

## How Big Is The Jones Act Fleet?

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The U.S. merchant marine has always enjoyed bipartisan support. It's also the case, however, that its opponents have come from across the ideological spectrum. Prominent among them are the extreme free-marketeers ideologically opposed to any kind of protectionist laws for any reason. The tip of the spear for those free-market Jones Act opponents is the Cato Institute, a libertarian think tank.

Never mind that historically, there has never been any such thing as a "free market" in shipbuilding or maritime commerce. Even a Cato study admits, "Most governments have some form of cabotage restrictions. In fact, only Gambia, Dominica, Guatemala and Belize do not." When a maritime country stops supporting its merchant fleet, as Britain did, it surrenders it to foreign shipbuilders and competitors.

The free-marketeers enjoy the perennial support of some interests that believe the Jones Act hurts them: Hawaii and Puerto Rico, which both depend heavily on seaborne commerce, and the oil industry, which would love to be able to use cheaper foreign-flagged vessels in the U.S. coastal market. After 2017's Hurricane Maria and its aftermath, the anti-Jones Act voices rose to a crescendo.

The decline of the U.S. blue-water merchant marine has many causes. Jones Act opponents love to cite its decline. In 2016 the Grassroots Institute of Hawaii repeated this argument: "Ironically, the Jones Act has done the opposite of some of its original goals. ... In 1947, the total U.S. flag seagoing merchant fleet—America's commercial shipping industry—was comprised of 3,696 ships. As of 2015, that number has dropped to just 167." Sounds dire, right? Especially to non-maritime readers.

Emphasizing the shrinking number of blue-water ocean-going ships allows Jones Act opponents to claim that it protects only a small group of politically connected insiders. Marc Melitz, a Harvard economist who co-authored an anti-Jones Act study titled "The Jones Act and the Cost of Shipping Between U.S. Ports," told *The Street* in October 2017, "That's just the typical story for a lot of these protectionist measures. They protect a small group of people that are...very concentrated, so it means they are very politically involved both in terms of lobbying and political donations."

Even Jones Act defenders sometimes imply that the total Jones Act fleet is shrinking in order to dramatize the decline in the support the blue-water merchant fleet can offer to the military. In May of last year, a piece that appeared in several media outlets titled, "Dwindling Merchant Marine Fleet Crimps U.S. Ability To Wage War" includes the line, "The U.S. Merchant Marine has declined from 1,288 international trading vessels in 1951 to 81 today."

A June 2018 Cato study titled, “The Jones Act: A Burden America Can No Longer Bear,” does at least acknowledge that the total Jones Act fleet is around 40,000 vessels (actually closer to 41,000, according to an October 2018 study), but it argues, “Of course, the primary objective of the law was to ensure a vibrant shipping industry as a pillar of U.S. national security. If vibrancy and fleet size were synonymous, Americans might sleep well knowing that the U.S. fleet consists of more than 40,000 vessels. However, we might choose to sleep with one eye open after learning that barges operating primarily on the Mississippi River alone account for 55 percent of that number. In fact, nearly nine of every 10 commercial vessels produced in U.S. shipyards since 2010 have been barges or tugboats.”

The focus on overseas military sealift support can lead to a kind of blue-water myopia. What’s missing from this picture? Not just fishing boats, dredging vessels and oil platforms (which are technically “vessels” that must be flagged). The biggest omission is the entire inland waterway sector, whose vessels today make up the bulk of the Jones Act fleet.

That fleet is certainly not declining. While inland vessels may not be directly relevant to overseas military sealift capabilities, they should not be left out of Jones Act discussions.

The 2017 report “Economic Contribution of the U.S. Tugboat, Towboat, and Barge Industry,” prepared for The American Waterways Operators shows that “in 2014 the U.S. tugboat, towboat, and barge industry generated revenues of \$15.9 billion, directly employed 50,480 workers, and paid out \$4.7 billion in compensation (including wages and salaries and benefits), an average of \$93,835 per worker. The industry also contributed \$9 billion to U.S. gross domestic product and invested nearly \$2.2 billion in property, plant and equipment, including its purchases of vessels.”

Why shouldn’t inland vessels count? Jones Act opponents (and even some defenders) leave out the brown-water fleet or fail to consider what would happen to it in the event of a Jones Act repeal. National security involves more than overseas operations. The Jones Act also ensures that only American companies can operate on our inland waterways and only American citizens can crew their vessels. That requirement may create difficulties for foreign vessel operators seeking to enter the U.S. inland market, as Viking found out in the course of introducing its European-style longboat passenger vessels to the Upper Mississippi. But does anyone really want to see that change?

Both friends and foes of the Jones Act should never forget that the Jones Act fleet is alive, well and strong on our inland waterways.