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# THE WALL STREET JOURNAL.

U.S. EDITION

REVIEW & OUTLOOK (Editorial)

## A Jones Act Head Fake on Puerto Rico

575 words

7 October 2017

The Wall Street Journal

J

A12

English

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President Trump promised relief to Puerto Ricans on his visit this week, including a preposterous vow to erase the territory's debt that he lacks the power to execute. What he could do to help is extend his Administration's temporary waiver of a protectionist shipping law that will raise the cost of recovery on the island.

The 1920 Jones Act forces Puerto Rican companies to use U.S.-built, -manned and -flagged ships to import goods from U.S. ports, which reduces competition and raises the cost of goods for the island's 3.4 million consumers. A few shipping companies, notably Crowley Maritime Corp. and TOTE Maritime, profit from this Washington favoritism.

Mr. Trump acknowledged this last week when he said "we have a lot of shippers and a lot of people that work in the shipping industry that don't want the Jones Act lifted." No kidding. After a barrage of negative press, the Administration waived the law for 10 days through Sunday, a head fake worthy of a Beltway veteran.

Department of Homeland Security Acting Secretary Elaine Duke says the temporary relief is meant "to ensure we have enough fuel and commodities to support lifesaving efforts, respond to the storm, and restore critical services and critical infrastructure operations." The shipping companies point to containers stacked on docks and argue the island's real problem is a lack of truckers, not ships.

The more salient question is what will happen when Puerto Rico begins rebuilding and needs heavy equipment, construction materials and other supplies delivered in a timely and cost-effective way? As of Sept. 1, there were only 99 ocean-going vessels in the Jones Act fleet, compared to thousands of modern, foreign-flagged competitors.

It's unclear how many and what type of Jones Act ships will be available to help Puerto Rico, and the feds aren't saying. Maritime Administration spokeswoman Kim Strong told us in an email that, "Only the companies can provide information about their ability to bring additional vessels or capacity into a market." Makes you wonder what the Maritime Administration administers, or why it exists.

Right on cue, Congress's protectionists are kicking into gear to protect the shipping companies. Duncan Hunter (R., Calif.), head of the House maritime subcommittee and whose district is near a General Dynamics division that builds ships, held a hearing Tuesday in which he praised the Jones Act and dismissed concerns about costs. Maybe the Californian hasn't paid for gas or food in Puerto Rico.

Another claim is that the Jones Act protects the U.S. shipbuilding industry and a workforce of trained mariners who might be needed in wartime. But if the Jones Act fleet is crucial to victory at sea, the U.S. needs a new Navy. And in that case why not make the subsidy explicit, nationalize shipping and make all U.S. taxpayers pay for ships and seamen, rather than enrich a few companies and foist the bill for higher costs on Puerto Ricans, Hawaiians and Alaskans?

The better solution is for Mr. Trump to waive the Jones Act for Puerto Rico for at least a year, and then throw his weight behind a Congressional repeal of the law. Otherwise, he's rewarding the swamp of shipping special interests at the expense of Puerto Ricans and U.S. taxpayers.

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## REVIEW & OUTLOOK (Editorial)

### Second-Class **Puerto Rico**

527 words

27 September 2017

The Wall Street Journal

J

A16

English

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The devastation in **Puerto Rico** from Hurricane Maria is awful to behold, and the Trump Administration will have to mobilize more resources to help. Here's one idea: Suspend the law that raises the price of sea-borne energy and food shipments to the island.

We're talking about the Merchant Marine Act of 1920, better known as the **Jones Act**. The law requires that goods transported between U.S. ports be shipped on vessels built, majority-owned and manned by Americans. Think of it as a legally sanctioned shakedown for U.S. shipping interests.

Puerto Ricans pay dearly for this protectionism, which reduces competition and raises costs. A 2012 Federal Reserve Bank of New York report said the **Jones Act** helps explain why household and commercial goods cost roughly double to ship from the East Coast to **Puerto Rico** than to the nearby Dominican Republic or Jamaica. Food and energy costs are far higher than on the mainland.

Presidents of both parties have suspended the **Jones Act** to alleviate fuel shortages and enlist the aid of cheaper, foreign-flagged ships during previous emergencies. George W. Bush did it after Hurricane Katrina, and Barack Obama did so after superstorm Sandy. The Trump Administration followed after Hurricanes Harvey and Irma ripped through Texas and Florida in August and September.

The aftermath of Hurricane Maria is an even more urgent emergency. The Category 4 storm shut down electricity, destroyed crops, and has residents scrambling to obtain food and potable water. Many of the island's 3.4 million residents may not have power restored for weeks. At least 10 people have died, and rescue operations will be needed for months. Allowing Puerto Ricans to import cheaper petroleum, equipment and bulk supplies would help.

Yet the Department of Homeland Security said Monday it won't issue a **Jones Act** waiver for the territory. Spokesman David Lapan explained in an email that there are "sufficient numbers of US-flagged vessels to move commodities to **Puerto Rico**." DHS argues that under U.S. law the agency can't ask for a waiver unless there's a national defense threat and there aren't enough **Jones Act**-compliant ships to carry goods.

That may or may not be a cramped reading of the law by DHS, but the Department of Defense has fewer legal constraints. Defense Secretary Jim Mattis could simply find a **Jones Act** waiver is "necessary in the interest of national defense." Rep. Nydia Velazquez (D., N.Y.) has requested a year-long suspension for the territory, so the Administration would have bipartisan support.

The permanent solution is to repeal the law, one of the worst on the American books. Senator John McCain (R., Ariz.) has tried for years to do so but is stymied by opposition from lobbies like the American Maritime Partnership and coastal politicians like Duncan Hunter (R., Calif.). President Trump is starting to take political heat for being more attentive to hurricane damage in Texas and Florida than in **Puerto Rico**, and his Administration's disparate **Jones Act** treatment won't help counter that perception.

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