

**Remarks of Tom Allegretti**  
**TradeWinds Jones Act Forum**  
**October 8, 2014**

Good morning and thank you for the opportunity to once again present as part of this prestigious conference. Last year, I spoke to you about the Jones Act and declared it both a commercial and a public policy success. I'm going to double down on that assessment today.

I am here in my role as Chairman of the American Maritime Partnership – the largest coalition ever established on behalf of America's maritime industry. We represent a broad spectrum of interests, tied together by our support for the Jones Act as the foundation of a vital and vibrant domestic maritime sector. AMP represents the companies and workers that are spearheading America's domestic maritime renaissance.

The industry's greatest accomplishment over the past year has been its response to America's domestic energy boom, which has sparked remarkable growth in the U.S. shipbuilding and water transportation sectors. As the shale oil revolution has transformed the domestic energy market, it has also led to a significant increase in the transportation of crude oil on U.S. waterways.

The rapid increase in the domestic supply of oil has been accompanied by exponential growth in the waterborne movement of these products. The domestic maritime industry, with the Jones Act as its statutory foundation, is investing heavily to meet the transportation demands of this new energy economy.

As a result, we are witnessing a new era of domestic vessel construction. Twenty-six fuel efficient, state-of-the-art tankers and ATBs are being built in U.S. shipyards, which will add approximately 7.6 million barrels of new capacity to the domestic fleet. These are 100% American vessels that are environmentally friendly and feature advanced safety systems. This surge is saving and creating American jobs, at a time when military ship construction is on the decline.

We are also seeing record investment and construction of inland tank barges. Last year was an all-time high in new barge construction, with 336 inland tank barges delivered for a combined capacity expansion of 8.2 million barrels. Adding that to the blue water numbers on the last slide, we're talking nearly 16 million barrels of inland and oceangoing tank vessel capacity. What undergirds this multi-billion

dollar private sector investment? The Jones Act, which provides the certainty American companies need to commit the capital that make this construction, and the jobs that go with it, a reality.

The domestic maritime sector has always been a jobs creator, and that is true now more than ever. But, domestic maritime offers more than just jobs – it offers career opportunity. In the tugboat, towboat and barge industry, for example, a young person can finish high school, start out as a deckhand and rise through the ranks, earning a six-figure income as a captain or pilot in less than a decade. Jobs like that are good for American families and good for the American economy.

Nationwide, domestic maritime contributes \$100 billion to the nation's economy and supports nearly 500,000 jobs. State and local economies depend on the domestic maritime sector. This is just a sampling of the countless good news stories that show the tremendously positive impact domestic maritime has on states across the nation. These are 100% American jobs that can never be outsourced...*these are Jones Act jobs.*

As the industry grows, so does our need for skilled workers. This is why AMP has launched an initiative called "Military2Maritime." This summer, we hosted two job fairs, one in Houston and the other Jacksonville, to reach out to American veterans and share information on the great family-wage jobs and career opportunities in our industry – opportunities for which their past experience makes them very attractive candidates. We look forward to more such events to reach vets in other parts of the country. The next one will likely be in Norfolk/Hampton Roads.

The domestic maritime fleet, with the Jones Act as its foundational law, brings our nation countless economic benefits, but the industry is also critical to U.S. national and homeland security. American mariners are the eyes and ears of our inland waterways and our coastlines, protecting homeland security from coast to coast. American companies and American mariners provide this security force-multiplier without taking a dollar of taxpayer money and are always ready to provide assistance during a security threat or natural disaster.

Given the value American maritime brings to our country, it's not surprising that the Jones Act has consistently enjoyed strong bipartisan support from Congress, from the Administration, and from our nation's military leaders. Secretary of Transportation Anthony Foxx made the position of the current Administration loud

and clear when he stated that his boss President Obama “is on the record supporting the Jones Act, and so am I.”

Mary Landrieu, Chair of the Senate Energy Committee; Congressman Steve Scalise, House Majority Whip; Bill Shuster, Chairman of the House Transportation and Infrastructure Committee; the bipartisan leaders of the House Transportation Subcommittee on Coast Guard and Maritime Transportation; elected officials who recognize the importance of domestic maritime to their states and districts as well as to the nation: they all support the Jones Act, and for good reason.

With all of this support, you might wonder who would criticize such a fundamental plank of U.S. economic and national security. It seems as though there is always someone out of the mainstream, sometimes way out of the mainstream. The current complainer is Charles Drevna, president of the American Fuel and Petrochemical Manufacturers. Drevna repeatedly has called for changes to the Jones Act. We are fortunate that his call for changes to the Jones Act has gotten zero traction on Capitol Hill. There are a number of reasons why Members of Congress are finding Drevna’s proposals so unappealing.

First, his primary argument is what we sometimes call the “big myth.” Drevna likes to compare the cost of foreign vessel rates to American vessel rates, arguing that it would be cheaper to replace American Jones Act vessels with foreign vessels. He has even argued that it would be cheaper to move cargo in domestic commerce if we replaced American mariners with foreign mariners.

Well, that’s an unconventional idea! We’ll replace all the American workers with foreign workers, pay them third world wages, and see if we can’t reduce the cost of domestic shipping! And when we are done with shipping, perhaps we can do the same with Drevna’s refineries. Then eventually we can replace all American workers with cheaper foreign workers. This is not a serious proposal, and comparing domestic shipping rates to foreign shipping rates is comparing apples to oranges.

American companies are subject to different, more expensive and extensive laws than foreign shipping companies – wage and hour laws, immigration laws, and tax laws, just to name a few. Once you start adding in the cost of complying with U.S. laws, then suddenly the cost differential between U.S. and foreign shipping starts to disappear. Think taxation. Foreign ships pay very little or no taxes, whereas U.S. shipping companies have effective tax rates as high as 38 percent. That alone is a huge difference in cost structures.

The Jones Act applies U.S. laws to U.S. operations. The Jones Act vessels Drevna refers to operate 100% in U.S. domestic commerce. I challenge him to name any industry in America where a foreign company can operate 100% in American domestic commerce without complying with American laws. Of course, there is none. It's not clear why Drevna thinks the American maritime industry, alone among domestic industries, should be outsourced to foreign interests and foreign workers that would not be subject to U.S. laws.

Here's a chart that outlines the cost of a gallon of gasoline at the pump. Here's the cost of an average gallon of gas – \$3.61. Here's the average cost to move it by Jones Act vessel – 1 cent or less per gallon. And here's the cost to refine it – 40 cents a gallon. We certainly don't begrudge the refiners that 40 cents cost share. Yet, Drevna is complaining about this small penny for marine transportation when his refining share of the cost is so much greater.

I submit to you that Drevna wants to change the Jones Act for only one reason – so refiners can make even larger profits. Refiners are doing extremely well financially due to the new discoveries of oil that have fueled the energy renaissance. The Energy Information Agency reports that the abundance of cheap feedstocks in the U.S. allows American refiners to earn profits that are substantially higher than at other refineries around the world. They can use low cost U.S. raw materials yet sell petroleum products at world prices. We couldn't be happier for them. That's America at its best. But, it does make it all the more perplexing that Drevna would propose changes that would undermine America's national, homeland and economic security just to make his already highly profitable companies a fraction more profitable.

It does not seem to matter to Drevna that the changes he proposes would undermine American national, economic, and homeland security. Fortunately, it does matter to policymakers in Washington.

- It might bother the Defense Department and Navy, for example, that national security and our defense industrial base would be undermined.
- It might bother the hundreds of thousands of Americans whose jobs would be outsourced.
- And many national leaders will never sanction the damage to America's homeland security that would result from Drevna's changes to the Jones Act.

I reviewed the AFPM annual report recently. I was struck by a couple of things. First, several of its Board-level companies are the oil majors. These are companies that are engaged on a regular basis in the Jones Act trades, either as carriers or charterers. They are our partners, on a daily basis, in providing safe and reliable domestic marine transportation. I find it very hard to believe that they too think the country is better off handing our domestic maritime industry over to foreign interests.

Second, I also notice lots of references to the importance of American industry and good paying American jobs and American security throughout the report, making it even odder that Drevna is so willing to propose changes that would undermine the very same basis of another American industry, especially given the high level of investment this industry is making in building new vessels to move petroleum products. It just doesn't make any sense.

Throughout the past year, at a time when it sometimes seems like one negative news story after another, it's nice to have some good news to reflect on – the news of America's domestic maritime renaissance and the high-quality jobs it provides for American citizens. Last month, Vice President Joe Biden paid a visit to the Port of Virginia to celebrate American job growth and the domestic maritime renaissance of which I've spoken. The Vice President celebrated the hundreds of thousands of American workers supported by the port and reiterated what makes these jobs so valuable: "these are jobs with which you can raise a family." And, domestic maritime jobs are Jones Act jobs.

I'll end as I began, by doubling down on my assessment that the Jones Act is a commercial and public policy success. It is good for America and good for Americans.

Thank you for being here and for listening today.