, a few threats against the owner’s family may bring concessions. If the owner will still not cooperate, mafia-controlled distribution monopolies will not deliver services. For example, a restaurant depends on food supplies, garbage services, and miscellaneous services such as waiters, dishwashers, linens, and glassware. The loss of any of these services will bankrupt a business. As a last resort, the business may be picketed, burned out, bombed, or other strong-arm tactics such as beatings or kidnappings may take place. Often these actions take place without police knowledge. Even when brought to the attention of the police, nothing is usually done to protect the business or citizen.

An alternative to the use of violence and intimidation is trying to convince other companies to join in on a racketeering conspiracy to maximize profits. Alexander and Caiden (1985, 59) describe this process below:

The members of the cartel might include all existing firms or only a large subgroup; that is a strategy decision that depends on perceived risks, such as the probability of non-member complaints or aggressive nonmarket expansion. The advantage of the cartel or conspiracy, especially if it includes all existing firms, is that there is little need for forceful intimidation. Firms must be persuaded to join the conspiracy, it is true, and that may involve the use of coercion. But coercion whose objective is to persuade an entrepreneur to join with colleagues in an arrangement that may, at least in the short run, increase his income is likely to be less disturbing than coercion whose objective is the elimination of an enterprise. Moreover, the conspiracy can be created without any disruption of customer relationships. Where the monopolist must move aggressively to take customers from rivals and then incur the disapprobation of sharp price increases once the rival is driven out, the cartel may leave each customer with his existing supplier. A cartel is less noticeable.

Racketeers may also use a firm that they control to buy out any competitors or to make sure that they coordinate their actions with their firm to maximize its revenues (Alexander and Caiden, 1985).

Business racketeering often overlaps with labour racketeering, which entails the infiltration and influence of labour unions and its directors by criminal offenders (Jacobs, 2006). Labour racketeering can take many forms. First, racketeers can negotiate “sweetheart contracts” between businesses and unions in exchange for kickbacks. Under-the-table payments are made for agreements that favour the interests of the employer over those of the employees (Block & Chambliss, 1981, 78). Secondly, unions and their rank-and-file members can be exploited by the misuse and misappropriation of union funds. These schemes include giving union jobs to criminal offenders and associates (with or without the actual work) or inflated salaries for criminal offenders who have union jobs or positions in a union local. Labour racketeering also entails

diversion of funds from health, welfare, and retirement funds to corrupt union leaders and criminal offenders. In one case, criminals siphoned money from a Labourers International Union of North America health benefit, officially explaining it had been spent on “administrative costs” (Jacobs, 2006, 48). Another example includes members of the Cosa Nostra receiving loans from a Teamsters pension fund to invest in and then illegally skim profits from casinos in Las Vegas, Nevada (Jacobs, 1994). An example of how labour racketeering can be used to influence legitimate businesses and entire industry sectors is evident with the A&P supermarket case in New York City. Representatives of two unions helped in the effort to convince stores to put inferior soap product on their shelves. When A&P refused a butchers’ union backed by the corrupt Teamsters, they threatened to go on strike (Demaris, 1986, 81).

Business Racketeering by the Mafia in North America

This section of the thesis describes in detail how the Mafia uses business racketeering. Cosa Nostra’s effectiveness in business racketeering is grounded in its long involvement in the private sector in North America. This involvement began with Black Hand extortions of Italian businesses and then was solidified by their influence over trucking and shipping companies used to transport illegal liquor during Prohibition. In subsequent years it infiltrated numerous businesses and industries in various North American cities. The 1986 President’s Commission on Organized Crime stated that in some parts of the U.S., Mafia groups controlled “segments of entire industries” (1986, pp. 1-7). According to Tenti, (2012, 45) “the mafia reputation deriving from the capacity to impose its own rules through violence is per se enough to drive [legitimate business] competitors away.”

Marine (2006, 218) explains how the moving and storage industry in New York City was used by the Mafia for racketeering and bid-rigging to infiltrate legitimate businesses.

From 1964 to mid-1985, the leaders and other members of the Bonanno LCN family conspired with corrupt officials of Teamsters Union locals and otherwise legitimate businesses to control the moving and storage industry in metropolitan New York City. Pursuant to the scheme, the conspirators threatened businesses with labour strife unless they participated in their unlawful scheme to rig bids on government contracts for moving and storage. The LCN and labour union conspirators obtained unlawful payoffs from the proceeds of the rigged contracts. In exchange for the payoffs, the business received labour peace, lucrative government contracts, relaxed enforcement of union rules and contracts, and other benefits.

Another industry that the Mafia controlled in New York through racketeering and bid-rigging was the garment industry. Jacobs (1999, 135, 137) describes some examples of the infiltration of this industry below:

Since, the 1920s, the LCN had been involved in the garment industry in metropolitan New York City through its influence over several unions, including the Teamsters Union, and LCN members' and associates' ownership of trucking businesses servicing the garment industry. Transportation via trucks of raw materials and manufactured products is essential to the garment industry. The LCN established a trucking cartel, which was able to fix prices and control which trucking companies were awarded lucrative contracts.

In the late 1980s, Thomas Gambino, a capo with the Gambino LCN family, and his brother, who owned several trucking companies, dominated LCN's interests in the garment industry. In 1990, the Manhattan District Attorney announced indictments of the Gambino brothers, asserting that they had imposed a mob tax on every garment shipped in New York City, reaping tens of millions of dollars in illicit profits.

The following example illustrates how the Mafia used bid-rigging to infiltrate the waste industry. In 1989, it was determined through a US civil RICO lawsuit that since at least the 1950s, the Mafia controlled the waste hauling industry in metropolitan New

York City through an illegal cartel, involving an unlawful customer allocation agreement. Marine (2006, 220) expands on this:

The cartel determined which carting companies would service particular customers and all the members of the cartel agreed to those allocations. The members of the cartel also rigged bids on public contracts through bribery of public officials and the LCN's control of the labour unions. The LCN enforced compliance with the cartel's decisions through the use of threats and violence. In return of the power and influence of the LCN, members of the cartel made periodic case payoffs to the Gambino and Lucchese LCN families. These unlawful arrangements eliminated virtually all competition from the waste hauling industry and led to consumers paying inflated prices for garbage disposal services.

The above discussion demonstrates that for several years the Mafia in the U.S. exploited its corrupt ties to the Teamsters Union to facilitate their business racketeering. The President's Commission on Organized Crime concluded in 1986 that since at least the 1950s, the Teamsters Union was "the most controlled union" by the Mafia (President's Commission on Organized Crime, 1986, 89). The Teamsters stated that the Mafia dominated the Union by controlling the Teamsters International Union's General Presidents, including James Hoffa, Frank Fitzsimmons, Roy Williams, and Jackie Presser. The Mafia had such significant control over the Union that it was able to fraudulently and unlawfully secure the elections of Roy Williams and Jackie Presser to the office of General President of the Teamsters Union to further their interests.

The United States was not the only country that saw Mafia families use business and labour racketeering. There are also Canadian examples of how they infiltrated private businesses and unions. Some of the more prominent examples are illustrated by Schneider (2018, 385, 388):

The Montreal Mafia's influence over labour unions in that city can be traced to the arrival of New York's Bonanno family captain Carmine Galante in the early 1950s. By 1954, Galante had extended his influence to Montreal's legitimate businesses by investing in nightclubs, bars, and restaurants. He also brought in from New York City an ex-burglar named Earl Carluzzi to set up Local 382 of the Hotel, Restaurant and Club Employees' Union, which allowed Galante to control the hirings and firings of all staff in these businesses while raiding union funds. While he headed to the Montreal Mafia, Vic Cotroni's revenues from his investments in hotels, restaurants, and bars were bolstered by his influence over the same union (later re-named Hotel and Restaurant Employees International). Officials with the union could be relied upon to keep labour peace within the family's hotel and restaurant businesses and to stir up troubles among the competition. In the early 1980s, Local 31 of the Hotel and Restaurant Employees International was barred from the Quebec Federation of Labour due to unethical conduct, which included ties to the Montreal Mafia (Schneider, 2018, 388).

In 1981, three made members of the Hamilton wing of Buffalo's Magaddino family -Antonio (Tony) Luppino, his brother Johnny, and Geraldo (Gerry) Fumo - were all convicted in connection with the fraudulent takeover of Tops Continental Meats of Hamilton. Tops was a small, family-run meat packing and pasta plant owned by an Italian immigrant named Domenic Returra. As part of his testimony in court, Returra said the accused first offered their services to collect money from delinquent accounts and eventually ended up controlling 60 percent of the company. Returra's troubles began when he mentioned to a salesman that he was having problems collecting money from his customers. Before long, he was paid a visit by the three men. Returra offered them ten cents on each dollar collected, but the men had grander ideas. Demanding to see his books, they told Returra that they were interested in buying the company and wanted a glimpse into its financial state. Afterward, they forced Returra to sign a contract that handed over shares in the company. Among the tactics used to persuade Returra to sign was a visit by Luppino's brother-in-law, Paulo Violi, at the time the head of the Montreal Mafia (Schneider, 2018, 385).

Corruption of and Racketeering in the Construction Industry by the Mafia

This section of the thesis will describe how the Mafia uses corruption and racketeering in the construction industry. The Mafia has successfully exploited a variety of racketeering opportunities specifically within the construction industry in North America. Mafia families and individual members have attempted to take control of construction companies, used them to gain employment, used violence against uncooperative

construction firms, run protection rackets targeting specific companies, used construction companies to launder money, set up price-fixing and bid-rigging schemes for public contracts, and has infiltrated various labour unions connected to the construction industry (Goldstock, Jacobs, Marcus, Thacher, 1990).

The Cosa Nostra extracts money from the construction industry by forcing contractors to place Mafia members, associates, or fictitious workers on their payrolls, meaning the construction industry has a vast array of jobs that provide organized crime figures with the ability to reward friends, crime syndicate members and associates with what seems to be legitimate income. Although illicit profits are important to organized crime groups utilising corruption, many racketeers lack legitimate sources of income. Having the financial records of being on-site for a construction project provides a legitimate cover for income tax purposes.

Control of legitimate construction companies also provides organized crime groups with a valuable means of laundering money obtained in illegal activities. In addition, legitimate jobs allow racketeers to conceal their underworld reputation and offer convenient explanations for law enforcement enquiries (Goldstock et al., 1990). Through its control of construction companies, the Cosa Nostra can exploit their relationship over contractors to force them to purchase goods and services (such as window washing, security, carpeting, debris hauling, food wagon franchises, etc.) from favoured firms either controlled by or providing kickbacks to Mafia members (Goldstock et al., 1990).

Benoît Dupont, Director of the International Centre for Comparative Criminology at the Université de Montréal, told the Charbonneau Commission that organized crime

“generally intervenes” in the private sector when “coercive measures (credible threats and attacks on physical integrity) are required against those who refuse to respect the informal rules in force among the various participants in the corruption scheme. It is not uncommon for organized crime to exploit this position to infiltrate the construction sector, because of the significant profits that can be made there, the money-laundering opportunities it opens up, and the low risk of being arrested or convicted”.

The Mafia targets not only construction companies but also construction unions. For several decades the Mafia had significant influence in the construction industry and its unions, specifically the Labourers International Union of North America (LIUNA), a large international union that represents 700,000 labourers in the building trades in the United States as well as Canada (President’s Commission on Organized Crime, 1986, 145-9, 217-32; Jacobs et al., 1999, 206-7). The Mafia’s control over the construction industry within America reached its peak in the early 1980s through an extortion and labour bribery scheme that was known as the “Club.” The club consisted of an arrangement of the “Commission” (the ruling body of the American Mafia) along with various concrete construction companies operating in New York City (President’s Commission on Organized Crime, 1986). According to Marine (2006, 221), the club used a combination of racketeering and a bid-rigging scheme to infiltrate the construction industry.

The rules of the club were that only such construction companies as the commission approved would be permitted to take concrete construction jobs worth more than two million dollars in New York City; the commission would rig the bids to guarantee that the approved company would be awarded the contract. The Commission would guarantee ‘labour peace’ to the construction companies through its control of labour unions and the use of threats and violence. In turn, the company awarded the contract paid the commission two percent of the construction

contract's price. In a related venture, companies that were awarded contracts under \$2 million to pour concrete in New York City were required to pay one percent of the contract's price to the Colombo LCN family.

In Quebec, the history of construction unions has often been marked by episodes of violence, sometimes associated with the presence of organized crime. The Cliché Commission, which was established in the early 1970s after the destruction of the LG-2 dam site in James Bay, confirmed that criminals had infiltrated some local unions in James Bay (Charbonneau Commission, 2017). In Quebec, it was more the investment funds managed by union leaders that attracted individuals linked to criminal organizations. These individuals sought capital to finance certain business ventures, and through a close collaborator, developed relationships with an influential leader of the largest construction union.

The Mafia has also been engaged in protection rackets targeting companies involved in the construction industry. Organized criminal groups create a need for the protection services they offer by using or threatening violence against contractors who refuse to pay. The Mafia often acts as a private protection service. These protection rackets are used for the client (construction company) to maximize profits and market share within the construction industry. This protection may take on various forms, such as reducing the risk of being cheated during business transactions and assistance in competing against rival companies (Asmundo & Lisciandra, 2008). Criminal organizations can also provide services related to arbitration and the enforcement of illicit agreements. A contractor participating in a collusion scheme obviously can't go to court to complain about another Mafia member trying to obtain more than the agreed-

upon number of contracts. In such situations, a criminal organization can play the role of arbitrator.

In 1986, the President's Commission on Organized Crime included investigations into New York City's construction industry. The commission found significant evidence that "more than a dozen important construction locals in New York City have had a documented relationship with one or more of the New York Mafia families, often through the holding of union offices by Mafia members" (Kelly, 1999). Evidence pointed to the fact that the production and pricing of concrete were permeated by bid-rigging and price-fixing and carried out by a cartel that was associated with La Cosa Nostra. Studies by the New York State Organized Crime Task Force showed that four Mafia crime families in New York City acted as partners in construction industry crimes. The task force's most important finding was that the structure of the construction industry allowed it to be criminally exploited (Kelly, 1999).

Construction companies hired members of the Mafia families in New York City to keep unions in control and to ensure costs were kept low (Kelly, 1999). For the foundation for most buildings, the main ingredient was ready-mix cement. In New York, Teamsters Local 282 delivered all ready-mix cement. On the job site, the Labourers International Union (LIU) represented the workers who handled and poured the cement. Ralph Scopo, a Mafia member in the Colombo crime family, controlled the LIU locals, while Teamsters Local 282 was controlled by two individuals who were tied to the Gambino and Genovese crime families. In the 1970s, Castellano (the head of the Gambino Family at the time) had "arranged" for the consolidation of Manhattan's ready-mix cement businesses (meaning all of the Manhattan's ready-mix cement businesses

were overlooked and controlled by one company; S&A concrete) (Kelly, 1999). The unions under Mafia influence, using the threat of labour strikes, were able to convince construction companies to use S&A as a source of concrete. As a result, by the early 1980s, there was only one source for ready-mix cement in New York City and only six concrete construction companies could bid on the best construction jobs within the city's five boroughs (Kelly, 1999). In short, the control of the concrete business in New York by the Mafia worked as follows: Any cement work priced over \$2 million would only allow six construction firms to bid. All of them were previously hand-picked by the Mafia. In exchange for the privilege of bidding, the six companies had to pay the Colombo, Gambino, Lucchese, and Genovese crime family's 2 percent on every contract they won. The families would then divide the money based on their agreements with each other (Kelly, 1999).

Schneider (2009, 320) explains how the Toronto construction industry during the 1960s and 1970s was vulnerable to the Mafia. "Much of the construction in Toronto's postwar housing and commercial building boom was carried out by firms owned by Italian-Canadians, with the labour being chiefly provided by Italian immigrants." For Paul Volpe, a Toronto-based member of Buffalo's Magadino Mafia family, "this presented an opening to extort unions and construction firms while hiding behind contractors, supervisors, and immigrant labourers frightened into silence." The result, according to a 1974 report by a Royal Commission that investigated violence and corruption in Ontario's construction sector, was that between 1968 and 1975, "a sinister array of characters was introduced to this industry." The final report of the Royal

Commission acknowledged that organized crime had infiltrated Toronto's construction industry.

By the 1970s Volpe and Natale Luppino began collaborating with Cesido Romanelli, the owner of several Toronto-area construction, drywall, and lathing firms. Romanelli would eventually hire Luppino. Schneider (2009, 320) documents one of the ways in which Volpe and Luppino used racketeering in the Toronto construction industry:

Luppino was used by Romanelli to intimidate unions representing the tradesmen working for him, not only to ensure union peace, but to help him gain control over unions themselves. Around the same time, Volpe began working for A. Gus Simone, business manager of Local 562 of the Lathers International Union. Simone was allied with the Toronto Building and Construction Trades Council, which at the time was backing five affiliated unions to organized concrete workers. Volpe and Luppino were brought in by Simone to "convince" the heads of other rival unions to join Simone's cause, when Romanelli served as the "bag man" for a group of contractors who made payoffs to the corrupt Simone in return for a steady supply of quality workers and to ensure labour peace.

Romanelli eventually would target Jean-Guy Denis, business manager of Local 124 of the Plasterers Union. Denis wanted to come to an agreement with Romanelli. However, Romanelli requested that Denis use pieceworkers for Ottawa jobs. Romanelli was involved in several large construction projects at the time and either wanted the union in his pocket or for Denis to use non-union workers. Talks between the two broke down.

Luppino and Zappia would then use forcible means to achieve what they wanted:

Luppino and Zappia paid Denis a visit and demanded he set up a separate union and provide membership to people of Romanelli's and Luppino's choosing. Denis rejected their offer. At another meeting, Luppino offered Denis a bribe of five cents an hour for every hour worked by his seven hundred to eight hundred men if he would stay on the job and let someone else take over as head of the local. Again Denis turned Luppino down. Denis would testify before the Royal Commission that on the evening of January 8, 1973, two men forced their way into his house. He was not home at the time but his sixteen-year-old son was. The

men beat the teenager so savagely that he had to spend a week in the hospital with a concussion and internal injuries that required surgery. Jean-Guy, who fought in the Second World War, still would not give in and as a result his own life would be threatened several times (Schneider, 2009, 320).

Luppino and Volpe would continue to use forms of labour and business racketeering to take over the Toronto construction industry:

Luppino and Volpe also terrorized independent contractors and union leaders to force them to join with Romanelli and Simone. According to Toronto police records, between 1968 and 1972 there were 234 acts of wilful damage, twenty-three acts of arson, fifteen assaults, and five explosions, as well as numerous thefts and break-ins at Ontario construction sites. Among the many acts of violence was the bombing of two lathing companies in 1972 and the shooting of Bruno Zanini, a union organizer and former labour reporter of the Toronto Telegram who was conducting a freelance investigation into labour racketeering. He told police that a man wearing a stocking over his head shone a light in his eyes in the parking garage of his apartment building and then fired two shots, one of which struck him in the leg. Acme Lathing Ltd. was twice bombed with dynamite and, on July 3, 1972, its office was strafed with automatic gunfire. Another company, Gemini Lathing Ltd., was also bombed. At the time the two companies were engaged in merger talks, which led police to believe that Cesido Romanelli, who also owned a lathing company, was trying to prevent the creation of a powerful competitor. Although neither the police nor the Royal Commission could prove it, Paul Volpe was hired to assure such a merger did not happen (Schneider, 2009, 320-321).

CHAPTER 3: RESEARCH FINDINGS

In 2012, former Montreal construction boss Lino Zambito described a province-wide system of corruption to the Charbonneau Commission, an inquiry created by the Quebec Government to investigate corruption in Montreal's public works contract tenders. He became the first industry insider to testify about rampant collusion and corruption in the awarding of public works contracts in Montreal. Zambito attested to a cartel-like system in the awarding of sewer contracts. Under the scheme, a tightly knit group of construction companies colluded to determine who would submit a winning bid on a contract. Essentially this was a price-fixing scheme and different companies took turns

winning contracts (Global News, Nov. 14, 2014). The collusion also served to inflate the cost of public construction projects by up to 35 percent, according to the Charbonneau Commission. Funds from the public contracts were diverted to corrupt bureaucrats, and a political party named Union Montreal (Global News, Nov. 14, 2014). Three percent of city contracts' value went through a middleman to Mayor Tremblay's Union Montréal party and the other one percent was considered a "tax" by the city engineer who drew up the public-works contracts. Money and gifts were sent to other municipal bureaucrats as well, according to Zambito (Zambito transcript, Charbonneau Commission, 2012, 39).

Funds from the public contracts were also diverted to members of the Rizzuto Mafia family in Montreal who brokered deals on who would win construction contracts and then took a cut from the winning contractor. According to Zambito, "everyone from building suppliers on up were aware of the system ... people knew about it at the city. The business people knew about it. The suppliers knew it" (*National Post*, Sept. 27, 2012). As a result of this collusion, Montreal was already a closed-market system when his company tried to bid on public construction contracts (*National Post*, Sept. 27, 2012).

This section details the findings of research examining the criminal-private-sector-corruption in Montreal's public sector construction contract tendering process and the role of the Rizzuto Mafia family. This section begins with a discussion of the nature of the corrupt bid-rigging undertaken in the awarding of public sector construction contracts. Next, an overview of the Montreal Mafia is provided. This overview is focused on the period in which the Sicilian faction became dominant over the Calabrian faction, when Vito Rizzuto took over the reins of the family, and during the period covered by the Charbonneau Inquiry. The next section examines various aspects of business racketeering by the Montreal Mafia, as well as in the construction sector in Quebec. The

vulnerabilities of the construction industry will also be described to explain how organized crime infiltrated the industry.

Overview of Corruption (Bid-Rigging) in Montreal's Construction Sector

The Charbonneau Commission uncovered numerous cases of private sector corruption in the construction industry, particularly in Montréal, Laval and Montréal's North Shore.

Testimony revealed instances where an engineering firm provided privileged information to a contractor so that it could win a tender by bidding low (Charbonneau Commission, 2017). This example is just one instance of the bid-rigging exposed by the inquiry and other sources. The Charbonneau Commission (2017, 11) describes the various details of the bid-rigging that took place:

The company chosen to win the bid solicitation notifies the complicit companies of the amount above, which they must bid. These complicit companies then submit bids of convenience, i.e., bids that cannot win the contract because they will not be the lowest. They may also submit bids that are not compliant with the specifications or requirements of the public contracting authority. It is obvious here that tendering processes whose award criterion is based on the lowest compliant tender produce readily foreseeable results that can be easily manipulated by a group of colluding companies. The mafia members can also refrain from responding to a call for tenders, leaving the way open for their previously designated accomplice. The company chosen to win the contract compensates those that withdraw from the tendering process or submit bids of convenience by offering them subcontracts, supply contracts, or money. Members of the mafia can also share the market (by type of work, customer, or geographical area) and agree not to bid, at least competitively, in the markets assigned to other mafia partners. This is a case of "to each his market," with competition reduced to a minimum.

To organize the bid-rigging, the colluding companies reached an agreement before tenders are submitted. Communications between members of this collusion system included secret meetings and coded messages to inform conspiring companies of the threshold above which they must tender a bid to deliberately lose the bid. The frequency

of communications depended on the type of arrangement between the colluders. In systems based on territory sharing, communications may become less frequent once the ground rules had been established. In the case of one-time agreements, the actor wishing to organize the bid-rigging first had know the identity of the competitors interested in bidding on a given contract (Charbonneau Commission, 2017, 11).

The Charbonneau Commission inquiry uncovered information on corruption within the public sector – including corrupt civil servants, politicians, and political parties – that facilitated the bid-rigging. Testimony from Gilles Surprenant, the city engineer for Montreal who oversaw the project budgets, had a significant influence in the tendering process. Surprenant organized meetings between construction companies and convinced them to work together to rig construction contracts. Surprenant would inflate prices on projects and then collect kickbacks on these projects (more than \$700,00 over the years). Surprenant indicated he obtained a one percent cut from construction companies on the value of the contracts for his bid-rigging services. Another two and a half percent went to the Mafia (see below) and three percent to the Union Montreal political party. As Lino Zambito testified, after Surprenant had drawn up a contract for the winning bidder, the contractors would meet him to settle their accounts with cash in envelopes. Zambito estimated that he had paid the now-retired Surprenant between one and two hundred thousand dollars over the course of eight to ten years. The winning contractor would also bill the city for bogus “extras” once they had already begun to carry out their work. The money reimbursed for the phony extras would then be carved up, with 75 percent going into the pockets of the contractor and 25 percent to Luc Leclerc, retired city engineer whose role was to rig fake extras on construction contracts.

(*The Globe and Mail*, Oct. 18, 2012). Zambito also testified he took the two city officials on an all-expenses-paid golf vacation to Puerto Vallarta, Mexico, in 2002, after the two pressured him to do so. According to Zambito, Montreal city hall showed “willful blindness” to the apparent corruption. However, once the Quebec provincial government set up the anti-corruption police squad known as Operation Hammer in 2009, he noticed that several functionaries at city hall decided to retire (*Globe and Mail*, Oct. 18, 2012).

Surprenant defended himself in his testimony by stating the following:

I am not a villain. I am a bureaucrat who was corrupted. No one at the City of Montreal wanted a system like this. There was an established system and I was caught up in it. Corruption was an “open secret” at work, and one that no one seemed eager to stop. There was no initiative from our superiors to correct the situation...and no initiative on the part of [Montreal’s] executive committee (Surprenant Transcript, Charbonneau Commission, 2012, 71).

Giuseppe Borsellino was also another key witness for the inquiry as he was president of Garnier Construction, which won millions of dollars in public infrastructure contracts. Borsellino supported the claims made by Zambito by contending that Surprenant was the organizer and overseer of rigging the tendering process, where he convinced chosen construction companies to work together to rig contracts. Borsellino argued that the contractors were the victims and not the orchestrators of corruption. The inquiry heard that Borsellino and two other major construction bosses had to pay the city thousands of dollars in cash from the 1990s on for what Borsellino described as “tips” (Edwards & Nicaso, 2015). Borsellino went on to state the following: “What I didn’t like is the power that those people [at the city] had acquired. It became apparent that [the contractors] were in a system we couldn’t get out of” (Borsellino transcript Charbonneau Commission, 2013, 259).

Borsellino was questioned further by Justice Charbonneau regarding the credibility of his testimony that stated Gilles Surprenant was the mastermind behind all of this. Borsellino replied to this by stating: “Yes” (Borsellino transcript, Charbonneau Commission, 2013, 174). Borsellino continued to defend his position when stating he had never had any business dealings with anyone associated with organized crime: “I’d rather hand over the keys to my business than pay the Mafia. My parents came from Sicily. [The Mafia] is something you hear about; you feel...it’s never clear” (Borsellino transcript, Charbonneau Commission, 2013, 174).

Overview of the Italian Mafia in Montreal (The Rizzuto Mafia Family)

The Rizzuto’s ascendance in the Montreal Mafia began with Nicolo Rizzuto (Vito’s father). According to Edwards and Nicaso (2015, 16):

Nicolo Rizzuto was a semi-literate, one-time South American chicken farmer who had managed to create a government within a government in Montreal. He had pulled himself from a relatively humble birth in Sicily through hard scheming, contacts, travel, innovation, good fortune, risk taking, marriage and murder. Despite running several construction-related companies, and even more politicians and police officers, Nicolo retained a certain common touch. When he collected money in a backroom of the Consenza Social Club in Saint-Leonard, he sometimes tucked a wad of cash into a sock for safekeeping. There, between a cheese shop and a tanning salon, mobsters sipped espresso, settled disputes, and accepted tributes from associates in the underworld and the world of ostensibly legitimate business...Even when things got rough, Nicolo maintained his ability to wink at the world, as though everything was under control. He courted the image of Mafia don and was seldom seen in public without a sweeping Hollywood-style fedora on his bald head.

It was on February 1, 1954, that Nicolo arrived in Canada with his family at Pier 21 in Halifax. By 1956, the Montreal city records listed Nicolo’s occupation as a “cement contractor” and soon he was a major player in Montreal’s construction world. It is

believed this success came because of the corruption and collusion schemes that Nicolo was using. As Edwards and Nicaso (2015, 18) write:

He ran his own firm yet somehow borrowed \$1,777.50 from a rival contractor, and he won a municipal contract despite not being the low bidder. His company, Grand Royal Asphalt Paving, was involved in bidding with the city of Montreal, winning a contract in January 1962 to make over Parc Masson. His paving firm also worked for the municipalities of Laval, Pierrefonds, and Saint-Leonard. The city of Jacques-Cartier (now part of Longueuil, on the south shore) was considered particularly corrupt, and Nicolo made money there too.

His Grand Royal Asphalt Paving Company was very successful despite only receiving a limited number of contracts. In September 1966, Nicolo and his half-brother Liborio Milioto were officials with Franco Electric Inc., even though records show that they had no background in electric work at all (Edwards & Nicaso, 2015). By 1967, Nicolo was a partner in four construction-related firms and had secured construction work on the Expo 67 world's fair in Montreal. When the Sicilian faction became dominant in the Montreal Mafia, he helped turn the criminal group into one of the biggest drug importing and traffickers in Canada. "They transformed the port of Montreal into the gateway to North America for hashish shipments from Pakistan and Lebanon and large heroin shipments from Sicily and Thailand. They sold most of their heroin in New York and New Jersey" (Edwards and Nicaso, 2015, 18).

Shortly after arriving in Canada, Nicolo renewed contact with other Sicilian Mafiosi who had already relocated to Montreal and eventually became active in the Montreal Mafia under the leadership of Vic Cotroni and Paolo Violi. Vito Rizzuto would soon follow in his father's footsteps. Vito had become a made member of New York's Bonanno family sometime during the 1970s, but he was determined to be much more than simply the head of one of its crews. Rizzuto paid homage to his bosses in New York

and was sending millions of dollars in tribute annually, while patiently planning for the day that he would run his own autonomous family (Schneider, 2018).

As Schneider (2018, 118) writes, “From an early age, Vito was groomed by his father to become a made member of the Mafia. During this time, Vito was learning the tricks of the trade from his father, who was a prolific international trafficker of heroin, cocaine, and hashish. Vito himself would later become one of Canada’s biggest drug importers and wholesalers.” In the late 1970s, Nick staged a coup that overthrew the Calabrian leadership of the Montreal Mafia (including the murder of Paolo Violi) and soon installed his son Vito as the head of the Bonnano Family’s Montreal crew. With Cotroni’s passing due to cancer, “the Rizzutos’ control over Montreal was complete. The rank-and-file members and associates of the Mafia quickly fell into line, easily flipping their allegiance and answering as smartly and respectfully to the Rizzuto's as they had to Cotroni and Violi” (Lamothe & Humphreys, 2014, 101). Vito would quickly become one of Canada’s most powerful and successful criminals.

Sometime in the late 1980s or early 1990s, Vito broke off (officially or unofficially) from the Bonnano family and began his own Mafia family. According to Lamothe and Humphreys (2006: 208), “Few fully recognized the growing influence of the Sixth Family”— a title that alludes to the independence and power of the Montreal Mafia under the Rizzuto's by equating it with the five New York families. “Fewer still understood that what was once a small, outpost of subservient gangsters had grown into an independent and powerful entity that could hold its own in any underworld on any continent.”

As the leader of the Montreal Mafia, Vito evolved into what Nicaso and Lamothe (2005: 44) called the “epitome of the modern global gangster.” In addition to drug

trafficking, the Montreal Mafia was accumulating a fortune through a maze of lucrative gambling and bookmaking operations that generated hundreds of millions of dollars a year. Rizzuto also expanded his gaming interests to include video lottery terminals, which were fast becoming the most lucrative form of gambling in Quebec. He had outposts and cells strategically placed throughout Canada and abroad and was forging a global organized criminal conglomerate that would surpass the reach, wealth, and power of any of the five New York families. While the Montreal Mafia may have only had 20 or so made members, Rizzuto could count on hundreds of associates around Canada and the world (Schneider, 2017). In its 2001 annual report on organized crime, Criminal Intelligence Service Canada (2001: 57) asserted that the Rizzuto family “remains one of the most influential and powerful criminal organizations in the Montreal area, exerting extensive influence over other criminal organizations operating in Montreal.”

He forged ties with Mafia families in Sicily and the U.S., 'Ndrangheta clans in Canada and Italy, the Hells Angels, the West End Gang (which had significant influence over Montreal's marine ports), and South American cocaine suppliers. As Peter Edwards writes, under Rizzuto, the Montreal Mafia was transformed from a neighbourhood-based group that “mediated community disputes” to a “multi-national drug trafficking conglomerate” (Edwards, 1990: 177). Over the many years of its existence, the business of the Montreal Mafia took part in a diverse range of serious, profit-oriented criminal activities. This included both predatory and consensual illegal activities, as well as providing illegal and legal goods and services. Consensual criminal activities include gambling, liquor smuggling, bootlegging, loansharking, drug trafficking, and prostitution. Its predatory crimes include protection rackets, muscle-for-hire, theft and

fencing of stocks and bonds, mass-marketing fraud, stock market manipulation, and counterfeiting.

Business Racketeering by the Montreal Mafia

Business racketeering by the Montreal Mafia began under the leadership of the original don Vic Cotroni who, along with other made members and associates, controlled a number of legally incorporated businesses in Montreal, which were used to carry out both legitimate and illegitimate commerce. These businesses operated in such industries as construction, food wholesaling, hotels, restaurants, bars, ice cream parlours, vending machines, and hotels.

According to Edwards (1990, 6), the Montreal Mafia's reach into legitimate businesses in Quebec was long. "It was possible to bite into a pizza, every ingredient of which had been supplied by businesses run by Cotroni or his associates. And if you wanted spumoni ice cream for dessert, you were again enriching the Cotronis. During Canada's centennial year, Cotroni enterprises managed to monopolize fast-food contracts at Expo '67 allowing Cotroni to fill thousands, perhaps millions of stomachs from across the world with diseased hot dogs." Cotroni, Paolo Violi, and associates like Armand Courville gained a monopoly over the sale of Italian ice creams in the north end of Montreal through force and intimidation. One witness before a 1970s Quebec provincial crime commission testified there were only two firms making Italian ice cream in the Montreal area, "and the second wasn't allowed to sell it because Violi didn't want it to." Outside of these semi-legitimate interests, there is no indication that the Cotroni decina attempted to monopolize criminal activities in Montreal. In fact, it was counterproductive

to do so because of the so-called patron-client tradition, in which the Mafioso tolerates freelance criminals in their jurisdiction as long as they pay a tax (Schneider, 2018, 198).

The corrupting influence of the Cotroni Mafia crew also extended to labour unions in Quebec and they had particular influence over the Hotel and Restaurant Employees International. Vic Cotroni used union officials not only to ensure peace within the family's own hotel and restaurant businesses, but also to try to stir up union dissent in competing businesses. Police once observed Frank Cotroni sharing drinks with union officials and when Cotroni associate Claude Faber came to Toronto; Local 75 of the union was billed for his room, meals, drinks, and closed-circuit movies (Schneider, 2018, 199). Violence is also used by the Montreal Mafia to protect its commercial interests and its power. Many of their businesses were established (and prospered) through the liberal use of intimidation and violence against competing businesses. This allowed Cotroni and other members and associates to control the distribution of various foodstuffs that were distributed to local restaurants and stores. Intimidation and violence, in fact, serve a number of purposes for the Mafioso: to protect his kin and territory, to sustain his criminal activities, to ensure secrecy and obedience, and as a means to gain and reinforce respect, honour, and power (Schneider, 2017).

Business Racketeering in Montreal's Construction Industry

The Charbonneau Commission investigated the power and role of the Mafia, and specifically Vito Rizzuto, in the construction industry and public sector contract tendering. The Montreal Mafia did not have to invest much in construction and real-estate deals. Nonetheless, it gained a significant profit by the time the projects were completed. The industry was considered a low-risk investment that reaped a significant

reward. This section examines five aspects of business racketeering by the Montreal Mafia in the construction sector in Quebec: (i) infiltration of and control over individual companies, (ii) control of, or hegemony over the construction industry, (iii) use of intimidation and violence, (iv) involvement in the price-fixing conspiracy (provision of mediation services), (v) exacting *pizzo* from construction companies and (v) labour racketeering.

Infiltration of and Control Over Individual Companies

The Montreal Mafia infiltrated the construction industry in multiple ways. It either founded, invested in, took over, or coerced companies into either engaging in criminal activities such as the bid-rigging from which they took a cut, or paying a *pizzo*. The takeovers often occurred when companies in financial difficulty turn to “alternative” financing sources. Testimony at the Commission Inquiry, for instance, revealed that a heavily indebted land decontamination company fell under the control of individuals linked to the Mafia. These individuals targeted a family business that needed capital to upgrade its equipment. Realizing that he was losing control of his business, the owner attempted to reject the Rizzuto representative. He then became the victim of threats, intimidation, theft, and mischief. The same man infiltrated another masonry company by demanding commissions of 5 percent and then 10 percent of the value of contracts. He convinced the owner to buy a competitor’s business with cash. His aim was to create a dominant Mafia presence in the masonry industry (Charbonneau Commission, 2017).

The second way the Mafia infiltrated the construction industry was to avoid direct investments or active participation in the industry through mob-controlled companies and, instead, ran a protection racket that forced companies to pay a tax and/or provide a

cut of any contract as part of the bid-rigging collusion system. This infiltration was part of a broader system in which the Mafia provided various services to the companies, including protection and mediation, which they would claim justified the payment of taxes. Eric Vecchio, a Montreal police officer, testified that Rizzuto and other mobsters were never front-line players with a direct financial stake in the construction or real estate sector. Rather, they stayed on the sidelines, acting as consultants and deal-brokers while they picked up a piece of the profits. “Organized crime (takes) a profit from the construction industry,” Vecchio said. “In the end, they don’t really get involved, they don’t invest any of their own money, but they take away a consultant’s or arbiter’s fee” (Vecchio transcript, Charbonneau Commission, 2012, 162).

Control of (Hegemony Over) the Construction Industry

Infiltrating and/or influencing individual companies were part of a broader effort to increase influence and hegemony over the industry as a whole, including hegemony in a particular region. Territorial control or control of an industry is often an essential element in business racketeering and is motivated by the maximization of profits. This helps explain the motivation of the Montreal Mafia to infiltrate the construction industry (Charbonneau Commission, 2017). Influence and control of the industry and territory were facilitated by the afore-mentioned company takeovers, protection rackets, and financing. Testimony before the Commission revealed Rizzuto associates sought to control individual companies and influence the construction industry in a certain territory through intimidation and acts of violence.

Use of Intimidation and Violence

A major theme revealed by The Commission was how the Mafia used intimidation to further their racketeering within Quebec's construction sector. Milioto himself was accused of using intimidation to remove competing businesses from Montreal's sidewalk construction industry. This helped a small group of entrepreneurs from Sicily maintain control. Witness Martin Dumont claimed Milioto once threatened to bury him in one of his sidewalks. Gilles Theberge's (former director at excavation firm) testimony also confirmed Nicolo's violent methods within the industry: "I was once informed by Nicolo Milioto that windows broken at a neighbor's home were meant as a warning for me. Milioto told me the intention was to break my windows — but the guy got the wrong house." On the eve of a bid deadline, I would sometimes get calls in the middle of the night, with no one talking at the other end of the line" (Theberge transcript, Charbonneau Commission, 2013, 183). At the end of the 2000s, the owner of two construction companies in the Abitibi region operated with the consent of the Rizzuto Mafia family and used intimidation and violence to eliminate competing companies. One competitor was unable to complete a paving job because the criminal contractor had threatened its suppliers. The latter also burned the building and garage of a second paving company to prevent it from completing a contract. Around 2010, the head of a criminal network based in the Eastern Townships owned a company specializing in the installation of culverts. To remove his competitors, he asked accomplices to burn down pipe suppliers. A company that suffered nearly \$1 million in damages saw its insurance premiums rise sharply. For several months, no competing company dared to bid on the same tenders as the criminal contractor (Charbonneau Commission, 2017).

Francesco Del Baso, an alleged lieutenant in the Rizzuto crime family, had allegedly made threatening calls to Martin Carrier, the head of a company that works on tiles, marble, granite, and ceramics for commercial buildings in Quebec City, to discourage him from bidding on a tender in the Montreal ceramics sector (Charbonneau Commission, 2017). Carrier bid on and won a lucrative contract at a Montreal university in 2003 that a Montreal-based competitor, Francesco Bruno, had expected to win as part of a small circle of construction firms that rigged government contracts with the oversight of the Mafia. The contract was awarded to Carrier's firm in mid-January 2004. A few days later, while driving his daughter to a guitar lesson on a Saturday morning, his mobile telephone rang. The caller would not identify himself but stated the following: "We would like it if you don't come here (Montreal) anymore to work," he told Carrier. "The next time you won't be leaving." Carrier would learn only in 2006 after a major anti-Mafia operation that the caller was Francesco Del Balso. An investigator for the Charbonneau corruption inquiry was told that the phone call was made on orders from Nicolo Rizzuto Sr. Del Balso called again a month later in what Carrier described as a brief, one-sided conversation: "You didn't listen. You were warned. It's over," Carrier was told. Carrier continued with his profession after this and still bid on contracts. Eventually, Carrier ended up receiving a terrifying piece of correspondence at his office: a pink envelope with a card inside. It was a condolence card. Written inside was an unsigned message: "Dear friend, if you continue to bid (on contracts) in Montreal, this is the kind of card that we will be sending to your family."

Giuseppe Borsellino, the owner of Garnier Construction testified that he was severely beaten by three men in 2009. When asked why he thought this beating occurred, Borsellino believed it was related to a construction project or unpaid debts. Borsellino

admitted he did not report the attack to the police. Prosecutor Simon Tremblay offered two theories as to why this beating may have taken place: One was that Borsellino's actions might have forced a top official in the city's public works department to resign when it was learned that Borsellino had paid the official's way to Italy. The second theory was that Borsellino didn't pick Raynald Desjardin's (a top associate of Rizzuto family) construction firm, Energie Carboneutre, for decontamination work at one of the construction sites. Borsellino did not elaborate on the beating any farther but did admit he had once been a political contributor. However, he claims he halted his donations in the late 2000s. When asked on this, Borsellino explained that his actions were not ethical (Borsellino transcript, Charbonneau Commission, 2013).

Involvement in the Price-Fixing Conspiracy (Provision of Mediation Services)

One of the ways that the Montreal Mafia consolidated its influence over the construction industry was to involve itself in the price-fixing conspiracy. To justify their cut of the contracts, members of the Mafia, including Vito Rizzuto, provided mediation for disputes between members of this collusion system. It also used its power and influence, disguised as mediation, to keep companies not involved in the price-fixing conspiracy from bidding on contracts. Conspiring companies made use of mediation services to avoid incriminating themselves by appealing to the police or the justice system to arbitrate disputes linked to illegal collusion (Charbonneau Commission, 2017). Rizzuto's role as a mediator and how this illustrates his self-anointed traditional Mafia role as a broker or patron to his clients is discussed and examined in more detail later in this thesis.

Exacting a Pizzo from Construction Companies

A former construction boss delivered testimony to the Commission about a system of corruption in the industry that saw him pay Canada's most powerful Mafia family a 2.5 percent cut on public contracts. Lino Zambito told Quebec's corruption inquiry about a cartel-like operation lording over the construction industry in the province. He said he had no choice but to participate in this corruption. He described a system that drove up the cost of public works. According to Zambito, only certain companies were allowed to bid for public contracts. They would set their prices artificially high and they would reach a group decision on who would submit the lowest bid. Then they took turns winning contracts, he said. He claimed that when it was all said and done, the Montreal Mafia claimed a percentage. Zambito said the following: "as far as his own company was concerned, that fee was a 2.5 per cent share of the value of a sewer project, paid to the once-dominant Rizzuto family" (Zambito transcript, Charbonneau Commission, 2012, 115). Zambito shrugged off a suggestion from an inquiry lawyer that he was paying protection money: "I saw it as more of a business. Entrepreneurs made money and there was a certain amount owed to the Mafia" (Zambito transcript, Charbonneau Commission, 2012, 109). Zambito said he knew where the money — delivered through a middleman — ultimately wound up. The Montreal Mafia used this money as a so-called or *pizzo* of up to 30 percent on the construction industry in the province. "It was effectively a tax — a cut that was given to make sure things went well," (Vecchio transcript, Charbonneau Commission, 2012, 162) said Vecchio, who described the cut as a way to get protection, to buy peace or gain the influence of certain individuals. "It's clear the people who were

paying this tax believed this — or they wouldn't be paying it" (Vecchio transcript, Charbonneau Commission, 2012, 162).

The RCMP's Operation Colisée, which targeted the critical activities and members of the Montreal Mafia, found that several construction contractors frequented the Consenza Social Club, the unofficial headquarters of the Montreal Mafia. When Vito was sent off to prison in the U.S., his father became more active in the collusion scheme and was repeatedly seen on police surveillance video, rubbing elbows with certain construction company owners and managers, counting cash, and stuffing the money in his socks. Nicolo collected Vito's cut while the latter was in jail in the United States. Sixty-four-year-old construction executive Nicolo Milioto (known as "Mr. Sidewalk") made frequent cash deliveries at the social club, which police and the Commission alleged was the proceeds of the *pizzo* provided by a winning construction company. Milioto was known as "Mr. Sidewalk" because of the large number of Montreal sidewalk contracts his company Mivela Construction, was awarded. Milioto, who police alleged was an associate of the Rizzuto family, was picked up by RCMP cameras visiting the Consenza Social Club, 236 times in two years. Milioto admitted to taking money from Zambito and delivering it to Nicolo Rizzuto Sr. but claims he was simply making a delivery and didn't know what the money was for. Milioto has also admitted to having friendships with members of the Rizzuto family, who hail from the same small village in Sicily where he was born. He told the commission that he had no business dealings with the Mob, but he had received a loan from Rizzuto Sr. because it was easier than going to the bank. Milioto's testimony reveals this information in more detail: "I don't pay interest. That could be a reason. It's easier," (Milioto, 2013, 153). Milioto stated this as

he was questioned on why he shoved a stack of cash into his sock after it was handed to him by Rizzuto Sr., which was caught on video by police surveillance during Operation Colisee. Milioto advised he brought cash to the Cosenza, but said it was only for one of two reasons: He was delivering it for Zambito or it was cash collected for the social club. Milioto later changed his testimony and advised the commission that the money may have been given to him for the construction of his house or for the marriage of his daughter (Milioto, 2013, 153).

Labour Racketeering

The Charbonneau Commission attempted to investigate the links between the Montreal Mafia and officials with the Fédération des travailleurs et travailleuses du Québec (FTQ), the province's largest and most powerful labour union officials. With six hundred thousand members and billions of dollars' worth of investments in its pension fund, the FTQ was Quebec's largest labour federation and a major player in the province's construction world. FTQ-Construction negotiates collective agreements in the construction industry's subsectors (residential, industrial, commercial and institutional, civil engineering, and roadwork). Several individuals linked to the Mafia sought to obtain access to the union's pension fund investments. To do so, they established a relationship with Jean Lavalee, the general manager of the construction division of the FTQ. Mafia members asked Lavalee to pressure his colleagues to fund some of their projects, which included the following: a land decontamination company, properties including a strip club, a hotel tableware company, and a marina. The electricians' retirement fund run by the president of FTQ-Construction also invested in the construction of a residential building in which all units were purchased by members of

the Montréal Mafia, union leaders and a major construction contractor (Charbonneau Commission, 2017).

The testimony given by Ken Pereira revealed that a prominent Montreal Mafia associate known as Jocelyn Dupuis introduced himself as the “boss” of the general manager of FTQ-Construction and that he had come up with a plan whereby he and his accomplices would take control of the union by ousting the then-president. Pereira testified that FTQ management was aware that Jocelyn Dupuis, the former head of the construction wing, had ties to Raynald Desjardins, a close associate of Vito Rizzuto. Pereira also accused Dupuis of being close to Normand (Casper) Ouimet, a Hells Angels member who has been accused of involvement in 22 murders, among other criminal activities. “The Hells are with us. The Hells are part of FTQ- (Construction),” Pereira quoted a colleague as saying. Dupuis made little effort to hide his ties to both the Hells Angels and the Montreal Mafia, according to Pereira, and the FTQ president Michel Arsenault was well aware that Dupuis was close with Desjardins (*Canadian Press*, Oct. 2, 2013). In the November 2008 union elections, Dupuis allegedly called on members of the Hells Angels to ensure that his candidates won all the leadership positions. The ultimate goal was to gain access to the boards of directors of the Solidarity Fund and its real estate arm. This resulted in a rival candidate quitting the race after a show of force by the Hells Angels (Charbonneau Commission, 2017).

The Montreal Mafia’s racketeering in the construction industry was multifaceted and used taking over individual companies, violence, intimidation and mediation to do so, as well as operating protection rackets, collaborating in price-fixing (bid-rigging)

schemes, exacting pizzo from winning contractors involved in the collusion and labour racketeering.

Vulnerabilities of the Construction Industry to the Montreal Mafia

Several hypotheses have been put forward to explain the vulnerability of the construction industry to organized crime. The Charbonneau Commission revealed the weaknesses exploited by some bidders to manipulate the public contract awarding process. These vulnerabilities include the large size of the industry, low level of skills among some labourers (which facilitates entry of criminal offenders and associates), and the financial vulnerability of small companies.

The size of the public sector construction industry in terms of contracts and the amount of money to be made makes it a lucrative target for criminal infiltration. In 2013, in Quebec alone, approximately \$48 billion was spent on public and private construction contracts. Public contracts valued at more than \$7 billion are awarded annually through competitive bidding. According to Mike Amato, an officer with the York Regional Police Criminal Intelligence Service, criminal organizations have clearly understood the potential for enrichment represented by public contracts (Charbonneau Commission, 2017).

Some types of construction work do not require a skilled workforce or the use of advanced technologies, and this facilitates penetration by criminal offenders who have few legitimate marketable skills. The Commission observed that the influence of persons linked to organized crime is more evident in low-skill industries such as sidewalk construction, paving and the installation of culverts than in sectors requiring more in-

depth knowledge, such as engineering. According to a police census conducted in 2010, 75 percent of Hells Angels members owned companies in industries that did not require advanced expertise, including construction (Charbonneau Commission, 2017).

Given the nature of the industry, it may be difficult for public authorities to identify the presence of organized crime. The Régie du bâtiment du Québec (RBQ) is a key player in this respect since the licenses it administers are “the gateway to the legal economy in the construction industry” and a bulwark against the infiltration of organized crime. In 2013, there were more than 40,000 holders of licenses issued by the RBQ. The *Building Act* authorizes the RBQ to refuse to issue a license or to suspend or cancel a license if it finds that the licensee is lending his name to another person. Detecting the presence of frontmen among tens of thousands of licensees is not an easy task, however. This offence does not carry personal penalties for the individuals who act as front men, or for those who benefit from the scheme. Huguette Labelle and Paul Lalonde, representatives of Transparency International Canada, noted that it is often difficult to identify the beneficial owners of businesses, whether they are in Canada or elsewhere. Organized crime takes advantage of this situation, and companies may fall under its control without the knowledge of authorities (Charbonneau Commission, 2017).

Construction firms that sometimes have difficulty borrowing money from traditional financial institutions may be tempted to obtain the funds they need more quickly through the black market and criminal lenders. These lenders are often called loansharks and can afford to grant or guarantee riskier loans since they have ways to ensure repayment beyond regular legal limits. They are therefore able to offer entrepreneurs financing services, which can be an attractive factor in the industry. An

example of this phenomenon was presented during the Commission's hearings regarding a project to convert a derelict warehouse in Old Montréal into a luxury residential building. After filing a proposal under the *Bankruptcy and Insolvency Act* and an application under the *Companies' Creditors Arrangement Act*, the contractor and the developer received help from the Rizzuto clan. The Mafia godfather used his network of contacts to find new sources of funding. Members of his family made excellent profits in return.

The Commission notes furthermore the problem of delays in the payment of contractors' invoices by public contracting authorities. This creates a lack of liquidity for contractors who, with insufficient financial resources, may be tempted to resort to non-traditional sources of financing (Charbonneau Commission, 2017). Some sectors of the construction industry, such as masonry, include a great many small companies. These companies often do not have permanent premises, their situation is precarious, and they have little financial room to manoeuvre. They are generally more susceptible to infiltration by organized crime as they have limited assets or security to offer, which considerably impedes their ability to obtain financing. Organized crime can use them to launder money, or simply target them for extortion and intimidation. The Commission found that a member of a Mafia-type criminal organization infiltrated two small masonry companies. This individual had little trouble gaining access using threats and gang insignia (Charbonneau Commission, 2017).

Finally, it can be argued that the construction industry in Quebec is vulnerable to the Italian Mafia specifically because so many owners and managers in the industry are Italian in heritage. This includes many first-generation Italian immigrants who are

already well experienced in the demands and dangers of the Mafia. Italian Mafiosi also capitalized on familial connections and other interpersonal relationships with Italian industry insiders. Some of the contractors and industry representatives' accused of serving as intermediaries between the Mafia and the industry were from the same town or region of Sicily as members and associates of the Rizzuto family. As Schneider writes in his analysis of the involvement of the Cosa Nostra in Toronto's construction sector in the 1970s, "Much of the construction in Toronto's postwar housing and commercial building boom was carried out by firms owned by Italian-Canadians, with the labour being chiefly provided by Italian immigrants. For opportunistic ethnic Italian criminals this presented an opening to extort unions and construction firms while hiding behind contractors, supervisors, and immigrant labourers frightened into silence" (Schneider, 2009, 320).

Conclusion: Research Findings

According to Charbonneau, "a culture of impunity" was evident throughout Quebec's public construction sector in which organized crime, political figures and bureaucrats, political parties, unions and entrepreneurs all worked to skim public funds for illicit ends. Both the Italian Mafia (in particular, the Rizzuto crime family) and outlaw motorcycle gangs (specifically, the Hells Angels) infiltrated the construction industry in Quebec, gaining access to public and private contracts and influencing private companies and union pension funds (Charbonneau Commission, 2017).

The level of corruption in public and private sectors in Quebec provided an entry point for the Montreal Mafia, which had long been involved in the construction industry in Montreal, Ontario and U.S. The Charbonneau Commission report noted how the Rizzuto family helped a limited number of construction firms collude to determine who

would be the winning bidder on a particular government construction contract. The collusion resulted in price-fixing that increased the costs of the contract to the government while guaranteeing a cut of the contract for the Montreal Mafia.

Charbonneau said that witnesses testifying to the commission “revealed that the Mafia had infiltrated Quebec’s construction industry. Cartels formed to prevent other companies from bidding on public contracts. Construction company owners revealed they were victims of threats, intimidation, and assaults. Certain members of organized crime attempted to take control of legitimate companies to launder dirty money derived from illegal activities.” (Charbonneau Commission, 2017, 17) The commission also learned that the province’s largest trade union, FTQ-Construction, “solicited individuals tied to the Mafia and Hells Angels, who wanted to gain access to the FTQ’s finance and investment arm, its real estate arm, and the province’s union of electrical workers. These individuals had close ties with FTQ Construction’s director general, as well as its president” (Charbonneau Commission, 2017, 19).

Chapter Three: Research Findin

Introduction

In 2012, former Montreal construction boss Lino Zambito described a province-wide system of corruption to the Charbonneau Commission, an inquiry created by the Quebec Government to investigate corruption in Montreal’s public works contract tenders. He became the first industry insider to testify about rampant collusion and corruption in the awarding of public works contracts in Montreal. Zambito testified about a cartel-like system in the awarding of sewer contracts. Under the scheme, a tightly knit group of construction companies colluded to determine who would submit a winning bid on a

contract. Essentially this was a price fixing scheme and different companies took turns winning contracts (Kelly, 2014). The collusion also served to inflate the cost of public construction projects by up to 35 percent, according to the Charbonneau Commission. Funds from the public contracts were diverted to corrupt bureaucrats, and a political party named Union Montreal (Kelly, 2014). Three percent of city contracts' value went through a middleman to Mayor Tremblay's Union Montréal party and the other one percent was considered "tax" by the city engineer who drew up the public-works contracts. Also, smaller percentages and gifts were sent to municipal bureaucrats according to Zambito.

Funds from the public contracts were also diverted to members of the Rizzuto Mafia family in Montreal who brokered deals on who would win construction contracts and then took a cut from the winning contractor. According to Zambito, "everyone from building suppliers on up were aware of the system ... people knew about it at the city. The business people knew about it. The suppliers knew it" (Banerjee, 2012). As a result of this collusion, Montreal was already a closed-market system when his company tried to bid on public construction contracts (Banerjee, 2012).

This section details the findings of research examining the criminal-private-sector-corruption in Montreal's public-sector construction contract tendering process. The analysis of the Montreal construction scandal can potentially contribute to a greater understanding of the causes and nature of corruption within Quebec. This case study can also help nurture a better understanding of the role of organized crime (and more specifically the Montreal Mafia) in this corruption by gathering relevant empirical evidence (from the Charbonneau commission and other sources) and by applying the afore-mentioned analytical frameworks.

With the current case under study, criminal activity was found in all phases of the construction industry within Montreal; engaged in by private and public workers alike. Extensive extortion was used against builders and contractors. The Charbonneau Commission officials also expressed amazement at the extent of collusive agreements among contractors and suppliers, and documented racketeers using their control over construction companies to extort large payments from builders and contractors by threatening to withhold labour unless payments were made. The similarity between these conditions and the conditions presented in the literature on New York City's construction industry shows how deeply rooted corruption and the construction industry's crime problems are within North America.

In order to fully understand the link between organized crime and private-sector corruption in Quebec, it is important to first discuss the key issues of the case, most notably the private sector corruption and the role of the mafia in this corruption. According to the testimony before the Commission, four main types of infiltration by organized crime were observed in Quebec during the years covered by the Commission's mandate: (1) infiltration of companies and industry sectors; (2) control of territories; (3) the provision of mediation and intimidation services; and (4) access to a trade union's investment capital (Charbonneau Commission, 2015). The vulnerabilities of the construction industry will also be described to explain how organized crime infiltrated the industry.

3.1.1 Key Findings (Overview on Private Sector Corruption)

The Commission uncovered numerous cases of private sector corruption, particularly in Montréal, Laval and Montréal's North Shore. The testimony also revealed instances

where an engineering firm provided privileged information to a contractor so that it could win a tender by bidding low, but then increase its profits with claims for extras made possible by “unbalancing the statement,” where the quantities entered in the statements are simultaneously underestimated and overestimated (Charbonneau Commission, 2015). This example is also known as bid rigging. The Charbonneau Commission (2015, **page number**) describe the various ways in which bid rigging can take place:

The company chosen to win the bid solicitation notifies the complicit companies of the amount above which they must bid. These complicit companies then submit bids of convenience, i.e., bids that cannot win the contract because they will not be the lowest. They may also submit bids that are not compliant with the specifications or requirements of the public contracting authority. It is obvious here that tendering processes whose award criterion is based on the lowest compliant tender produce readily foreseeable results that can be easily manipulated by a group of colluding companies. The mafia members can also refrain from responding to a call for tenders, leaving the way open for their previously designated accomplice. The company chosen to win the contract compensates those that withdraw from the tendering process or submit bids of convenience by offering them subcontracts, supply contracts, or money. Members of the mafia can also share the market (by type of work, customer, or geographical area) and agree not to bid, at least competitively, in the markets assigned to other mafia partners. This is a case of “to each his market,” with competition reduced to a minimum.

To organize bid rigging, the colluding companies must obviously have reached an agreement beforehand. The schemes relate to the communications between the members of a collusion system: secret meetings and coded messages to inform the accomplices of the threshold above which they must tender. The frequency of communications depends on the type of arrangement between the colluders. In systems based on territory sharing, communications may become less frequent once the ground rules have been established; a tacit understanding between the partners perpetuates the collusion system. Systems based on a distribution of market share involve more frequent exchanges, however. In the case of one-time agreements, the actor wishing to organize the bid-rigging must know the

identity of the competitors interested in bidding on a given contract (Charbonneau Commission, 2015, p xx).

The second type of scheme is aimed at closing the market. To prevent one or more companies outside the mafia from participating in a call to tenders, and thus jeopardizing the effectiveness of the collusion agreement, colluders must resort to schemes designed to eliminate or discourage competition. Other possibilities include a member of the mafia who has a commercial relationship with a competitor refusing to sell that company the materials (or lease the equipment) it needs for its bid or offering them at an exorbitant price, leaving the competitor either unable to submit a bid or unable to bid at a competitive price. Meanwhile, the mafia member sells the same product at a discount to his accomplices (Charbonneau Commission, 2015).

3.1.1.1 Infiltration of companies and industry sectors

The mafia enters construction industry markets mainly by taking over existing companies. These takeovers may occur when companies in difficulty turn to “alternative” financing sources that are controlled by criminal groups.

Testimony revealed that a heavily indebted land decontamination company fell under the control of individuals linked to the mafia. These individuals targeted a family business that needed capital to upgrade its equipment. Realizing that he was losing control of his business, the owner attempted to reject the Rizzuto representative. He then became the victim of threats, intimidation, theft, and mischief. The same individual infiltrated another masonry company by demanding commissions of 5% and then 10% of the value of contracts. Through his union contacts, he obtained competency cards that he

subsequently sold to employees. He convinced the owner to buy a competitor's business with cash. His aim was to create a mafia in the masonry industry (Charbonneau Commission, 2015).

3.1.1.2 Control of territories

Territorial control or control of an industry is an essential element in business racketeering. The desire to exercise greater control over a territory and its economic activities may therefore be one of the motivations of organized crime to infiltrate the construction industry (Charbonneau Commission, 2015). The testimony revealed two cases of criminal individuals who sought to control a sector of the construction industry in a certain territory, notably through intimidation, including acts of violence.

At the end of the 2000s, the owner of two construction companies in the Abitibi region operated with the consent of the Rizzuto's and used intimidation and violence to eliminate competing companies. One competitor was unable to complete a paving job at Val-d'Or because the criminal contractor had threatened its suppliers. The latter also burned the building and garage of a second paving company to prevent it from completing a contract. Around 2010, the head of a criminal network based in the Eastern Townships owned a company specializing in the installation of culverts. To remove his competitors, he asked accomplices to burn down pipe suppliers. A company that suffered nearly \$1 million in damages saw its insurance premiums rise sharply. For several months, no competing company dared to bid on the same tenders as the criminal contractor (Charbonneau Commission, 2015).

3.1.1.3 Mediation and intimidation services

Organized crime also infiltrated the construction industry by offering certain services to companies that were participating in illicit agreements. These services mainly involved resolving disputes between members of a collusion system or maintaining collusion by intimidating outside firms seeking access to a market. A clear example of this was when contractors paid a 2.5% *pizzo* on contracts obtained from the City to a mafia-type criminal organization (Charbonneau Commission 2015). Participants obviously made use of such intermediaries to avoid incriminating themselves by appealing to the police or the justice system to arbitrate disputes linked to illegal collusion (Charbonneau Commission, 2015).

The RCMP's Operation Colisée (police operation that specifically investigated the Montreal Mafia) found that several construction contractors frequented a social club that was the headquarters of the Sicilian Rizzuto clan. Sixty-four-year-old construction executive Nicolo Milioto (founding member of Mivela construction) and known as "Mr. sidewalk", made frequent cash payments there. Milioto was picked up by RCMP cameras visiting the Consenza Social Club 236 times in two years. Considered a close friend of the mafia, this individual used intimidation to remove businesses from the sidewalk market, which was limited in Montréal to a small group of entrepreneurs from Sicily. Milioto stated the following in his testimony: "I'm not a member of organized crime, I'm a member of a company, Mivela construction, that I founded...to make a life for my family. Because I did a favor for someone you suggest is the head of the Mafia, you've brought down 45 years of work I did for my family". (). Milioto denied testimony that he was responsible for collecting a 2.5 percent "tax" payable to the Mob from Montreal-area construction entrepreneurs who won city contracts. Milioto

explained the following in his testimony: “You suggest that I’m a member of the Mafia. It never crossed my mind. A member of the Mafia doesn’t work 70 hours a week. I’ve worked two jobs to provide for my family. I am not a part of organized crime”. ()

Milioto's name has come up in the testimony of numerous witnesses who have appeared before the commission. The RCMP described Milioto as the intermediary between the industry and organized crime. Milioto admitted to taking money from Zambito and delivering it to Nicolo Rizzuto Sr., but claims he was simply making a delivery and didn't know what the money was for. Milioto has also admitted to having friendships with the Rizzuto family, who hail from the same small village in Sicily where he was born. He told the commission that he had no business dealings with the Mob, but he had received a loan from Rizzuto Sr. because it was easier than going to the bank. Milioto’s testimony reveals this information in more detail: "I don’t pay interest. That could be a reason. It’s easier," (). Milioto stated this as he was questioned on why he shoved a stack of cash into his sock after it was handed to him by Rizzuto Sr. This incident was caught on video by police surveillance during Operation Colisee. Milioto advised he brought cash to the Cosenza, but said it was only for one of two reasons: He was delivering it for Zambito or it was cash collected for a social club. A video was presented to Milioto that revealed him taking cash from Rizzuto. Milioto explained this by stating the following: “Mr. Rizzuto could have asked me to do him a favor and gave me \$100 or \$200 It’s possible he gave it to me to do an errand — buy something for him. I don’t remember why he gave me money. Was it the time he loaned me money? I don’t remember” ().Milioto later changed his testimony and advised the commission that the money may have been given to him for the construction of his house or for the

marriage of his daughter. However, he later admitted that the timing of these events did not line up with the date of the video recording, which was December 24, 2004. Milioto went on to explain that it could have possibly been a loan. Commission prosecutor Sonia LeBel questioned Milioto on this: “Instead of going to a bank, you went to see Mr. Rizzuto, known godfather of the Montreal Mafia, at the Consenza which is their meeting place, to borrow \$25,000 and put it in your socks, is that right?” ().Milioto defended himself by stating that he couldn’t remember what happened exactly as it had taken place 8 years ago (at that time). When asked further about his dealings with the Mafia, Milioto stated the following: “I have no idea what the Mafia is," Milioto said. "Is it someone who kills? Someone who steals? Someone who traffics drugs? I don’t know” ().Milioto’s vague responses have elicited some heated exchanges between the witness and Commission prosecutor Sonia LeBel. The following is an exchange between the two:

You don’t talk about business with Mr. Rizzuto. You don’t know what he does for a living. You don’t know how he makes his money. You don’t know why Mr. Zambito was giving him money. You don’t know why Mr. Zambito had to ... you don’t know what the Mafia is. The ‘pizzo’ is an urban legend as far as you’re concerned. You can borrow from the bank. You don’t talk about anything when you’re playing cards, but you trust him enough to borrow \$25,000. You are president of a company that does [\$8] million in business but you want to save a couple bucks in interest, is that what we’re to understand? (LeBel, 2012.)

Milioto responded by simply stating the following: “You’re sitting down. The money’s there. You ask, ‘Can you loan me \$25,000 for two or three months?’ It’s like a favor. You see, I did a lot of favors for them, errands and things” ().

Testimonies also revealed that Francesco Del Baso (lieutenant of the Rizzuto crime family) made threatening calls to Martin Carrier (the head of a company that works on tiles, marble, granite, and ceramics for commercial buildings in Québec City) to

discourage him from bidding on a tender in the Montréal ceramics sector (Charbonneau Commission, 2015). Carrier bid on and won a lucrative contract at a Montreal university in 2003 that a Montreal-based competitor, Francesco Bruno, had expected to win as part of a small circle of construction firms that rigged government contracts with the oversight of the Mafia. The contract was awarded to Carrier's firm in mid-January 2004. A few days later, while driving his daughter to a guitar lesson on a Saturday morning, his mobile telephone rang. The caller would not identify himself but stated the following: "We would like it if you don't come here (Montreal) anymore to work," he told Carrier. "The next time you won't be leaving." Carrier would learn only in 2006 after a major anti-Mafia operation that the caller was Francesco Del Balso. The Montreal Mafia told an investigator for the Charbonneau corruption inquiry that the phone call was made on orders from Nicolo Rizzuto Sr. Del Balso called again a month later in what Carrier described as a brief, one-sided conversation: "You didn't listen. You were warned. It's over," Carrier was told. Carrier continued with his profession after this and still bid on contracts. Eventually, Carrier ended up receiving a terrifying piece of correspondence at his office: a pink envelope with a card inside. It was a condolence card. Written inside was an unsigned message: "Dear friend, if you continue to bid (on contracts) in Montreal, this is the kind of card that we will be sending to your family."

Giuseppe Borsellino testified that he was severely beaten by three men in 2009. When asked why he thought this beating occurred, Borsellino believed it was related to a construction project or unpaid debts. Borsellino admitted he did not report the attack to the police. Prosecutor Simon Tremblay offered two theories as to why this beating may have taken place: One was that Borsellino's actions might have forced a top official in

the city's public works department to resign when it was learned that Borsellino had paid the official's way to Italy. The second theory was that Borsellino didn't pick Raynald Desjardin's (top associate of Rizzuto family) construction firm, Energie Carboneutre, for decontamination work at one of the construction sites. Borsellino did not elaborate on the beating any farther but did admit he had once been a political contributor. However, he claims he halted his donations in the late 2000s. When asked on this, Borsellino explained: "It was not ethical" ().

The Rizzuto clan also had close relationships with several contractors active in the residential construction industry. It provided mediation services between contractors involved in the project to convert a building in Old Montréal into luxury condominiums. The mafia also had links with the head of one of the largest groups of construction companies in Quebec. Vito Rizzuto and his son Nick frequented this individual's restaurant in Laval and contacted him via intermediaries, in an apparent effort to outwit police surveillance. RCMP investigators witnessed this corporate leader hug the head of the Montréal mafia. One contractor reported that Vito Rizzuto mediated a dispute over a collusion agreement for the Acadie roundabout contract (Charbonneau Commission, 2015).

3.1.1.4 Access to a trade union's investment capital

The Charbonneau Commission attempted to investigate the social links between FTQ officials and Vito Rizzuto by questioning Ken Pereira (union boss of FTQ construction). With six hundred thousand members and billions of dollars' worth of investments in Solidarity Fund, the FTQ was Quebec's largest labour federation and a major player in the province's construction world. At the time of the inquiry, Quebec had a unionization

rate of 39.9 percent, compared with 31.5 percent for Canada as a whole. The rate was 27 percent in Britain and 12 percent in the USA. The significance of this is that there were plenty of dues to collect and invest into in Quebec (Edwards & Nicaso, 2015). Several individuals linked to the mafia sought to infiltrate the construction industry by obtaining access to the investment funds of the Solidarity Fund and its real estate arm (SOLIM). To do so, they established a relationship with the general manager of FTQ-Construction (Jean Lavalee), whom they asked to pressure his colleagues to fund some of their projects (a land decontamination company, properties including a strip club, a hotel tableware company, and a marina. The electricians' retirement fund run by the president of the FTQ-Construction also invested in the construction of a residential building in which all units were purchased by members of the Montréal mafia, union leaders and a major construction contractor (Charbonneau Commission, 2015).

The testimony given by Ken Pereira revealed that a prominent Montréal mafia figure known as Jocelyn Dupuis introduced himself as the “boss” of the general manager of FTQ-Construction and that he had come up with a plan whereby he and his accomplices would take control of the union by ousting the then-president. In the November 2008 union elections, the director general of FTQ-Construction (Dupuis) called on members of the Hells Angels to ensure that his cohorts (Dupuis-backed candidates) won all the leadership positions. Dupuis built a relationship with the Hells Angels by rebuilding the Chambly strip club after it was burned down. The Chambly strip club was owned by a Hells Angels associate. Dupuis was then spotted at Hells Angels' wet t-shirt parties and socialized with Normand (Casper) Ouimet of the Hells Angels' Trois-Rivieres chapter. The goal in those elections was to gain access to the

boards of directors of the Solidarity Fund and its real estate arm. This resulted in a rival candidate quitting the race after a show of force by the Hells Angels (Charbonneau Commission, 2015). Pereira went on to state that Dupuis was very open about his social connections. On Dupuis's wall was a photo of union organizer Giovanni Bertolo, who was a former drug trafficker for Vito Rizzuto. Pereira was eventually able to break into an FTQ accountant's office and took six months' worth of expenses filed by Dupuis. Pereira stated he was offered a Mercedes for his silence, but he declined (Charbonneau Commission, 2015).

Vulnerabilities of Construction Sector

Several hypotheses have been put forward to explain the vulnerability of the construction industry to organized crime. The Charbonneau Commission revealed the weaknesses exploited by some bidders to manipulate the public contract awarding process. These vulnerabilities are as follows: (i) size of the industry, (ii) required skill needed to become involved, (iii) difficulty to detect, (iv) financial vulnerability, and (v) natural susceptibility to violence.

The size of the industry makes it an attractive target. In 2013, in Quebec alone approximately \$48 billion was spent on public and private construction contracts. Public contracts valued at more than \$7 billion are awarded annually through competitive bidding. This does not include smaller contracts awarded by mutual agreement. According to Mike Amato, an officer with the York Regional Police Criminal Intelligence Service, criminal organizations have clearly understood the potential for enrichment represented by public contracts (Charbonneau Commission, 2015).

Some types of construction work do not require a skilled workforce or the use of advanced technologies, and this facilitates penetration by organized crime. The Commission observed that the influence of persons linked to organized crime is more evident in low-skill industries such as sidewalk construction (Montréal), paving (Abitibi) and the installation of culverts (Eastern Townships), than in sectors requiring more in-depth knowledge, such as engineering. According to a police census conducted in 2010, 75% of Hells Angels members owned companies in industries that did not require advanced expertise, including construction (Charbonneau Commission, 2015).

Given the nature of the industry, it may be difficult for public authorities to identify the presence of organized crime. The Régie du bâtiment du Québec (RBQ) is a key player in this respect, since the licenses it administers are “the gateway to the legal economy in the construction industry” and a bulwark against the infiltration of organized crime. In 2013, there were more than 40,000 holders of licenses issued by the RBQ. The *Building Act* authorizes the RBQ to refuse to issue a license, or to suspend or cancel a license, if it finds that the licensee is lending his name to another person. Detecting the presence of front men among tens of thousands of licensees is not an easy task, however. This offence does not carry personal penalties for the individuals who act as front men, or for those who benefit from the scheme. Huguette Labelle and Paul Lalonde, representatives of Transparency International Canada, noted that it is often difficult to identify the actual owners of businesses, whether they are in Canada or elsewhere. Organized crime takes advantage of this situation, and companies may fall under its control without the knowledge of authorities. For example, the environment department analyst responsible for the file of a company specializing in the rehabilitation of

contaminated lands was unaware of the existence of an operating agreement between that company and another one owned by individuals close to the mafia (Charbonneau Commission, 2015).

Construction firms that sometimes have difficulty borrowing money from traditional financial institutions may be tempted to obtain the funds they need more quickly by contacting members of organized crime. The latter often have access to parallel networks, private lenders or non-bank financial institutions. In addition, they can afford to grant or guarantee riskier loans, since they have ways to ensure repayment beyond what is provided for by law. They are therefore able to offer entrepreneurs financing services, which can be an attractive factor in the industry. An example of this phenomenon was presented during the Commission's hearings regarding a project to convert a derelict warehouse in Old Montréal into a luxury residential building. After filing a proposal under the *Bankruptcy and Insolvency Act* and an application under the *Companies' Creditors Arrangement Act*, the contractor and the developer received help from the Rizzuto clan. The mafia godfather used his network of contacts to find new sources of funding. Members of his family made excellent profits in return. The Commission notes furthermore the problem of delays in the payment of contractors' invoices by public contracting authorities. Payment terms can average four months. This creates a lack of liquidity for contractors who, with insufficient financial resources, may be tempted to resort to non-traditional sources of financing (Charbonneau Commission, 2015). Some sectors of the construction industry, such as masonry, include a great many small companies. These companies often do not have permanent premises, their situation is precarious, and they have little financial room to manoeuvre. They are generally more

susceptible to infiltration by organized crime as they have limited assets or security to offer, which considerably impedes their ability to obtain financing. Organized crime can use them to launder money, or simply target them for extortion and intimidation. The Commission found that a member of a mafia-type criminal organization infiltrated two small masonry companies. This individual had little trouble gaining access using threats and gang insignia (Charbonneau Commission, 2015).

Throughout the Commission's hearings, witnesses reported cases of vandalism, theft, arson, bombings, intimidation, threats and physical assaults. When workers leave construction sites at the end of the day, equipment and materials are often left on the premises, which are sometimes located in sparsely populated areas where they are subject to minimal surveillance. All of this makes them vulnerable to vandalism. Permanent facilities, such as offices or warehouses, may also be targeted, as occurred in the case of culvert pipe suppliers in the Eastern Townships that the head of a criminal network tried to force into bankruptcy. The Commission observed that in Val-d'Or, a paving contractor, who was also a highly placed criminal in a narcotics ring, succeeded in restricting competition in the business through violence and intimidation. A member of organized crime who was associated with a decontamination company demanded that a competitor close his business. In the Eastern Townships, a couple of culvert entrepreneurs who were associated with an organized criminal network used arson to force a competitor into bankruptcy. These acts of violence can be effective, at least in the short term. According to one witness, paving prices in Val-d'Or were 30% higher than in a neighbouring town, mainly due to the control of a criminal contractor (Charbonneau Commission, 2015).

To conclude, the vulnerabilities within the construction industry are plentiful. Perhaps the biggest vulnerability was that many of the labourers and business owners in the construction industry were Italian. This made it easy for the Italian mafia to establish connections and relationships with these people because they could relate to their shared cultural backgrounds and experiences.

3.2 Brief Overview of the Italian Mafia in Montreal (The Rizzuto Mafia Family)

The Rizzuto's pursuit for power started with the life of Nicolo Rizzuto (Vito's father). Nicolo's importance to the criminal underworld in Montreal is illustrated below by Edwards & Nicaso (2015, 16):

Nicolo Rizzuto was a semi-literate, one-time South American chicken farmer who had managed to create a government within a government in Montreal. He had pulled himself from a relatively humble birth in Sicily through hard scheming, contacts, travel, innovation, good fortune, risk taking, marriage and murder. Despite running several construction-related companies, and even more politicians and police officers, Nicolo retained a certain common touch. When he collected money in a backroom of the Consenza Social Club in Saint-Leonard, he sometimes tucked a wad of cash into a sock for safekeeping. There, between a cheese shop and a tanning salon, mobsters sipped espresso, settled disputes, and accepted tributes from associates in the underworld and the world of ostensibly legitimate business... Even when things got rough, Nicolo maintained his ability to wink at the world, as though everything was under control. He courted the image of Mafia don and was seldom seen in public without a sweeping Hollywood-style fedora on his bald head.

It was on February 1, 1954, that Nicolo arrived in Canada with Vito at Pier 21 in Halifax. Not long after this, the Montreal city records list had Nicolo's occupation as a "cement contractor" in 1956. By 1958, he was a major player in Montreal's construction world. It is believed this success came because of the corruption and collusion schemes that Nicolo was using. This is illustrated by Edwards & Nicaso (2015, 18):

He ran his own firm yet somehow borrowed \$1,777.50 from a rival contractor, and he won a municipal contract despite not being the low bidder. His company, Grand Royal Asphalt Paving, was involved in bidding with the city of Montreal, winning a contract in January 1962 to make over Parc Masson. His paving firm also worked for the municipalities of Laval, Pierrefonds, and Saint-Leonard. The city of Jacques-Cartier (now part of Longueuil, on the south shore) was considered particularly corrupt, and Nicolo made money there too.

The success of his Grand Royal Asphalt Paving did not appear to line up with the much smaller number of government contracts for projects like sidewalks and sewer repairs in those years. Also, of suspicion, in September 1966, Nicolo and his half-brother Liborio Milioto were officials with Franco Electric Inc., even though records show that they had no background in electric work at all (Edwards & Nicaso, 2015). By 1967, Nicolo was a partner in four construction-related firms and had secured construction work on the Expo 67 world's fair in Montreal. It was through the business that Nicolo eventually became introduced to Paolo Violi and Vic (The Egg) Cotroni (Nicolo's mob counterparts and individuals who were a part of the Calabrian Mafia faction). Nicolo's success continued to rise as he began expanding the members in his clan. Nicolo Rizzuto began sponsoring many Agrigento residents to move to his new city, expanding his financial base too, bringing heroin to Montreal by boat and then transporting it to New York by car. The 1960s was also a time of mass migration out of Sicily's Agrigento province. Nicolo became reacquainted with members of the Cuntrera-Caruana clan, who were originally from Siculiana, just twenty-four kilometers from Cattolica Eraclea (where Nicolo was born and raised). This clan was known as the Siculiana crime family, and Nicolo was sponsoring members to come to Montreal to expand his workforce and empire.

It was through these sponsorships that Nicolo hosted Tommaso Buscetta in 1969. Buscetta was an important Mafia figure as he had helped set up the Sicilian Mafia

Commission, which ruled upon disputes between members. His associates included top-level New York mob figures Charles (Lucky) Luciano and Joe Bonanno (Edwards & Nicaso, 2015). During his time in Montreal, Buscetta picked up on tensions between Nicolo Rizzuto and Paolo Violi. Nicolo advised Buscetta that he had been “called for an appointment” of the Montreal *decina*, a branch of the Bonanno crime family, that was headed by Vic Cotroni and Paolo Violi. Nicolo believed the meeting would be a ploy to murder him. The history between these two individuals is illustrated below by Edwards & Nicaso (2015, 22):

Nicolo and Violi had been rivals in the old *decina* of Vic (The Egg) Cotroni, back when Vic the Egg was the Canadian branch plant manager for the Bonanno family of New York. Nicolo could barely stomach being under Vic Cotroni in the Montreal mob pecking order, and when Cotroni promoted his fellow Calabrian Violi above Rizzuto, Nicolo responded with a haughty grandeur. The prospect of being under two Calabrians was too much to countenance. He didn't just disobey Violi; he refused even to acknowledge his existence. Tensions were so high between Paolo Violi and Nicolo that Giuseppe Settescasi, head of the Agrigento crime family, travelled to Montreal in 1972 to mediate, with no success. Later that year, when Violi could no longer tolerate Nicolo's insolence, he asked the Bonannos for permission to kill him. The Bonannos initially balked, then relented. Wise to the conversation happening behind his back, Nicolo slipped away to Venezuela, where he could bide his time and extend his contacts.

Once Nicolo started settling in Venezuela at the end of 1972, he became involved in the drug trafficking business with the Cuntrera-Caruanas. Nicolo and his associates worked their way into the country's economic and political life, to the point where the American Drug Enforcement Administration intelligence noted that president Carlos Andres Perez attended the wedding of a Cuntrera Caruana clan member (Edwards and Nicaso, 2015). Even though Nicolo was in Venezuela, his criminal empire continued to grow:

It wasn't the product but the profit that mattered, and they also smuggled powdered milk into Venezuela. Importing powdered milk was illegal and profitable, and they seized the opportunity to make extra money. Tommaso Buscetta also spent much

time with Nicolo in Venezuela throughout the 1970s. Police believed the pair was involved together in a business called Brasil Italian Import, which was a front for narcotics trafficking. Perhaps Nicolo's most lucrative business at the time was a cattle-breeding ranch called Granaderia Rio Zapa in the Venezuelan state of Barinas, near the Colombian border. His partners there included Salvatore (Cicchiteddu) Greco, head of the Commission of the Sicilian Cosa Nostra and a close associate of senior members of the Gambino crime family of New York City. Conveniently-especially for cattle ranch-Granaderia Rio Zapa had its own private airstrip (Edwards & Nicaso, 2015, 25).

Nicole stayed in Venezuela for six months and a day at a time, which he thought was long enough to excuse him from having to pay taxes to Canada for the money he was making in Venezuela. Through the Rizzuto's growing criminal enterprise in Venezuela, they were also able to obtain documents from Aruba that stated their money had been legally won in a casino there. Edwards and Nicaso (2015) explain the significance of this: "Aruba was a popular spot for the Mafia, as it was close to the northern shores of Columbia and Venezuela. It also attracted thousands of tourists, who made it easy to get lost in the crowds and profitable to set up businesses such as hotels and casinos to grab the money visitors were all too happy to throw away" (26). It wasn't long after the Rizzuto's became established in Venezuela that Paolo Violi was killed back in Montreal on January 22, 1978. Edwards and Nicaso (2015) highlight the significance of this event... "the evening one of Nicolo's men put a shotgun to the back of Paolo Violi's head. That murder came at 7:32 p.m., a time marked with a floral tribute at Violi's funeral. That pull of the trigger, as Violi sat playing cards with supposed friends at the Reggio Bar at 5880 Jean-in Saint Leonard, marked the culmination of the Violi's feud with Nicolo and the beginning of the Rizzuto family's era at the top level of Canadian organized crime"(27).

The destruction from the Rizzuto family would not end there. Killings ordered by the Rizzutos continued with the slaying of Violi's *consigliere* Pietro (Zio Petrino, "Uncle

Pete”) in 1976. The Rizzutos were still in Venezuela a year later when Violi’s brother Francesco was shot dead in the office of his Montreal import-export business. The last major shot fired in the war between the Rizzutos and the Violis came in 1980, with the sniper slaying of Rocco Violi. With business taken care of, the Rizzutos would make their way back to Montreal and their power would continue to grow with Vito’s increasing involvement with criminal operations.

Vito’s influence in the criminal underworld was assisted early on by a man named Raynald Desjardins (trusted associate of Nicolo). Vito met Desjardins through Nicolo’s contacts. Edwards & Nicaso (2015) explain the relationship the two had: “They had known each other since the early 1970’s, and within a decade Desjardins was like a younger brother to Vito...Back then, Vito and Desjardins brought in literally tonnes of hashish from Lebanon and Spain through Newfoundland and then washed the profits in Swiss banks. For at least a decade, the terms “loyal” and “right-hand man” precisely described Desjardin’s relationship to Vito”

(33).Vito and Desjardins were also partly responsible for what was known as the “Pizza Connection”. Lamothe & Humphreys (2014, 98-99) explain how this helped grow the profits of the Rizzutos and organized crime:

Despite the seemingly interminable delays, the mob had secured Montreal in time to allow the Sicilian expatriate clans on both sides of the U.S.-Canada border to put the final pieces together in what would become the Pizza Connection. This drug-smuggling and distribution enterprise brought in high-quality heroin that had been processed in clandestine laboratories in Sicily. Much of it was channeled through Canada and sent on to New York, where it was distributed through storefront retailers, many of them pizzeria owners for whom the restaurants were legitimate fronts that hid their criminal activity. The billion-dollar Pizza Connection would go on to eclipse the famed heroin rings of the past, including French Connection. And, like its antecedent, it was really a system of intersecting, meandering routes that at once competed and complemented each other.

The end of the Rizzuto-Violi feud brought two major changes that helped Vito grow in the criminal underworld. The first was it helped Vito return to Montreal from Venezuela. The second was an increase in drug activity and profits for Rizzuto (Lamothe & Humphreys, 2014). The above statements are further supported by an internal Canadian police intelligence report from 1990:

After the Paolo Violi murder, the Sicilians took the dominant role in Montreal. The Sicilians quickly and quietly began a large drug importing operation. They transformed the port of Montreal into the gateway to North America for hashish shipments from Pakistan and Lebanon and large heroin shipments from Sicily and Thailand. They sold most of their heroin in New York and New Jersey ().

Desjardins would continue to help Vito by helping him forge ties with the Hells Angels Motorcycle Club and French-Canadian Gangs. Rizzuto would establish many connections with various groups during this time. This is outlined by Lamothe & Humphreys (2014): “If the changing of the guard was slow to manifest itself on the streets of Montreal, it was strikingly evident elsewhere. The Rizzutos were active with major Sicilian Mafiosi, South American drug lords and leading New York gangsters in the years immediately after Violi’s murder. The Sixth family seemed content to concentrate on building its international infrastructure, shoring up its networks and conducting private business until Montreal was formally cleared for them” (100).

More and more people started following Vito after the passing of Violi and Cotroni. The changing dynamics of relationships that Vito helped shape is illustrated below:

With Cotroni’s passing, the Rizzutos’ control over Montreal was complete. The rank-and-file members and associates of the Mafia quickly fell into line, easily flipping their allegiance and answering as smartly and respectfully to the Rizzutos as they had to Cotroni and Violi. Leslie Coleman, for instance, had been a young enforcer for Luigi Greco in the 1950s and was “inherited” by Violi when Greco died. After the deaths of Violi and Cotroni, Coleman was frequently seen flexing

his muscles besides members of the Rizzuto organization. Similarly, Joe DiMauro, who was such a close and personal part of Violi's inner circle that Violi asked him to represent the entire Montreal organization in meetings with the Bonanno leadership in New York, seemed just as content to ply his trade under the Rizzuto banner. Most surprising to many, even the remnants of the Cotroni family bowed to Nick and Vito Rizzuto (Lamothe & Humphreys, 2014, 101).

Desjardins also helped Vito with running vending machine businesses in the 1980s and had made considerable money from this as well as jukeboxes in the 1960s. Income was easy to hide from Revenue Canada, as these operations were cash driven (Edwards & Nicaso, 2015). Vito and Desjardins continued to work together as illustrated by Edwards & Nicaso (2015, 34):

Vito and Desjardins clicked on a business level. In 1984 they were seen together in Milan, organizing the importation of 3.5 tons of hash. Their schemes only got bigger. In 1987 police believed the pair were organizing a 30-tonne shipment...as a team, Vito and Desjardins flooded the country with drugs by air as well as by water. In May 1989, they were behind the flying in of five hundred kilos of cocaine from Columbia. Their ongoing relationship was certainly a profitable one.

Desjardins became the highest-ranking Quebecois in the Montreal mob, but he was still considered an outsider to the Italian Mafia. For all his support given to Vito, he remained a junior partner to Vito. Eventually, the partnership would end with Desjardins taking the fall in a massive cocaine-smuggling plot that sent him to prison for a decade. Despite this, Vito's status continued to rise in the criminal underworld: "Vito simply carried on with a string of new right-hand men, including his childhood friend Valentino Morielli and lawyer Joseph Lagana. Like Desjardins, they eventually went to prison for their dealings with Vito, while Vito kept gliding along. Soon the media was calling Vito "The Teflon Don," a moniker first used for John Gotti, boss of New York's Gambino crime family, back when he seemed impossible to convict" (Edwards & Nicaso, 2015, 35).

Although the Rizzutos were gaining considerable power and influence in the criminal underworld, there were still a few obstacles in the way. Johnny (Pops) Papalia (a prominent mafia figure in Ontario) was shot and killed by a man named Ken Murdock. Papalia was named as a key Canadian under the wing of the Buffalo mob. Less than two months after Papalia's murder on May 31, 1997, his lieutenant Carmen Barillaro was also shot dead by Ken Murdock. Neither killing was directly traced to Vito. Vito's role and relationship to the murderers is explained in the following manner: "In the late nineties, Vito was seeking to cut links to the American La Cosa Nostra and create a Canadian-Based Mafia that was no longer an appendix of the US organization. On October 22, 1997, four months after the Papalia murder, Vito met with fifteen men he considered loyalists in a Woodbridge restaurant, including Murdock's one-time boss, Passquale (Pat) Musitano of Hamilton" (Edwards & Nicaso, 2015, 105). Musitano and his younger brother Angelo were charged with two counts each of first-degree murder for the Papalia and Barillaro hits. Vito's name was left out of the court proceedings. Other bodes that fell dead in Ontario included Papalia's close friend Enio Mora of Toronto. These deaths opened more opportunities for Vito to do business in Ontario. This statement is explained by Edwards & Nicaso (2015): "The removal from the scene of Papalia, Barillaro and Mora certainly helped Vito create more space for his own independent crime family in Canada, free from the stumbling Bonanno family of New York. While politicians in Vito's home province talked for generations about separation from English-speaking Canada, Vito was making his own version of Quebec independence a reality, except he wanted to take Ontario with him. And the Bonannos were in no position to resist his inter-provincial power play" (105).

Because of the actions described above, Vito called a meeting at a north Toronto restaurant in January of 2001. Invited guests included a broad cross-section of Mafia groups, including members of the Ndrangheta (Toronto based clans of the Calabrian Mafia), the Gambino crime family, the Buffalo mob and local Sicilian mobsters. This meeting was utilized to further criminal operations and showcased the mediator/brokerage role that Vito always took on:

Vito recognized a power vacuum in the Toronto area, and he was going to fill it with help from associates. He had clearly broken away from the Bonanno crime family and wanted to go from being a strong player in Ontario to the province's dominant force. It went without saying that no one person at the table had to the power to stop him. Vito pushed into Ontario, setting up an ecstasy ring in the Toronto, Mississauga, Bolton and Barrie areas and hydroponic marijuana grow operation on a farm outside Barrie. At the same time, Vito oversaw the formation of a high-tech gambling ring that worked through video rental stores, bookies with portable computers and gas stations and took in some two hundred million dollars' worth of sports bets per year in Hamilton, Ottawa, the GTA and Montreal for wagering on professional football, basketball and hockey, US college sports and horse racing (Edwards & Nicaso, 2015, 111).

The above events and criminal operations described helped Vito become a prominent figure in the world of organized crime. Vito helped orchestrate the shipment and reception of narcotics that would bring considerable profit to the Rizzutos. It was through Vito's connections and his role as a broker that helped him infiltrate organized crime across Canada and the United States.

3.3. The Italian Mafia's Role in Corruption

The Montreal Mafia did not have to invest much in construction and real-estate deals.

Nonetheless, it gained a significant profit by the time the projects were completed.

The Charbonneau Commission has been investigating the power and role of the Mafia in the major real-estate deals and the role-played by Mafia boss Vito Rizzuto. Vito Rizzuto

was in jail for much of the era covered by the inquiry. There are no concrete accounts of him ever taking a cut of construction companies' profits. However, his late father, Nick Sr., was repeatedly seen on police surveillance video, rubbing elbows with certain construction contractors, counting cash, and stuffing the money in his socks. His son, Nick Jr., worked in the construction industry before he was gunned down in 2009. An inquiry investigator testified about organized crime activities regarding the construction industry in Montreal. The industry was considered a low-risk investment that reaped a significant reward. Eric Vecchio, a Montreal police officer, claimed Rizzuto and other mobsters were never front-line players with a direct financial stake. Rather, the Rizzuto's stayed on the sidelines, acting as consultants and deal-brokers while they picked up a piece of the profits. "Organized crime (takes) a profit from the construction industry," Vecchio said. "In the end, they don't really get involved, they don't invest any of their own money, but they take away a consultant's or arbiter's fee" (Banerjee, 2014, *The Toronto Star*, p.1).

The Charbonneau Commission inquiry uncovered more information on the corruption case when testimonies revealed that Gilles Surprenant (the city engineer for Montreal) obtained a one percent cut from construction companies on the value of the contracts for his bid-rigging services. Another 2 and a half percent went to the Mafia and 3 percent to the Union Montreal party. Surprenant himself oversaw the project budgets, and as Lino Zambito testified, the price tags grew over the years. After Surprenant had drawn up a contract, contractors would meet him to settle their accounts with cash in envelopes. Zambito estimated he had paid the now-retired Gilles Surprenant between one and two hundred thousand dollars over the course of eight to ten years. Entrepreneurs

would also bill the city for bogus “extras” once they had already begun to carry out their work. The money reimbursed for the phony extras would then be carved up, with 75 percent going into the pockets of the entrepreneur and 25 percent to a now-retired city engineer (Peritz, 2012, *The Globe and Mail*). Zambito also testified he took the two city officials on an all-expenses-paid golf vacation to Puerto Vallarta, Mexico, in 2002, after the two pressured him to do so. According to Zambito, Montreal city hall showed “willful blindness” to the apparent corruption. However, once the Liberal government set up the anti-corruption police squad known as *Operation Hammer* in 2009, he noticed that several functionaries at city hall decided to go on retirement (Peritz, 2012, *Globe and Mail*). Surprenant defended himself in his testimony by stating the following:

I am not a villain. I am a bureaucrat who was corrupted. No one at the City of Montreal wanted a system like this. There was an established system and I was caught up in it. Corruption was an “open secret” at work, and one that no one seemed eager to stop. There was no initiative from our superiors to correct the situation...and no initiative on the part of {Montreal’s} executive committee ().

Overall, Surprenant pocketed about \$706,000 in kickbacks between 2000 and 2008, plus another \$25,000 under the table between 1995 and 2000 in the form of handouts from entrepreneurs (Edwards & Nicaso, 2015).

Giuseppe Borsellino was also another key witness in the inquiry as he was president of Garnier Construction. Borsellino’s company had won millions of dollars in public infrastructure contracts. Borsellino supported the claims made by Zambito by stating that Gilles Surprenant (city works engineer) was the prime mover of the corruption. Borsellino argued that the contractors were the victims and not the orchestrators of the corruption. The inquiry heard that Borsellino and two other major construction bosses had to pay the city thousands of dollars in cash from the 1990s on for

what Borsellino described as “tips” (Edwards & Nicaso, 2015). Borsellino went on to state the following: “What I didn’t like is the power that those people {at the city} had acquired. It became apparent that {the contractors} were in a system we couldn’t get out of” (). Justice Charbonneau responded to this testimony by stating: “There are limits to my credulity. So, you’re telling me the great mastermind behind all of this was Gilles Surprenant, when he was thirty years old?” (). Borsellino replied to this by stating: “Yes” (). Borsellino continued to defend his position when stating he had never had any business dealings with anyone associated with organized crime: “I’d rather hand over the keys to my business than pay the Mafia. My parents came from Sicily. {The Mafia} is something you hear about; you feel...it’s never clear” ().

3.4. Conclusion

To conclude, Vito Rizzuto was never directly linked to any of the criminal-private-sector-corruption that has been discussed throughout the case. However, he has been linked to his associates (construction entrepreneurs and city officials) through testimonies given throughout the inquiry. Vito Rizzuto, the godfather of the Montréal mafia, offered his services as a mediator with the view of benefitting himself. He had a certain aura about him, which enabled him to ensure that everyone followed his directions. As investigator Éric Vecchio described it, “Mr. Rizzuto sells his credibility to make deals, sells the possibility of finding a resolution to the dispute.” On learning of the likelihood of a \$115-million suit against property developers, Rizzuto spontaneously inquired of his contacts whether he shouldn’t offer his services as arbitrator in the dispute. Furthermore, “this is tangible proof ... that organized crime takes the biggest cut when there is a dispute, and not when things are going well. Organized crime infiltrates situations that

are litigious.” (45) (Charbonneau Commission, 2015). Vito Rizzuto used his influence and social connections to persuade city officials to do his bidding and rig construction contracts to profit the mafia. This was seen most prominently when Vito’s lieutenant (Del Baso) made threats towards construction entrepreneurs to stop bidding on contracts. It was also seen when the Rizzuto’s had Jocelyn Dupuis work with the Hells Angels to attempt to overthrow FTQ leadership in favour of somebody who would support the bidding of the Rizzuto family. Although Vito was not directly implicated in the case, it is clear from the evidence above that Vito acted as a broker/patron to the criminal-private-sector-corruption within the construction industry. More on this topic will be discussed below.

CHAPTER 4: THEORETICAL FRAMEWORK

In order to better understand the CPSC at the heart of the corrupt public works construction contract tendering process in Montreal, and the roles played by Mafia members, this thesis will draw on the work of Carlo Morselli and his criminal network analysis framework (Morselli, 2009) as well as Joseph Albin’s patron-client model (Albin, 1971). Together, the two theoretical models can help explain the emergence and persistence of CPSC in the Montreal case study by analyzing the role of organized crime and a traditional Mafia family in particular, in perpetuating this bid-rigging conspiracy by examining the brokerage and patron role played by Vito Rizzuto and other members of the Mafia within the context of a criminal network.

The two theoretical frameworks are applied to this case study to understand the bid-rigging conspiracy as a criminal network and the brokerage and patron roles played by members of the Montreal Mafia and Vito Rizzuto specifically. This thesis argues that Vito Rizzuto envisioned his role of the Mafioso in very traditional terms – as a broker

and a patron within a criminal network, which was on full display in his role in the bid-rigging conspiracy and influence in the construction and real estate development sectors specifically. The two models are compatible because they both view Italian organized crime as a networked or syndicated organizational structure.

Morselli's Criminal Network Analysis and the Role of the Broker

Morselli examines specific organized crime conspiracies (e.g., organized auto theft by the Hells Angels) as a criminal network (Morselli, 2009). Central to these networks are "brokers" who brings all the major players together. Morselli's network model views organized crime as a dynamic business-like process as opposed to a static, hierarchical structure. In recent years scholars have been discovering that organized crime consists of diverse networked structures that are flexible and adaptable. This includes not only chronic and serious criminals, but also various professionals (e.g., lawyers, accountants, airport officials, maritime port workers, politicians) that assist with specific functions within this network. It is these actors who facilitate the criminal actions of the more central participants in the network (Morselli, 2010; Abadinsky, 2007).

An important development regarding organized crime has been the emergence of criminal networks that have abandoned all traditional restrictions on memberships, such as ethnicity or nationality. Various scholars have supported this information, including the following: Schneider (2017), Albanese (2015), Kleemans (2014), Bielopera and Finklea (2012), and Hignett (2012). Now, the only criterion for an individual who wants to join the criminal network is the ability to contribute to the accumulation of profits (Schneider, 2009). The following statements made by the Criminal Intelligence Service Canada (CISC) supports this point:

Law enforcement is identifying crime groups that are based on temporary alliances of individual criminals who merge their particular skills to better achieve success in specific criminal enterprises. Once a specific criminal venture is completed, these individuals may continue to collaborate on further criminal activities, or the group may dissolve. Although the individuals may go their separate ways, they sometimes reform into new groups based on the skill requirements of new criminal opportunities. The nature and success of such networks are largely determined by individual characteristics and skills among those who act as their component parts (Criminal Intelligence Service Canada, 2006, 6).

Where critical skills are necessary to facilitate criminal activities are absent within a criminal group, skilled outsiders are recruited or exploited to provide this service. The individual may be considered an outside contractor or part of the criminal network (Criminal Intelligence Service Canada, 2009, 13).

Criminologist James Finckenauer (2005, 65) writes that most contemporary organized crime conspiracies are “loosely affiliated networks of criminals who coalesce around certain criminal opportunities. The structure of these groups is much more amorphous, free floating and flatter, and thus lacking in a rigid hierarchy.”

Schneider (2017, 139) summarizes the basis of the network model:

The network model does not view organized crime as made up of monolithic hierarchically structured organizations or kinship-based clans, but as a loosely knit, fluid network of like-minded criminal entrepreneurs, none of whom has any long-term authority over others. A network model of organized crime views the patterns of relationship among the offenders as symmetrical business partnerships based on complementary areas of specialization that contribute to one particular deal or a series of ongoing criminal conspiracies. In a network, the structure of the relationship among the offenders is not defined by power, but by the particular function that the individual performs in the criminal conspiracy and/or by a financial investment made by a “business partner” in that venture.

As organized crime involves multiple actors and is often loosely structured, including many small networks (Morselli, 2010), network analysis is a useful tool for determining the structure of organized criminal conspiracies. Network analysis can be beneficial in explaining how various offenders could be a part of the same criminal organization but may never actually meet.

Morselli's network analysis offers a rigorous analytical framework to identify and analyze the structure of organized criminal conspiracies and includes many concepts and measures that can be applied to various organized criminal settings. "Network analysis" integrates direct and indirect criminal contacts and includes facilitators of crime and not just the orchestrators of criminal operations (Morselli, 2010). This means that the framework takes an analytical look at each person within a network on every level and not just the top position. Everyone from low-level associates loosely linked to criminal operations, all the way to the family mob boss, is considered for relevance within network analysis. More importantly, network analysis looks at how connections are formed between associates and the important role that central figures – called "brokers" – play within a criminal network.

Bouchard & Morselli (2014, 297) sum up the network model as follows: "In short, organized crime (or a criminal market) is largely a resource pooling process that is built around individuals who are connected (or socially embedded) with each other in various ways beyond co-membership in a criminal organization."

Just because a network is built around being flexible and lacks formal organization does not mean that the network cannot be centralized around specific individuals. The extent to which a network revolves around one or a small group of individuals has been consistently the first step in most social network analyses (Morselli, 2009). As mentioned, Morselli views the so-called broker as being central to organized criminal networks. For Morselli, a broker is an individual (or small group of individuals) whose role is to become the core of a network. This individual or individuals often identify others that are to take part in the conspiracy (based on their skills, resources or connections), connect those in the network, and provides direction to those in the

network. Because a criminal network is not hierarchical, the broker is not necessarily the head or leader; instead one can use such analogies as the glue that holds everyone and everything together or the hub to which all spokes in the wheel are connected at the centre.

Morselli's (2010, 16) notion of the 'broker' is not just restricted to criminal networks but are central to many types of organizations:

There is growing evidence in research on legitimate organizations that key players do not maintain authoritative roles, but brokerage positions that bring flexibility, integration, and creativity to the ensemble of an organization and that benefits the individuals occupying such positions (16).

A broker is positioned between disconnected others within a network. These disconnected others may occupy different hierarchical roles within an organization or they may be members of different organizations that come together for a given operation (16).

Morselli (2009, 16) goes on to explain how brokers benefit from their position within a network and how they benefit others in that network:

People in such a position maintain a competitive edge because they control the information asymmetries that make up entrepreneurial networks. Participants on either side of the brokerage position rely on the broker for indirect access to resources beyond their reach. The broker is pivotal within such a social configuration and profits from the reliance of others. In turn, the group that emerges around the broker benefits overall because the broker extends the collective venture to wider reaches and a greater variety of opportunities. Thus, brokerage positioning is capital for both the collective and participants occupying such positions.

Morselli and Roy's (2008) research into an organized auto theft ("ringing") conspiracy in Montreal emphasizes the role and importance of the broker to criminal networks. Morselli and Roy (2008) concluded that the "ringing" operation was a loosely structured network. The data they drew upon came from a law enforcement task force in Quebec that was in operation between 1993 and 2005 and which targeted stolen cars that

were resold domestically or exported through the Port of Montreal for resale in other countries. The study divided the crime's organization into five stages: (i) the theft of the vehicle, (ii) storing (concealing) the stolen vehicle, (iii) physically modifying the vehicle, (iv) forging vehicle registration numbers and forms, and (v) exporting or reselling the vehicles domestically. Morselli and Roy (2008, 91) summarize the findings of the study:

Within each of these phases, numerous individuals were involved as part of the larger network, all of whom operated more-or-less as independent contractors (professionals and amateurs) applying their particular expertise and available resources. The thieves who stole the cars were separate from those who modified the vehicles, who in turn were detached from individuals who obtained blank vehicle registration forms from the registration bureau of Quebec. The forms were subsequently completed (fraudulently) by other individuals while another group took care of dispatching the vehicles to foreign and local buyers.

This study shows that even though the network model is decentralized, it has a centralized component that is essential for the network to function. This central component is that of the broker. The brokers identified in this study connected the various components and participants in the criminal ringing network. Morselli and Roy (2008, 91) explain the significance of the broker in this study. "The stolen-vehicle ringing operations studied here were centralized and resilient because they contained brokerage features that increased the degree of flexibility for achieving the collective goal. Removing the main brokers would have decreased this flexibility to the extent that each crime script no longer would be functional." Examining criminal operations from a network perspective allows for the management of complex investigative data containing plenty of individuals, events, and countless interactions, while also providing the visual and analytical tactics that lead to an evidence-based understanding of the overall structure of a criminal network and the positioning of a variety of key participants within that network. The case study above showed that criminal networks are generally shaped

for flexibility, making them resilient to law-enforcement targeting and intervention (Morselli, 2009).

Morselli's work has not been applied to business racketeering or CPSC. However, case studies of criminal networks by Morselli have demonstrated the framework's applicability to different types of group or inter-group interactions within illegal markets and organized crime. Likewise, this analytical model can potentially contribute to a better understanding of CPSC, and, less broadly, the Quebec case study, by (i) examining the bid-rigging conspiracy and those involved as a criminal network and (ii) addressing the question of the extent to which the Montreal Mafia members – and Vito Rizzuto– played the role of the broker in this network as conceptualized by Morselli.

Albini's Patron-Client Model and the Role of the Patron **4.2.4 Morselli and the notion of 'Flexible Order'**

The most important aspect of the network model is the notion of 'flexibility' (Morselli, 2009). Flexibility is important due to the ephemeral and uncertain environment that is often associated with organized crime. A 'network' consists of connected members that wish to stay or drop out of the conspiracy at any given time depending on the operation. Therefore, a network is sustained even though fixed and finite organizational forms therein may disperse over time. Networks are complex settings that are only determined by the social interactions that take place between individuals or groups within that network. Morselli defines these interactions as "flexible order" (Morselli, 2009). The idea around flexible order is that there is common ground to be found in the interactions between individual and collective interests. Essentially, the network is a self-organizing structure that is driven and determined only by the emergent behaviour of its parts. These parts or "nodes" within the network may include a variety of actors, subgroups, clusters, and even hierarchies that are absorbed into the overriding network structure (Morselli, 2009). The social network's attraction is the flexibility that it gives to its members. This flexible order can be seen with the collaboration between the Rizzuto's', construction

entrepreneurs, city officials, and city engineers because of the beneficial price-fixing contracts that were being won and the “tax” that was given to city officials (Morselli, 2009).

The patron-client model was first proposed by sociologist Joseph Albini (1971). Albini argued the patron-client model is well suited to an analysis of Italian-American organized crime. In his 1971 book *American Mafia: Genesis of a Legend*, Albini explicitly dismisses the notion of Cosa Nostra being a nationwide, formal organization, arguing that this claim has been found on insufficient evidence and contradictory assumptions (Albini, 1971, 254).

4.3.1 Introduction

The study of patron-client relationships is reported in a vast body of literature as well as in a wide variety of cultures and social settings. Sociologist Joseph Albini has found the framework for the patron-client relations model specifically well suited to an analysis of organized crime. In his 1971 book *American Mafia: Genesis of a Legend*, Albini explicitly dismisses the notion of Cosa Nostra being a nationwide, formal organization, arguing that this claim has been found on insufficient evidence and contradictory assumptions (Albini, 1971, 254). Albini drew on informants from among law enforcement and the underworld to present an alternative view, pertaining primarily to the case of Detroit and centering on the concept of “syndicated crime”. Syndicated crime in Albini’s terminology is “the provision of illegal goods and services by criminals who are flexibly organized in ways that depend upon the specific type of activity and the specific societal context”. Albini drew from these findings to determine that powerful individuals in criminal networks do not exercise equal power, and therefore patron-client relationships develop between the criminal network and legitimate members of society (Albini, 1971).

Rather than complex formal organizations, then, patron-client relations perspective views criminal networks as loosely structured and informal relationships which function because each participant is interested in furthering his/her own personal needs. Albin (1971) states that since patron-client, friendship, and business relationships are constantly changing, attempts at charting or assigning boundaries to the number and specific types of relationships is impossible.

Instead he defines patrons and clients as: "Patrons are those who can offer protection or business opportunities while they, in turn, may be the clients of other patrons themselves" (Albin, 1971, 223). Albin argues that this system is adaptable to the fluidity of syndicated crime, whereas "a rigidly structured organization would only serve as a detriment to efficient syndicate activity" (Albin, 1971, 284). Albin (1971, 288) explains the structure of a criminal syndicate as the following: "An Italian-American criminal syndicate consists of a system of loosely structured relationships functioning primarily because each participant is interested in furthering his own welfare." Albin concluded that since patron-client, friendship, and business relationships are constantly changing, attempts at assigning limits or boundaries to the number and types of relationships are impossible (Albin, 1971).

Wolf (1966, 16-17) describes the role of the patron: "The patron provides economic aid and protection against both the legal and illegal exaction of authority. The client, in turn pays back in more intangible assets-for example, esteem and loyalty. He may also offer political or other important support, thus making the relationship reciprocal". In its simplest form a patron-client relationship may be defined in the following manner according to Schmidt (1977, 20): "Vertical dyadic alliance, i.e., an alliance between two

persons, of unequal status, power or resources each of whom finds it useful to have as an ally someone superior or inferior to himself. The superior member of such an alliance is called the patron, and the person with less power the client”. Schmidt (1977, 20) also adds: “In these relationships patrons and clients are in many ways dependent on each other. Each party at any time can supply the other with something that they cannot normally obtain on their own. In most circumstances, the favours that patrons do for their clients are material, while clients usually provide to their patron the expenditure of labour and effort”.

Abadinsky (2007, 8) supports the above information with the following statements on the role of the patron:

The member of the American Mafia, acting as a patron, controls certain resources as well as strategic contacts with people who control other resources directly or who have access to such persons. The member-as-patron can put a client in touch with the right people. He can bridge communication gaps between the police and criminals, between businessmen and syndicate-connected union leaders; he can transcend the world of business and the world of the illegitimate entrepreneur. He is able to perform important favours and be rewarded in return with money or power.

There is a network surrounding the patron, a circle of dyadic relationships orbiting the OC member in whom most clients have no relations with one another except through the patron. The patron needs a great deal of time to manage his network adequately, develop and maintain contacts, provide services, enhance power and income, and keep well informed. Organized crime members do not usually have to maintain conventional schedules, so they are free to “hang around”, to pick up and disseminate important

information. An OC patron may dominate a particular geographic area or industry. He will have available a network of informants and connections—for example, with the police and other officials, as well as with specialized criminal operatives such as *papermen* (persons who convert stolen “paper”, such as stocks, bonds and checks, into cash), *torches* (professional arsonists), muscle-men or leg breakers, and enforcers (Boissevain, 1974, 8).

He is in a position to fence large amounts of stolen goods—he can truly “get it for you wholesale”—or to lend out various amounts of money at usurious interest—loansharking. He will act as a center for information (providing targets for professional burglars, for example), “license” criminal activities (for example, enable a high-stakes dice game to operate), and use his position to assist criminals in linking up specialized operations (for example, finding a driver for a robbery or hijack team). He can provide stolen firearms and autos and other items necessary for conventional criminal activity...Criminal activities in his territory that are not under his patronage are “outlaw” operations whose participants act without his grace. If they are arrested, he will not intervene; if their activities conflict with those under his patronage, police raids or violence will result.

The patron acts as a power broker between the client and the wider society, both legitimate and illegitimate. To sum it up, patronage systems stress the importance of “personal and interpersonal relations, quasi-groups, networks, and power relations” (Roniger & Eisenstadt, 1980). The patron-client framework is distinguished by its countless informal and fluid relationships that relate together with the primary purpose of furthering their own personal goals (Liddick, 1999). In its simplest form a patron-client relationship may be defined as an alliance between two persons, of unequal status, power

or resources each of whom finds it useful to have as an ally someone superior or inferior to himself. The superior member of such an alliance is called the patron, and the people with less power the client (Schmidt, 1980).

The broad context for this model is his notion of “syndicated crime, which refers to “the provision of illegal goods and services by criminals who are flexibly organized in ways that depend upon the specific type of activity and the specific societal context” (Albini, 1971, 254). Powerful offenders involved in syndicated criminal activities develop relationships with criminal associates outside the network as well as other members of society (politicians, criminal justice officials, labour leaders businesspeople, etc.) who may further the goals of the criminal enterprise but who also benefit financially from the relationship (Albini, 1971).

Based on his research, Albini argues the ongoing criminal operations of the Italian-American Mafia family involve a loose system of power, interpersonal and “business” relationships built around a central symbiotic relationship between the “patron” and a “client.” At the vortex of the patron-client relationship is the *capo*, which is the head of the family. The *capo* acts as a patron to his family and associates. The *capo* is the centerpiece of a network of family and business relationships. As time goes on, the patron starts to dominate a network of individuals in a specific geographic area.

Schneider (2018, 137) continues to describe the role of the *capo* in more detail:

The capo, and the Mafiosi more generally, is a provider of services, especially for those who can't or won't turn to the government. The role of the capo is to help ensure the welfare and security of his family, friends, and associates, such as putting up start-up capital to assist new enterprises, handling the flow of graft money to politicians, regulating the

use of violence, and resolving disputes (Albini, 1971; Gambetta, 1993; Hess, 1973). Thus, a particularly important role of the capo is to serve as an intermediary, whether it is a commercial agent who brings legitimate businessmen or criminals together to make a deal, a political power broker who helps friends get elected to public office, or a mediator who arbitrates a conflict between two parties.

The *capo* is surrounded by members of the crime family to whom he acts as a patron (and receives a monetary tribute from each). In addition to this, each member of the Mafia family is given a great deal of independence regarding money-making ventures for the family. The *capo* creates his own network of clients, which include his own crew of made members as well as associates and others who are external to the family. The external clients may come from a wide spectrum of society, including associates of the family, other independent criminal offenders, businessmen, politicians, union leaders, judges, and law enforcement officials. The overall purpose of the patron-client relationship is to create a wide variety of connections stemming from the Mafia family, which is essential to carrying out criminal operations that will turn out profitable. Albini (1971) argues that the continuity of a criminal syndicate lies in its amorphous quality: “If a powerful syndicate figure is incarcerated, all that has really been severed is his position as a patron to his clients. If it so happens that another individual is in a position to assume this role, the clients may continue in the enterprise” (285).

Albini’s depiction of the Mafia family and the intermediary role played by the Mafioso, and the capo, in particular, is rooted in similar conceptualizations of their roles in the history and traditions of the Sicilian Mafia. As Schneider (2018, 157-158) writes:

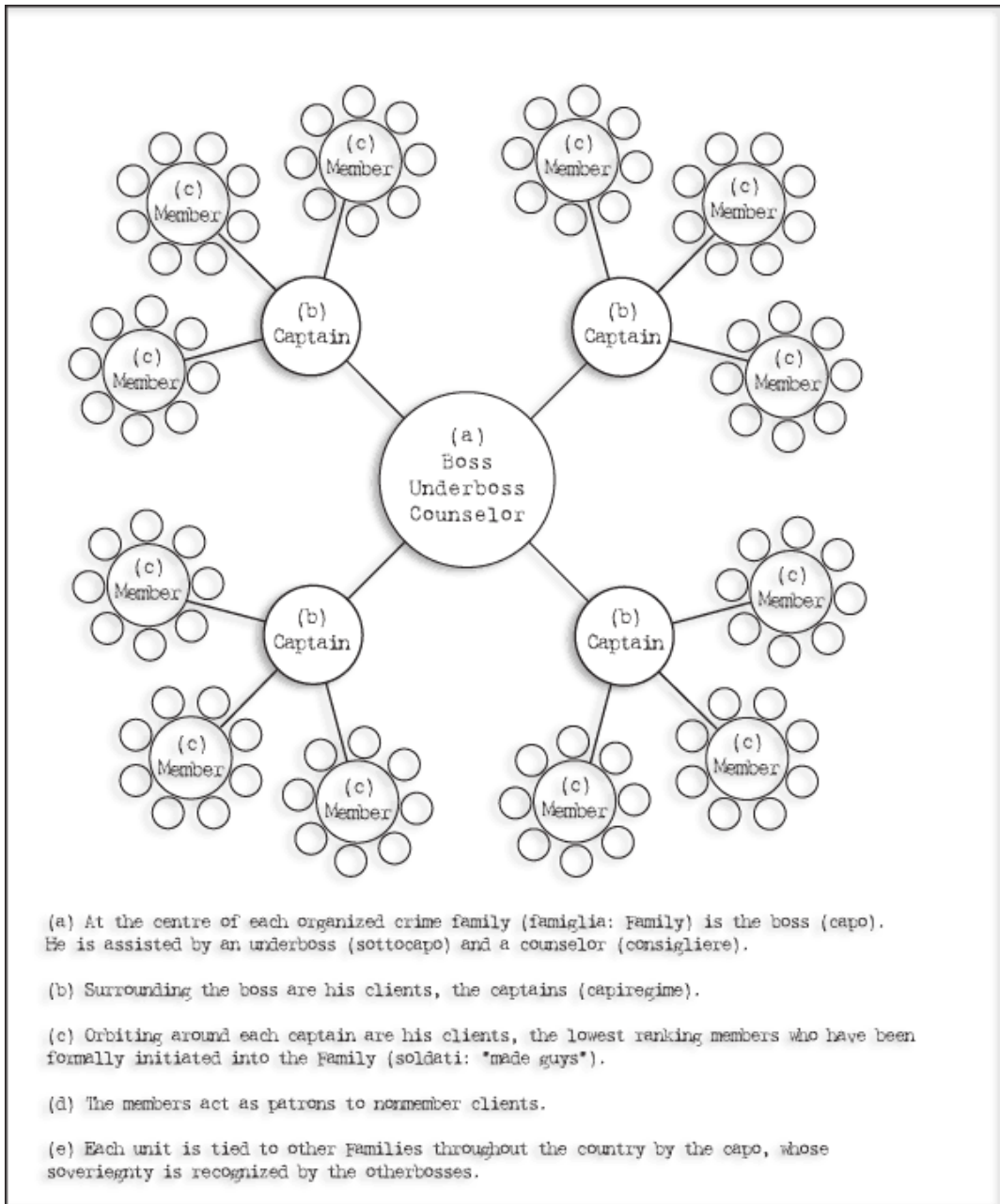
According to Inciardi (1975), the principles behind the Mafia as a subculture and the word itself comes from Sicilian historical and literary works and denotes a state of mind, a style of behaviour, a cultural pattern, and a way of life. Specifically, the word Mafia is Sicilian-Arabic in its origins and is derived from terms meaning “to protect and to act as

guardian; a friend or companion; to defend and preserve; power, integrity, strength” (Inciardi, 1975: 112–13). Various definitions of the word that began surfacing in nineteenth-century Italy included superlatives that reflected the traditional ideals of manhood and manliness: power, superiority, bravery, bravado, boldness, self-confidence, revenge, respect, honour, and vainglory. In turn, the meaning and ideals of the word were personalized and embodied in the Mafioso, who is known and admired for his ability to protect and provide essential services to his kin, his friends, and his associates because he is a man of respect and a man of honour (Ianni & Reusslanni, 1976: 45). He is able to get things done and defend himself and his kin because he has friends and associates who will rally to his aid.

Hess (1973) notes that the Mafioso succeeds because he commands a *partito*, a network of relationships whereby he acts as an intermediary or a broker. As the centre of this network, he views himself as a *padrone* (patron) to his clients. In this role, he is a provider of services, especially for those who cannot or will not turn to the government for help (Albini, 1971; Gambetta, 1993; Hess, 1973). He plays the part of a middleman who brings legitimate businessmen or criminals together to make a deal, a political power broker who helps friends get elected to public office, and a mediator who arbitrates a conflict between two parties. “He acts as a guarantor so that persons who do not trust one another can transact business with a significant degree of confidence; this refers to legitimate entrepreneurs and, most particularly, the illegitimate, persons who cannot turn to the police or courts to remedy their grievances” (Abadinsky, 2013: 111). Cesare Mori, who was appointed by Italian dictator Benito Mussolini to root out Mafia organizations in the 1920s, wrote that a Mafioso is in a position of power to provide “protection where the state is unwilling or unable; arbitration services superior to those available from local judges, especially to the poor person who cannot afford a lawyer, or for those whose justice is of a social, not a legal, nature—the pregnant daughter whose seducer refused to marry.” The Mafioso, and, in particular, capo mafioso (the head of a Mafia family), “can put it all right and his services are speedy and final” (Mori, 1933: 69). In short, as Abadinsky (2013: 111) puts it, the Mafioso is “a provider of protection broadly defined.”

When the word Mafia is used as a noun, it denotes an organization—an unofficial, unrecognized, and secret system of government headed by unelected yet influential men who seek to control a particular jurisdiction. And much like a legitimate government, the Mafioso applies a tax to any transaction he brokers or is carried out in his jurisdiction. Put another way, as a *padrone*, he expects the payment of a tribute—either cash or a material possession—from the members of his Mafia family and other constituents.

More contemporary research into the organized crime in the U.S. supports Albin's conception of syndicated crime and the relationships among offenders that characterize the Cosa Nostra in the U.S. For Ianni and Reuss-Ianni (1972), the ongoing criminal operations of the Italian-American Mafia family involve a loose system of power and "business" relationships and thus require a middleman who becomes a patron to others by providing the right contacts, influence, and criminal opportunities. Over time, the patron comes to dominate a network of individuals in a geographic area (Ianni and Reuss-Ianni, 1983). Their research was based on observations and informal interviews they had conducted with members of an Italian-American Mafia family over a period of several years. The patron-client model as conceptualized by Ianni & Reuss-Ianni (1972) is depicted in the graphic below.



Source: Ianni, F., & Reuss-Ianni, E. (1972). *A Family Business: Kinship and Social Control in Organized Crime*. New York: Russell Sage Foundation

In organized crime networks, patron-client relationships appear to operate at several levels, so that a patron in one relationship may be a client in another. Kinship, friendship, and contractual business relationships complicate the system of interaction

even further so that variations in patron-client relations are numerous. Those patrons with the greatest power may not involve themselves in illegal entrepreneurship, political office, or union positions. Instead, they focus solely on the distribution and brokerage of informal power, completely independent of institutional or formal authority (Burkholder, 1976). Among organized criminals, it is power and the occasional use of private violence and coercion, which characterizes exchange relationships in patron-client networks, through which organized crime mediators channel the distribution of resources. While the patron-client model was developed primarily to describe Italian-American organized crime, it also appears to have some relevance to other organized crime groups. For example, members of outlaw motorcycle gangs or Chinese triads are known to have an extensive network of associates whose criminal activities revolve around a particular member (e.g., Block 1979; Reuter 1983; Potter and Jenkins 1985). **4.3.3 Breakdown of the Patron-Client Model**

To be successful according to the patron-client model, each member of OC from the boss down to a soldier must display interest and talent. Acting as a patron does this. When a social exchange relationship becomes unbalanced within a network, this is where we see a patron-client relationship really start to form. Independent criminal operatives that are not part of a criminal network may be forced to pay tribute to the patron for protection from violence that the OC member can inflict or cause to be inflicted. Professional criminals who may not necessarily be a part of the OC group may pay financial tribute to an OC patron, indicating respect for the patron's power. This allows network members to secure vital information and assistance and ensures other independent criminals will not put their operations in jeopardy (Abadinsky, 2007).

Vincent Sicilian (1970, 55) provides an example of this information. He and his gang held up a card game that was under the patronage of the Genovese Crime Family in New York—a “connected game”. And he was summoned:

When we got to the café and those big shots started laying down the law and telling us we knocked over one of their games, butter wouldn't melt in my mouth. I told them I was careful to ask if the game has any connections, and the other guys agreed that nobody had any idea in the whole world that the game had any connections. The way we always put it (the way you still put it) is that we didn't know they were ‘good people,’ which is like saying the guy is an American or an official part of some organization. Not an outlaw.

To conclude and summarize the patron-client structure, Albin sees organized crime as a formation of criminal patrons who exchange information and connect with government officials to access a network of operatives for the client's economic and political support. The roles of the client and patron fluctuate, depending on the organization, and combinations can be formed, dissolved, and re-formed with new actors. This theoretical framework is explained in specific detail below:

Organized crime groups resemble a simple social organization or social-exchange network in the community. The power of organized crime is found in the organizational qualities of loose structuring, flexibility, and adaptability. Organized criminals have strategic contacts with persons who control various resources. Key organized crime figures occupy focal points in social-participation networks that interconnect private and public-sector organizations and licit and illicit enterprises. Organized criminals occupy intersections and are critically positioned facilitators in complex social relationships that permit clients to deal with the larger society. A social network of connections with the police, public officials, and other criminal operatives is at the criminal's disposal. An organized criminal has sufficient contacts to provide coordination and to locate specialized talents and services necessary for criminal entrepreneurship. Persons involved in organized crime and its operations in this web of social participation are not, in many cases, directly a part of the organization. The structure of the relationship varies considerably with each participant (Lyman & Potter, 2011, 48).

At the center of each organized crime unit is the boss (capo). He or she is assisted by an underboss (sottocapo) and a counselor (consigliere). Surrounding the boss are his clients,

the captains (capo regime). Orbiting around each captain are his clients, the lowest ranking members who have been formally initiated into the family. The members' act as patrons to non-member clients. Each unit is tied to other families throughout the country by the capo, whose sovereignty is recognized by the other bosses.

CHAPTER 5: DISCUSSION AND ANALYSIS

This chapter breaks down the research findings to explore the roles played by Vito Rizzuto in Montreal's construction sector. This will be followed by an analysis of these roles as viewed through Morselli's criminal network model and Albin's patron-client model, focusing on the extent to which Vito played the role of the broker and patron respectively. While both theoretical models indicate the potential of multiple brokers and patrons operating in a criminal syndicate, this section will focus primarily on Vito Rizzuto and the various services he provided and roles he played in the construction sector in Montreal, for which he and senior members of his family would be compensated. For the sake of analysis, these roles can be demarcated as follows: (i) arranging financing for construction projects, (ii) choosing a contractor for a project, including the winning bidder for a rigged contract and (iii) resolving conflicts.

Arranging Financing for Construction Projects

Vito was known to invest his own money – in particular, the proceeds of his criminal activity into construction projects – a partial goal being to launder the proceeds of crime. Indeed, Rizzuto saw himself as a financier and frequently became involved in criminal activities, such as drug trafficking, or semi-legitimate endeavours in the construction industry by finding the much-needed capital (Schneider, 2017, 199). He would inevitably reap a very profitable return from the investment. Eric Vecchio, an inquiry investigator

told the Charbonneau inquiry that Montreal Mafia members generally did not invest their own money in construction or real estate projects (Vecchio transcript, Charbonneau Commission, 2014, 50). Reporting on his testimony at the Commission, CBC News (March 12, 2014) wrote,

The Mafia usually didn't invest their own money in construction or real-estate deals, but they still walked away with a profit when the projects were finished ... An inquiry investigator testified about organized-crime tactics when it came to the construction industry — a low-risk investment that reaped plenty of reward. Eric Vecchio said Rizzuto and other mobsters were usually never front-line players with a direct financial stake. Instead, they stayed on the periphery, acting as consultants and deal-brokers while they picked up a piece of the profits. "Organized crime takes a profit from the construction industry," Vecchio said. "In the end, they don't really get involved, they don't invest any of their own money, but they take away a consultant's or arbiter's fee."

One example of Vito's work as a financial broker occurred during the development of a condominium project in Montreal. Unlike his father, Nick Jr. (Vito's son) became directly involved in developing real estate projects with real estate developer Tony Magi. The two attempted to turn an old refrigerated warehouse into a massive condo near the Jacques-Cartier Bridge on 1000 de la Commune Street. RCMP wiretaps from the Operation Colisée investigation captured conversations in which Vito Rizzuto attempted to salvage the project when Magi risked not being able to finish it because of financial problems. "Beginning in 2002, some of Magi's partners urged Rizzuto to get involved. The Mafia boss saw an opportunity to make money in the role of arbiter, with many of the conversations focusing on negotiating between partners, finding financing and ensuring the project is completed" (CBC News, March 12, 2014). According to Edwards & Nicaso, 2015, 39, the investors "didn't seek Vito's money. Vito had moved beyond simply pumping money into a project to launder his drug proceeds. It was his arbitration skills among investors and contractors that were needed to keep the

project moving. For Vito, it was an obvious opportunity.” Indeed, Vito expected a significant cut of any revenue from deals he brokered. One police wiretap picked up Vito’s reply to an investor complaining about the financial direction of the project. “If we can get somebody who can help him out either by finance, private finance or finding finance for him to continue the project, he’s willing to give us half the project. You get it?” (Edwards and Nicaso, 2015, 40). Edwards & Nicaso (2015, 40) explain the results of having Vito act as the broker in this case:

“For his efforts as a silent, controlling partner of the condo development, Vito charged 6 percent of monies paid in deals he negotiated. He was also allowed to buy five units there for a combined total of one dollar. Those condos, which had cost just twenty cents each, were then sold for \$1.7 million. After taxes, Vito netted \$1.6 million, a tidy profit even by his standards.”

To summarize, Vito fulfilled his role as a broker/patron in this example by organizing and arbitrating meetings with investors. Vito was “brokering” deals so that his clients could continue construction projects with the right financing. This directly relates to Morselli’s notion of the broker because the purpose of the broker is to connect people within a network.

Choosing a Contractor for a Project (including the winning bidder for a rigged contract)

The Charbonneau Inquiry concluded that Rizzuto would often determine which construction firm would be the winning bidder on a municipal contract. Rizzuto did this by influencing members of the bid-rigging cartel of construction firms to agree to take turns presenting the best offer. The company chosen to win the bid notified the complicit companies of the amount it would propose and the other companies were then told to submit bids of convenience (i.e., bids that could not win the contract). Vito would often

choose who the winning bidder would be. He also compensated companies that conspired to submit an uncompetitive bid or chose to withdraw from the tendering process by offering them subcontracts, supply contracts, or money. Vito also helped to organize the bid-rigging cartel by designating a dominant company in a particular municipal construction sector (e.g., sidewalks, roads, etc.), and to make sure other companies did not tender bids that were competitive with the chosen dominant one (Charbonneau Commission Report, 2017, 11).

To prevent one or more companies not part of the bid-rigging conspiracy from participating in a call to tenders the colluders resorted to schemes designed to eliminate or discourage competition. For example, a member of the Montreal Mafia who had a commercial relationship with a non-colluding company would refuse to sell or lease that company the materials or equipment it would require or offer them at an exorbitant price, leaving the company either unable to submit a bid or unable to bid at a competitive price. Meanwhile, the Mafia member sells the same product at a discount to those in the bid-rigging cartel (Charbonneau Commission, 2017).

Through his involvement in the construction sector, Vito also helped to chose subcontractors for contracts. Plumbing, electrical, hardwood flooring and other various tasks could be assigned to other firms with whom he had a relationship. Because of Vito's status, he expected the work to be done at a considerable discount (Edwards & Nicaso, 2015).

While Vito saw himself as a mediator, the Montreal Mafia did not shy away from using intimidation and violence to dissuade those from bidding on contracts and

disrupting his bid-rigging cartel. Martin Carrier, a construction entrepreneur from Quebec City provided the following testimony to the commission:

I received multiple threats after making the mistake of bidding for work in Montreal. I got a phone call at home in 2004, the first of two, from a man with a heavy Italian accent. I reported the initial phone call to police near Quebec City. The RCMP later came to visit and told me they'd recorded the call. They said the caller was Francesco Del Balso — a top member of the Rizzuto crime family, an enforcer who operated the clan's construction racket. ... Later I received a condolence card by courier at my office. It was the kind of sympathy card sent to a grieving family after a death. The printed side of the card said: "Sincerest condolences." In neat handwriting, on the other side, the card read: "Dear friend, stop bidding in Montreal. If not, your family will receive a card just like this one. Final warning." While there was never any physical harm inflicted on me, I became more careful about the kind of contracts I bid on (Carrier transcript, Charbonneau Commission, 2012, 133).

To conclude, Vito organized bid-rigging by convincing cartel members to win through rotational bidding, meaning each person got a turn at winning a contract and willingly dropped out of the competition when asked to do so. This relates to the broker/patron framework because Vito was providing financial security to his contractors. It was also through this bid-rigging scheme that Vito was connecting different contractors in the network together. The sole purpose of the broker/patron role according to Morselli and Albinì's framework is to provide security to those in the network so that the criminal network continues to expand and prosper.

Resolving Conflicts

As an underground arbitrator and financial broker in the construction sector, Vito often provided conflict resolution or problem-solving services including mediating disputes between contractors or solving financing problems. As already discussed, Vito was called in to problem solve the financial problems being experienced by his son and partner Tony Magi in their condo development project by attracting other investors.

Lino Zambito testified to the commission that Rizzuto became directly involved in a dispute over who should win a bid for renovating Montreal's Acadie roundabout road contract. Zambito described a meeting prompted by a dispute over a contract with another member of the cartel. "When I arrived at that meeting, I was surprised to see Vito Rizzuto, the reputed head of Canada's Sicilian Mafia. Rizzuto was called in as a mediator. When Rizzuto suggested that perhaps he didn't have the expertise necessary to complete the contract in question, he backed out and let his competitor win" (Zambito transcript, Charbonneau Commission, 2012, 195).

Vito acted as a patron/broker here because like mentioned above, he mediated who would win construction contracts. This is directly linked to the patron/client framework as Albinì stated that a particularly important role of the patron is to act as an intermediary between parties. Vito in this example was both brokering deals on what construction company would win and making sure violence didn't break out by regulating the rotation of bidders.

Vito as a Broker and a Patron

The overlap between the two theoretical models makes it difficult to determine whether a particular role played by or service offered through the Montreal Mafia and Vito Rizzuto specifically can be classified as brokerage or patronage. For the purposes of analysis, this thesis does not necessarily make a distinction of whether one role falls into a particular category or not. Based on Morselli's criminal network analysis and Albinì's patron-client framework, Vito Rizzuto can be seen as both a broker and a patron.

With that said, while a patron and broker share roughly the same roles in a criminal network (bringing parties together, making deals protecting their clients,

mediating conflict), it can be argued that when applying the two theoretical models to Vito Rizzuto and his role in the construction sector, the traditional Mafia “patron” aspect greatly influenced his role as a broker.

Much of this influence comes from the asymmetrical power relations between Rizzuto, the powerful Mafiosi, and others (including other family members, associates, those in the bid-rigging cartel, etc.). In other words, unlike a traditional neutral broker or mediator in legitimate transactions, the Mafiosi assume a significant level of asymmetrical power over his "clients.” A similar comparison can be made with Morselli’s conception of a broker in a criminal network. While the broker is a central figure in a criminal network, the power relations between actors in such a network are more symmetrical compared to a hierarchical criminal organization. This was not the case with Vito Rizzuto who wielded great power over others, which is consistent with the traditional conceptualization of the Mafiosi who is viewed as a man of honour who wields great power and uses that power to build a criminal network.

Another aspect of Vito’s services that highlight the importance of his role as a traditional Mafia patron is his fee-for-services approach. As discussed, he often demanded a fee for specific services he rendered. This differs from the role of the criminal network broker who generally does not charge a fee to others in the criminal network, but instead takes a cut of the profits from a particular revenue-generating criminal activity. While Rizzuto would also take a cut of the revenue of a legitimate or illegitimate project, it was his fee-for-services approach that influenced him as a criminal network broker. In reference to his role in the condo redevelopment project spearheaded by his son and Tony Magi, CBC News summarized testimony delivered at the inquiry as

such: “Rizzuto saw the opportunity to make money as an arbiter and many of the wiretap conversations involve negotiating between partners, finding financing and ensuring the project was completed” (CBC News, March 13, 2014). On learning of the likelihood of a \$115-million suit against a property developer, Rizzuto inquired of his contacts whether he shouldn’t offer his services as arbitrator in the dispute. According to the Charbonneau Commission (2017, 45), “this is tangible proof . . . that organized crime takes the biggest cut when there is a dispute, and not when things are going well. Organized crime infiltrates situations that are litigious.”

Vito’s role in the construction sector should also be seen as part of a broader revenue-generating criminal activity long practiced by the Sicilian Mafia in both Italy and North America: the protection racket. This extortion is much more characteristic of Albinì’s conception of the patron compared to Morselli’s conception of the broker. In effect, the Montreal Mafia operated a protection racket in the construction sector by charging a *pizzo* for services rendered whether their “clients” wanted these services or not. The implicit argument is that Vito was “protecting” by maximizing their revenues by helping to organize construction contracts in the bid-rigging cartel or avoiding labour problems or other unfortunate circumstances that may befall his clients.

With Vito controlling the activities of different bidder groups and racketeers preying on the industry, he could assure contractors that they would only have to pay off once for a specified result, that the amount to be paid would be “reasonable” and that “services” paid for would be delivered without any interruptions or distractions. This role was not altruistic in nature; it served the Rizzuto’s interest to have stable relationships with a profitable industry. The Cosa Nostra’s capacity for violence and its influence in both the legitimate world and underworld makes its construction specialists more

“effective” at conciliation, dispute resolution and expediting projects than most lawyers, mediators, labour relations or construction consultants. Where the Cosa Nostra can regulate the groups of competitors or racketeers who control components critical to production, delivery, and installation of a necessary supply (concrete), it can bring predictability and stability to this process that could otherwise be frequently disrupted by competitors. (Goldstock, Jacobs, Marcus, Thacher, 1990).

As per traditional extortion rackets, the Montreal Mafia used intimidation and violence if arbitration or mediation failed. This was evident with Elio Pagliarulo. Elio was a former pastry-shop owner and onetime close friend to the Catania family, who are construction magnates with high-ranking Mafia ties. Pagliarulo shares anecdotes about the Mafia’s brutal business methods:

I was running a loansharking business on the side with Paolo Catania. However, I had a spectacular falling out with his friends a few years ago. I owed them money after a business deal went wrong. When I did not pay right away, I was kidnapped for three hours and beaten up. My face and teeth were so badly damaged that I needed facial-reconstruction surgery. Funeral flowers were also sent to my family home as a signal to pay up. The Catantias would never accept losing money (Pagliarulo transcript, Charbonneau Commission, 2012, 25).

The distinction between the two theoretical models as applied to this case study can also be gleaned by applying Ianni’s (1974) conception of the two basic forms of relationships among organized criminal offenders. Vito’s brokerage role can be viewed as “entrepreneurial,” where the bond among offenders was less personal and more determined by business interests. The goal of the brokerage role for Vito was to keep projects moving so that everyone involved in the criminal operation makes money. As a broker, Vito also arranged for financing of construction projects. In contrast, Vito’s patron role can be seen as more “associational” in the sense that he is trying to help and

even provide protection to and ensure the welfare and security of his clients. In turn, as a man of honour he is expected to receive not just respect but also reciprocating favours and services, and even monetary tribute from his clients. This was exemplified by the “tax” or *pizzo* charged to construction companies (including those who won rigged bids) that was delivered in cash to the Consenza Social Club.

Schneider (2017, 194) argues that the patron-client model is applicable to the Montreal Mafia as a whole (and predates the rise of power of Vito). This is especially true in the relationships between senior members of the Mafia and its “clients” in that the former saw themselves as a patron to their many associates and partners both inside and outside the criminal group:

At the centre of these relationships was the *capo decina* — Vic Cotroni, Paolo Violi, and Vito Rizzuto — who all considered themselves a patron to their constituents, brokering business transactions, connecting buyers with suppliers, providing protection, and mediating disputes if they arose. The power of the Cotroni decina bosses to mediate disputes and dispense justice and protection was documented at the Quebec Police Commission hearings in the 1970s. Because of his clout and reputation, Paolo Violi was called on to intervene in disputes which had no connection with the criminal activities of his family. People outside the criminal world went on their own to ask for Violi’s help (Schneider, 2017, 194).

Violi settled these disputes in the traditional manner of the Mafia underworld, substituting his ‘justice’ for that of legal institutions. In a discussion with high-ranking members of the Sicilian Mafia on April 22, 1974, Violi himself defined the obligations of a Mafioso. Speaking to Pietro Sciarra, he said, “Uncle Petrino, we’re here to do the thinking, to arrange things for this one and that one ... and our job, all the time, is to straighten things out ... ” (Quebec Police Commission Inquiry on Organized Crime, 1977a: 65). Violi also expected that he would be accorded the power and respect consistent with the stature of a man-of-honour. As journalist Pierre Beauregard wrote on

November 21, 1975, “The all-powerful Paolo Violi is party to all the plots, shares in all the rackets, and draws profits from all the criminal acts that take place within the reach of his long arm” (as cited in the Quebec Police Commission Inquiry on Organized Crime, 1977a: 59). Violi was a mafioso in the classical sense in that he lived a modest life, believing that it was not wealth, but respect and honour that defined the worth of any man. In one conversation with his like-minded father-in-law Giacomo Luppino, a Mafia head in Hamilton, both complained about how the American Mafia, with its emphasis on making money, had lost the “old country ways of operation” and conflicted with the traditional ways of the Mafiosi (Schneider, 2018, 177). Paolo Violi could be particularly violent, especially if someone did not display the respect he believed he deserved. As Schneider (2009, 201-202) describes:

Violi personified Edwards and Nicaso’s characterization of the Mafia’s “twisted concept of honour.” As a man of honour, the Mafioso “cannot stand the slightest offence and reacts violently when a sgarro (insult) is done to him. A man of honour knows he is capable of exercising violence in such a way that he frightens others into giving him deferential treatment.” In other words, it does not matter to the Mafioso how he obtains honour or respect; it could be forcibly extracted through threats, intimidation, extortion, revenge, or violence. In this regard, habitual criminals like Violi and other Mafiosi “feel the need to call themselves ‘Men of Honour,’ much the way those with the worst body odour in Elizabethan times often wore the most perfume” (Edwards & Nicaso, 1993: 2, 7).

As a traditional Mafia patron, Vito emphasized his role as an arbitrator helping his clients solve problems and make money. Charbonneau Commission investigator Eric Vecchio called Vito a "man of compromise" who was more interested in mediating than relying only on violence. As CBC News (March 12, 2014) reported,

The investigator said Rizzuto's ability to keep everyone happy explains his long reign in local organized crime. He had a reputation for being able to bring together different criminal groups — bikers, street gangs and the Mob — under one roof. "Mr. Rizzuto always made sure there was enough cake for everyone to have a slice," Vecchio said. "Obviously, he never talked about how big the piece each one

would get." The investigator said Rizzuto's ability to keep everyone happy explains his long reign in local organized crime. He had a reputation for being able to bring together different criminal groups — bikers, street gangs and the Mob — under one roof. "Mr. Rizzuto always made sure there was enough cake for everyone to have a slice," Vecchio said. "Obviously, he never talked about how big the piece would be that each one would get."**4.3.4 Sicilian Context for this model**

The traditional patron-client relationship can be seen when looking at the Sicilian and Greek communities. In his study of organized criminal groups in New York City, Francis Ianni (1974) identified two basic forms of relationships among individuals involved with organized crime. The first is “associated networks”, which are formed based on personal relationships among its members. Examples of these personal relationships are shared ethnicity or kinship. The second type follows an “entrepreneurial model”, where the bonds formed among offenders are less personal and are determined more by business interests. For Francis Ianni and Reuss-Ianni (1972), the ongoing criminal operations of the Italian-American mafia family involve a loose system of power and “business” relationships and thus require a middleman who becomes a patron to others by providing the right contacts, influence, and criminal opportunities. Over time, the patron comes to dominate a network of individuals in a geographic area (Francis Ianni and Reuss-Ianni, 1983). The study was based on observations and informal interviews Francis Ianni had conducted while socializing with members of the Italian crime family over a period of several years. Ultimately, Ianni and Reuss argued that organized crime cannot be explained by reference to a formal organization alone. While Ianni acknowledged formalization in the organization of the legal and illegal businesses a crime family runs, the crime families themselves they saw as “traditional social systems” that had not been rationally created for specific purposes (Ianni & Reuss-Ianni, 1972, 108).

OC groups must continue to use sophisticated means to avoid being monitored by law enforcement. One of the ways in which OC groups have been avoiding detection and prosecution for so long is through decentralizing their organization and moving away from a patrimonial control. Moore (1987): highlights this important point and supports Albinì's statement on the patron-client model above: "A highly centralized organization "tends to make the enterprise too dependent on the knowledge and judgement of the top management and wastes the knowledge and initiative of subordinate managers who know more about their own capabilities and how they fit into a local environment of risks and opportunities" (53). Decentralization in organized crime can be advantageous for both business and security reasons. Albinì (1971) argues that the syndicate's real power lies in its amorphous quality: "If a powerful syndicate figure is incarcerated, all that has really been severed is his position as a patron to his clients. If it so happens that another individual is in a position to assume this role, the clients may continue in the enterprise. The alternative is to find a new patron-boss-or to develop their enterprises" (285). The difference between the traditional patrimonial organization and the patron-client model is that patrimonial organizations center around families, and other close-knit personal networks. The emphasis in this group is on traditional relationships that demonstrate emotional connections between people. In contrast to this, the patron-client model has personal ties that are weaker, less ritualized, and emotionally demonstrative; in place of all of this is an allegiance to a set of abstract rules and positions (Abadinsky, 2007). Overall, patron-client networks are less ceremonious and personal.

4.3.5 Patron-Client Model in Other OC Cases

Some researchers have found the patron-client relations theoretical framework

specifically well suited to an analysis of organized crime. For example, Anton Blok, Henner Hess, and Pino Arlacchi have specifically applied the notion of patronage and clientelism to the appearance of the mafiosi in post-feudal Sicily (Albini, 1971).

In organized crime networks, patron-client relationships appear to operate at several levels (patron-client clusters in the form of pyramids), so that a patron in one relationship may be a client in another. Kinship, friendship, and contractual business relationships complicate the system of interaction even further so that variations in patron-client relations are numerous. Those patrons with the greatest power may not involve themselves in illegal entrepreneurship, political office, or union positions. Instead, they focus solely on the distribution and brokerage of informal power, completely independent of institutional or formal authority (Burkolder, 1976). Among organized criminals, it is power and the occasional use of private violence and coercion, which characterizes exchange relationships in patron-client networks, through which organized crime mediators channel the distribution of resources.

4.3.6 Patron-Client Relationships Beyond Organized Crime

The study of patron-client relationships (outside of the realm of organized crime) stresses the importance of personal and interpersonal relations, quasi-groups, networks, and power relations who channel the flow of societal resources. The study of patron-client relations stresses the importance of individuals who relate together with the primary purpose of furthering their own personal goals (S.N. Eisenstadt and Louis Roniger, 1980). Schmidt (1980, 108) views the relationship as the following: “In these relationships patrons and clients are in many ways dependent on each other. Each party at any time can supply the other with something that they cannot normally obtain on their

own. In most circumstances, the favours that patrons do for their clients are material, while clients usually provide to their patron the expenditure of labour or effort”.

The actual shapes of patron-client relationships exist in many forms, including instrumental friendships and patron-client clusters. Instrumental friendships are characterized by balanced reciprocity and minimization of affect or emotion (Burkolder, 1976). In most patron-client relationships the patron has several patron-client ties that can be described as a patron-client “cluster” or “clientele.” The patron naturally seeks to expand his clientele, as this makes him/her more powerful. Sometimes clienteles become “pyramided” upon one another. A patron-client pyramid or hierarchy develops when a client acts in his own right as a patron to sub-clients or when a patron is himself a client of a patron above him (Burkolder, 1976). In modern patron-client relations, intermediaries or brokers act as a link between national and local systems (Burkolder, 1976). Perhaps the full significance of patron-client relations as complex social arrangements is expressed best by S.N. Eisenstadt and Louis Roniger (1980, 49): “Patron-client relations denote, in their fullest expression, a distinct mode of regulating crucial aspects of institutional order: the structure of the flow of resources, exchange and power relations, and their legitimation in society”.

Vito’s role as a patron extended beyond the role traditionally played by a broker by using his power, influence and resources to do favours for friends and associates. In one case, Vito helped an associate when someone stole a Cadillac Escalade SUV of one of the project’s investors, who had left it near a Dorval restaurant on May 29, 2003. A police wiretap picked up the investor’s call to Vito. The investor had told Vito that the Escalade was less than two weeks old, but he only cared about the briefcase inside. The

following are conversations between Vito and his associates that are illustrated by

Edwards & Nicaso (2015, 40):

Is there any way of tracking or knowing what happened” the investor asks Rizzuto. It’s the briefcase inside it. It’s killing me”. Vito immediately calls Frank Arcadi. “They stole a friend of mine’s truck-a Jewish guy,” Vito tells his street boss. “See what you can do to find this truck. He is not interested in the truck; the bag is what interests him.

The Cadillac was located before noon of that day and the thief was provided \$3,500 for his co-operation in the matter. The vehicle along with the briefcase was returned to the investor without further issue. The thief could keep his life and the investor received what he wanted.

Rizzuto was immensely respected in Quebec’s criminal underworld and he extended his mediation and conflict resolution services to matters involving other organized crime groups. His power so unchallenged that he was credited with playing a major role in persuading the leaders of the Hells Angels and the Rock Machine motorcycle clubs to negotiate a truce to their bloody war in Quebec. Most notably, as documented by Edwards and Nicaso (2015, 191):

It wasn’t that long ago that Vito had been the one who would settle disputes to preserve the common interests of criminal enterprise and keep police at bay. It was Vito who urged Mom Boucher of the Hells Angels to talk with the Rock Machine in September 2000. That push came when Vito heard that tough anti-gang legislation was in the works, after the near-fatal shooting of reporter Michel Auger. Boucher met with leaders of the Rock Machine on neutral ground in a conference room at the Palais de Justice. Then they made their truce public by breaking bread in a crowded and trendy Crescent Street restaurant in the city’s downtown on October 8, 2000. The move was designed to quell public fears about organized criminals. Veteran crime reporter Claude Poirier and a photographer from the Quebec tabloid *Allo Police* were summoned to record the Thanksgiving feast that included Boucher and Rock Machine leader Frederic Faucher, and about twenty of their lieutenants. Vito was the unseen hand behind the public relations move.

Rizzuto reportedly once stated to Montreal police officers Nicodemo Milano and Franc Guimond that he was the only one who could keep the peace among the city's criminal underworld: "You should go after the street gangs, not me. They are the ones who would create trouble... You will rue the day that I leave Canada. You will see what will happen when I leave Canada" (Edwards and Nicaso, 2015, 59). (His words would be prophetic given the escalation in violence that engulfed Montreal's criminal underworld, which targeted his Mafia family specifically, following his incarceration in the U.S. and his subsequent death.)

As a patron, Vito assiduously cultivated a network of "clients" in both the legitimate and criminal underworlds through both business and personal relationships, which often centred around golf, a game Vito frequently played. This is evident by Luc Leclerc's testimony: "I took a number of trips, including a golf vacation with Vito Rizzuto. Vito was charming and a funny travel companion" (Leclerc transcript, Charbonneau Commission, 2012, 200). Former Montreal city engineer Gilles Surprenant also testified to the Commission that he "golfed a few times with reputed Mob boss Vito Rizzuto, including during a weeklong tropical golfing getaway" (Surprenant transcript, Charbonneau Commission, 2012, 133). Vito would also use charitable golf tournaments to foster and expand his web of contacts and clients in the legitimate world. Edwards & Nicaso (2015, 188) explains this: "These were classically Montreal events, with well-dressed criminals wrapping themselves around a good cause to cleanse their image and public institutions making deals with the devil to gain funding. The golf fundraisers also drew at least one city councillor and strip club owner Paolo Gervasi, in 1992, 1993 and 1994."

In short, thus, the Mafia conception of the all-powerful patron greatly influences

and even subsumes the broker or mediator role they play. This thesis argues that regardless of the brokerage role Rizzuto played, as a traditional Mafiosi this role was imbued with and heavily influenced by Vito's self-conception as a patron to his clients.

CHAPTER 6: CONCLUSION

Throughout various times in the past five decades, the Cosa Nostra has infiltrated the construction industry in North America. Its presence is, for the most part, accepted by developers, contractors, and suppliers in some instances as a necessary risk to promote stability and predictability, in other instances, as a provider of valuable illicit services. Even those who resent Cosa Nostra's presence in the industry perceive it as a parasitic entity that society is powerless to remove.

The findings of this study reveal that the Montreal Mafia members and associates entrenched themselves in the construction industry through the use of business racketeering. It accomplished these goals through the use of intimidation and violence, corrupting officials, as well as offering brokering and mediation services.

The business racketeering by the Montreal Mafia witnessed in this case study exploited the vulnerabilities of the construction industry to criminal infiltration; in particular they capitalized on existing corruption within the private sector construction industry and among municipal government agencies and elected officials. Other factors that made the construction industry susceptible to criminal infiltration was the need for capital by private companies (which was not always available to them from legitimate lenders) and the preponderance of people of Italian heritage among the many owners and managers in the industry (including those originated from the same town in Sicily that members of the Rizzuto family originated from).

Central to the Montreal Mafia's business racketeering model was the use of brokering and mediation "services." Inherent in the bid-rigging conspiracy was a determination by Vito Rizzuto or other Mafia members who would be a winning bidder. When certain companies could not finish a project or did not have the funds to bid, Vito provided arbitration services to help secure financial investments.

The use of brokerage and mediating services offered by members of the Montreal Mafia can be seen as an attempt to satisfy the objectives of controlling and influencing private sector actors, generating revenue (by a cut of a public sector contract) while also allowing the Mafiosi the opportunity to play the traditional Mafia role of a patron to his clients. Indeed, of particular relevance to this study is the overlap between the patron-client model of organized crime and Morselli's network analysis (and specifically his conception of the role of the broker in criminal networks). Both theories focus on a network structure of crime offenders and the central and overlapping role played by Morselli's conception of a broker and Albin's conception of the Mafiosi as a patron. While there is an overlap between the two theoretical frameworks, the intentions behind the two frameworks are different. A broker seeks to keep business operations going by mediating conflict and providing financial assistance. The broker does this regardless of structure and maintains equal relationships. The patron fulfills the same role as a broker; however, the patron operates these roles under a strict hierarchical structure that follows traditional Mafia philosophy. Both theories are needed for this research because Morselli's framework addresses the vast criminal network that a broker operates within. However, this theory leaves out what this network looks like in a traditional Mafia organization where rules and structure are followed as a tradition. This is where Albin's

patron-client model comes in. Albin explains what this criminal network looks like with a broker/patron within a Mafia type organization.

Unlike a traditional neutral broker or mediator in legitimate transactions, the Mafiosi assumes a significant level of asymmetrical power over his "clients" and, thus, the conception of the Mafiosi as an all-powerful patron to his clients greatly influences and even subsumes the broker or mediator role they play. For this case study, the brokerage, mediation and even patron role all took place within the context of business racketeering and the use of protection rackets by the Montreal Mafia. Mafiosi may have viewed their relationship with construction companies as brokers or patrons, but it was ultimately about extorting money from the companies (in the form of a *pizzo*), which is fundamental to the Montreal Mafia's role in the bid-rigging conspiracy.

In short, while the patron and broker share roughly the same roles (bringing parties together, making deals, protecting their clients, mediating conflict), the main difference when applying the two theories to this case study is that the conception of the "patron" in the context of the Mafia is that the clients are often victimized by the Mafiosi, which is not necessarily the case of broker in the criminal network model. Indeed, the brokerage role in a criminal network would be very much undermined if he or she consistently victimized his or her associates. This is not to say that brokers in some criminal networks have not betrayed or even victimized others participating in that particular network. However, construction companies needed the financial assistance from Vito in this case. Therefore, Vito's clients (contractors) did not view it as victimization. This does give Vito (broker) a stronger position in the business relationship. However, to Vito's clients, it does not appear as though the relationship is unequal because business operations continue and people are provided assistance (which

is the role and primary concern of the broker). Although some construction firms were the subjects of threats, it was only to serve Vito's bid-rigging cartel and primary clients by eliminating any competition. Although this gives Vito power, it is still fulfilling that brokerage role and continuing the symbiotic relationship Vito had with his clients. This is exactly what permits organized crime to operate in private sectors and persist undetected for so long. Although Vito naturally has more power as a broker, the symbiotic relationship organized crime has with the private sector does not allow this to come to the limelight or affect the contractors he is looking out for within his network.

The point is that the Mafiosi as a patron/broker has two inherent qualities that differ from Morselli's conception of the broker: (i) there is always the possibility the patron will victimize the client in some way (e.g., extorting money or demanding the client commit or facilitate crimes on behalf of the Mafioso) and (ii) the inherent power of a member or associate of a Mafia family within the criminal underworld (and even the legitimate industries) allows the Mafioso or associate to wield power, not only to broker a deal, but to extort money or exact other favours or tributes from clients.

To this end, this case study reflects traditional Mafiosi culture, which is not surprising because the Montreal Mafia (both as crew of the Bonanno family and as its own Rizzuto family) were led by men who viewed themselves as traditional Mafioso. In particular, both Paolo Violi and Vito Rizzuto saw that their ultimate roles were that of brokers, mediators and ultimately patrons who wield their power as "men of honour" that both help and victimize their clients.

Thus, a principal conclusion of this study is that criminal network analysis can be applied to better understand the organizational structural and criminal operations of

traditional Mafia families. This is especially the case when analyzing the role of the Mafiosi as a central broker within the network. Using criminal network analysis also allows scholars to conduct more research on the specific actors that otherwise may be excluded from traditional theoretical frameworks (McIllwain, 2004). However, when applied to this case study, Morselli's criminal network analysis needs to accommodate traditional Mafia philosophy, in particular the self-conception that some Mafioso hold as patrons – a role that goes far beyond what a broker is envisioned as. Perhaps most importantly, the Mafia patron exercises a twisted concept of protecting one's clients, which means they may benefit from their relationship with the Mafiosi but can also be victimized by the Mafiosi. Regardless of this conclusion, this study reinforces Morselli's arguments of the central role that a broker plays in a criminal network. This apparent dichotomy illustrates the Mafia's relationship with its clients and society as a whole in that it is both parasitic and symbiotic and the same time.

The conclusions of this thesis are applied primarily to this case study but could also be potentially extrapolated to other cases involving business racketeering in the construction industry by the so-called Italian Mafia in North America. Future research that combines both theories can also be applied to Mafia infiltration of other sectors of the legitimate economy to determine the extent to which criminal network analysis and the patron-client model can be applied both separately but also in tandem with one another. This would help determine the extent to which the role of the Mafiosi as a broker is influenced by his traditional conception of a patron to his clients (and thereby distorting the role of the broker as conceptualized by Morselli).

This research also highlights policy implications for the future. RCMP Cpl. Vinicio Sebastiano believed that police were more interested in evidence of drug crimes than in criminal ties to the construction industry. Cpl. Vinicio Sebastiano advised the Charbonneau Commission that if the surveillance footage on the Consenza Social Club picked up anything on construction, it wouldn't have been listened to because it did not directly relate to the objectives of the investigation (*Canadian Press*, September 25, 2012). In order to combat organized crime infiltration into private sectors, law enforcement efforts must focus on the brokers and patrons within criminal networks. In this particular case, law enforcement surveillance was more focused on the drug trafficking operations and not the specific infiltration into the construction industry.

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