



## Ernst & Young says Jones Act carriers provided reliable Puerto Rico service during COVID

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An Ernst & Young report found that U.S. Jones Act ocean carriers provided Puerto Rico more reliable and more cost consistent services during the COVID supply chain disruptions than was provided by global ocean carriers to their customers.

Torey Presti, president of National Shipping of America (NSA) operates a Jones Act carrier serving Puerto Rico. He told *AJOT*: “The Jones Act carriers provide much more than just a port to port service. Their true value comes in play during a crisis. Whether it is a hurricane like Maria or the current supply chain crisis. I think we should all realize that the purpose of the 1920 Merchant Marine Act, known as the Jones Act, was to ensure that the domestic trades were well served in time of crisis as well as peacetime.”

The Ernst & Young report was published at the same time as John McCown, the co-founder and former chairman & CEO of U.S. flag container carrier, Trailer Bridge, Inc., has argued that the decreasing size of the Jones Act fleet should be a top national security concern especially in light of the growing challenges the United States faces with China in the Pacific: “We need to reverse the decline in the size of our merchant marine. For national security reasons, we must be assured that in all circumstances we have sufficient U.S. flag ships for sealift and adequately trained mariners to operate them. More ships mean more jobs, and more jobs means we’ll have the trained mariners if and when we need them.”

McCown also told *AJOT* that he was very concerned about misinformation about the impact of the Jones Act being circulated by the Cato Institute, a libertarian think tank based in Washington, D.C.

The Cato Institute was established by donors that included the arch-conservative billionaire Charles Koch who has consistently attacked the role of the federal government.

McCown says that Cato has issued reports that falsely allege ultra-high costs associated with Jones Act shipping. These attacks undermine the need for supporting a strong U.S. maritime industry and a strong U.S. shipbuilding sector. At a time when the United States faces a growing national security threat from China and Russia, Cato’s anti-Jones Act message does not support the national interest.

The Transportation Institute (TI) released study by [Ernst & Young \(EY\)](#) evaluated the Jones Act and its implications on freight rates, container availability, port congestion, and carrier

performance in the Caribbean region relative to global averages. [<https://transportationinstitute.org/jones-act-shipping-more-affordable-and-reliable-delivery-for-puerto-rico/>]

Highlights of the report were:

- Shippers were about twice as likely to associate better carrier performance during the COVID-19 pandemic with Jones Act carriers than non-Jones Act ones.
- Stability in freight rates. Freight price increases in the Caribbean were more stable during the pandemic than the global average.
- Schedule reliability of routes. Dwell times for domestic lanes were lower than international lanes during the pandemic. Availability of chassis and containers were also more reliable on domestic trade lanes.
- Economic contributions of Jones Act shipping activity in Puerto Rico. The report found that the Jones Act shipping industry contributes to Puerto Rico's economy by supporting 2,027 total jobs, \$96 million of labor income, \$130 million in value added (GDP) contributions and \$221 million of annual gross economic output.

The study evaluated the timeframe between January 2019 and December 2021 and captured the heightened volatility of freight movement during the peak of the COVID-19 pandemic.

“Jones Act carriers are dedicated to Puerto Rico and help local businesses make goods more affordable and the supply chain more reliable compared to our global competitors,” said James L. Henry, chairman and president of the Transportation Institute. “While the entire global supply chain was disrupted during the pandemic, our Jones Act carriers proved to be 27 times more affordable and 8 times more reliable than non-Jones Act carriers.”

National Shipping's Torey Presti summed up the Jones Act impact on Puerto Rico as follows: “For Puerto Rico the Jones Act carriers provide scheduled service (98% schedule reliability) versus the global carrier service with multiple ‘blank’ services. The amount of service available to Puerto Rico shippers provided by Jones Act carriers is guaranteed. Even before the pandemic, transit time between Jacksonville and San Juan was 3 days with 5 sailings per week. The global carrier transit time between these 2 ports is 17 days that require a ‘relay’ in a Caribbean transshipment port. The importance of dedicated Jones Act terminals during the pandemic have proved invaluable with little or no port congestion. The Jones Act carriers have built up a fleet of chassis that are dedicated to the trade. In Puerto Rico's case, the unique presence of the 53' container provides more than 30% capacity than the 40' high cube container. Cost-wise the Jones Act carriers maintained their rates under heavy inflationary pressure whereas the global rates spiraled by 300% increase in the global trades.”

Ernst and Young based the Jones Act study from “primary data collection through a survey of 49 companies that ship to and from the continental United States and the Caribbean.”