

Congress of the United States
House of Representatives
Washington, DC 20515-5401

May 13, 2011

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G St., NW
Washington, DC 20548

Dear Mr. Dodaro:

Section 27 of the Merchant Marine Act of 1920, also known as the Jones Act, generally requires that all maritime transport of cargo and passengers between ports in the United States be carried by vessels built in the United States, owned by U.S. citizens (at least 75%), and operated by U.S. citizen crews. Since its enactment, the Jones Act has been applied to the U.S. territory of Puerto Rico, although a 1984 federal law authorized the transportation of passengers between Puerto Rico and other U.S. ports on foreign-flag vessels when Jones Act-qualified service is not available.¹ Puerto Rico's neighboring territory, the U.S. Virgin Islands, is exempt from the Jones Act, as are the U.S. territories of American Samoa and the Commonwealth of the Northern Mariana Islands. I write to respectfully request that the Government Accountability Office prepare a report that examines the impact of the Jones Act's application to Puerto Rico, in terms of its effect on both the Puerto Rican economy and the broader U.S. economy. In 1988, GAO prepared a detailed analysis of "certain effects of the Jones Act as they pertain to Alaska," so there is precedent for a request of this nature.²

The costs and benefits of the Jones Act—specifically, its implications for the national economy, national defense, and domestic shipbuilding industry—have been the subject of vigorous debate over the years. The economic impact of the Jones Act has been the source of particular concern in Puerto Rico and other non-contiguous jurisdictions, which rely heavily on maritime shipping to conduct commerce with the U.S. mainland.

¹ See P.L. 98-563 (Oct. 30, 1984).

² "The Jones Act, Impact on Alaska Transportation and U.S. Military Sealift Capability," General Accounting Office, September 1988 (RCED-98-96R).

Many of my constituents, including a broad array of economists, have expressed the view that Puerto Rico families and companies are hurt—and that the Island’s economic growth and competitiveness are hindered—by higher shipping costs potentially associated with the Jones Act. The majority of Puerto Rico’s imports come from the U.S. mainland, and most of those imported products are transported by ship. Likewise, on the export side, the products that Puerto Rico generates for sale outside the Island—generally manufactured goods—are primarily destined for the U.S. market, and most of those goods are moved by ship. Accordingly, if the Jones Act does lead to higher shipping costs, the law might have a disproportionate adverse impact on Puerto Rico.

However, in 1979, a federal interagency task force chaired by the U.S. Secretary of Commerce prepared a multi-volume “Economic Study of Puerto Rico” for the U.S. President, which contained a detailed analysis of the Jones Act. The task force found that “exemption from the cabotage laws—sometimes pointed to as an answer to the problem—would not provide a lasting remedy” in the form of lower freight rates.³ Whether the task force properly analyzed the issue—and, if so, whether its conclusion is still valid over 30 years later—are open questions.

In the course of preparing any report, I would respectfully ask that GAO adhere to its general practice and consult with stakeholders, including representatives in Puerto Rico from the manufacturing, agriculture and charter vessel sectors. In addition, I would urge GAO to meet with representatives from the Port Authority of the Americas in Ponce, Puerto Rico, who are keenly interested in this issue. Finally, I would encourage GAO to meet with individuals and organizations who are involved in, or otherwise knowledgeable about, maritime trade between Puerto Rico and the United States and who oppose repeal or relaxation of the Jones Act.

I believe that the perennial debate in Congress—and in Puerto Rico—over the Jones Act would benefit from an objective and fact-based report analyzing the economic implications of the Act’s application in Puerto Rico. If necessary or beneficial, my staff and I are available to meet with representatives from GAO in order to refine my request so as maximize the value of the final product to federal policymakers and other stakeholders.

Sincerely,



Pedro R. Pierluisi
Member of Congress

³ See Volume 1, page 34.