



Case continues quest to change Jones Act

January 26, 2020

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Call it Round Two of U.S. Rep. Ed Case versus the Jones Act.

A trio of bills introduced Dec. 19 by Case seeking to exempt Hawaii from the Merchant Marine Act of 1920 — better known as the Jones Act — haven't yet been scheduled for committee hearings, but the veteran lawmaker remains undeterred in his effort to change the 100-year-old law.

The Jones Act requires that shipping cargo between U.S. ports must be on U.S.-flagged, American-made vessels with American ownership and crews. The rationale a century ago, shortly after World War I, was the need for a strong Merchant Marine to deliver goods to nonmainland U.S. destinations.

Case has called the law “protectionist,” and he and others have pointed to it as a significant factor in Hawaii's high cost of living.

Case, a Democrat who represents urban Honolulu, said he didn't seek co-sponsors before introducing the measures, which are similar but not identical to three bills he introduced in 2003, when he represented rural Honolulu and the neighbor islands in the U.S. House. The previous bills, which sought to exempt Hawaii and its agriculture — and in particular, livestock — from the Jones Act, died in committee without hearings.

“I thought it was more important to introduce them first and then start talking about it,” Case said. “I put them in there to get the conversation going. I can go out and find my friends after the fact.”

One current measure would exempt all U.S. locations not contiguous to the mainland from the Jones Act. The second would set a “reasonable rate” domestic shippers can charge as no more than 10% above international shipping rates for comparable routes. The third would rescind the Jones Act wherever only one or two ocean shipping companies serve U.S. ports in noncontiguous locations.

Case said he “isn't sure” if the measures will get committee hearings this year.

“I think we’re just going to have to keep shedding light on what the situation is and why we pay so much in Hawaii,” he said. “I think for generations we have kind of taken it for granted that we have to pay so much for everything in Hawaii. So it’s gotten into our consciousness that there’s nothing we can do about it — and that’s not right.”

When he introduced his bill, Case pointed to price differences of a gallon of milk — \$6.39 at a Honolulu Safeway store and \$4.39 at a Safeway in Long Beach, Calif., a major West Coast seaport. He also cited higher prices in Hawaii for automobiles, lumber and other construction supplies and heavy equipment.

He added that Big Island ranchers are forced to ship their cattle from Kawaihae to Honolulu before sending them to market in California because no Jones Act shippers will pick up cattle in Kawaihae for direct mainland transport, causing higher business costs.

While Case’s bills haven’t received hearings, they did draw attention from Matson Navigation Co., one of two Jones Act ocean cargo companies — the other is Pasha Hawaii Transport Lines — that service routes between the mainland and Hawaii.

Matson issued a statement Dec. 20, the day after Case introduced his legislation, describing shipping as “one of many cost factors that go into local pricing of consumer goods” and said it represents “a small fraction of price differences between Hawaii and the mainland.”

“The reason the Jones Act has had such strong bi-partisan support in every Congress and administration in modern times is because it is important to homeland security and national defense, as well as the security of service to remote communities like Hawaii and Alaska, from an economic standpoint,” the shipper stated. “The importance of being able to rely on critical supply line transportation is easy to take for granted but hard to overstate.”

According to Matson, the Jones Act “supports more than 650,000 jobs in the U.S., including thousands here in Hawaii.”

Case’s stand on the Jones Act puts him on opposite sides of the issue from the historical stance taken by his congressional colleagues from Hawaii, Sens. Brian Schatz and Mazie Hirono, and Rep. Tulsi Gabbard.

According to the nonpartisan Center for Responsive Politics, sea transportation companies spent more than \$20 million on lobbying in 2019, with Matson spending \$340,000.

Schatz has received almost \$350,000 and Hirono more than \$250,000 from shipping industry-related political action committees and individuals. Gabbard, who’s running for president and says she’s no longer accepting corporate contributions or PAC money, reported almost \$79,000 in similar donations.

“The Jones Act lobby is very, very powerful in Washington and across the country,” Case said.

Despite an apparent lack of interest in Washington in changing the Jones Act, Case thinks his message is starting to resonate in the community.

“That wasn’t the case 20 years ago when I started asking these questions,” he said. “Matson was busy trying to actually squash any conversation on the Jones Act. They were pretty successful. But it didn’t last, and there’s much more conversation about it. And if there’s any benefit, thus far, to the discussion, it means that more people are looking over the shoulder of folks like Matson.”

A June 28, 2018, essay by the libertarian think tank Cato Institute is titled: “The Jones Act: A Burden America Can No Longer Bear,” while the conservative-leaning Grassroots Institute of Hawaii called the Jones Act “protectionist” and described Matson’s statement about Case’s legislation as “the same old discredited arguments.”

An essay posted this month on the website of the U.S. Naval Institute, a think tank on national defense and security issues, stated the Merchant Marine hit its peak numbers-wise in 1951, with 1,288 ships. As of Sept. 15, 2019, the U.S. commercial fleet had dwindled to 180 ships with “99 in the coastal Jones Act trade and the remainder in international commerce.”

“There’s been a precipitous decline in the numbers of Jones Act U.S.-flagged ships. So if I have four Jones Act ships transiting the same route, they’re going to compete with each other. But if I only have one or two, they’re not going to compete — they’re going to do their thing and wink at each other,” Case said, an apparent reference to the Matson-Pasha duopoly.

“Monopolies are not good anywhere. Monopolies are bad for consumers and, ultimately, bad for economies. And they have a wide range of negative effects. And that’s why, a century ago, we made a policy judgment in our country that we’re going to go after monopolies, and we’re not going to allow monopolies except in very limited situations.

Case said the aftermath of Hurricane Maria, which devastated Puerto Rico in late 2017, underscored why changes are needed.

“I think one of the areas that highlighted the ridiculousness of the Jones Act in certain applications was the failure to get disaster relief to Puerto Rico when it needed it most, because the only ships that could go there were Jones Act ships,” he said. “And so, although there were plenty of ships out there that could transit needed goods into Puerto Rico in a very short amount of time, that didn’t happen.”