

# The Jones Act and Hawaii

Report finds Jones Act has no impact on the cost of living in Hawaii and provides a substantial positive impact on Hawaii's economy

## SUMMARY

A new study performed jointly by Reeve & Associates and TZ Economics concluded that the Jones Act has no impact on the cost of living in Hawaii. In addition, the report found that **freight rates in the U.S. Mainland-Hawaii trade have declined in real terms over a ten-year period** while the Jones Act has delivered positive economic contributions, including job creation, new infrastructure investments, and a reliable pipeline for critical consumer and industrial goods moving to and from Hawaii and its Islands.



LOS ANGELES

HONOLULU

1 gallon of milk

\$3.08

\$3.08

Rice

\$2.59

\$2.59

Toothpaste

\$2.99

\$2.99

Organic Eggs

\$3.89

\$3.60

Toilet Paper

\$12.99

\$12.99

## The Jones Act does not impact the cost of living in Hawaii



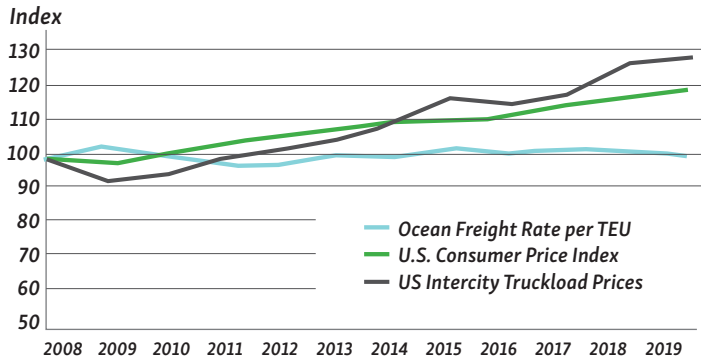
A market based study of 200 consumer goods purchased from major retailers such as Costco, Home Depot, Target and Walmart found no significant difference in the price of consumer goods with a mere 0.5% price differential between the cost of goods in Los Angeles and Honolulu. 142 out of 200 items (71%) were precisely the same in stores in Hawaii as they were in California. In some cases, retail prices of goods were cheaper in Hawaii. The study found that while Hawaii does have a high cost of living, that cost is primarily driven by housing expenses and other factors, not the type of consumer goods carried to Hawaii by Jones Act carriers.

## Over a ten-year period, Jones Act carriers' rates have declined in real terms for essential ocean shipping



The study shows that freight rates in the Mainland-Hawaii trade have declined in real terms, while benchmarks such as overall U.S. inflation and intercity truckload prices have increased substantially (28%). It also should be pointed out that the CONUS/Hawaii ocean freight rates include State of Hawaii Department of Transportation Harbors Division assessments for wharfage charges (revenue passed through the ocean carrier to the port authority) for port/terminal improvements in Honolulu that increased wharfage charges by 50 percent between February 2017 and July 2019.

**Historical trend in CONUS/Hawaii Ocean Freight Rates versus U.S. Consumer Price Index and Intercity Truckload Prices**

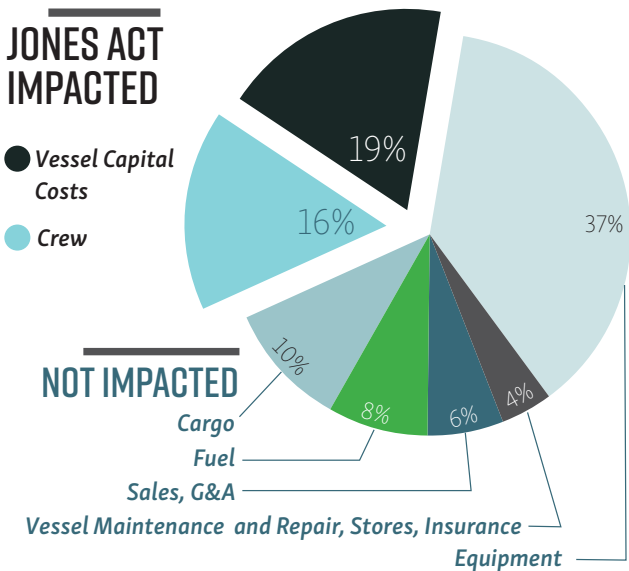


Historical trend in CONUS/Hawaii Ocean Freight Rates versus U.S. Consumer Price Index and Intercity Truckload Prices.

**The large majority of the expenses of moving cargo between the U.S. Mainland and Hawaii are completely unaffected by the Jones Act**

The study found that only a third of the total embedded costs of a Jones Act carrier moving freight between the Mainland and Hawaii are affected by the Jones Act (crew and vessel capital costs). If the Jones Act was to be waived for Hawaii, the costs of any foreign-flag vessel operated in that U.S. domestic trade would rise substantially as it would have to comply with U.S. tax, labor, and employee protection laws apart from the Jones Act that would virtually negate any cost advantage provided by foreign registry.

**Cost Structure of a Jones Act Intermodal Liner Shipping Service in 2020**



Sources: U.S. Department of Transportation, Maritime Administration, *Comparison of U.S. and Foreign-Flag Operating Costs*, September 2011; OOIL Annual Report, 2019; Reeve & Associates' analysis of carrier data.

**Jones Act carriers are dedicated to Hawaii's specific needs for high frequency and fast transit to deliver consumer goods to Hawaii and neighboring islands. Eliminating the Jones Act could undermine priority, frequency, and speed**

Three U.S. flagged carriers with a fleet of twenty combined vessels, specifically designed to accommodate the needs of Hawaii transportation commerce, currently provide regular scheduled shipping services between the U.S. Mainland and Hawaii.

According to the study, there is more than ample capacity to meet the needs of Hawaii families and businesses. In fact, Jones Act carriers have increased capacity by 22% since 2015 with the addition of new vessels, while ensuring price competitiveness amidst the carriers.

**The Jones Act supports 13,000 jobs for Hawaii families**

The Jones Act supports the creation of nearly 13,000 jobs for residents of Hawaii – delivering \$787 million in annual workforce income and \$3.3 billion economic impact to the local economy.



**13,000**  
Jobs supported

**\$787 million**  
annual workforce income

**\$3.3 billion**  
economic impact to the local economy

