ANNUAL REPORT

JULY 1, 2003 THROUGH JUNE 30, 2004

1953 – 2003 50th Anniversary

WATERFRONT COMMISSION OF NEW YORK HARBOR

To the Honorable James E. McGreevey, Governor, and the Legislature of the State of New Jersey

To the Honorable George E. Pataki, Governor, and the Legislature of the State of New York

We are pleased to forward the Annual Report of the Waterfront Commission of New York Harbor for its fiscal year 2003-2004. Contained herein are representative activities of the Commission, together with pertinent observations concerning its administration and enforcement of the Waterfront Commission Compact between the states of New York and New Jersey. The Commission has continued to perform its designated responsibilities under the Compact, with particular concern for the improvement of the overall economy and well-being of the bi-state Port.

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THE WATERFRONT COMMISSION OF NEW YORK HARBOR

AN INSTRUMENTALITY OF THE STATES OF NEW YORK AND NEW JERSEY

The signing of the Waterfront Commission Compact by Governor Thomas E. Dewey of New York on June 30, 1953.

MISSION OF THE WATERFRONT COMMISSION

Pursuant to the Waterfront Commission Act of 1953, the mission of the Waterfront Commission of New York Harbor is to investigate, deter, combat, and remedy criminal activity and influence in the Port of New York-New Jersey and to ensure fair hiring and employment practices, so that the Port and region can grow and prosper.

WHY THE COMMISSION WAS CREATED IN 1953

The Port of New York – New Jersey – 1950's

For the enterprising criminal, there was no shortage of opportunity at the Port of New York in the early 1950's. The world's busiest harbor was home to some of the most notorious gangsters of the time, and their corrupting influence extracted a heavy toll on every pound of cargo that made its way through the piers. Racketeers, having managed to infiltrate virtually every significant position on the docks, utilized strong arm tactics to advance their interests, always to the detriment of the companies and workers whose livelihoods depended upon the waterfront.

The Rackets

Gangsters understood that the key to controlling the piers was to dominate the unions. Violent power struggles between outlaw gangs were not uncommon, and only the most powerful criminal enterprises had the strength of arms and the will to rule the waterfront. Through the unions, they could exercise absolute control over virtually all operations at the docks. Corrupt union officials, in complete derogation of their responsibilities, could manage to keep the labor force poor, hungry, and desperate for work. They could manipulate that labor force to extort the shippers, truckers, and the stevedores. They could allow or orchestrate the hijacking of cargo at will. And they could do all of this without having to worry about any interference from the public or the law.

Longshoremen were a relatively easy target for the racketeers. Dishonest labor leaders preferred to keep a labor force almost double the size of the amount of available jobs, and would allow union membership to anyone willing to pay an exorbitant initiation fee and subsequent monthly union dues. The orchestrated result, of course, was that on any given day, work would be available for only half of the longshoremen who showed up. Cunning gangsters and corrupt union officials saw opportunity in the longshoremen's plight. Thus began the unsavory practice commonly known as the "shape-up".

The shape-up began early each morning with the arrival of an incoming freighter. At the sound of the hiring foreman's whistle, longshoremen would quickly make their way toward the piers with the hope that they would be selected to unload the arriving vessel. The hiring foreman, typically an ex-convict with a long criminal record, was responsible to determine how many longshoremen were required for the task. Often an appointee of a corrupt union, the hiring foreman was given absolute authority to choose which longshoremen would work that day. Those not selected were dismissed and left to roam the docks in search of other opportunities.

Regular employment did not exist under the shape-up system, and every dock worker was painfully aware that one day's work would not guarantee another. The longshoremen also recognized that their livelihood was at the pleasure of the hiring bosses, and therefore subject to whatever corrupt hiring practices the foremen would employ.

Gangsters, dishonest union officials, and criminal hiring bosses had learned over the years that there were a number of ways to profit from a longshoreman. The simplest, of course, was to demand a kickback of the longshoreman's daily wage in exchange for the privilege of working. With many more available workers than there were jobs, longshoremen begrudgingly handed over a portion of their pay in order to remain in the hiring boss's good graces. Bookmaking also provided a consistent revenue stream for the racketeers, who viciously preyed upon the vices of the beleaguered longshoremen. And since most dock workers were desperate for money, loan sharking proved to be an extraordinarily lucrative racket. Longshoremen who could not repay the loan sharks often met with violence and even death. Those that did manage to pay off these usurious advances found that the preference in hiring was given to those who owed money, and therefore, work could not be found until they borrowed some more.

Union leaders, oblivious to the suffering of the longshoremen, would utilize dues payments of their membership to finance extraordinary salaries and pay extravagant personal expenses. In fact, virtually none of the funds paid by longshoremen were used to provide the labor force with any type of benefits or working condition improvements. Books and records would be altered to misrepresent or hide improper expenditures so as to avoid suspicion, and in the unlikely event of an investigation, they could be misplaced or lost altogether.

Labor unions had little motivation to curb the criminal abuses that took place daily on the waterfront. Indeed, corrupt union leaders were far more skilled at organizing the systematic extortion of their membership than they ever were at aiding the longshoremen to secure safer and more favorable working conditions. Their loyalties remained with the racketeers, for the profits of these crooked practices were used to line the pockets of the union elite.

The exploitation of longshoremen was not the only source of profit for the criminals that ruled the piers. Absolute control of the labor force had other

advantages as well, especially with regard to shippers and stevedores. In a business where the rapid movement of cargo is critical to financial success, delays caused by labor unrest could have devastating effects on a company's bottom line. This fact did not go unnoticed by corrupt union officials and delegates.

Criminal labor leaders, having identified yet another source of illegal profit on the waterfront, surreptitiously organized workforce strikes among the longshoremen in an effort to paralyze the operations of targeted shippers and stevedores. In order to effectively resume work and avoid these "quickie" strikes in the future, business owners were forced to pay significant sums to union delegates. Sometimes these payments were made outright in an "under the table" transaction at a low profile location. However, to avoid detection, clever racketeers devised less obvious means of passing money. Corrupt foremen, responsible for the hiring of longshoremen at the piers, were able to manipulate the books and records of the shippers and stevedores to allow payment to fictitious workers. Monies paid to these "phantom" longshoremen would find their way into the racketeer's pockets, while shippers and stevedores absorbed the expense. Bribery, therefore, became yet another cost of doing business at the Port of New York.

Having thoroughly infested virtually every operation on the docks, the unscrupulous criminals that ruled the waterfront sought to expand their crooked enterprises. Total control of the longshoremen gave these illegal syndicates the leverage they needed to extort the stevedores, whose responsibilities were limited to the loading and unloading of incoming freighters. Transportation of cargo to and from the piers, however, was mostly accomplished through the use of trucks.

Traditionally, truckers would provide their own labor for the loading of their vehicles, independent of the stevedores who serviced the ships. Criminal gangs, recognizing yet another potentially lucrative racket, boldly claimed prescriptive rights to be paid for the loading and unloading of these trucks. Payments were demanded regardless of the trucker's need for or use of the extra labor. Truckers who refused to pay these "public loaders" found that cargo would not be released into their custody, or that their entry onto the piers would be denied in its entirety. Those brave enough to complain were faced with threats of violence or even death. Most simply resigned themselves to the presence of these parasitic "public loaders", ultimately deciding it was far cheaper, and safer, to pay for their unwanted services.

Perhaps the most lucrative racket of all was the organized theft of the valuable cargo that passed daily through the ports. Gangsters frequently coordinated their efforts with dirty dock bosses to arrange for the disappearance of entire truckloads of cargo. Port watchmen, responsible for the security of the piers, were either in on the rackets or too fearful for their jobs or safety to report any wrongdoing. The economic toll of this organized thievery amounted to millions of dollars each year, the costs of which were borne by the shippers and ultimately passed on to consumers.

The pervasive corruption on the waterfront in the Port of New York – New Jersey was documented in the early 1950's by public hearings held by the New York State Crime Commission with the assistance of the New Jersey Law Enforcement Council. The Crime Commission's report concluded that the unlawful conditions on piers threatened to deal a devastating blow to the economic prosperity of both states, and risked the flight of businesses and jobs to competing ports. As a result, in August 1953, the States of New York and New Jersey, with the approval of Congress and the President of the United States, enacted a compact creating the Waterfront Commission of New York Harbor.

Division of Licensing and E.I.C.

Then:
Ink and roll fingerprinting

Now:
State-of-the-art "live scan"
electronic fingerprinting

THE PORT TODAY

True to its mission, for 50 years the Waterfront Commission of New York Harbor has worked diligently to rid the Port of New York - New Jersey of the criminal influence that had once dominated the piers. The results have been astounding. As the corruption of the past has died away, efficiencies have been restored to the 1500 square mile port district, port industry has been allowed to grow and prosper, and the waterfront has continued to provide outstanding economic benefits to New York and New Jersey.

Pursuant to the Waterfront Commission Act of 1953, convicted criminals are banned from holding office in waterfront unions. No longer do racketeers dictate how business is accomplished on the piers.

Dock workers are carefully screened and registered and/or licensed by the Waterfront Commission. Under the watchful eye of the Commission's Division of Licensing and Employment Information Centers, workers are selected for employment by licensed hiring agents, using computers and telephones, in accordance with industry and Commission regulations. The Commission retains the authority to deny or revoke the registration and/or licenses of those who engage in any form of criminality.

Longshorepersons obtain regular employment, earn substantial wages, and are no longer at the mercy of unscrupulous hiring bosses or criminals. The notorious practice known as the "shape-up" and the "public-loading racket" have been eliminated. Management and labor now work together for the betterment of the Port and the region.

Security officers, now licensed by the Commission, are required to maintain strict physical and mental standards and must attend training courses administered by the Commission. With the full support of the Waterfront Commission Police Division, the presence of the security officers has dramatically reduced crime on the piers.

Stevedore companies are also licensed by the Commission. Their books and records are audited by Commission employees to guard against illegal payoffs and other violations of law.

Cargo theft in the Port continues to be closely monitored and has significantly declined. When theft has occurred, the Commission's Police Division has had solid success in apprehending thieves and in recovering valuable stolen shipments.

Commission detectives continually review security measures in the Port. While the Commission takes great pride in the role it has played with other law enforcement agencies over the past 50 years in reducing crime and in eliminating certain past abuses, old challenges (such as loan sharking, extortion, illegal gambling and larceny) and new challenges face all law enforcement units. Drug smuggling and cargo theft have become very sophisticated, requiring close coordination among all law enforcement agencies active in the Port of New York-New Jersey and adjacent areas. The latest challenge, terrorism, is of paramount concern.

THE COMMISSION

A New York and a New Jersey Commissioner head the Commission. Each is appointed by the Governor of the Commissioner's respective State, with the advice and consent of their State Senate.

Michael C. Axelrod, the New York Commissioner, holds a Juris Doctor from the New England School of Law and an LLM in Labor Law from New York University Law School. A member of the New York and Florida bars, he represents public-safety labor unions in the New York Metropolitan area and arbitrates disputes for the New York State Employment Relations Board.

Michael J. Madonna, the New Jersey Commissioner, holds a Bachelor of Science Degree in Public Safety from William Patterson College and an AAS Degree in Police Science from Bergen Community College. Beginning his career as a patrolman with the Oakland, New Jersey Police Department, Commissioner Madonna, now a Detective with the Oakland Police, is currently the New Jersey State PBA President. Prior to being confirmed as the New Jersey Waterfront Commissioner, he served on the New Jersey Public Employment Relations Commission. He is active in many professional and civic organizations and is the recipient of numerous awards.

Thomas De Maria, the Commission's Executive Director, originally came to the Commission in March 1999 as Administrative Director and Counsel, and was appointed Executive Director in December 2000. He previously served as Assistant Attorney General in Charge of the Nassau Regional Office of the New York State Attorney General's Office, as well as Deputy County Attorney and Chief Lobbyist and Legislative Liaison for Nassau County, New York. Prior to that, Mr. De Maria was engaged in the private practice of law for 15 years. In his community, Mr. De Maria was elected as a Trustee in the Village of Floral Park and Chairman of the state-created Water Authority of Western Nassau County. He is a graduate of Bowdoin College and Brooklyn Law School.

Responsibility for the everyday operations of the Commission lies with the Executive Director who supervises its six divisions:

Executive. The Executive Division is comprised of the Executive Director, the Commission Secretary, the General Counsel, the Comptroller and their staff. This Division's responsibilities include: assisting the Commissioners in the making and execution of agency policy; proposing legislation, regulations and resolutions; preparation of annual and special reports; public relations; conducting labor relations with agency unions; formulation of the annual budget, keeping of financial records and administration of group insurance plans; providing legal advice to the Commissioners and conducting agency litigation; initiation of investigations; ordering hearings and maintaining the seal and official records of the Commission.

Law. Under the supervision of its Director, Assistant Counsel in this Division conduct investigations of applicants for licensing and registration to determine if they meet legal standards set

forth in the Waterfront Commission Act. These attorneys also investigate persons and companies already registered or licensed to ascertain if they have engaged in any violations of law. Hearings are conducted by the Assistant Counsel to determine whether applications should be granted or denied and whether registrations or licenses should be revoked or suspended. In addition, counsels conduct investigations into waterfront practices throughout the Port of New York District.

Police. This Division is staffed by a Chief, superior officers and detectives, all of whom possess full police powers in both states. These officers investigate criminal activity in the Port and violations of the Waterfront Commission Act; analyze organized crime data; perform background checks of individuals and companies that have applied for registrations and licenses; review pier and waterfront terminal cargo protection and security procedures; and maintain the Commission's licensing and investigative files. The Division is also an important participant in joint investigations with federal, state and local agencies.

Licensing and Employment Information Centers. This Division, headed by a Director, processes applications filed by individuals and firms required to be registered or licensed; supervises the hiring of longshorepersons, checkers and pier guards in the Port; makes employment information available to these dock workers; and administers the "decasualization program" which, according to law, removes from the longshore register those dock employees who, without good cause, fail to work or apply for work on a regular basis.

Audit and Control. Investigative accountants, under the supervision of a Director, routinely audit the books and records of licensed firms to guard against violations of federal or state laws; and to insure that the Commission's regulatory requirements are followed and that assessment reports are correct. The books and records of potential licensees and other individuals and firms under Commission investigation are also examined by these accountants.

Management Information Systems and Administration. This Division, headed by a Director, provides the agency with important computer, clerical, stenographic, court reporting and other support services and maintains personnel and attendance records. The proper functioning of the Commission's wide and local area computer networks and data bases is entrusted to this Division.

COMMISSION NOT FUNDED WITH TAX DOLLARS

The Commission is not funded with tax dollars. By law, and in lieu of any charges for the issuance of licenses or registrations or for the use of the Employment Information Centers, the Commission's budgeted expenses come from assessments on waterfront employers of persons registered or licensed by the agency. Employers pay a maximum 2% assessment on their gross payrolls for longshorepersons, checkers, pier superintendents, hiring agents and port watchmen.

During fiscal 2003-2004, the 102-employee Commission operated with a $8,186,042 budget, which was approved by the Governors of New York and New Jersey.

CASH MANAGEMENT AND THRIFT

The Waterfront Commission takes seriously its responsibility to operate with thrift, accountability and efficiency. To safeguard and better manage the Commission's cash and investments, both short and long-term, the Commission maintains most of its accounts in the State of New Jersey's Cash Management Fund and has made other secure investments in order to maximize interest paid for funds on deposit.

MEMBERSHIP IN ORGANIZATIONS

The Commission maintains membership in several law enforcement organizations which routinely network to share information and resources to combat crime. These include the Middle-Atlantic-Great Lakes Organized Crime Law Enforcement Network (MAGLOCLEN), which is part of the Law Enforcement Intelligence Unit (L.E.I.U.), and the International Association of Airport and Seaport Police. Membership in the latter enables the Commission to coordinate on an international level with crime fighters throughout the world. This is especially important in drug smuggling cases. The Commission also maintains a liaison with the National Cargo Security Council.

Commission members give presentations at meetings of these organizations as well as at meetings of the American Association of Port Authorities, bar associations, investigators' societies and other professional and civic groups.

THE PORT'S STATISTICS

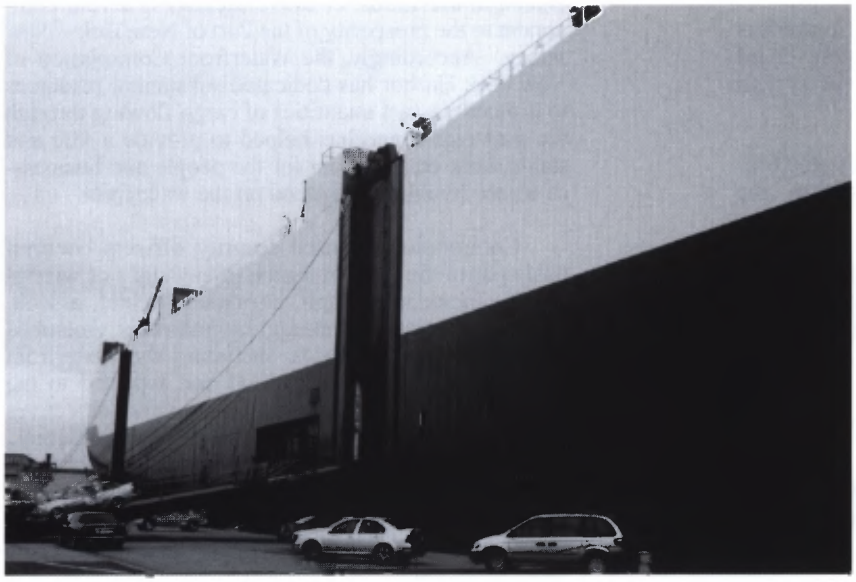
During calendar year 2003, the Port of New York-New Jersey, the Eastern seaboard's busiest port, handled 78.47 million long tons of waterborne cargo valued at $100 billion. The tonnage increased by 11.9% and dollar value increased by 11.7% over 2002.

For 2003, 2,382,639 container units passed through the Port, an increase of 181,718 or 8.3% over 2002. For the same 2003 period, 625,798 vehicles were imported or exported, an increase of 35,021 or 5.9% over the prior year. Ship arrivals in 2003 totaled 5,280, an increase of 6.5% or 325 ships over 2002.

The Port's top three imports on a tonnage basis for the year 2003 were beverages, vehicles, and plastic, while the three leading exports were wood pulp, plastic and machinery.

Automobile Shipping

Then:
Automobiles individually lifted off ships



Now:
Hundreds of automobiles driven off a "roll on - roll off" ship ("Ro-Ro")

During the waterfront industry's fiscal year (October 1, 2002 to September 30, 2003), registered "deep-sea" longshorepersons and checkers (excluding those pier workers registered under 1969 amendatory legislation to perform services incidental to the movement of waterborne freight) were paid $302,692,320 comprising regular and overtime wages, vacation and holiday benefits and guaranteed annual income payments. An average annual salary of $85,482 was paid to the 3,541 "deep-sea" workers. For the industry's prior fiscal year, the 2,988 workers were paid $246,100,378 or an average annual salary of $82,362.

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On June 30, 2004, the conclusion of the Commission's fiscal year, registered and licensed dock workers totaled:

· 2,572 "Deep-Sea" Longshorepersons;

· 826 Checkers;

· 1,999 workers registered under authority of the 1969 amendatory legislation to perform services incidental to the movement of waterborne freight, such as warehousing and maintenance work;

· 376 Security Officers;

· 171 Hiring Agents (persons who, on behalf of stevedores or steamship companies, select registrants for employment);

· 469 Pier Superintendents (management personnel of steamship companies or stevedores who directly or indirectly supervise registrants' work);

· 10 Telecommunications System Controllers (employees of a joint labor-management board that operate the computer and telephone system of hiring "deep-sea" labor).

The preceding 6,423 registered or licensed workers have all been screened and evaluated by the Commission.

There were also 76 companies licensed as stevedores who have contracts or arrangements to move waterborne freight or to perform services incidental to the movement of waterborne freight.

THE YEAR
(July 1, 2003 to June 30, 2004)

The following represents some of the Commission's activities during the fiscal year:

PORT SECURITY

The U.S. Department of Homeland Security implemented measures designed to protect America's ports from a terrorist attack. With predominately all of America's international cargo carried by ship, port security became critical to our nation's security.

The President, following September 11, 2001, implemented the Maritime Transportation Security Act of 2002. This act required completion of security assessments, development of security plans, and implementation of regulations that will reduce the risk and mitigate the exposure of our ports to terrorist activity.

These regulations require security measures that have three scalable security levels, called "MARSEC Levels". Depending on the MARSEC Level, security measures may include passenger, vehicle and baggage screening, security patrols, access control measures, and installation of surveillance equipment.

An integral component of the Department of Homeland Security is the creation of Area Maritime Security Committees. The Waterfront Commission is proud to be a key member of the Executive Committee, whose membership is composed of executive levels of management from federal, state, and local law enforcement agencies, who give advice on security measures within the Port of New York. In addition, as a member of the Operations Subcommittee, the Commission offers advice in planning, coordinating and developing strategies to detect terrorist activities.

Since March of 2003, a Waterfront Commission detective has been assigned to a FBI Task Force participating in "round-the-clock" staffing of the FBI Command Center for counter-terrorism, which manages intelligence, a crucial component of the port's and the nation's security.

Port Security at Work

As the New York State Crime Commission concluded in the 1950s, effective security is a vital component to the prosperity of the Port of New York – New Jersey. Accordingly, the Waterfront Commission of New York Harbor has dedicated substantial resources to protect the vast quantities of cargo flowing through the port region and has helped to provide a safe and stable work environment for the people and businesses whose livelihoods depend on the waterfront.

Commission licensed security officers continuously patrol the piers in search of any signs of wrongdoing. Incidents of theft, criminal mischief, assault, burglary, trespassing, smuggling and other violations of state and federal laws, including the Waterfront Commission Act, are identified and reported to the Commission immediately. Commission detectives investigating such incidents have had considerable success in the identification and prosecution of these criminals, and have served as a powerful deterrent to those that would seek to undermine the security of the ports.

Battling Cargo Theft

The Commission assigns personnel to area task forces that investigate cargo theft and related crimes. One such case this year involved a report from a waterfront terminal that a container shipment of men's suits had gone missing. The estimated value of the cargo

was over $126,000. Commission detectives immediately initiated a comprehensive investigation and tracked the movement of the container from the vessel at the terminal to the rail yard. During the course of the investigation, Commission detectives identified numerous security issues involving the container transfer and documentation problems relating to the handling of the shipment. Several weeks later, the container was located in the rail facility and ultimately shipped to its destination. As a result of this case, detectives made recommendations to the terminal operator to help improve the inter-terminal documentation of containers.

Authorized Personnel Only

Security officers licensed by the Waterfront Commission patrol the piers to help identify, deter, and respond to threats to both cargo and personnel. This responsibility includes the prompt identification and removal of trespassers. In October 2003, for example, a licensed security officer noticed a suspicious individual wandering about a cargo terminal. When asked to identify himself, the individual responded that he was a truck driver's helper. The security officer, having noticed that the individual was dressed in police style clothing resembling the uniforms worn by terminal security officers, quickly ascertained that he did not belong in the terminal and detained him as a trespasser.

An investigation by a Commission detective and U.S. Customs Agents determined that the subject was an illegal alien, and he was subsequently taken into custody by U.S. Immigration and Customs Enforcement Inspectors. At the time of the incident, the subject initially provided the officers with a fictitious name and could not provide a valid residential address, nor did he have a suitable reason for his presence at the terminal. Further investigation established that the subject had been deported from the U.S. in 1997 after a drug arrest in Maryland. He made his way back into the U.S. from Colombia, to Mexico and ultimately to New York City. The coordinated effort between the alert port security officer and Waterfront Commission Police Department kept this potentially dangerous individual off the piers.

Illegal immigration has proven to be a significant challenge to federal, state and local law enforcement agencies throughout the county. Due to the vast amounts of cargo entering the Port of New York – New Jersey daily, human traffickers have identified the waterfront as a means to illegally smuggle people into the United States. Consequently, Waterfront Commission detectives and Commission licensed security officers are the first line of defense against attempted illegal immigration at the ports. In December of this year, for example, licensed security officers working the night shift received a notification of suspicious persons in a cargo terminal. After a comprehensive search, six individuals were apprehended and subsequently determined to be stowaways from a docked vessel. All were identified as natives of Santo Domingo. In their attempt to illegally enter the United States, the stowaways hid themselves inside a cargo container that had been discharged from the vessel earlier in the day. Under cover of night, they had used tools to cut their way out of the container and onto U.S. soil. Waterfront Commission detectives were notified and subsequently took the suspects into custody.

Combating Counterfeiters

Waterfront Commission detectives investigate the flow of counterfeit goods into the Port of New York – New Jersey. This year, Waterfront Commission Detectives working with other law enforcement agencies, infiltrated a counterfeit smuggling ring. The ringleader was responsible for the importation of several shipping containers transporting counterfeit goods through the Port of New York. The counterfeit items included brand name cigarettes, clothing and handbags with an estimated street value of approximately $10,000,000. Six individuals were arrested and awaiting prosecution for their roles.

The battle against counterfeiters doesn't end at the docks. Waterfront Commission detectives have partnered with federal, state and local law enforcement to track and prosecute sellers of illegally smuggled counterfeit goods. In December 2003, Waterfront Commission detectives received information that a storefront in Lower Manhattan, New York was a distribution point to many vendors in the area selling counterfeit designer handbags. The information specifically stated that in the two basements beneath the storefront were several rooms for storing these items. An undercover Waterfront Commission detective gained admittance to one of these areas and was able to purchase several counterfeit items. Based on the detective's observations and activities, a court-ordered search warrant was issued. Waterfront Commission detectives, in conjunction with other law enforcement agencies, executed the search warrant and recovered approximately five tons of counterfeit items with an estimated street value of approximately $2,000,000.

Keeping counterfeit goods off the streets protects not only the legitimate manufacturers and sellers, but also consumers. The Waterfront Commission is committed to keeping potentially defective counterfeit goods off the market. In March 2004, Commission detectives were contacted by a private investigator working for major computer manufacturer. He related that a quantity of counterfeit printer cartridges had been shipped into the port from China. The shipment had been unclaimed and was ultimately purchased at auction by a salvage company at a deep discount. The salvage company subsequently offered the printer cartridges for sale on the internet. Waterfront Commission detectives, posing as an interested buyer, arranged to purchase the entire lot of 25,920 pieces at a price of $320,000. Once the transaction was made, Commission detectives entered the seller's warehouse with a search warrant and seized the bogus cartridges and related documents that led to establish their origin. The counterfeit cartridges were held for destruction and removed from the market. Since the counterfeit parts did not comply with original factory specifications, their use could have resulted in damage to the purchaser's computer printers.

Division of Police

Then:

Now:

Drug Smugglers Beware

Illegal drug smugglers seek to import their poison by any means necessary, including the utilization of the Port of New York – New Jersey. In response to this threat, Waterfront Commission detectives, in conjunction with various state and federal law enforcement agencies, develop intelligence and conduct investigations into sophisticated drug smuggling operations that occur on the waterfront. This year, for example, Waterfront Commission detectives, working with the United States Immigration and Customs Service, conducted a surveillance of a waterfront terminal through which it was believed an illegal shipment of drugs was to arrive. Six individuals were observed breaking into the terminal, and subsequently breaking into a sealed shipping container and removing 175 kilos of cocaine. All six individuals were subsequently arrested for the possession of the smuggled cocaine and are awaiting prosecution.

Award-Winning Investigators – The Ongoing Battle Against Organized Crime

For the past 50 years, the Waterfront Commission has been instrumental in combating the corruptive influence of organized crime in the Port of New York – New Jersey. This year, the Federal Law Enforcement Foundation presented Detective Jeffrey Heinssen, Captain J. Kevin McGowan, and Lieutenant Steven Mutone of the Waterfront Commission Police Division with a Special Award for Investigative Achievement. This prestigious award honors Detective Heinssen, Captain McGowan, and Lieutenant Mutone for their exceptional participation in a multi-agency federal, state, and local task force investigating mob influence on the waterfront.

The twenty-six month investigation culminated in the arrest, prosecution, and conviction of eighteen members and associates of the Gambino organized crime family, including boss Peter Gotti and capos Richard Gotti and Sonny Ciccone. The convictions related to charges including racketeering, extortion, loan sharking, gambling, conspiracy, wire fraud and money laundering.

Keeping the Port of New York Secure

The Waterfront Commission of New York Harbor is committed to proactively safeguarding the Port of New York – New Jersey from all forms of criminal influence. Accordingly, the Commission carefully scrutinizes the background and criminal records of every applicant and registrant that seeks to work on the waterfront. Based on the results of these investigations, the Commission retains the authority to deny or revoke the licenses of those that do not meet strict licensing criteria contained in the Waterfront Commission Act.

For 50 years, the Waterfront Commission has judiciously utilized this authority to prevent criminal elements from infiltrating the piers, and has denied licenses to virtually every type of criminal, including mobsters, drug dealers, bookmakers, loan sharks, and smugglers. The absence of these individuals has contributed to the safety and stability of the work environment on the piers, and dramatically enhanced the efficiency of the entire port region.

This year, the Waterfront Commission denied or revoked the licenses of drug smugglers, dealers and addicts, insurance fraudsters, money launderers, thieves, individuals convicted of violence or gun possession, and others evidencing criminal behavior deemed in violation of the Waterfront Commission Act.

In one notable instance, the Commission received a request for the reinstatement of a longshoreman's license from an individual previously convicted for his role in a complex drug smuggling operation on the piers. The ex-convict, a licensed longshoreman at the time, had utilized his access to the waterfront to help drug smugglers identify cargo containers that held significant quantities of cocaine. The Waterfront Commission concluded that his continued presence on the piers would represent a grave security threat. Consequently, his request for the reinstatement of his license was denied.

LICENSING PROCEEDINGS

Longshore, checker and telecommunication system controller registrations are issued without termination dates, but may be terminated for failing to work or to seek work or for loss of employment. Pier superintendent and hiring agent licenses remain in effect for as long as the licensee is employed by the steamship company or stevedore. A security officer license is of indefinite duration provided the licensee periodically submits updated personal history information, meets physical and mental requirements and takes refresher training courses in accordance with agency regulations. A stevedore's license must be renewed every five years. All registrations and licenses are subject to revocation or suspension for cause.

This year, employees of the Division of Licensing and Employment Information Centers reviewed and processed 761 applications and reapplications for licensing or registration. Included were 494 applications for the registration of longshorepersons, checkers and for the registration of persons performing ancillary warehouse and maintenance work; 210 for pier guard licenses; 43 and 13, respectively, for licensing as pier superintendents and hiring agents and 1 for a stevedore's license. Since the inception of the agency in 1953, approximately 161,978 applications and reapplications have been processed.

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The Compact enjoins the Commission from denying an application for registration or a license without affording the applicant prior notice and an opportunity to be heard at an administrative hearing. Likewise, no existing license or registration may be revoked, suspended or canceled without such a hearing. Revocation hearings may be ordered by the Commission on its own initiative or upon the complaint of any person, agency or public official. If a registrant or licensee is charged with a crime equivalent to

a felony, the agency may suspend that person's registration or license, pending the outcome of a hearing.

Hearings are presided over by Administrative Law Judges chosen from a rotating panel of New Jersey and New York attorneys. In accordance with due process, applicants and respondents may be represented by counsel, may adduce testimony and present evidence on their behalf, may cross-examine opposing witnesses and may request the Administrative Law Judge to issue subpoenas for the appearance and testimony of witnesses.

At the conclusion of the hearing, the Administrative Law Judge submits a report containing findings of fact and a recommendation for presentation to the Commissioners. Each party in interest is supplied with a copy of this written report and each is granted the opportunity to submit written exceptions.

After the complete record is reviewed by the Commissioners, a final determination is made and embodied in an order. In accordance with each State's rules of procedure for reviewing final agency determinations, the courts of New Jersey and New York are granted authority by the Compact to review Commission orders.

The Commission reached determinations in fifty-three application-revocation proceedings during fiscal year 2003-2004. Included in this tally were seventeen denied applications for inclusion in the Register. Nine of these applications were for longshore registration, one was for checker registration, and four were for maintenance/warehouse registration. Three applications for pier guard licenses were also denied.

Eleven longshore registrations were revoked, nine unconditionally and two with leave to reapply after a set period of time. One checker registration was revoked unconditionally. Two maintenance-warehouse registrations were unconditionally revoked. The registrations of three longshorepersons and four maintenance/warehouse workers were suspended for varying periods of time, as was the license of two security officers, two checkers, and five pier superintendents. All of these suspensions arose from summary proceedings during which the respondents chose to forego formal hearings and admitted the charges.

There were eleven petitions considered by the Commission, of which ten were denied and one granted. The Commission also rendered determinations in thirteen other miscellaneous proceedings.

Since 1953, the Commission estimates that it has revoked, revoked with leave to reapply, or suspended for set periods of time the registrations and licenses of approximately 6280 persons.

PERSONNEL

The Commissioners, Executive Director and staff personnel are honored to report the retirement of the following individuals:

Captain Alec Telesford joined the Waterfront Commission in July, 1973 as a Commission Detective. Throughout his years of service, Mr. Telesford received several promotions prior to receiving the rank of Captain. His institutional knowledge regarding virtually all forms of criminal investigations and his ability to effectively coordinate the resources of the Police Division greatly aided the Waterfront Commission to consistently fulfill its basic mission. After 30 years of successful service to the Waterfront Commission, Mr. Telesford's retirement became effective on October 20, 2003.

David Greenfield began his career with the Waterfront Commission as an Assistant Counsel in December, 1979. For nearly 25 years, Mr. Greenfield tirelessly applied his legal knowledge and expertise to enhance the effectiveness of the Law Division. In March 1999, Mr. Greenfield assumed the dual titles of Commission Secretary and the Director of Litigation and Legal Review, undertaking additional responsibilities critical to the efficient functioning of the Commission. Consistently discharging his responsibilities with extraordinary professionalism, his retirement became effective on October 20, 2003.

Lieutenant Paul Urgovitch joined the Waterfront Commission in August, 1970 as a Special Agent. For over 33 years, Mr. Urgovitch participated in numerous investigations relating to virtually all forms of criminality on the waterfront. After having received several recognitions by the Waterfront Commission for excellence in job performance, Mr. Urgovitch was promoted to the rank of Lieutenant in June, 1999. His retirement became effective on January 1, 2004.

CONCLUSION

In order to continue and preserve the accomplishments of the Commission and the gains realized in the Port of New York – New Jersey under the enforcement of the Waterfront Commission Act, The Waterfront Commission finds and determines that public necessity still exists for the continued registration of longshorepersons, the continued licensing of those occupations and types of employment required to be licensed under the Waterfront Commission Act and the amendments thereto, and the continued public operation of the employment information centers provided in Article XII of the Compact.

Respectfully submitted,

MICHAEL C. AXELROD
Commissioner for New York

MICHAEL J. MADONNA
Commissioner for New Jersey

Report of Audit

on the

Statement of Cash Receipts and Disbursements

of the

Waterfront Commission of New York Harbor

for the

Year Ended June 30, 2004

SUPLEE, CLOONEY & COMPANY
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INDEPENDENT AUDITOR'S REPORT

The Commissioners
Waterfront Commission of New York Harbor

We have audited the Statement of Cash Receipts and Disbursements of the Waterfront Commission of New York Harbor for the year ended June 30, 2004. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Statement of Cash Receipts and Disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the Waterfront Commission of New York Harbor for the year ended June 30, 2004 on the basis of accounting described in Note 1.

November 3, 2004

Suplee, Clooney & Company

WATERFRONT COMMISSION OF NEW YORK HARBOR

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2004

Balance of Funds at Beginning of Year:			
Cash in Checking Accounts and on Hand	$ 273,673		
Investment in Cash Management Account	694,680		
	$ 968,353		
Less Taxes and Other Withholdings From Employees	8,279		
		$	960,074
Receipts:			
Assessments on Employers of Persons Registered or Licensed by the Commission	$ 8,311,210		
Penalties, Fines and Miscellaneous Income	23,862		
Port Security Grant	180,000		
Interest	14,472		
			8,529,544
		$	9,489,618
Disbursements:			
Salaries	$ 4,984,793		
Retirement, Group Insurance and Social Security Taxes	1,566,503		
Hearing, Audit and Medical	190,373		
Temporary, Clerical and Stenographic			
Rentals	479,451		
General Insurance	147,190		
Light, Heat and Power	79,562		
Repairs and Maintenance	33,601		
Furniture and Equipment	99,201		
Computer System Development	218,365		
Carfare, Auto and Travel	194,616		
Communications	88,469		
Special Services and Supplies	92,544		
Alteration and Renovation	435,000		
General Office	48,554		
Printing	7,981		
			8,666,203
Excess of Receipts and Balance of Funds at June 30, 2004 Beginning of Year Over Disbursements - Balance of Funds at End of Year Consisting of:			
Cash in Checking Accounts and On Hand	$ 351,594		
Investment in Cash Management Account	498,874		
	$ 850,468		
Less Taxes and Other Withholdings From Employees	27,053		
		$	823,415

See accompanying Notes to Statement of Cash Receipts and Disbursements

WATERFRONT COMMISSION OF NEW YORK HARBOR

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

JUNE 30, 2004

(1) DESCRIPTION OF BUSINESS AND ACCOUNTING POLICY

(a) Description of Business

The Waterfront Commission of New York Harbor (the Commission), a bistate instrumentality, was created in 1953 by joint legislative action of the States of New York and New Jersey. It is vested with broad investigative, licensing and regulatory jurisdiction over the piers and terminals in the Port of New York District. It is not subject to income taxes.

(b) Accounting Policy

It is the policy of the Commission to prepare its financial statement on the basis of cash receipts and disbursements; consequently, revenue and related assets are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred.

(2) RETIREMENT BENEFITS

The Commission has established an Investment Reserve Account to fund its liability for eligible retired employees' medical, dental and life insurance benefits.

As of June 30, 2004 this reserve consisted of the following:

	FAIR MARKET VALUE
New Jersey Cash Management Fund	$1,696,307
	$1,696,307

This reserve is not reflected in the Statement of Cash Receipts and Disbursements.

WATERFRONT COMMISSION OF NEW YORK HARBOR

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

JUNE 30, 2004

(3) FORFEITURE FUNDS

The Commission has established an Investment Reserve Account for its share of forfeiture proceeds received from Federal and State Law Enforcement Agencies.

As of June 30, 2004, these reserves consisted of:

New Jersey Cash Management Fund	$856,163

This reserve is not reflected in the Statement of Cash Receipts and Disbursements.

(4) UNEMPLOYMENT RESERVE

The Commission by law has established an Investment Reserve Account to fund its liability for unemployment benefits.

As of June 30, 2004, this reserve consisted of the following:

New Jersey Cash Management Fund	$153,531

This reserve is not reflected in the Statement of Cash Receipts and Disbursements.

(5) RENOVATION ESCROW RESERVE

The Commission has established a Renovation Escrow Reserve to pay for the cost of renovating property it expects to lease from the Port Authority of New York and New Jersey.

As of June 30, 2004, this reserve consisted of the following:

New Jersey Cash Management Fund	$602,379

This reserve is not reflected in the Statement of Cash Receipts and Disbursements.

WATERFRONT COMMISSION OF NEW YORK HARBOR

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

JUNE 30, 2004

(6) LEASE COMMITMENTS

Future minimum lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) for the next five years as of June 30, 2004 are as follows:

Year Ending June 30:	
2005	$ 466,385
2006	478,045
2007	489,996
2008	502,246
2009	514,802

COMMISSION DETERMINATIONS

Year Ended June 30, 2004

APPLICATIONS AND REVOCATIONS

	Denied	Granted	Revoked	Revoked L/R	Suspended	Reprimanded	Suspended P/H	Totals
Longshorepersons	9	0	9	2	3	0	0	23
Checkers	1	0	1	0	2	0	0	4
Hiring Agents	0	0	0	0	0	0	0	0
Security Officer	3	1	5	0	2	0	0	11
Pier Superintendents	0	0	0	0	5	0	0	5
Stevedores	0	0	0	0	0	0	0	0
Maintenance/Warehouse	4	0	2	0	4	0	0	10
Telecommunications System Controllers	0	0	0	0	0	0	0	0
Totals	17	1	17	2	16*	0	0	53

* Includes summary proceedings and informal hearings

PETITIONS

	Denied	Granted	Totals
Petitions for Reconsideration	1	0	1
Petitions for Leave to Reapply	0	0	0
Petitions for Rehearing	0	0	0
Petitions to Withdraw	0	0	0
Petitions to Remove Ineligibility	0	0	0
Petitions for Restoration of Registration/License	9	1	10
Petitions to Vacate Temporary Suspension	0	0	0
Petitions for Retention or Reinstatement	0	0	0
Petitions for Stay	0	0	0
Petitions to Surrender Registration	0	0	0
Petitions to Amend Determination	0	0	0
Totals	10	1	11

ADDITIONAL COMMISSION DETERMINATIONS

Recommendations to Authorize an Informal Hearing	0
Recommendations for Permanent Registration/License	6
Recommendations to Continue Temporary Permits/Registrations	0
Recommendations to Issue Notice of Hearing	7
Recommendations to Amend Notice of Hearing	0
Recommendations to Rescind Notice of Hearing	0
Recommendations to Issue Temporary Permit	0
Totals	13

WATERFRONT COMMISSION
DIVISION OF LICENSING/EMPLOYMENT INFORMATION CENTERS

SHOWING COMPARISON OF HIRINGS FOR THE YEARS ENDING JUNE 30TH, 2003 AND 2004

Piers and Areas	HIRINGS 2003-2004	HIRINGS 2002-2003	Increase or Decrease	% Change	% Share in Port Employment 2003-2004	% Share in Port Employment 2002-2003
Manhattan	24,526	22,553	+1,973	+8.75%	3.28%	3.21%
Brooklyn	104,836	101,855	+2,981	+ 2.93%	14.02%	14.52%
Staten Island	67,751	70,316	-2,565	-3.65%	9.06%	10.02%
Port Newark & Elizabeth	503,407	461,682	+41,725	+9.04%	67.32%	65.80%
Jersey City & Bayonne	47,213	45,213	+2,000	+4.42%	6.31%	6.44%
TOTAL-NEW JERSEY	550,620	506,895	+43,725	+8.63%	73.64%	72.25%
TOTAL-NEW YORK	197,113	194,724	+2,389	+1.23%	26.36%	27.75%
PORT WIDE TOTALS	747,733	701,619	+46,114	+6.57%	100%	100%

COMPARISON OF AVERAGE EARNINGS OF LONGSHOREPERSONS & CHECKERS

	1954(*)	2001	2002	2003
Over $100,000	(*)	913	961	1,242
$75,000 to $100,000	(*)	486	519	522
$50,000 to $75,000	(*)	603	573	593
$25,000 to $50,000	(*)	532	505	607
$20,000 to $25,000	(*)	83	65	99
$15,000 to $20,000	(*)	89	40	120
$10,000 to $15,000	(*)	69	28	100
$5,000 to $10,000	3,797	55	72	99
Under $5,000	37,536	95	225	159
TOTAL REPORTED	41,333	2,925	2,988	3,541
Total Earnings	$102,061,108	$235,400,018	$246,100,378	$302,692,320
Total Hours Worked	37,813,991	7,600.233	7,657,306	9,372,389
% Hours Overtime	24.3%	52.1%	54.9%	59.5%
AVERAGE ANNUAL WAGES**	$2,469	$80,479	$82,362	$85,482

* Records Incomplete for 1954.

** Does Not Include Fringe Benefits.

NOTE: This table includes craftsmen such as carpenters, coopers, maintenance personnel and miscellaneous personnel required to be registered as longshoremen effective May 27, 1957, but does not include most persons required to be registered as waterfront warehousemen and in other capacities effective September 1, 1969. Similar tables in annual reports prior to 1957-1958 included earnings of longshoremen and checkers only, as reported by the New York Shipping Association. Guaranteed Annual Wage payments to qualifying persons are not included in the above figures.

SOURCE: New York Shipping Association for its fiscal year ending September 30th.

REGISTRATIONS AND LICENSES IN EFFECT DURING FISCAL YEARS

As of June 30th

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Longshore-persons	6,511 a	5,371 a	5,129 a	5,095 a&b	4,822 a&b	4,642 a&b	4,688 a&b	4,479 a&b	4,076 a&b	3,986 a&b	3,868 a&b	3,952 a&b	4,291 a&b	4,001 a&b	4,686 a&b	4571 a&b
Checkers	1,510	1,175	1,200 b	1,107 b	1,053 b	975 b	979 b	946 b	817 b	810 b	766 b	748 b	813 b	729 b	844 b	826 b
Hiring Agents	185	179	173	182	174	170	184	187	186	190	186	188	187	177	175	171
Pier Super-intendents	268	279	278	303	309	329	359	353	394	400	406	397	421	436	452	469
Security Officers	343	356	391	392	394	406	429	412	403	412	419	381	377	389	479	376
Stevedore Companies	71	69	68	71	68	72	75	74	75	75	72	73	73	74	75	76*
Telecom Systems Controllers			14 c	14 c	14 c	12 c	12 c	12 c	9 c	10 c	9 c	9 c	9 c	9 c	9 c	10 c
TOTALS:	8,888	7,429	7,253	7,164	6,834	6,606	6,726	6,463	5,960	5,883	5,726	5,748	6,171	5,815	6,720	6499

(a) Includes warehousemen, container repairmen, and other persons required to register under amendments to Waterfront Commission Act, effective September 1, 1969.

(b) Includes persons registered on a temporary basis to meet special and emergency needs.

(c) Includes persons required to be registered under amendment to Waterfront Commission Act, effective July 9, 1990.

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Port Newark, New Jersey 07114
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Fax (973) 344-1801

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This Annual Report can be found on the Internet at www.wcnyh.org

WATERFRONT COMMISSION OF NEW YORK HARBOR

MICHAEL C. AXELROD
Commissioner for New York

MICHAEL J. MADONNA
Commissioner for New Jersey

THOMAS DE MARIA
Executive Director

ANN M. GROSS
Commission Secretary

JON S. DEUTSCH
General Counsel

JOY M. KELLY
Director, Division of Law

J. KEVIN McGOWAN
Assistant Chief of Police

PETER J. GOLDFINGER
Director of Licensing and Employment Information Centers

JEFFREY R. SCHOEN
Assistant Director, Division of Licensing and Employment Information Centers

FRANK NASTASI
Director, Division of Audit and Control

IRVING H. WOLF
Comptroller