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Column: Jones Act expensive, benefits questionable

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Beyond mere tweaks, reforms to the Jones Act are necessary, given that the Act's costs to Hawaii are more substantial and its benefits far more elusive than indicated.

The Jones Act refers to several federal domestic shipping laws, the best known of which is Section 27 of the Merchant Marine Act of 1920 regulating the domestic transportation of goods by water.

These laws require a vessel in domestic trade be built and registered in the United States and mostly owned and crewed by U.S. citizens.

While most countries with coastlines and navigable rivers have similar laws regulating their domestic waterborne commerce — known as maritime cabotage — the U.S. system is the world's most restrictive. This is primarily due to the requirement vessels in domestic trade be constructed at a shipyard in the U.S. typically at five times the cost of comparable ships built in Asia.

The Merchant Marine Acts passed between World Wars I and II had the stated purpose of promoting "a merchant marine of the best equipped and most suitable types of vessels to carry the greater portion of its commerce and serve as a … military auxiliary." That remains current U.S. shipping policy.

Clearly, these laws and policy have failed. Today, less than 2 percent of the seaborne foreign trade is carried by U.S. flag ships, domestic ocean shipments have declined by 95% since 1980, the U.S. flag oceangoing fleet has declined by 93% since 1960, and effectively none of the privately-owned ships providing military sealift are drawn from the U.S.-built fleet.

A key failure has been to produce a fleet of suitable ships to meet the nation's domestic ocean transportation needs. There are just 99 oceangoing Jones Act-qualified ships including 57 tankers and 25 containerships in narrow capacity ranges. In comparison, there are approximately 42,000 foreign-flag ships trading worldwide incorporating a wide variety of types and capacities. Most types are absent from the Jones Act fleet including liquefied natural gas carriers and livestock carriers.

The argument that removal of the Jones Act would leave the noncontiguous jurisdictions — Alaska, Hawaii, Guam and Puerto Rico — without adequate shipping, meanwhile, is completely specious and used by Jones Act interests to scare the public.

Even if Hawaii were independent as it was before annexation in 1898 and foreign vessels could operate unfettered in trade with the U.S. mainland, any shipping company using foreign vessels would have a vested interest in providing competitive, reliable, high-quality services as is done routinely in open trades around the world.

The notion that the Jones Act protects many jobs in Hawaii is similarly fallacious. The Act only applies to employment onboard ships and construction of domestic vessels. Most Act employment in the Hawaii trade is onboard the interstate containerships and the local shipbuilding industry is extremely limited. The vast majority of maritime jobs in Hawaii, including stevedoring, military and commercial ship repair and other ancillary ship services, are not subject to the Jones Act and would exist without it.

There are certain changes to the Jones Act that would improve ocean shipping, lower costs and better address natural disasters in the noncontiguous jurisdictions, as alluded to in a recent editorial (“Jones Act benefits isles,” Our View, Star-Advertiser, “April 29).

The editorial suggested a fine-tuning to obtain “consumer-cost gains”; previously, a March 2013 editorial urged Hawaii legislators to adopt a resolution asking the Congress to exempt the noncontiguous jurisdictions from the domestic build requirement for seagoing ships (“Modify Jones Act to assist Hawaii”). This remains an effective starting point to address shipping costs.

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