



AMERICA IS MORE SECURE

BECAUSE OF ITS STRONG DOMESTIC MARITIME INDUSTRY



Under U.S. domestic maritime laws, commonly known as **THE JONES ACT**, cargo shipped between two U.S. ports must move on American vessels. These laws are critical for American economic, national, and homeland security and have had the support of the U.S. Navy, Members of Congress of both parties, and every President in modern history.

THE DOMESTIC MARITIME INDUSTRY IS KEY TO AMERICA'S ECONOMIC STRENGTH AND SECURITY.

From the earliest days of our nation, shipping has been the grease for America's economic engine. Today, the maritime industry is by far the most economical form of domestic transportation, moving nearly 1 billion tons of cargo annually at a fraction of the cost of other modes. Fundamental U.S. industries depend on the efficiencies and economies of domestic maritime transportation to move raw materials and other critical commodities.

America's domestic shipping industry is responsible for nearly 650,000 jobs and more than \$154 billion in annual economic output. Labor compensation associated with the domestic fleet exceeds \$41 billion annually with those wages spent in virtually every corner of the United States. The American domestic fleet, with more than 40,000 vessels, is the envy of the world. Every job in a domestic shipyard results in four additional jobs elsewhere in the U.S. economy.

"[W]e believe that the ability of the nation to build and maintain a U.S. flagged fleet is in the national interest, [and] we also believe it is in the interest of the DoD for U.S. shipbuilders to maintain a construction capability for commercial vessels."

- U.S. Department of Defense

THE DOMESTIC MARITIME INDUSTRY

- Over **\$154** billion in total economic output
- Over **\$16** billion in taxes
- \$41** billion in labor income
- Adds **\$72** billion to the value of U.S. economic output
- Creates nearly **650,000** jobs
- Approximately **40,000** vessels in the American domestic fleet
- 1 shipyard job creates 4 jobs** elsewhere in the economy



A small number of individuals and organizations support repeal of the Jones Act, which would allow foreign-built, foreign-operated, foreign-manned, and foreign-owned vessels to operate on American waters. The result would be to take a core American industry like shipbuilding and transfer it overseas to nations like China and South Korea, which heavily subsidize their shipyards and play by their own set of rules. Additional losses would occur from the outsourcing of American shipping jobs to foreign nations.

THE U.S. NAVY SAYS THE JONES ACT IS CRITICAL TO NATIONAL SECURITY.

The U.S. Navy's position is clear – repeal of the Jones Act would “hamper [America’s] ability to meet strategic sealift requirements and Navy shipbuilding.” Over the past several decades the Navy has consistently opposed efforts to repeal or modify key U.S. maritime laws.

America’s domestic fleet is an important part of the national maritime infrastructure that helps ensure there will be ample U.S. sealift capacity to defend our nation. American ships, crews to man them, ship construction and repair yards, intermodal equipment, terminals, cargo tracking systems, and other infrastructure can be made available to the U.S. military at a moment’s notice in times of war, national emergency, or even in peacetime. In addition, during a major mobilization, American domestic vessels move defense cargoes to coastal ports for overseas shipments.

During Operations Enduring Freedom and Iraqi Freedom (2002 – 2010), U.S.-flag commercial vessels, including ships drawn from the domestic trades, transported 57% of all military cargoes moved to Afghanistan and Iraq.

As important, the American domestic fleet also provided fully half of the mariners used to crew U.S. government-owned sealift vessels activated from reserve status, which carried an additional 40% of the total cargoes delivered.

The Department of Defense (“DOD”) has consistently emphasized the military importance of maintaining a strong domestic shipbuilding industry, stating “[W]e believe that the ability of the nation to build and maintain a U.S. flagged fleet is in the national interest, [and] we also believe it is in the interest of the DoD for U.S. shipbuilders to maintain a construction capability for commercial vessels.” A study by the U.S. Department of Commerce, Bureau of Export Administration, reached a similar conclusion:

“The U.S. shipbuilding and repair industry is a strategic asset analogous to the aerospace, computer, and electronic industries. Frontline warships and support vessels are vital for maintaining America’s national security and for protecting interests abroad. In emergency situations, America’s cargo carrying capacity is indispensable for moving troops and supplies to areas of conflict overseas. A domestic capability to produce and repair warships, support vessels, and commercial vessels is not only a strategic asset but also fundamental to national security.”

AMERICA'S DOMESTIC MARITIME INDUSTRY MAKES OUR HOMELAND MORE SECURE.

As America works to secure its borders, it must also secure its waterways. Homeland security is enhanced by the requirement for American vessels that operate in full accordance with U.S. laws and with the consistent

oversight of the U.S. government. In that respect, the Jones Act is as effective a homeland security measure as any federal agency could ever write and enforce.

Today, it takes a small army of Customs agents, Immigration Services officials, Homeland Security staff, and others to regulate foreign ships that enter and exit the United States in international trade, even within the carefully controlled structure of U.S. ports. However, there is no precedent for allowing foreign-controlled ships operated by foreign crews to move freely throughout the 12,000 miles of America's navigational bloodstream. Inland lakes, rivers, and waterways go to virtually every corner of the nation.

There is considerable uncertainty about which laws would apply to a foreign shipping company operating in U.S. domestic commerce if the Jones Act were repealed. However, it is certain that the task of monitoring, regulating, and overseeing potentially tens of thousands of foreign-controlled, foreign-crewed vessels in internal U.S. commerce would be difficult at best and fruitless at worst. Repeal or modification of the key domestic maritime laws would make America more vulnerable and less secure.

U.S. MARITIME LAWS ENSURE A LEVEL PLAYING FIELD FOR AMERICAN BUSINESSES.

American domestic maritime laws ensure a level playing field by requiring that all shipping and shipbuilding companies that operate in U.S. domestic commerce play by the same set of rules. Allowing foreign companies to operate in the U.S. outside of our immigration, employment, safety, environmental, tax, labor, and other laws would be unfair. American laws are often stricter than the laws that govern shipping and shipbuilding in international trades. No other industry operates exclusively in American domestic commerce yet outside of our laws (e.g., paying third world wages to its employees). No country in the world would – or does – permit businesses to operate domestically without complying with its national and local laws. Companies that do business here must fully obey American laws, regulations, and other rules.

“Without the Jones Act, vessels and crews from foreign nations could move freely on U.S. waters, creating a more porous border, increasing possible security threats, and introducing vessels and mariners who do not adhere to U.S. standards into the bloodstream of our nation.”¹



12,000 miles of inland waterways

CURRENT JONES ACT SECURITY MEASURES

- American-built vessels
- American-crewed vessels
- American-owned vessels

POTENTIAL RISKS OF REPEAL

- Insufficient supply of militarily-crucial civilian mariners
- Reduction of militarily-vital shipbuilding capacity
- Reduced military sealift capacity
- Decreased homeland security
- Loss of economically vital American industry, including reduced transportation capacity, outsourced jobs, and lesser economic impact



ABOUT AMERICAN MARITIME PARTNERSHIP

American Maritime Partnership (AMP) is the voice of the U.S. domestic maritime industry, a pillar of our nation's economic, national, and homeland security. More than 40,000 American vessels built in American shipyards, crewed by American mariners, and owned by American companies, operate in our waters 24/7, and this commerce sustains nearly 650,000 American jobs, \$41 billion in labor compensation, and more than \$150 billion in annual economic output.

REFERENCES

1. Reps. Duncan Hunter & Steve Scalise, *Making Headway with America's Maritime Industry*, Wash. Times (Mar. 25, 2014), available at <http://www.washingtontimes.com/news/2014/mar/25/hunter-and-scalise-american-maritime-industry-lead/>.



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