

AMENDMENTS TO THE JONES ACT IN PUERTO RICO WOULD OUTSOURCE U.S. JOBS, PARTICULARLY VETERAN JOBS, AND UNDERMINE NATIONAL/HOMELAND SECURITY

Some in Congress have proposed changes to the Jones Act in Puerto Rico as part of legislation to address the island's economic crisis. The Jones Act requires that waterborne cargo moving between any two points in the United States be transported on American ships. With virtually no substantive data or information to support claims that changes to the Jones Act would help Puerto Rico, the question remains. Why would Congress approve an amendment that would outsource American jobs and undermine national and homeland security?

Changes to the Jones Act would undermine American national and homeland security.

The Jones Act enjoys the strong support of the Department of Defense (“DOD”) and Navy because they depend on a strong commercial maritime industry — seafarers, vessel operators, and shipyards — to move military cargo and ensure a domestic shipbuilding, maintenance, and repair industrial base. Military leaders have consistently endorsed the Jones Act for its contribution to defense sealift. In its recent [report](#) on the Jones Act in Puerto Rico, the U.S. Government Accountability Office (“GAO”) highlighted the potential national security consequences if the Act was changed in Puerto Rico. The GAO said changes in the Jones Act in Puerto Rico could result in a loss of “skilled mariners needed to crew the U.S. military reserve and other deep-sea vessels in time of emergency” plus a loss of militarily-significant American shipbuilding capacity.

Similarly, the Jones Act contributes to American homeland security and border protection. U.S. vessels — owned, operated, and crewed by Americans — have a much higher security profile than vessels owned by foreign entities and operated by foreign seamen. Writing recently, a member of President Bush's 911 Commission on Terror, former U.S. Senator Slade Gorton, said, “Helping plug a porous border is a benefit of the Jones Act that is far too often overlooked.” The Lexington Institute, recognizing the difficulty of securing the U.S. sea border, noted “[w]ere the Jones Act not in existence, DHS would be confronted by the difficult and very costly task of monitoring, regulating, and overseeing all foreign-controlled, foreign-crewed vessels in internal U.S. waters.”

Changing the Jones Act means outsourcing American jobs—particularly veteran jobs.

A change to the Jones Act means sending American jobs to foreign shippers and shipbuilding interests. Allowing vessels to be constructed in foreign shipyards will eliminate thousands of American jobs. Allowing vessels to be crewed by foreign seafarers will eliminate thousands of American jobs. And allowing vessels to be owned by foreign interests will eliminate millions of dollars in investment by American citizen owners. That means less American wages, less American taxes paid, and less American economic activity (including in Puerto Rico). There are approximately 500,000 jobs and \$92 billion in economic activity associated with the Jones Act each year nationally, according to PricewaterhouseCoopers. The *last thing* Congress should be doing now is outsourcing current American jobs, including those in Puerto Rico, to foreign interests. The outsourcing would be particularly harmful to American veterans as the domestic maritime industry is home to an

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unusually large number of veterans. Many individuals who served in the military—particularly those from the “sea services” like the Marine Corps, Navy and Coast Guard—gravitate to the maritime industry. The domestic maritime industry aggressively and actively seeks to hire veterans through a program called Military2Maritime.

Changes to Jones Act in Puerto Rico would harm the Jones Act industry throughout the United States.

Changes to the Jones Act in Puerto Rico would undermine hundreds of millions of dollars of recent investments in modern, state-of-the-art American vessels operating between the U.S. mainland and Puerto Rico. More broadly, altering the fundamental regulatory structure in Puerto Rico — literally changing the rules in the middle of the game after massive investments were made in new vessels there — would undermine future investment in every segment of the Jones Act industry (e.g., crewing, shipbuilding, financing). The impacts would be felt from the Great Lakes to the U.S. inland waters to the Gulf of Mexico to coastal waterways. Even the GAO discussed the potential ripple effects of a Jones Act change in Puerto Rico on other American regions. Proponents of the amendment describe it as narrow, affecting only Puerto Rico, but the implications would quickly extend throughout the domestic maritime industry.

There is a cost to eliminating the Jones Act in Puerto Rico.

Putting aside the aforementioned reduction in American national and homeland security interests, there is an indisputable cost in lost American wages, tax base, and economic activity. The financing for American ships guaranteed by federal loan guarantees, totaling hundreds of millions of dollars, would be in jeopardy. Replacing the ships, seafarers, and shipyards would represent a massive cost to DOD. As the GAO said in its recent Puerto Rico report, “According to DOD officials, to the extent that Jones Act markets are unable to sustain a viable reserve fleet, DOD would have to incur substantial additional costs to maintain and recapitalize a reserve fleet of its own.” DOD costs to replace the U.S. flag fleet are estimated to be in the tens of billions of dollars annually. Eliminating the Jones Act would be costly for America.

There is no clear evidence that changing the Jones Act would help Puerto Rico. In fact, exactly the opposite may be true.

The GAO’s report was the most extensive study of the Jones Act in Puerto Rico ever. Unlike many of the statistics shared and statements made recently, the GAO’s analysis was unbiased and fact-based. The GAO’s main finding was that changes to the Jones Act in Puerto Rico were a risky proposition, calling the impact “highly uncertain.” The agency identified a series of possible negative impacts to Puerto Rico if the Jones Act were changed there — on local jobs, on stability of overall service, on the availability of the all-important northbound export shipping leg to the mainland, and on national security. The GAO made clear that there was no way to predict the impact of changes to the Jones Act on the island.

According to DOD, without a U.S. fleet, DOD would have to incur substantial additional cost to maintain and recapitalize a sealift fleet of its own. The costs are estimated in the tens of billions annually.