



Interest Groups Push to Uphold Law Withholding Relief to Puerto Rico

Camille Erickson

June 5, 2019

A bipartisan disaster relief package, passed on Monday by the House after a contentious six-month battle, would distribute needed aid to Puerto Rico nearly two years after Hurricane Maria made landfall and caused an estimated 3,000-plus deaths on the island.

But money is not the only thing that was stalled en route to the island.

The Merchant Marine Act of 1920, or the Jones Act, requires traded goods bound for Puerto Rico from U.S. ports to be on American-made and -run vessels, among other regulations. First instituted in the name of national security, the Jones Act, which the late-Sen. John McCain (R-Ariz.) called an “antiquated, protectionist law,” has historically delayed and inflated the price of necessary amenities for Puerto Rican residents, according to a new report.

Several opponents said that as long as the act remains, Puerto Rican residents will continue to bear higher costs of goods and the risk of delayed aid during times of disaster.

In March, Sen. Mike Lee (R-Utah) introduced the Open America’s Waters Act to end the Jones Act on the grounds that it hampers trade and leads to exorbitant prices of goods. But a mighty group of companies profiting from the heavily trafficked and regulated sea route between the mainland’s coast and the island see it differently.

Other legislators, such as Rep. Darren Soto (D-Fla.), have called for temporary waivers to transport natural gas, more oversight from the Department of Justice and limited reforms in the interest of Puerto Rican residents.

“I have and will continue to support temporary waivers for Puerto Rico after natural disasters like Hurricane Maria, but I do not support a permanent waiver,” Soto told *OpenSecrets*.

Several domestic shipping and maritime interest groups, alongside unions, are backing lobbying efforts to keep the Jones Act on the books. They argue that it bolsters the mainland’s economy, provides thousands of jobs and upholds national security. The permanent elimination of the act would translate into fewer jobs and profit, imperiling the U.S. shipping industry, according to many of the primary beneficiaries of the act.

The Jones Act applies to U.S. ports beyond Puerto Rico — including ports in Alaska, Hawaii and Massachusetts — but its impact is particularly acute for Puerto Rican residents given their

precarious energy grid and dependence on imported fossil fuels. According to 2017 statistics provided by the U.S. Energy Information Association, 98 percent of electricity on the island comes from petroleum, natural gas and coal, with a majority imported. Only 2 percent comes from renewable energy.

The price of electricity for island residents is at least double what American citizens in other parts of the U.S. pay, even though Puerto Rican residents have a median income of less than \$20,000. According to a 2012 analysis by the University of Puerto Rico, the Jones Act cost the island an additional \$537 million in just one year.

Foreign vessels must pay tariffs and other fines when arriving on the island. To avoid these high fees, they can reroute to Florida, transferring goods onto certified-Jones Act carriers before landing in Puerto Rico. These additional requirements compute to higher transportation costs that often trickle down to consumers.

The Cato Institute, a libertarian-leaning think tank, has slammed what it calls an “archaic” law resulting in costly and inefficient water transport that impacts consumers. The Cato Institute even started a billboard campaign in April to denounce the act.

“While the law’s most direct consequence is to raise transportation costs, which are passed down through supply chains and ultimately reflected in higher retail prices, it generates enormous collateral damage through excessive wear and tear on the country’s infrastructure, time wasted in traffic congestion, and the accumulated health and environmental toll caused by unnecessary carbon emissions and hazardous material spills from trucks and trains,” policy analysts stated in a Cato Institute report released in June 2018.

Close Ties to Shipping Lobbyists

Although the act was waived by Trump for a brief 10-days in the weeks following Hurricane Maria in 2017, the Jones Act continues to rule the waters, including the routes between the mainland and Puerto Rico.

As debates around the efficacy of the Jones Act bubbled up again in Washington recently, so too did lobbyists’ calls to uphold the law.

The president vacillated over whether to waive the act once again due to concerns about the costly and inefficient transport of liquefied natural gas to Puerto Rico and the Northeast region, according to *Bloomberg Business*.

After meeting with the president, Sen. Bill Cassidy (R-La.), did not hold back his dismay over the possible waiver.

“We cannot let the United States become dependent on foreign countries to transport energy and critical products within the United States,” Cassidy said in a statement. “The Jones Act is essential to preserve our domestic shipping industry and protect our national and economic security.”

Several associates of shipping interest groups forked over big money in contributions to politicians who support the act too.

Cassidy received contributions from affiliates of domestic shipping companies operating in the Jones Act market with locations on the coast last year, including \$72,400 from Edison Chouest

Offshore and \$24,300 from Bollinger Shipyards. Edison Chouest Offshore reported spending \$80,000 on lobbying for “issues pertaining to the Jones Act,” among other maritime topics in the first quarter of 2019.

Rep. John Rutherford (R-Fla.), has been a strong advocate for the Jones Act over the years too. He received campaign contributions last election cycle from affiliates of the companies with stakes in the Jones Act, such as \$8,500 from affiliates of Crowley Maritime and \$5,000 from affiliates of Seafarers International Union.

Transportation Department Secretary Elaine Chao has also stood by the Jones Act. During her confirmation hearing she stated, “the Jones Act is a very important program that secures national security.” Chao is not a stranger to the maritime industry. Her family owns Foremost Group, an American shipping company with a powerful international reach. Although Chao does not have an official stake in the business, she has received significant funds from her father, the previous owner of the company, according to an investigation by the New York Times.

Lobbying for the Jones Act have remained steady. This year, the transportation trades department of the AFL-CIO reported spending \$262,200 in the first quarter of 2019 on lobbying activity, including on the Jones Act. The AFL-CIO expressed its support of the act, stating it secured the jobs and working conditions of its members, some of whom work at Florida’s ports.

The Marine Engineers Beneficial Association also spent a record-high \$837,000 in 2018, and \$238,000 in 2019 on lobbying activity “supporting the Jones Act,” according to first quarter lobbying reports.

In a press release, American Maritime Partnerships which represents hundreds of maritime companies, conveyed its support: “A strong domestic maritime industry is critical for America’s economic, national, and homeland security, and is best supported by maintaining the Jones Act as the basis of America’s domestic maritime policy.”

What’s more, the group’s president Matt Woodruff has made known his support for the Jones Act. Woodruff is also a vice president at Kirby Corp., a maritime transportation provider overseeing a fleet of entirely U.S.-flagged vessels. The company’s annual Securities and Exchange Commission filing endorsed the Jones Act, outlining how a possible repeal would “adversely” impact the company’s business interests.

Revolving door lobbyist Darrell Connor of K&L Gates lobbied on behalf of the American Maritime Partnership and wrote at length about his support for the Jones Act, too. In 2018, American Maritime Partnership paid \$960,000 to K&L Gates for lobbying, including on the Jones Act.

Affiliates of Saltchuk Resources, a Jones Act carrier serving Puerto Rico, gave \$10,000 to Rep. Rutherford and \$3,500 to Rep. Soto in 2018. Saltchuk Resources also reported spending \$290,000 on lobbying related to sea transport, such as the Jones Act, last year. In addition, the Transportation Institute, Shipbuilders Council of America and American Waterways Operators recently reported lobbying on the Jones Act.

When Disaster Strikes

Puerto Rico was declared a territory of the U.S. in 1889. A few decades later, the federal government instituted the Jones Act in 1920. Foreign companies landing in Florida still must

undergo the additional step of loading goods bound for Puerto Rico onto U.S.-owned and operated vessels, often resulting in steeper consumer prices for basic goods and longer wait times.

Some experts said the act also denies Puerto Ricans autonomy over their own economy and land. A series of calculated policies by the federal government, often devoid of input from Puerto Rican people who lack full representation in Congress, cemented the island's dependency on fossil fuels and imports from the mainland.

Several Puerto Rican scholars and activists have said the colonized island now reckons with the consequences of hollowed out public services, austerity measures and an energy grid decimated by years of neglect.

In the wake of disaster, the extra steps required by the Jones Act slowed vital fuel and clean drinking water for the non-contiguous territory. For example, when Hurricane Maria struck in September 2017, the island desperately needed aid, but fuel sat waiting in Florida. Despite pressure from aid organizations and the Puerto Rican diaspora to lift the Jones Act temporarily to allow a quick passage of needed goods from foreign vessels onto the island, Trump stalled. He initially denied the island a waiver, waiting several days before approving a 10-day waiver.

Maritime industry executives, including those at Crowley Puerto Rico Services, said that reported delays in aid to the island post-Hurricane Maria had less to do with the Jones Act, and more to do with the island's slow distribution system, according to the *Wall Street Journal*.

"I think a lot of people misunderstand," Rep. Rutherford said during a House appropriations subcommittee hearing on transportation last month. He told Transportation Secretary Chao that "the Jones Act had absolutely no impact on the recovery going on in Puerto Rico." Chao agreed, blaming the delay in aid on the lack of warehouses and organization at the port.

But waivers for the Jones Act have been implemented numerous times in the past without much debate — for Hurricane Irma, Harvey and Sandy and other natural disasters.

Trump's oft-cited claim that Puerto Rico "has been given more money by Congress for Hurricane Disaster Relief, 91 Billion Dollars, than any State in the history of the U.S.," fails to differentiate between aid promised and aid received. According to FEMA, just \$12.6 billion of disaster relief of the \$42.2 billion allocated has been actually distributed to Puerto Rico since the September 2017 hurricane.

But disaster relief may be coming to the island soon.

Of the \$19.1 billion disaster relief bill passed in the House on Monday, some \$1.4 billion would be allocated to Puerto Rico.

The bill would provide an additional \$304 million in Community Development Block Grants and \$600 million for a nutritional program to rebuild Puerto Rico. It awaits the president's signature.