To the Honorable David Paterson, Governor and the Legislature of the State of New York

To the Honorable John Corzine, Governor and the Legislature of the State of New Jersey

It would not be an exaggeration to state that Fiscal Year 2008-2009 has been a tumultuous one for the Waterfront Commission of New York Harbor. On August 11, 2009, the New York State Inspector General issued its report setting forth the findings of an investigation that it and the New Jersey Attorney General had been conducting for the past 2 years. That report (www.ig.state.ny.us/reports/reports.html) catalogued a host of deficiencies and shortcomings of the Commission and the misfeasance and malfeasance of its leadership. It drew a picture of a dysfunctional agency that over time had lost its sense of mission and an agency that failed to carry out the basic functions set forth in its statutory mandate. The fact that this 2008-2009 Report is the first annual report issued in the past four years is just one more symptom of that failure.

The fact that the in the last decade the Commission became virtually moribund is inexcusable. The Waterfront Commission is critical to the proper operation of the industry that functions in and around the harbors of New York and New Jersey. A strong and vital Commission is required to combat criminal activity and influence, and ensure fair hiring and employment practices so that the Port and the region can prosper.

The 2008-2009 news is, however, not all bad. By the time the Inspector General’s Report was issued, the Commission had already instituted virtually every one of the 15 reforms suggested by the IG. Indeed, the Commission faulted in the Report no longer existed. Ronald Goldstock, a member of the faculties of Cornell, Columbia and NYU Law Schools and former Director of the New York State Organized Crime Task Force was appointed New York Commissioner by Governor David Paterson and confirmed by the New York State Senate in July, 2008. In September, 2008, Walter Arsenault, a respected former prosecutor in both New Jersey and New York as well as the former First Deputy Commissioner for the New York City Department of Investigation was appointed the Commission’s Executive Director. The position of General Counsel was filled by Michele Meyer-Shipp, a former Merrill Lynch Vice President and Director of the State of New Jersey’s Division of Equal Employment Opportunity and Affirmative Action. As the following report recites, the Commission’s structure and staff has changed; new
staff was hired based upon what they knew, not who they knew and new initiatives begun. After the issuance of the report, former Essex County Assistant Prosecutor and member of the New Jersey Commission of Investigation Barry Evenchick was nominated by Governor Corzine and awaits New Jersey Senate confirmation. The Waterfront Commission is now committed and prepared to carry out its statutory mandates. The decade of lethargy is over.
**Mission of the Waterfront Commission:**

The statutory mandate 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:**

In 1949, Malcolm Johnson’s twenty-four part series of articles for the New York Sun entitled “Crime on the Waterfront” won the Pulitzer Prize for Local Reporting. These articles exposed the culture of corruption, extortion, racketeering and organized crime in the Port of New York and led directly to the creation of the Commission. The 1954 film, “On the Waterfront,” based on these articles, faithfully and dramatically depicted how a surplus of available labor provided the mobbed-up union leadership with the ability to control its membership. In one of the movie’s most memorable scenes, during the “morning shape-up,” hundreds of dock workers, after pleading with the corrupt hiring boss for one of the available jobs, scramble, spar and literally climb on top of each other to grab one of the tokens that would allow them to work. Only those members of the local who have supported the corrupt union leaders and have agreed to “kick back” a portion of their wages are guaranteed a spot on one of the gangs.

Other conditions on the piers are just as bleak. With the blessing of organized crime, loan sharks lurked on the docks, all too willing to “assist” the underpaid longshoremen in feeding his family or supporting his vices. The inability to repay these usurious loans resulted in a strengthening of the mob’s grip on the piers and often in violent consequences for the longshoreman-borrower. Mob sanctioned bookmaking on the docks increased business for the loan sharks.

Theft and pilferage of cargo were rampant in the Port. Pier guards were unwilling or unable to contain theft.

Parasitic “public loaders” coerced truckers to employ them to load or unload trucks even though such “services” were not needed or desired.

Stevedoring Companies were forced to employ “no show” employees and pay gratuities to union officials or suffer “wildcat strikes” that could cripple their business.

This pervasive corruption on the waterfront in the Port of New York-New Jersey was documented in the early 1950’s in public hearings held by the New York State Crime Commission with the assistance of the New Jersey Law Enforcement Council. As a result, in August 1953, the States of New York and New Jersey, with the approval of the United States Congress and the President of the United States, enacted a compact creating the Waterfront Commission of New York Harbor.

**The Port Today:**

While the evils of the Public Loading racket and the Shape-up system were eliminated by the enactment of the Waterfront Act, many of the other ills described above still exist on today’s waterfront.
As the recent New York State Inspector General’s Report revealed, the Waterfront Commission of the recent past had failed to perform even some of its most basic obligations. Indeed, the Commission was almost completely dysfunctional. Divisions within the Commission did not cooperate or even communicate with each other. There was an almost total lack of accountability and a failure of leadership within the Commission. Commission counsel and police were untrained and demoralized. There was no meaningful intelligence on racketeering activities in the Port. Important regulatory and investigative responsibilities were ignored and a “pass the buck” mentality existed. These internal conditions did not go unnoticed. The Commission lost the confidence of both members of the industry and of rank and file workers. Other law enforcement agencies were reluctant to work with the Commission. Since July of 2008, the Commission has begun a rebirth and a rededication to its core missions. The Commission has been reorganized and its work prioritized to address today’s problems, and it is regaining the confidence and respect of the industry and its members as well as with its partners in law enforcement.

The current economic downturn has once again resulted in an oversupply of available longshore labor – the very environment most conducive to racketeering. The Commission is currently investigating specific and credible information that “kick backs” are still being demanded in exchange for work, overtime or better assignments on the waterfront. “No show” jobs are still the rule rather than the exception at most piers in the Port.

Individuals who lost their licenses or registrations through criminal convictions or misconduct now work at the Waterfront in “non-covered” positions allowing them to continue receiving payment and exerting control. Organized crime now also exacts a tax through overpriced or non-existent services in the cleaning, trash removal, snow removal or repair industries forced upon companies.

Mob control of the harbor is still a fact of life as evidenced by the July 2009 conviction of Genovese capo, Michael “Mikey Cigars” Coppola, on Federal Racketeering charges that he exercised criminal control of ILA Local 1235 for 33 years. Additionally, the United States Justice Department civil RICO suit against the ILA and several of its top officers is still pending. Allegations include rigged ILA elections, awarding an ILA welfare benefit fund contract to a company with organized crime ties, and defrauding beneficiaries of ILA pension and welfare funds. Indeed, in our meetings with representatives of the New York Shipping Association, they have repeatedly stressed the need for a strong law enforcement presence by the Waterfront Commission in the Port.

Loan sharks and bookies with the approval of organized crime still relieve the workforce of their hard earned money. Cargo theft, often more sophisticated than in the past, is still a real problem. Workmen’s Compensation fraud, narcotics importation and terrorism concerns have been added to the enforcement picture.

The Telephonic Hiring System has lessened abuses, but presents new challenges in guaranteeing fair hiring and employment practices. The Commission is particularly concerned about a lack of diversity in the work force in the Harbor.
The Commission:

A New Jersey and a New York 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.

Ronald Goldstock
New York Commissioner

Ronald Goldstock served for thirteen years as Director of the New York State Organized Crime Task Force where he designed and developed the Independent Private-Sector Inspector General (IPSIG) program. In addition to currently providing IPSIG services to a number of corporate clients, Mr. Goldstock is on the faculties of the Cornell, Columbia and New York University Law Schools. Mr. Goldstock is a graduate of Cornell University and Harvard Law School, has served as Inspector General of the U.S. Department of Labor, Director of the Cornell Institute on Organized Crime, and Chief of the Rackets Bureau in the New York County District Attorney’s office. He is a Past Chair of the ABA Criminal Justice Section, Past Chair of the ABA Criminal Justice Standards Committee, and Chair of the Investigative Function of the Prosecutor Task Force. Mr. Goldstock is a Director of the New York Convention ("Javits") Center Operating Corporation and was a member of the Advisory Board of Project Rise of the International Brotherhood of Teamsters. He has recently served three Northern Ireland Secretaries of State as advisor on matters relating to international organized crime.

Michael Madonna
Former New Jersey Commissioner

Michael J. Madonna holds a Bachelor of Science Degree in Public Safety in 1977 from William Paterson 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 is a former Oakland Police Detective and
former 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.

(Former Commissioner Madonna was removed for cause by Governor Corzine on August 6, 2009.)

Executive Director Walter M. Arsenault

Walter M. Arsenault was appointed Executive Director of the Waterfront Commission of New York Harbor on September 10, 2008. He is the grandson of a longshoreman and the son of a U.S. Customs Inspector and Supervisor who spent his career on the piers of New Jersey. Mr. Arsenault is a graduate of the Johns Hopkins University and Rutgers University School of Law. He served as an Assistant Prosecutor in Bergen County, New Jersey from 1978 to 1984 where he was Chief of the Trial and Grand Jury Sections. Mr. Arsenault joined the New York County District Attorney's Office in 1984 where he served until 2003. Mr. Arsenault was the Chief of that office's Homicide Investigation Unit for most of his career there. He specialized in the investigation and prosecution of violent drug gangs. Mr. Arsenault also served as a Senior Trial Counsel in Trial Bureau 70 and a Senior Investigative Counsel in the Office of the Special Narcotics Prosecutor. In 2003, Mr. Arsenault was appointed First Deputy Commissioner of the New York City Department of Investigation. He oversaw that office's daily operations as well as leading high profile political corruption and organized crime investigations. He retired from city service in February 2008.

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

Executive: The Executive Division is comprised of the Executive Director, the General Counsel, Deputy General Counsel, the Commission Secretary, and the Comptroller and his staff. This Division’s responsibilities include: assisting the Commissioners in the formulation and execution of 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, conducting agency litigation and supervising outside counsel when required; initiation of investigations; ordering hearings and maintaining the seal and official records of the Commission.

Law, Licensing and Employment Information Centers: This Division is the result of the merger of Law with Licensing and EIC. This merger was in recognition of the interrelated and overlapping nature of each division’s work and recognizes the significant contribution that the Commission’s Legal Staff plays in the Licensing and EIC areas. The Division is headed by a Director, with a Deputy Director for Law, and another Deputy Director for Licensing and E.I.C. Assistant Counsel conduct investigations of applicants for licensing and registration to determine if they meet legal standards set forth in the Compact. These attorneys also investigate persons and companies already licensed to ascertain if they have engaged in any violations of the law. Hearings are conducted by Assistant Counsels to determine whether applications should be granted or denied and whether registrations and licenses should be suspended or revoked. In addition, Assistant
counsels conduct investigations into waterfront practices throughout the Port of New York District.

Licensing and Employment Information Centers in Newark and New York process applications filed by individuals and firms required to be licensed or registered. The Licensing Division supervises the Telephonic Hiring Employment Information Center in Edison, New Jersey which oversees the hiring of longshorepersons, checkers and pier guards in the Port. The Licensing Division also makes employment information available to these dockworkers 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.

The Law, Licensing and EIC Division is headed by Director Jeffrey R. Schoen with Cecilia Bastos serving as Deputy Director of Law and John Casey serving as Deputy Director of Licensing and EIC.

**Police:** This Division is headed by Chief John Hennelly and staffed by 4 Captains, 5 Sergeants, 34 Detectives and 4 civilian employees. All Commission police officers possess full police powers in both New York and New Jersey. The Police Division maintains field offices in Brooklyn and Newark. Waterfront Commission police investigate criminal activity in the Port and violations of the Waterfront Compact; 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 investigative files. The Police Division has detectives serving on the following Task Forces: Federal Bureau of Investigation Organized Crime Task Force (Newark); ICE Seaport Task Force (New Jersey); New Jersey Attorney General’s Organized Crime Task Force; Federal Bureau of Investigation Cargo Theft Task Force (New York City); ICE Seaport Task Force (New York); and the NYPD-FBI Joint Terrorist Task Force (New York City).

Captain Jeffrey Heinssen commands the Brooklyn Field Office, and Captain William Brown commands the Newark Field Office.

**Intelligence Division:** This newly formed division was created to collect, analyze and disseminate data at strategic, operational and tactical levels regarding organized crime and racketeering activities in the Port. The division is staffed by a Director Daniel Ramirez and 4 intelligence analysts.

**Administration Division:** This Division headed by Director Richard Carbonaro provides the agency with important clerical and administrative support functions. The Division maintains time keeping, personnel and attendance records, handles the Commission’s mail, furniture and office supplies. With the dissolution of the Audit and Control Division, Administration has assumed most of its duties including the delivery and collection of quarterly assessments, the analysis of payments made, and the imposition of penalties and interest for late fees payments. Administration, working in conjunction with the General Counsel’s Office, also assigns and monitors the work of the Commission’s auditors who review assessment payments made and perform compliance audits.
Information Technology Division: This Division headed by Lee Seeman and staffed by 2 technicians provides the Commission with computer and other support services. 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 Employment Information Centers, the Commission’s budgeted expenses come from assessments on waterfront employers of persons utilized in the handling of waterborne cargo. Employers pay a maximum assessment of 2% on the wages of such employees.

During the Fiscal Year 2008-2009, the 105 employee commission operated with an $11,260,000 budget which was approved by the Governors of New Jersey and New York.

Cash Management and Thrift:

The Waterfront Commission takes seriously its responsibility to operate with thrift, accountability, and efficiency. In FY 2008-2009, as with most other years, the Commission did not overspend its budget, finishing the year over $300,000 below budget in expenditures and over $500,000 above budget for our closing cash balance. 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 was accepted as a member of the New York Prosecutors Training Institute this year. Membership allows us to train our Assistant Counsels and the Assistant Counsels to obtain required Continuing Legal Education credits without cost to the Commission. This membership also gives Assistant Counsels an opportunity to network with prosecutors from throughout the State of New York.

Additionally, 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 Organized Network (MAGLOCLEN) and the International Association of Airport and Seaport Police. The Commission is also a voting member of AMSEC.

Port Statistics:

During calendar year 2008, the Port of New York – New Jersey, the Eastern seaboard’s busiest port, handled 33.63 million tons of waterborne cargo valued at $152,736 million. The tonnage increased by 2.5% and the dollar value increased by 10.8% over 2007.

For 2008, 4,165,211 container units passed through the port, an increase of 1.7% over 2007. For the same 2008 period, 1,031,540 vehicles were imported or exported, an
increase of 10.9% over the prior year. Ship arrivals totaled 5,251 during the year, a
decrease of 214 ships or 4% less than 2007.

The Port’s leading waterborne general cargo exports for the year 2008 (as
calculated in metric tons) were wood pulp, vehicles, and plastics. The leading general
cargo imports (also in metric tons) were beverages, vehicles, stone, plaster and cement.
The largest containerized cargo volumes for import were furniture, women’s and infant
wear, beer and ale, and men’s wear. The largest containerized cargo volumes for export
were paper, carbon, crepe, automobiles, scrap metal, and auto parts.

During the FY 2008-2009, 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 $329,548,447.37
comprising regular and overtime wages, vacation and holiday benefits. The below chart
reflects the average earnings of longshorepersons, special craft and checkers during FY

<table>
<thead>
<tr>
<th>Earnings Range</th>
<th>Number</th>
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<tbody>
<tr>
<td>Earnings over $100,000.00</td>
<td>1,379</td>
</tr>
<tr>
<td>Earnings of $75,000 to $100,000</td>
<td>680</td>
</tr>
<tr>
<td>Earnings of $50,000 to $75,000</td>
<td>616</td>
</tr>
<tr>
<td>Earnings of $25,000 to $50,000</td>
<td>466</td>
</tr>
<tr>
<td>Earnings below $25,000</td>
<td>326</td>
</tr>
</tbody>
</table>

On June 30, 2009, the conclusion of the Commission’s fiscal year, registered and
licensed dock workers totaled:

2167 “Deep Sea” Longshorepersons;

473 Special Craft;

767 Checkers;

1964 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;

371 Port Watchmen;

115 Hiring Agents;

323 Pier Superintendents;

8 Telecommunications System Controllers.

The preceding 6188 registered or licensed workers have all be screened and
evaluated by the Commission.
There were also 52 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, 2008 to June 30, 2009):

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

Executive Division:

General Counsel Michele Meyer-Shipp was hired in May 2009. She brings extraordinary experience in both the Public and Private Sector. She has revised the Commission’s EEO Policy and trained the entire Commission on it. Ms. Meyer-Shipp has rewritten the Commission’s Media Policy which had been declared unconstitutional by the New Jersey Appellate Division. Additionally, she is currently reviewing and updating our Employee Manual which has not been updated in at least a decade and revising our Code of Ethics.

The Executive Division, working in conjunction with the Law Division, was able to successfully stymie legislation in New York State that would have ended the Commission’s 5-p powers. 5-p ensures Commission control over the size and diversity of the Longshore labor force. This authority is crucial to preventing the very environment – an over abundance of available labor – that history has repeatedly shown to be most conducive to organized crime racketeering activity. The Commission will work in the next year to reverse the State of New Jersey’s repeal of 5-p.

The Comptroller’s Office designed and installed the “QuickBooks” accounting software to upgrade and modernize the Commission accounting system. The Comptroller’s Health Benefits Department incorporated the new upgraded NYBEAS people soft 9.0 software, which now protects NYBEAS application and information privacy. The Comptroller’s Department implemented additional cash accounting safeguards by establishing new checking accounts to segregate Asset Forfeiture Funds and Overtime Reimbursement Funds from the Commission general funds. These procedures now eliminate the co-mingling of funds.

Law, Licensing and EIC:

The Law Division has been active in reviewing and evaluating open cases thereby reducing caseloads to manageable numbers. The Division has been busy in bringing 17 matters to successful conclusions at administrative hearings. The nature and complexity of the hearings conducted by Division’s counsel has become increasingly more sophisticated. The Division has been working in conjunction with both the Police Division and auditors on a number of significant investigations.

In one investigation, 10 Port Watchmen were removed from the Waterfront Register for conspiring with each other to commit theft by deception, in a scheme that allowed the Port Watchmen to receive wages for hours which they did not actually work.

Using a law that had not been utilized in a number of years, the Commission advised the International Longshoremen’s Association (ILA) that the Atlantic Coast
District Vice President was in violation of Part III, Section 8 of the Waterfront Commission Act, which prohibits individuals who are convicted of a felony or high misdemeanor from acting as an officer or agent of a labor organization which represents individuals registered or licensed under the Act. Prior to the Commission obtaining an injunction to enforce the “Section 8” provision, the ILA terminated the individual.

The Appellate Division (1st Department) of the New York Supreme Court upheld the revocation of a longshoreman’s registration who was convicted of using the internet to have sexual conversations with, and distributing pornographic images to an individual he believed was a 13 year old girl.

In a first, the Commission has served a notice of hearing on a longshoreman under the Commission’s “Association” rule. That rule forbids registrants and licensees from associating with members of organized crime and career criminals. The longshoreman in question has been charged with associating with Genovese Family Capo Michael “Mikey Cigars” Coppola. The matter will be brought to trial in the Fall of 2009.

A licensee and 11 registrants were revoked and 2 applications were denied based upon the individuals being involved with the distribution or use of controlled dangerous substances. In addition, 3 registrants were removed from the Longshoremen’s Register for their involvement in a conspiracy to import and distribute more than 5 kilograms of cocaine through the docks in the Port of New York.
The Commission revoked a number of other licensees and registrants for convictions on a variety of felony convictions including aggravated assault, illegally possessing firearms, theft and receiving stolen property.

The Law Division has revived its Summer Internship Program and the Commission had 5 talented law school students this past summer, one of whom will be continuing his internship during the upcoming school year.

From left to right: Matthew R. Kenney (Brooklyn Law School); Lindsey A. Thornton (New York Law School); Diana Lawless (Vanderbilt University Law School); Matthew J. Schenker (Fordham University School of Law); Jack E. Tebele (New York Law School)

The Licensing Division has completely re-written the background investigation questionnaire for all potential registrants and licensees as well as for stevedores. The new forms will help ensure that the Commission has all the relevant information needed to properly process these applications.

In accordance with its mandate to ensure fair hiring, the Licensing Division required the industry to reorder and reorganize a regular list based upon inequities observed by the Commission in the order, manner, and timing of the list by a particular company.

In recognition of the economic slowdown in the Port, the Licensing Division temporarily relaxed the “15 day rule”, instead requiring that registrants need only to make
themselves available for 8 days without suffering the risk of decasualization. During FY 2008, the Licensing Division decasualized 621 registrants and licensees.

Finally, the Licensing Division has began a study of longshoremen who are in danger of missing the required 700 hours of work necessary for health, vacation and other benefits in order to determine if hiring inequities play any role in that failure. The Commission has instituted a priority hiring program at our Hiring Center to ensure that as many workers as possible reach the 700 hour minimum in order to obtain these benefits.
## Comparison of Hirings for the Years Ending June 30th 2007 and 2008

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan</td>
<td>18,084</td>
<td>21,652</td>
<td>- 3,568</td>
<td>+ 16.48%</td>
<td>2.58%</td>
<td>2.80%</td>
</tr>
<tr>
<td>Brooklyn</td>
<td>49,486</td>
<td>57,974</td>
<td>- 8,488</td>
<td>+ 14.64%</td>
<td>7.06%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Staten Island</td>
<td>83,127</td>
<td>76,367</td>
<td>+ 6,760</td>
<td>+ 8.85%</td>
<td>11.85%</td>
<td>9.88%</td>
</tr>
<tr>
<td>Port Newark &amp; Elizabeth</td>
<td>469,017</td>
<td>529,472</td>
<td>- 60,455</td>
<td>+ 11.42%</td>
<td>66.89%</td>
<td>68.48%</td>
</tr>
<tr>
<td>Jersey City, Bayonne</td>
<td>81,486</td>
<td>87,658</td>
<td>- 6,172</td>
<td>+ 7.04%</td>
<td>11.62%</td>
<td>11.34%</td>
</tr>
<tr>
<td><strong>TOTAL NEW JERSEY</strong></td>
<td>550,503</td>
<td>617,130</td>
<td>- 66,627</td>
<td>+ 10.80%</td>
<td>78.51%</td>
<td>79.82%</td>
</tr>
<tr>
<td><strong>TOTAL NEW YORK</strong></td>
<td>150,697</td>
<td>155,993</td>
<td>- 5,296</td>
<td>+ 3.40%</td>
<td>21.49%</td>
<td>20.18%</td>
</tr>
<tr>
<td><strong>TOTAL PORT WIDE</strong></td>
<td>701,200</td>
<td>773,123</td>
<td>- 71,923</td>
<td>+ 9.30%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

July 27, 2009
Police Division:

The Police Division was brought up to strength by the hiring of 14 new detectives and sergeants. A sergeant and 4 captains were promoted from the ranks of the Division. The new officers included experienced detectives and investigators from the New Jersey State Police, Jersey City Police, New York City Police Department, the District Attorneys Offices of Manhattan and Brooklyn, and even as far away as Florida.

Under the leadership of a new Chief of Police, the Division was reorganized to focus more on the core missions and functions of the Commission. Sworn staff at headquarters was reduced, and clerical functions formerly performed by police officers are now performed by civilian personnel. Division-wide functions such as training and purchasing were centralized, allowing field office commanders to concentrate on investigations. A new training facility was created with state of the art equipment at the Brooklyn field office. A Police Division Operations Manual was written and approved by the Executive Division setting out guidelines for police conduct and procedure. Training was implemented to highlight differences in the criminal laws and procedure of New York and New Jersey, and members received instruction in topics such as: Taking Statements and Confessions; Courtroom Testimony, Handling Confidential Informants; Electronic Surveillance; Use of Force; Identification Procedures; and Organized Crime and RICO.

A top-to-bottom review of the Division’s open cases was performed, and the Division had 89 open investigations pending as of July 1, 2009. The Police Division completed 218 investigations during FY 2008 including 17 involving unregistered workers, and 83 involving violations of Waterfront Commission rules. The Division made, or participated in, 73 arrests in FY 2008, the majority of which were in connection with Operation Escadrille, a long-term, multi-agency investigation and prosecution of the Gambino Family and associates. The Police Division began and completed a successful project to recover Port Watchman badges and credentials from individuals who no longer worked at the Port. In the past, these credentials were never accounted for and presented an enormous security concern.

A joint investigation with the United States Department of Labor and the United States Attorney’s Office for the Eastern District of New York initiated by the Commission resulted in the arrest of two longshoremen from New York Container Terminal on Mail and Wire Fraud charges in connection with a half million dollar Workmen’s Compensation fraud. The Longshoremen both pleaded guilty to Conspiracy and Mail Fraud in August 2009 and will be sentenced in November 2009.

The son of a notorious Genovese Family associate was arrested by Commission police for violating the Waterfront Commission Compact by working as a Longshoreman without being registered with the Commission. That matter is pending trial.

In another investigation, Commission detectives uncovered and broke up a theft ring that specialized in exporting valuable stolen construction equipment to the Dominican Republic. 2 men were arrested and indicted. 1 has pleaded guilty and the other is awaiting trial. The detectives were able to recover 4 of the stolen 16 pieces of equipment stolen with a total value of over $250,000.00

The Police Division is currently working with the Local 1588 federally appointed monitor in identifying dockworkers who continue to associate with members of
organized crime.

**Administration Division:**

Under the guidance of the Administration Division, the Commission’s Newark Field Office staff moved into a new facility located at 189 Corbin Street in Port Newark in May of 2009. The 5600 square foot building houses the Police Division’s New Jersey office as well as a Licensing and Employment Information Center.

During fiscal year 2008-2009, the Division of Administration has worked to update and streamline many of the Waterfront Commission of New York Harbor’s policies and documentation. A Conflict of Interest Declaration, an Internet Usage Policy, and a new Media Policy have been drafted and distributed to all Commission employees. A new Travel Policy has been written with clear guidelines for reimbursement of expenses. New time sheets have been formatted, which are completed by all civilian employees, and submitted to the Director of Administration at the end of each work week. In addition, a new employee background questionnaire has been implemented and all other forms required to process new employees have been updated and many are capable of being completed online.

The Division of Administration has assumed many of the responsibilities of the now dissolved Division of Audit and Control. The Division also works closely with the Law and Licensing Division to make certain that the rules and regulations of the Compact are being followed. Notices for the collection of assessments, sent out on a quarterly basis to all companies regulated by the Commission, are now being sent out electronically to those companies with internet capabilities. The Division of Administration has implemented an aggressive policy to not only collect all assessments due the Commission, but to collect all interest and penalties for late payments. In the past few months, the Commission has collected almost $200,000 in penalties and interest that were owed but would not have been received in the past. Lists of regulated companies are compared with the data in the WIS each quarter to ensure full compliance.

**The Intelligence Division:**

The newly created Intelligence Division is collecting, analyzing and collating information about organized crime figures operating in the Port of New York-New Jersey. The Division has already conducted hundreds of background checks on individuals and businesses, and telephonic record analyses central to investigations initiated by the Police and Law Divisions. The Division has established a network of analysts representing more than 30 law enforcement and intelligence agencies operating within the Port of New York-New Jersey at the Federal, State and local level to facilitate inter-agency cooperation and information sharing.

**The Division of Information Technology:**

This Division has completed a number of projects that have strengthened the overall quality of IT services within the Commission. These projects have allowed the Commission to enhance the security, overall capacity, and performance of our communication and application infrastructure.
IT has embraced virtualization technologies and consolidated/converted approximately 90% of its Servers. As a result, the Commission drastically reduced its energy and cooling needs, streamlined server-system IT manageability, and maximized the return on investment through the removal of antiquated hardware and increased computing capacity per physical server.

IT has also invested in Wide Area Network (WAN) optimization appliances and prevented significant reoccurring increases in telecommunications carrier costs by squeezing more through its private interoffice data circuits with caching, protocol optimization and compression techniques.

In the Police Division, IT extended mission-critical law enforcement databases and applications to the majority of our police vehicles using mobile data terminals (MDT). MDTs are Panasonic ToughBook laptops securely fastened in vehicle mounts with access to Citrix technology.

Physical security at our major offices has been reinforced with a Commission wide implementation of SmartID card reader access-control system (ACS) technology. The ACS solution safeguards sensitive and confidential records and assets stored within our offices. In addition, the ACS system supports the necessary security requirements for our Police operations, employees and visitors at our offices.

Internet security, management and employee computer and internet usage has been enhanced by utilization of unified threat management/proxy appliances in conjunction with a revised comprehensive Internet & Computer Limited Usage Policy (IUP). The Policy is enforced through routine audits and monitoring for potential abuses.
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 exits 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,

Ronald Goldstock
Commissioner for New York

Barry H. Evenchick
Commissioner for New Jersey
## COMMISSION DETERMINATIONS

### Year Ended June 30, 2009

### APPLICATIONS AND REVOCATIONS

<table>
<thead>
<tr>
<th></th>
<th>Revoked</th>
<th>Suspended</th>
<th>Suspended*</th>
<th>Reprimanded</th>
<th>P/H</th>
<th>Totals</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Denied</td>
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<td>L/R</td>
<td></td>
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<td>Longshorepersons</td>
<td>5</td>
<td>9</td>
<td>1</td>
<td>13</td>
<td>0</td>
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<td>Checkers</td>
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<td>3</td>
<td>0</td>
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<td>Hiring Agents</td>
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<td>Pier</td>
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<td>0</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Superintendents</td>
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<td>0</td>
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<tr>
<td>Stevedores</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Maintenance/Ware -house</td>
<td>9</td>
<td>0</td>
<td>5</td>
<td>10</td>
<td>0</td>
<td>2</td>
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<tr>
<td>Telecommunications System</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15</td>
<td>0</td>
<td>18</td>
<td>1</td>
<td>25</td>
<td>0</td>
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</table>

* Includes summary proceedings and informal hearings

### PETITIONS

<table>
<thead>
<tr>
<th>Petition</th>
<th>Denied</th>
<th>Granted</th>
<th>Totals</th>
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<tbody>
<tr>
<td>Petitions for Reconsideration</td>
<td>1</td>
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<tr>
<td>Petitions for Leave to Reapply</td>
<td>0</td>
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<tr>
<td>Petitions for Rehearing</td>
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<td>0</td>
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<td>Petitions to Withdraw</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Petitions to Remove Ineligibility</td>
<td>0</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Petitions for Restoration of Registration-License</td>
<td>6</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Petitions to Vacate Temporary Suspension</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Petitions for Retention or Reinstatement</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Petitions for Stay</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Petitions to Surrender Registration</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Petitions to Amend Determination</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11</td>
<td>7</td>
<td>18</td>
</tr>
</tbody>
</table>
REPORT OF AUDIT

ON THE

STATEMENT OF CASH RECEIPTS OF THE

WATERFRONT COMMISSION OF

NEW YORK HARBOR

FOR THE YEAR ENDED JUNE 30, 2009
WATERFRONT COMMISSION OF NEW YORK HARBOR

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2009

(1) DESCRIPTION OF BUSINESS AND ACCOUNTING POLICY

(a) Description of Business

The Waterfront Commission of New York Harbor (the Commission), a bi-state 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 statements 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, 2009 this reserve consisted of the following:

<table>
<thead>
<tr>
<th>FAIR MARKET VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Jersey Cash Management Fund</td>
</tr>
</tbody>
</table>

This reserve is not reflected in the Statement of Cash Receipts and Disbursements
(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, 2009 these reserves consisted of the following:

FAIR MARKET VALUE

New Jersey Cash Management Funds $ 1,499,897

(4) UNEMPLOYMENT RESERVE

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

As of June 30, 2009 this reserve consisted of the following:

FAIR MARKET VALUE

New Jersey Cash Management Funds $ 181,398

(5) RENOVATION ESCROW RESERVE

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

As of June 30, 2009 this reserve consisted of the following:

FAIR MARKET VALUE

New Jersey Cash Management Funds $ 127,808
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEARN ENDED JUNE 30, 2009

| CASH BALANCE as of JULY 1, 2008 | $ 1,433,914 |

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments on Employers (Regular)</td>
<td>$10,181,865</td>
</tr>
<tr>
<td>Assessments on Employers (Additional)</td>
<td>660,208</td>
</tr>
<tr>
<td>Dividend and Interest Income</td>
<td>28,666</td>
</tr>
<tr>
<td>Penalties and Fines</td>
<td>102,264</td>
</tr>
<tr>
<td>Overtime Reimbursements</td>
<td>53,133</td>
</tr>
<tr>
<td><strong>TOTAL RECEIPTS</strong></td>
<td><strong>$11,026,136</strong></td>
</tr>
<tr>
<td><strong>TOTAL CASH BALANCE AND RECEIPTS</strong></td>
<td><strong>$12,460,050</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DISBURSEMENTS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Payroll</td>
<td>$6,304,440</td>
</tr>
<tr>
<td>Overtime Payroll</td>
<td>89,366</td>
</tr>
<tr>
<td>Group Health, Life, and Dental Insurance</td>
<td>779,856</td>
</tr>
<tr>
<td>Workers Compensation Insurance</td>
<td>117,368</td>
</tr>
<tr>
<td>Pension Costs</td>
<td>625,474</td>
</tr>
<tr>
<td>Social Security</td>
<td>477,769</td>
</tr>
<tr>
<td>Outside Professional Services</td>
<td>496,924</td>
</tr>
<tr>
<td><strong>TOTAL PAYROLL, EMPLOYEE BENEFITS and OUTSIDE SERVICES</strong></td>
<td><strong>$8,891,197</strong></td>
</tr>
<tr>
<td>OTHER OPERATING EXPENSE</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>$268,140</td>
</tr>
<tr>
<td>General Office</td>
<td>76,719</td>
</tr>
<tr>
<td>Printing</td>
<td>43,989</td>
</tr>
<tr>
<td>Communications</td>
<td>123,784</td>
</tr>
<tr>
<td>Light, Heat and Power</td>
<td>111,425</td>
</tr>
<tr>
<td>Special Services</td>
<td>109,454</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>48,713</td>
</tr>
<tr>
<td>Alterations and Renovations</td>
<td>(85,105)</td>
</tr>
<tr>
<td>Rentals</td>
<td>643,755</td>
</tr>
<tr>
<td>Furniture and Equipment</td>
<td>70,284</td>
</tr>
<tr>
<td>Computer Services</td>
<td>311,104</td>
</tr>
<tr>
<td>General Insurance</td>
<td>314,159</td>
</tr>
<tr>
<td><strong>TOTAL OTHER OPERATING EXPENSE</strong></td>
<td><strong>$2,036,421</strong></td>
</tr>
<tr>
<td><strong>TOTAL DISBURSEMENTS</strong></td>
<td><strong>$10,927,618</strong></td>
</tr>
<tr>
<td>CASH BALANCE as of JUNE 30, 2009</td>
<td><strong>$1,532,432</strong></td>
</tr>
</tbody>
</table>
WATERFRONT COMMISSION OF NEW YORK HARBOR

Ronald Goldstock
Commissioner for New York

Barry H. Evenchick*
Commissioner for New Jersey

Walter M. Arsenault
Executive Director

Michele Meyer-Shipp
General Counsel

Jeffrey Schoen
Director of Law, Licensing and EIC

John Hennelly
Chief of Police

Richard Carbonaro
Director of Administration

Daniel Ramirez
Director of Intelligence

Lee Seeman
Director of Information Services

Irving H. Wolf
Comptroller**

* Recess Appointment, pending confirmation by New Jersey Senate.

** Has filed for Retirement.
PRINCIPAL OFFICE
39 Broadway, 4th Floor, New York, New York 10006
Telephone (212) 742-9280

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39 Broadway, 4th Floor, New York, New York 10006
Fax (212) 905-9249

Port Newark Office:
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Telephone (973) 344-1803 – Fax (973) 344-1801

Edison, New Jersey Office:
(Telecommunications Hiring Center)
333 Thornall Street, 3rd Floor, Suite 303, Edison, New Jersey 08837
Telephone (732) 321-9293 – Fax (732) 321-0301

POLICE FIELD OFFICES

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Telephone (718) 852-2434 – Fax (718) 596-5306

New Jersey:
89 Corbin Street, Port Newark, New Jersey 07114
Telephone (973) 817-7798 – Fax (973) 817-8241

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