

December 18, 2017
M18-002

To: SPEEA Council
From: SPEEA Legislative & Public Affairs Committee (L&PA)
Subject: **Presubmitted New Business – Support for the Jones Act**

Background

Some groups, broadcast journalists, and elected officials are using the issue of the hurricane damage in Puerto Rico to attack and undermine the Jones Act. Unfortunately, there are several misleading assertions being falsely advanced by long-time opponents of the Jones Act. **The L&PA committee would like to take this opportunity to dispel a few of them:**

- Foreign vessels are prevented from reaching Puerto Rico – This claim is unfounded, as there is a 2011 Government Accountability Office (GAO) report that noted that two-thirds of the vessels serving Puerto Rico were foreign flagged. What is true is that American ships compete directly with foreign shipping industries from around the world when it comes servicing Puerto Rico;
- A waiver for Puerto Rico would speed up delivery of supplies and goods – Actually, the opposite is true, as the domestic Maritime industry and their unions contend that a waiver would backlog the current system that is already overwhelmed in efficiently distributing supplies throughout Puerto Rico. The problem is not shipping supplies to Puerto Rico, rather it is the many road blocks, lack of equipment and trucks, and communications challenges that are making it difficult to get the critical supplies throughout the island; and
- Costs for imports to Puerto Rico are twice as high compared to neighboring islands due to the Jones Act- There is no evidence to support this claim. In fact, some estimate that it is 40% more expensive to ship goods from the U.S. mainland to the U.S. Virgin Islands where the Jones Act does not apply compared to Puerto Rico.

At this time there are currently fifteen U.S.-flag ships and U.S.-flag oceangoing tug/barge combinations regularly serving Puerto Rico. These vessels alone are now bringing in more supplies than can be distributed ashore. Other U.S. flag commercial vessels are available and over sixty government owned reserve cargo vessels that can be called into action and fully operational with 72 hours.

One of the primary impetuses for the law was the situation that occurred during World War I when the belligerent countries withdrew their merchant fleets from commercial service to aid in the war effort. This left the US with insufficient vessels to conduct normal trade impacting the economy. Later when the US joined the war there were insufficient vessels to transport war supplies, materials, and ultimately soldiers to Europe resulting in the creation of the United States Shipping Board. The US engaged in a massive ship building effort to make up for the lack of US tonnage. The Jones Act was passed in order to prevent the US from having insufficient maritime capacity in future wars.

The Jones Act refers to the **Merchant Marine Act of 1920**, commonly known as the **Jones Act**, is a United States Federal statute that provides for the promotion and maintenance of the American merchant marine. Among other purposes, the law regulates maritime commerce in U.S. waters and between U.S. ports. Section 27 of the Jones Act deals with cabotage (coastwise trade) and requires that all goods transported by water between U.S. ports be carried on U.S.- Flag ships, constructed in the United States, owned by U.S. citizens, and crewed by U.S. citizens and U.S. permanent residents, The act was introduced by Senator Wesley Jones (R-WA). The law also defines certain seaman's rights.

Laws similar to the Jones Act date to the early days of the nation. In the First Congress, on September 1, 1789, Congress enacted Chapter XI, "An Act for Registering and Clearing Vessels, Regulating the Coasting Trade, and for other purposes", which limited domestic trades to American ships meeting certain requirements.

The Jones Act prevents foreign-flagged ships from carrying cargo between the US mainland and certain noncontiguous parts of the US, such as Puerto Rico, Hawaii, Alaska, and Guam. Foreign ships inbound with goods cannot stop at any of these four locations, offload goods, load mainland-bound goods, and continue to US mainland ports, although ships can offload cargo and proceed to the US mainland without picking up any additional cargo intended for delivery to another US location.

Usually, they proceed directly to US mainland ports, where distributors break bulk and then send goods to US places off the mainland by US-flagged ships.

SPEEA Policy Section V subsection A. Paragraph 5 "Passage or adoption of any SPEEA legislative or public issues proposal shall be by published ballot and require:

- a) Total affirmative vote cast must be at least a simple majority of the total number of seated Council Representatives. Council Representatives who are employed beyond 50 statute miles from the meeting and are unable to attend are excluded from the total number required."

In March 2013, the Government Accountability Office (GAO) released a study of the effect of the Jones Act on Puerto Rico that noted "freight rates are set based on a host of supply and demand factors in the market, some of which are affected directly or indirectly by Jones Act requirements." The report further concludes, however, that "because so many other factors besides the Jones Act affect rates, it is difficult to isolate the exact extent to which freight rates between the United States and Puerto Rico are affected by the Jones Act." The report also addresses what would happen "under a full exemption from the Act, the rules and requirements that would apply to all carriers would need to be determined." The report continues that "while proponents of this change expect increased competition and greater availability of vessels to suit shippers' needs, it is also possible that the reliability and other beneficial aspects of the current service could be affected." The report concludes that "GAO's report confirmed that previous estimates of the so-called 'cost' of the Jones Act are not verifiable and cannot be proven."

A number of other statutes affect coastwise trade and should be consulted along with the Jones Act. These include the [Passenger Vessel Services Act, 46 U.S.C. § 289](#), which restricts coastwise transportation of passengers, and [46 U.S.C. § 12108](#), which restricts the use of foreign vessels to commercially catch or transport fish in U.S. waters. These provisions also require at least three-fourths (75 percent) of the crewmembers to be U.S. citizens. Moreover, the steel of foreign repair work on the hull and superstructure of a U.S.-flagged vessel is limited to ten percent by weight. This restriction largely prevents Jones Act ships from refurbishing their ships at overseas shipyards.

Senate Bill S. 1894 has been introduced by Sen. John McCain (R-AZ) on 9/28/2017, cosponsored by Sen. Mike Lee (R-UT), Sen. James Lankford (R-OK), and Sen. Jeff Flake (R-AZ).

See attached information from different Unions, IFPTE, Maritime Labor Alliance [The alliance consists of six leading maritime labor unions: American Radio Association (ARA), Inland Boatmen's Union (IBU), International Longshoremen's Association (ILA), International Longshore and Warehouse Union (ILWU), Marine Engineers' Beneficial Association (MEBA), and International Organization of Masters, Mates & Pilots (MM&P).], and the Sailors' Union of the Pacific (SUP),

Links

https://en.wikipedia.org/wiki/Merchant_Marine_Act_of_1920

<https://www.congress.gov/bill/115th-congress/senate-bill/1894?q=%7B%22search%22%3A%5B%22S.+1894%22%5D%7D&r=1>

https://en.wikipedia.org/wiki/Wesley_Livsey_Jones

Motion

It is moved that: **THE SPEEA COUNCIL OPPOSES WEAKENING OR ELIMINATING THE JONES ACT OR SENATE BILL S. 1894. OR ANY BILLS LIKE IT THAT WEAKEN THE JONES ACT.**

SPEEA L&PA committee recommends approval of this action.

PRO:

- Will help protect Union and nonunion workers, and jobs in maritime trades, shipyards and support industries. And will also protect American maritime capacity.

CON:

- Will possibly cost areas covered by Jones act to have higher shipping costs due to the US requirements on ships and crews.

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