

FEE Stories

Labor Unions (Quietly) Admit the Jones Act Is Contributing to America's Supply Chain Problems

The AFL-CIO appears to recognize that the Jones Act is part of the US supply chain problem.

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As reported by *Politico* earlier this week, the AFL-CIO's Transportation Trade Department has authored a new statement on US maritime policy that features predictable enthusiasm for protectionist policies such as the Jones Act and cargo preference laws. More interesting, however, is the statement's inclusion of language calling for a fleet of feeder vessels to transport cargo through the country's coastal waters:

Creating a fleet of U.S.-built, U.S.-flag and crewed feeder vessels to carry a portion of America's trade along our coasts to be offloaded in underutilized ports for transportation by truck and rail to their ultimate inland destination will not only strengthen the maritime industry and create jobs aboard ship and in our ports but will help mitigate against future shipping supply chain disruptions.

This passage is significant for at least two reasons. First, it acknowledges that the United States currently lacks such vessels connecting smaller ports to larger ports as part of a hub and spoke system. Second, it states that such a transportation option would help relieve supply chain disruptions by alleviating demands on overburdened truck and rail networks.

Thus, US policies that stand in the way of developing a network of coastal shipping—also known as short sea shipping or marine highways—contribute to the supply chain crisis.

As I've written before, one of those policies is the Jones Act. Simply put, requiring the use of vessels that are far most costly to build and operate than foreign ships is a significant disincentive to utilizing this method of transporting goods. The capital costs alone of acquiring such vessels—which must be constructed by US shipyards much less efficient than their foreign counterparts—were perceived by ocean carriers as the single largest obstacle to the implementation of short sea shipping in the United States according to a 2006 study.

As my colleague Scott Lincicome pointed out last September, this lack of coastal shipping has “worsened the current shipping situation by (1) putting additional pressure on inland transit (i.e., trucks and trains are used instead of ships that could travel between US ports); and (2) causing companies to avoid the Jones Act by “port hopping” up and down US coasts using larger, foreign-flagged ships that take longer to offload and are prohibited from picking up additional cargo while they’re in port.”

Fortunately, the AFL-CIO may be catching on. Noting the lackluster state of US shipbuilding, the head of the organization’s Metal Trades Department stated in a December interview that foreign-built ships may have to be purchased to help jumpstart marine highways. For that to happen, however, Congress would have to pass legislation waiving the Jones Act’s US-built requirement.

This legislative change wouldn’t solve all of the Jones Act’s problems but would mark an excellent first step in reducing the law’s burdens. Allowing an influx of new, less expensive ships would generate jobs for US mariners, business for smaller US ports, and even potential repair and maintenance work for US shipyards while reducing American highway and rail congestion and transportation costs.

Such change would be good for the environment too: reduced traffic means fewer emissions while ships are a more carbon-friendly means of transporting goods than trucks or rail. Once realized, such benefits could spark an appetite for further liberalization and a paring back of maritime protectionism.

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