

Hawai`i Free Press

Jones Act industry anxiety increases with Hurricane waivers

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The American Journal of Transportation (AJOT) published on Monday, October 09, 2017, the news article, "Seafarers Fret Over New Assault on Jones Act in Wake of Storms," reporting the U.S. domestic maritime or Jones Act industry is exhibiting anxiety from all the recent criticism of the Jones Act in the wake of Hurricanes Harvey, Irma and Maria.

The author Daniel Flatley describes the failure of the Jones Act to fulfill its goal of promoting the U.S. maritime industry, and in fact the number of seagoing U.S. flag ships and seafarers has dropped dramatically since 1960. He also notes the costs of the Jones Act requirements on the noncontiguous jurisdictions embraced by the law – Alaska, Guam, Hawaii and Puerto Rico.

Interestingly, Flatley reports that U.S. Senator John McCain's recently introduced bill, which would exempt Puerto Rico from Jones Act cabotage, may be taken up as part of an aid package for the Commonwealth. And that the key Jones Act lobbying organization, the American Maritime Partnership (AMP), an industry trade association, spent \$1.1 million in 2016 lobbying on Capitol Hill.

The article reports that Sen McCain established the Jones Act waiver process based upon the legislation he introduced in 1998. However, that's incorrect. That 1998 Jones Act administrative waiver process is known as the small vessel waiver program designed for waiving the domestic build requirement for small foreign built yachts and motor vessels carrying up to 6 passengers. The administrative process for ocean shipping Jones Act waivers was enacted in 1950.

Key excerpts:

The computerized simulation—conducted in a landlocked office park outside Baltimore—is part of a two-week course offered by the International Order of Masters, Mates & Pilots. The union facility was once packed with students working their way up the ranks, but attendance has plunged as the number of U.S.-flagged, oceangoing freighters has fallen from nearly 3,000 in 1960 to fewer than 170 today.

The decline has occurred despite the Jones Act, a law that requires goods moving between U.S. ports and territories to be carried on American-built vessels crewed by American officers and deckhands.

That's energized opponents of the nearly 100-year-old law, who say the protectionist measure hasn't saved the fleet and should be curtailed or eliminated once and for all.

The latest attack on the Jones Act follows President Donald Trump's decision to temporarily waive it after Hurricane Harvey disrupted refinery operations in Houston, and again to help aid reach Puerto Rico in the wake of Hurricane Maria.

Senator John McCain, a long-time opponent of the law, took the opportunity to introduce fast-track legislation to permanently exempt Puerto Rico from the law—something that would eliminate a major shipping route from the act's protection.

The legislation could be included in a vote on an aid package for the island to be voted on this week, according to C. James Patti, president of the Maritime Institute for Research and Industrial Development, a trade association that represents companies with U.S. flagged ships in their negotiations with the pilots' union.

"Protectionism, over and over, has proven not to be in the long-term interests of the protected industry," said Scott Lincicome, an adjunct scholar at the free-market focused Cato Institute. "One hundred years of the Jones Act is clearly not working when it comes to maintaining the fleet."

Lincicome and Thomas Grennes have separately undertaken in-depth analyses of the law, and they contend that the act has made goods and services more expensive in Alaska, Hawaii and Puerto Rico.

Representatives from the maritime industry have fought to preserve the law several times in recent years. The American Maritime Partnership, which represents ship owners, builders and officers who benefit from the Jones Act, spent \$1.1 million on lobbying last year, Senate records show.

Proponents say it provides a jobs base for American workers who can come to the country's aid in time of war.

In 1998, a McCain-sponsored measure created the waiver process. Previously, Congress had to pass legislation to suspend the law. In 2010 he introduced legislation to fully repeal the law, reintroducing it in 2015 and again in July of this year.

A Government Accountability Office report from 2013 found that only a third of the ships calling at Puerto Rico flew the U.S. flag and said the evidence was inconclusive that repealing the act or exempting Puerto Rico from its restrictions would benefit the island's residents.

Still "freight rates are often — although not always — lower for foreign carriers going to and from Puerto Rico and foreign locations than the rates shippers pay to ship similar cargo to and from the United States, despite longer distances," GAO concluded.

Because of those cost advantages, exempting the island from the act could mean the disappearance of most U.S.-flag vessels from this trade, a summary of the report said.

Other reports, including one conducted by the University of Puerto Rico, have found that goods cost more on the island due to shipping costs. The study, conducted in 2010, found that the island lost about \$537 million annually thanks to the law.