


I MINA'TRENTAI UNU NA LIHESLATURAN GUAHAN
2012 (SECOND) Regular Session

Resolution No. 371-31 (0012)

Introduced by:

F. F. Blas, Jr. 

2012 APR - 11 PM 4: 38 

Relative to requesting Guam's Delegate to the United States House of Representatives to introduce legislation to exempt Guam, Puerto Rico, Hawaii, and Alaska from the U.S. Build provision of the Maritime Shipping Laws (Jones Act).

BE IT RESOLVED BY *I LIHESLATURAN GU HAN* :

WHEREAS, the unincorporated territory of Guam is highly dependent on maritime shipping to receive most of the goods brought into the territory; under Federal laws (46 USC §11), foreign registered ships are prohibited from engaging in trade with the territory of Guam; the noncontiguous territories of the United States need to be given partial exemption from the Jones Act to benefit their economies and help reduce costs of goods of those jurisdictions; and

WHEREAS, shipping to the noncontiguous territories -- Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, Puerto Rico, the Virgin Islands, and the states of Alaska and Hawaii -- is expensive and competition limited; last year, the unincorporated territory of Guam lost one of its two domestic shippers when Horizon Lines pulled out, citing high costs; and

WHEREAS, the Jones Act requires vessels that carry goods between U.S. ports be at least 75-percent owned by U.S. companies, at least 75 percent crewed by U.S.

1 citizens, and built and registered in the United States; this provision became law in
2 1920, when there was a definite need for regulations protecting the nation's
3 shipbuilding and shipping industries, and the U.S. economy, while at the same time
4 promoting national defense and ensuring transportation for military supplies,
5 equipment and personnel; and

6 **WHEREAS**, in recent years, whenever there has been a major shipping strike
7 affecting U.S. owned and registered vessels, the noncontiguous territories suffer
8 tremendous hardships of the lack of shipping services; and

9 **WHEREAS**, economic studies have consistently found an aggregate economic
10 cost of the Jones Act; a recent U.S. International Trade Commission economic study
11 found that repealing the Jones Act would have an annual positive welfare effect on the
12 overall U.S. economy of \$656 million; although this and other studies make an
13 economic case for repeal of the Act, the Act provides a significant degree of
14 protection for U.S. shipyards, domestic carriers, and American merchant sailors; and

15 **WHEREAS**, the exemption that would make the most sense is the one on U.S.-
16 built vessels; Guam already has that exemption, but since it only makes sense for
17 shippers bringing goods here to first stop in Hawaii, the exemption is useless -- unless
18 it is extended to all the other noncontiguous parts of the United States as well; and

19 **WHEREAS**, this exemption would preserve the intent of the Jones Act -- ships
20 still would be U.S.-owned, U.S.-crewed and U.S.-flagged; the only change would be
21 to allow shippers to purchase their vessels elsewhere, where they are more
22 inexpensive; and

23 **WHEREAS**, the noncontiguous territories -- Guam, Hawaii, Alaska and Puerto
24 Rico are facing a dilemma of aging ships that are on average more than 28 years old,
25 because federal maritime laws requiring vessels engaged in the noncontiguous trades
26 to be built in the United States where costs are very high; and because of this mandate,

1 the prohibitively high cost of construction at the major shipbuilding yards on the
2 United States mainland nearly precludes all new ship orders; and

3 **WHEREAS**, *I Mina'Trentai unu na Liheslaturan Guåhan* opines that the Jones
4 Act is a vestige of the post-World War I years, when the vulnerability of U.S. shipping
5 to German U-boats was still fresh in the public's mind; to maintain a dependable
6 merchant fleet for the next national emergency, Congress restricted coastal shipping
7 between U.S. ports to U.S.-built vessels owned by U.S. citizens; related laws require
8 U.S. crews; more importantly, *I Mina'Trentai unu na Liheslaturan Guåhan* further
9 opines that the Jones Act, like other protectionist laws, increases the price of goods
10 and services to noncontiguous territories; and

11 **WHEREAS**, *I Mina'trentai unu na Liheslaturan Guåhan* on behalf of the
12 people of Guam view the current application of the Jones Act as a “high-cost, low-
13 selection” policy that is not fulfilling its intended purpose; and

14 **WHEREAS**, the Jones Act adds a real, direct cost to consumers – particularly
15 consumers in Guam, Hawaii and Alaska; a GAO report found that the Jones Act was
16 costing Alaskan families between \$1,921 and \$4,821 annually for increased prices
17 paid on goods shipped from the mainland; in a 1996 letter to Hawaii State Senator
18 Whitney Anderson, then governor Carl T.C. Gutierrez estimated that reduced shipping
19 costs for Guam would save Guam’s families over \$40 million annually; in 1997, a
20 Hawaii government official asserted that Hawaii residents pay an additional \$1 billion
21 per year in higher prices because of the Jones Act; and

22 **WHEREAS**, in June 2010, U.S. Senator John McCain said that because the
23 Jones Act restricts shipping and raises costs to consumers in Hawaii, Alaska, Puerto
24 Rico and Guam; he proposed legislation to fully repeal the Jones Act of 1920; the
25 legislation was co-sponsored by Senator Jim Risch and was introduced to Congress as
26 the Open America's Water Act on June 25, 2010; and

1 **WHEREAS**, the legislation that would fully repeal the Jones Act, a 1920's law
2 that hinders free trade and favors labor unions over consumers; specifically, the Jones
3 Act requires that all goods shipped between waterborne ports of the United States be
4 carried by vessels built in the United States and owned and operated by Americans;
5 this restriction raises shipping costs for consumers on Guam, the Commonwealth of
6 the Northern Mariana Islands, Puerto Rico, and the non contiguous states of Hawaii
7 and Alaska; and

8 **WHEREAS**, *I Mina'trentai unu na Liheslaturan Guåhan* finds that this was
9 highlighted by a 1999 U.S. International Trade Commission economic study, which
10 suggested that a repeal of the Jones Act would lower shipping costs by approximately
11 22 percent; also, a 2002 economic study from the same Commission found that
12 repealing the Jones Act would have an annual positive welfare effect of \$656 million
13 on the overall U.S. economy; since these studies are the most recent statistics
14 available, imagine the impact a repeal of the Jones Act would have today: far more
15 than a \$656 million annual positive welfare impact – maybe closer to \$1 billion; more
16 importantly, these statistics demonstrate that a repeal of the Jones Act could prove to
17 be a true stimulus to our economy in the midst of such difficult economic times; now
18 therefore, be it

19 **RESOLVED**, that *I Mina'Trentai Unu na Liheslaturan Guåhan* on behalf of
20 the people of Guam, respectfully request Guam's Delegate to the United States
21 Congress to introduce legislation aimed at exempting Guam, Puerto Rico, Hawaii, and
22 Alaska from the U.S. Build provision of the Maritime Shipping Laws (Jones Act); and
23 be it further

24 **RESOLVED**, that the Speaker certify, and the Legislative Secretary attest to,
25 the adoption hereof, and that copies of the same be thereafter transmitted to the
26 Honorable Madeleine Z. Bordallo, Guam Delegate to the United States House of

1 Representatives; to the Honorable Gregorio Kilili Camacho Sablan, CNMI Delegate
2 to the United States House of Representatives; to the Honorable John McCain, United
3 States Senator; to the Honorable Colleen Hanabusa, and the Honorable Mazie Hirono,
4 Hawaii's Representatives to the United States House of Representatives; to
5 the Honorable Pedro Pierluisi, Resident Commissioner of Puerto Rico to the United
6 States House of Representatives; to the Honorable Don Young, Alaska Representative
7 to the United States House of Representatives; to the Chairman and members of the
8 Board of Directors of the Port Authority of Guam; to the General Manager of the Port
9 Authority of Guam; to the Honorable Benigno R. Fitial, Governor of the
10 Commonwealth of the Northern Mariana Islands; and to the Honorable Edward Baza
11 Calvo, Governor of Guam (*I Maga'lahaen Guåhan*).