

# ANNUAL REPORT

JULY 1, 2004 THROUGH JUNE 30, 2005



**WATERFRONT COMMISSION OF  
NEW YORK HARBOR**



*To the Honorable Richard J. Cody, Acting 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 2004-2005. 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.

**ANNUAL REPORT**  
**July 1, 2004 through June 30, 2005**



**WATERFRONT COMMISSION OF NEW YORK HARBOR**

AN INSTRUMENTALITY OF THE STATES OF NEW YORK AND NEW JERSEY

ANNUAL REPORT  
for the year ending June 30, 1913



COMMISSION OF INVESTIGATION OF NEW YORK HARBOR  
NEW YORK STATE COMMISSION OF INVESTIGATION

## 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 off of 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 in exchange for the resumption of work and future labor peace. 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 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.

### **THE PORT TODAY**

True to its mission, for over 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 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 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 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 Director of Litigation and Legal Review, 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 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 2004-2005, the 105 employee Commission operated with a \$8,585,986 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 (MAGLOCLN), 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 2004, the Port of New York-New Jersey, the Eastern seaboard's busiest port, handled 80,643,991 million long tons of waterborne cargo valued at \$115 billion. The tonnage increased by 2.8% and dollar value increased by 14.1% over 2003.

For 2004, 3,147,203 container units passed through the Port, an increase of 328,646 or 11.7% over 2003. For the same 2004 period, 728,720 vehicles were imported or exported, an increase of 102,922 or 16.4% over the prior year. Ship arrivals in 2004 totaled 5,288, an increase of 0.2% or 8 ships

over 2003.

The Port's top three imports on a tonnage basis for the year 2004 were beverages, vehicles, and furniture, while the three leading exports were wood pulp, plastic and machinery.

During the waterfront industry's fiscal year (October 1, 2004 to September 30, 2005), 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 \$307,914,629 comprising regular and overtime wages, vacation and holiday benefits and guaranteed annual income payments. An average annual salary of \$87,625 was paid to the 3,514 "deep-sea" workers. For the industry's prior fiscal year, the 3,541 workers were paid \$302,692,320 or an average annual salary of \$85,482.

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On June 30, 2005, the conclusion of the Commission's fiscal year, registered and licensed dock workers totaled:

- 2665 "Deep-Sea" Longshorepersons;
- 804 Checkers;
- 2056 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;
- 374 Security Officers;
- 182 Hiring Agents (persons who, on behalf of stevedores or steamship companies, select registrants for employment);
- 493 Pier Superintendents (management personnel of steamship companies or stevedores who directly or indirectly supervise registrants' work);
- 8 Telecommunications System Controllers (employees of a joint labor-management board that operate the computer and telephone system of hiring "deep-sea" labor).

The preceding 6582 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, 2004 to June 30, 2005)**

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 Advisory 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.

Commission detectives continue to serve as members of several federal law enforcement task forces in the New York / New Jersey area. These detectives bring a vast body of knowledge and experience to the national security effort. 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. The Commission is dedicated to maintaining and supporting interagency cooperation

Commission detectives continuously undergo in-service training in the modern techniques and legal issues of criminal investigation, port security and anti-terrorism.

### **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 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.

### **The Whole Truth, Nothing but the Truth...**

A principal of a trucking company operating as a "house trucker" at a New York marine terminal pled guilty to perjury charges after testifying falsely in federal court. This guilty plea was the result of

## Award-Winning Investigator in the Ongoing Battle Against Organized Crime



James Comey, *Deputy United States Attorney General*  
Mary Beth Buchanan, *Director, Executive Office for United States Attorneys*  
Jeffrey Heinsen, *Detective, Waterfront Commission of New York Harbor*  
Roslynn Mauskopf, *United States Attorney for the Eastern District of New York*  
James McGowan, *Assistant Chief of Police, Waterfront Commission of New York Harbor*  
Thomas De Maria, *Executive Director, Waterfront Commission of New York Harbor*

a Commission task force investigation of organized crime on the waterfront. The trucking executive was subpoenaed to testify at a trial in federal court and testified falsely when questioned about paying money to a captain of the Gambino organized crime family. The trucking executive was sentenced to 6 months in a federal institution and a \$20,000 fine.

A longshoreman union official pled guilty to perjury after testifying falsely before a grand jury in federal court. The union official was subpoenaed to testify by Commission detectives who were part of a task force investigating organized crime activity on the waterfront. During his testimony, the union official denied visiting a social club associated with the Gambino Organized Crime family. The union official awaits sentencing and faces up to 16 months in a federal institution.

### **Award-Winning Investigator in the Ongoing Battle Against Organized Crime**

Since its creation more than 50 years ago, 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 Executive Office for United States Attorneys presented Waterfront Commission Detective Jeffrey Heinssen with a Director's Award for his outstanding effort and superb interagency cooperation during a three-year investigation culminating in the trial and conviction of 18 members and associates, including boss Peter Gotti, of the Gambino Organized Crime Family of La Cosa Nostra. This prestigious award honors Detective Heinssen for exceptional participation in a multi-agency federal, state and local task force investigating mob influence on the waterfront.

### **On the Scene**

Commission detectives were called to a waterfront terminal to investigate an assault against a dockworker. Commission detectives commenced an investigation, collected physical evidence and secured the crime scene. The victim of the assault, who was struck over the head with a metal pipe, was treated in a local area hospital where his injury required approximately 15 stitches. Michael Pugliese was arrested and charged with Assault in the Second Degree, Menacing, Criminal Mischief and Criminal Possession of a Weapon. The New York City Police

Department commended Commission detectives for gathering the evidence and safeguarding the crime scene, which resulted in the timely arrest of Mr. Pugliese.

### **Unauthorized Cruising**

The detectives of the Waterfront Commission play an active role with their law enforcement partners from the U.S. Department of Homeland Security to secure a safe haven for cruise vessels operating within the Port of New York. Upon being alerted by a representative of a cruise line, Commission detectives responded to a complaint that a small pleasure craft had entered a secure channel, adjacent to where a cruise vessel was berthed. The detectives ascertained that the operator of the pleasure craft had docked the vessel in an effort to see a family member who was a passenger on the cruise ship.

### **Sleeping on the Job**

An integral part of Waterfront Commission's mission is to keep a vigil over licensed Security Officers who are employed by stevedoring companies and cruise ship terminals within the Port. Commission detectives conduct unannounced inspections of Security Officers who are assigned to watch over stevedoring and cruise ship terminals. On occasion, Security Officers have been caught sleeping on duty. Commission detectives, after observing someone sleeping or otherwise neglecting their duties, fully investigate the matter and then refer the incident to the Waterfront Commission's Division of Law for a determination. Negligent Security Officers are brought to a hearing which can result in a suspension or revocation of their license to work on the waterfront.

### **Champagne Shortage**

Several refrigerated containers of French champagne arrived at a New Jersey waterfront terminal at different times and from different vessels. All of these vessels sailed from the port of Le Havre, France. These containers were found to have been entered resulting in nearly \$8,000 of missing champagne. The container seals had been broken and replaced therefore the shortage was not noticed until the containers were scheduled for transport to area warehouses.

Commission detectives initiated an investigation to determine at what point during transport the

containers were compromised. Working with the shipping line and terminal security, detectives determined that the containers had been compromised at the point of loading in Le Havre rather than on board the vessels or at the local waterfront terminal. Commission detectives provided a valuable service by protecting the terminal and the shipping line from unwarranted loss claims.

### **New Technology**

Utilizing the Waterfront Commission's greatly improved MIS capabilities, the Police Division instituted an initiative to deploy resources more effectively using incident data and offense tracking. One of the important changes is the ability to track the different types of offenses/incidents investigated and the location of occurrences. Using this data, Commission detectives are able to identify trends and suspects as well as deploy personnel to attack a specific problem area. For example, based on summary reports, the Commission's detectives can determine specific time periods and location where cargo theft is prevalent and then deploy additional police personnel at that location during that time period. Field Office Commanders are able to track the progress and effectiveness of the solutions and make necessary adjustments.

### **Integral Part of Port Security**

The Police Division was recognized by the U.S. Department of Homeland Security as an integral part of port security. The DHS recently awarded a grant of \$618,000 for improved computer and communications equipment as well as a state of the art mobile Command Center which will enable Commission police personnel to coordinate enforcement efforts with other state and federal law enforcement agencies.

### **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 over 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, insurance fraudsters, gamblers, pedophiles, individuals convicted of gun possession, drug users, individuals manufacturing drugs, shoplifters, and others evidencing criminal behavior deemed in violation of the Waterfront Commission Act.

In a noteworthy example, the Commission received a request for reinstatement of a longshoreman's registration from an individual who had been convicted for his role in a complex drug smuggling operation on the waterfront. As a registered longshoreman he used his access to the waterfront to help drug smugglers identify cargo containers that held significant quantities of cocaine. The Commission immediately suspended his longshoreman registration which was then revoked after a hearing. In an attempt to return to the waterfront, he previously submitted a request for the reinstatement of his registration which was denied by the Commission based on his conviction. He recently submitted another request for reinstatement which was also 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 pier guard 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 issued 636 licenses or registrations to new applicants or re-applicants. Included were 568 registrations of longshorepersons, checkers and persons performing ancillary warehouse and maintenance work; 29 port watchmen licenses; 22 and 13, respectively, for licensing as pier superintendents and hiring agents, 2 telecommunications system controllers and 2 for stevedore licenses. Since the inception of the agency in 1953, approximately 162,614 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 71 application-revocation proceedings during fiscal year 2004-2005. Included in this tally were 13 denied applications for inclusion in the Register; 6 of these applications were for longshore registration, 1 was for checker registration, and 4 were for maintenance/warehouse registration; 1 application for a port watchmen license and 1 application for a pier superintendent license were also denied.

7 longshore registrations were revoked, 6 unconditionally and 1 with leave to reapply after a set period of time. 3 checker registrations were revoked unconditionally. 4 maintenance-warehouse registrations were revoked unconditionally. The registrations of 2 longshorepersons were suspended for varying periods of time, as were the licenses of 1 security officer and 1 checker. All of these suspensions arose from summary proceedings during which the respondents chose to forego formal hearings and admitted the charges.

There were 20 petitions considered by the Commission, of which 15 were denied and 5 granted. The Commission also rendered determinations in 18 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 6,298 persons.

## PERSONNEL

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

Dionysios Monokrousos served the Waterfront

Commission for 23 years prior to his retirement. Mr. Monokrousos was a graduate of John Jay College of Criminal Justice. He became employed with the Commission in August 1982 as a uniformed police officer. He was instrumental in bringing about the success of the "261 Court Street" investigation, a \$30 million gambling operation. His dedication, excellence and proficiency in identifying "callers on the wire" led to 22 arrests, 7 of those arrests were attributed directly to Monokrousos. He was promoted to Detective Investigator in December 1994. He was again credited for his work on the investigation "Operation Takeback" involving organized crime on the waterfront. He was one of several detectives instrumental in bringing this case to fruition and closure. Mr. Monokrousos held his position of Detective until his retirement in February 2005.

Thomas J. Mutone served the Waterfront Commission for 20 years prior to his retirement. He became employed with the Commission in October 1984 as a police officer and soon thereafter was promoted to Detective Investigator. Mr. Mutone was one of several detective-investigators commended for superior work in an investigation involving a major fencing operation which resulted in the confiscation of substantial quantities of stolen perfumes. He was also commended for participating in the "Big Move" special assignment involving the U.S. Coast Guard Military Base on Governor's Island. He was promoted to Detective in January 1998. He was also an active representative for the DEA Police Union throughout his time at the Commission. Mr. Mutone held his position of Detective until his retirement in October 2004.

Philip C. Spinelli joined the Waterfront Commission as Chief of the Police Division in March, 1999 after having served 27 years in the field of Federal law enforcement. Mr. Spinelli's institutional knowledge regarding virtually all forms of criminal investigations and his ability to effectively coordinate the resources of the Police Division greatly aided the Commission in fulfilling its basic mission. After 5 years of successful service to the Commission, Mr. Spinelli's retirement became effective in July, 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, 2005*



# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2005. 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, 2005 on the basis of accounting described in Note 1.

December 13, 2005

WATERFRONT COMMISSION OF NEW YORK HARBOR

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2005

Balance of Funds at Beginning of Year:		
Cash in Checking Accounts and on Hand	\$	351,594
Investment in Cash Management Account		498,874
	\$	<u>850,468</u>
Less Taxes and Other Withholdings From Employees		<u>27,053</u>
	\$	823,415
Receipts:		
Assessments on Employers of Persons Registered or Licensed by the Commission	\$	9,400,004
Penalties, Fines and Miscellaneous Income		6,052
Port Security Grant		439,294
Interest		25,682
		<u>9,871,032</u>
	\$	<u>10,694,447</u>
Disbursements:		
Salaries	\$	5,263,846
Retirement, Group Insurance and Social Security Taxes		1,778,488
Hearing, Audit and Medical		204,185
Rentals		553,136
General Insurance		283,191
Light, Heat and Power		79,018
Repairs and Maintenance		39,999
Furniture and Equipment		91,221
Computer System Development		501,811
Carfare, Auto and Travel		233,212
Communications		81,119
Special Services and Supplies		135,739
Alteration and Renovation		308,000
General Office		54,037
Printing		13,129
		<u>9,620,131</u>
Excess of Receipts and Balance of Funds at June 30, 2005		
Beginning of Year Over Disbursements - Balance of Funds at End of Year Consisting of:		
Cash in Checking Accounts and On Hand	\$	493,975
Investment in Cash Management Account		641,095
	\$	<u>1,135,070</u>
Less Taxes and Other Withholdings From Employees		<u>60,754</u>
	\$	<u><u>1,074,316</u></u>

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, 2005

(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, 2005 this reserve consisted of the following:

	<u>FAIR MARKET VALUE</u>
New Jersey Cash Management Fund	<u>\$1,463,222</u>
	<u>\$1,463,222</u>

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, 2005

(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, 2005, these reserves consisted of:

	<u>FAIR MARKET VALUE</u>
New Jersey Cash Management Fund	<u>\$977,220</u>
	<u>\$977,220</u>

(4) UNEMPLOYMENT RESERVE

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

As of June 30, 2005, this reserve consisted of the following:

	<u>FAIR MARKET VALUE</u>
New Jersey Cash Management Fund	<u>\$156,765</u>
	<u>\$156,765</u>

(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, 2005, this reserve consisted of the following:

	<u>FAIR MARKET VALUE</u>
New Jersey Cash Management Fund	<u>\$915,003</u>
	<u>\$915,003</u>

WATERFRONT COMMISSION OF NEW YORK HARBOR

NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

JUNE 30, 2005

(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, 2005 are as follows:

Year Ending June 30,	
2006	\$478,045
2007	489,996
2008	502,246
2009	514,802
2010	527,672

**COMMISSION DETERMINATIONS**  
**Year Ended June 30, 2005**  
**APPLICATIONS AND REVOCATIONS**

	<u>Denied</u>	<u>Granted</u>	<u>Revoked</u>	<u>Revoked L/R</u>	<u>Suspended</u>	<u>Reprimanded</u>	<u>Suspended P/H</u>	<u>Totals</u>
Longshorepersons	6	0	6	1	2	0	0	15
Checkers	1	0	3	0	1	0	0	5
Hiring Agents	0	0	0	0	0	0	0	0
Security Officer	1	0	1	0	1	0	0	3
Pier Superintendents	1	0	1	0	0	0	0	2
Stevedores	0	0	0	0	0	0	0	0
Maintenance/ Ware-house	4	0	4	0	0	0	0	8
Telecommunications System Controllers	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>13</b>	<b>0</b>	<b>15</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>33</b>

\* Includes summary proceedings and informal hearings

**PETITIONS**

	<u>Denied</u>	<u>Granted</u>	<u>Totals</u>
Petitions for Reconsideration	0	1	1
Petitions for Leave to Reapply	2	0	2
Petitions for Rehearing	0	0	0
Petitions to Withdraw	0	0	0
Petitions to Remove Ineligibility	0	2	2
Petitions for Restoration of Registration/License	10	1	11
Petitions to Vacate Temporary Suspension	0	0	0
Petitions for Retention or Reinstatement	3	0	3
Petitions for Stay	0	0	0
Petitions to Surrender Registration	0	1	1
Petitions to Amend Determination	0	0	0
<b>Totals</b>	<b>15</b>	<b>5</b>	<b>20</b>

**ADDITIONAL COMMISSION DETERMINATIONS**

Recommendations to Authorize an Informal Hearing	2
Recommendations for Permanent Registration/License	5
Recommendations to Continue Temporary Permits/Registrations	6
Recommendations to Issue Notice of Hearing	4
Recommendations to Amend Notice of Hearing	0
Recommendations to Rescind Notice of Hearing	1
Recommendations to Issue Temporary Permit	0
<b>Totals</b>	<b>18</b>

**WATERFRONT COMMISSION**  
**DIVISION OF LICENSING/EMPLOYMENT INFORMATION CENTERS**  
 SHOWING COMPARISON OF HIRINGS FOR THE YEARS ENDING JUNE 30<sup>TH</sup>, 2004 AND 2005

Piers and Areas	HIRINGS		Increase or Decrease	% Change	% Share in Port Employment	
	2004-2005	2003-2004			2004-2005	2003-2004
Manhattan	21,954	24,526	2,572	-10.49%	2.96%	3.28%
Brooklyn	52,993	104,836	51,843	-49.45%	7.15%	14.02%
Staten Island	67,010	67,751	741	-1.09%	9.04%	9.06%
Port Newark & Elizabeth	541,805	503,407	38,398	+7.63%	73.10%	67.32%
Jersey City & Bayonne	57,387	47,213	10,174	+21.55%	7.74%	6.31%
<b>TOTAL-NEW JERSEY</b>	<b>599,192</b>	<b>550,620</b>	<b>+48,572</b>	<b>+8.82%</b>	<b>80.85%</b>	<b>76.64%</b>
<b>TOTAL-NEW YORK</b>	<b>141,957</b>	<b>197,113</b>	<b>-55,156</b>	<b>-27.98%</b>	<b>19.15%</b>	<b>26.36%</b>
<b>PORT WIDE TOTALS</b>	<b>741,149</b>	<b>747,733</b>	<b>-6,584</b>	<b>-0.88%</b>	<b>100%</b>	<b>100%</b>

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**COMPARISON OF AVERAGE EARNINGS OF LONGSHOREPERSONS & CHECKERS**

	1954(*)	2002	2003	2004
Over \$100,000	(*)	961	1,242	1,198
\$75,000 to \$100,000	(*)	519	522	589
\$50,000 to \$75,000	(*)	573	593	774
\$25,000 to \$50,000	(*)	505	607	609
\$20,000 to \$25,000	(*)	65	99	95
\$15,000 to \$20,000	(*)	40	120	76
\$10,000 to \$15,000	(*)	28	100	39
\$5,000 to \$10,000	3,797	72	99	46
Under \$5,000	37,536	225	159	88
<b>TOTAL REPORTED</b>	<b>41,333</b>	<b>2,988</b>	<b>3,541</b>	<b>3,514</b>
<b>Total Earnings</b>	<b>\$102,061,108</b>	<b>\$246,100,378</b>	<b>\$302,692,320</b>	<b>\$307,914,629</b>
<b>Total Hours Worked</b>	<b>37,813,991</b>	<b>7,657,306</b>	<b>9,372,389</b>	<b>9,825,074</b>
<b>% Hours Overtime</b>	<b>24.3%</b>	<b>54.9%</b>	<b>59.5%</b>	<b>58.9%</b>
<b>AVERAGE ANNUAL WAGES **</b>	<b>\$2,469</b>	<b>\$82,362</b>	<b>\$85,482</b>	<b>\$87,625</b>

\* 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

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Longshore persons</b>	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	4721 a&b
<b>Checkers</b>	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	804 b
<b>Hiring Agents</b>	173	182	174	170	184	187	186	190	186	188	187	177	175	171	182
<b>Pier Superintendents</b>	278	303	309	329	359	353	394	400	406	397	421	436	452	469	493
<b>Security Officers</b>	391	392	394	406	429	412	403	412	419	381	377	389	479	376	374
<b>Stevedore Companies</b>	68	71	68	72	75	74	75	75	72	73	73	74	75	76*	76*
<b>Telecommunication Systems Controllers:</b>	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	8 c
<b>TOTALS:</b>	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	6604

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.

# 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*

**BRIAN J. SMITH**

*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*

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