

I Mina' Trentai Dos Na Liheslaturan Guåhan
Resolutions Log Sheet

Resolution No.	Sponsor	Title	Date Intro	Date of Presentation	Date Referred	Committee / Ofc Referred	Date Adopted
138-32 (COR)	R. J. Respicio T.C. Ada V. Anthony Ada	Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.	5/14/13 2:47 p.m.	06/04/13 9:00 a.m.	5/15/2013	4/9/14 9:02 a.m.	Public Hearing: 06/04/13 @ 9:00 a.m.

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Liheslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

APR 09 2014

The Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Dos na Liheslaturan Guåhan
155 Hesler Place
Hagåtña, Guam 96910

2014 APR -9 AM 9:10
[Signature]

RE: Committee Report on Resolution No. 138-32 (COR)

Hafa Adai Speaker Won Pat:

The Committee on Rules, Federal, Foreign & Micronesian Affairs; Human & Natural Resources; and Election Reform hereby reports out its findings and recommendations on **Resolution No. 138-32 (COR)** – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,” sponsored by **R.J. Respicio, T.C. Ada and V.A. Ada.**

Committee votes are as follows:

 6 TO PASS
 0 NOT TO PASS
 3 TO REPORT OUT ONLY
 0 TO ABSTAIN
 0 TO PLACE IN INACTIVE FILE

Very Truly Yours,

Rory J. Respicio
Rory J. Respicio

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

**COMMITTEE REPORT ON
Resolution No. 138-32 (COR)**

“Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.” **Sponsored by R.J. Respicio, T.C. Ada and V. Anthony Ada**

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

APR 09 2014

MEMORANDUM

To: All Members
Committee on Rules, Federal, Foreign & Micronesian Affairs, and Human & Natural Resources; and Election Reform

From: Senator Rory J. Respicio 

Subject: Committee Report on Resolution No. 138-32 (COR)

Transmitted herewith for your review and consideration is the **Committee Report on Resolution No. 138-32 (COR)** – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,” sponsored by R.J. Respicio, T.C. Ada and V.A. Ada.

This report includes the following supporting documents:

- Committee Vote Sheet
- Committee Report Digest
- Copy of Resolution No. 138-32(COR)
- Public Hearing Sign-in Sheet
- Referral of Resolution No. 138-32 (COR)
- Public Hearing Notices
- Public Hearing Agenda
- Related News Reports

Please take the appropriate action on the attached voting sheet. Your attention to this matter is greatly appreciated. Should you have any questions or concerns, please do not hesitate to contact me.

Si Yu'os Ma'åse!

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
 COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
 HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

COMMITTEE VOTING SHEET

Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,” sponsored by **R.J. Respicio, T.C. Ada and V.A. Ada.**

	SIGNATURE	TO ADOPT	TO NOT ADOPT	TO REPORT OUT ONLY	TO ABSTAIN	TO PLACE IN INACTIVE FILE
Senator Rory J. Respicio Chairperson		<input checked="" type="checkbox"/> 4-8-14				
Senator Thomas C. Ada Vice-Chairperson		<input checked="" type="checkbox"/> 4-9-14				
Speaker Judith T. Won Pat, Ed.D. Member		<input checked="" type="checkbox"/> 4-9-14				
Vice-Speaker Benjamin J.F. Cruz Member		<input checked="" type="checkbox"/>				
Legislative Secretary Tina Rose Muña Barnes Member				<input checked="" type="checkbox"/>		
Senator vicente c. pangelinan Member						
Senator Dennis G. Rodriguez, JR. Member						
Senator Frank Blas Aguon Jr. Member	 4/9/14	<input checked="" type="checkbox"/>				
Senator Michael F.Q. San Nicolas Member	 4/9/14			<input checked="" type="checkbox"/>		
Minority Leader Senator V. Anthony Ada Member		<input checked="" type="checkbox"/> 4-9-14				
Senator Aline Yamashita Member				<input checked="" type="checkbox"/>		

SENATOR RORY J. RESPICIO

MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

COMMITTEE REPORT DIGEST

I. OVERVIEW

Resolution No. 138-32 (COR) - "Relative to requesting the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam," was introduced by Senator Rory J. Respicio, Senator Thomas C. Ada and Senator V. Anthony Ada on May 14, 2013; and was subsequently referred to the Committee on Rules; Federal, Foreign & Micronesian Affairs; and Human & Natural Resources; and Election Reform on May 15, 2013.

Senator Rory J. Respicio, Chairperson of the Committee on Rules; Federal, Foreign & Micronesian Affairs; and Human & Natural Resources; and Election Reform convened a public hearing on **Resolution No. 138-32 (COR)** on Tuesday, June 4, 2013 at 9:00 A.M. in the Legislature's Public Hearing Room to receive public testimony on the measure.

Public Notice Requirements

In accordance with the Open Government Law, notices were disseminated to all senators and to all main media broadcasting outlets, first on Thursday, May 23, 2013, and again on Thursday, May 30, 2013.

Senators Present

Senator Rory J. Respicio, Chairperson
Senator Thomas C. Ada, Vice-Chairperson
Speaker Judith T. Won Pat, Ed.D, Committee Member
Vice-Speaker Benjamin J.F. Cruz, Committee Member
Senator vicente c. pangelinan, Committee Member
Senator Tina Rose Muña Barnes, Committee Member
Senator Dennis Rodriguez, Jr., Committee Member
Senator Frank B. Aguon, Jr., Committee Member
Senator Michael F.Q. San Nicolas, Committee Member
Senator V. Anthony Ada, Committee Member
Senator Aline A. Yamashita, Ph.D., Committee Member
Senator Michael Limtiaco
Senator Brant McCreadie
Senator Christopher M. Duenas
Senator Thomas Morrison

II. SUMMARY OF TESTIMONY & DISCUSSION

Joseph Maravilla, Public Policy Institute, in support of the resolution, provided oral testimony.
Dominique Ong, Public Policy Institute, in support of the resolution, provided oral testimony.
Rachell Kim, Public Policy Institute, in support of the resolution, provided oral testimony.

Linda Song, Public Policy Institute, in support of the resolution, provided oral testimony.

Anthony Lamorena, Public Policy Institute, in support of the resolution, provided oral testimony.

Mr. Michael N. Hansen, President of Hawaii Shipper's Council, provided written testimony. (See attached for written testimony).

Mr. Thomas Herslet, T.A. Enterprises, provided oral testimony.

Senator Rory J. Respicio called the public hearing to order at 9:00 A.M. and as the main sponsor of Resolution No. 138-32 (COR), provided opening remarks.

Senator Rory J. Respicio: The next item on the agenda will be Resolution 138-32- Relative to requesting Madeleine Bordallo, Guam's delegate to congress to support modifications to the antiquated and restrictive merchant marine act of 1920 well commonly known as the Jones Act, which continues to have adverse affects on certain contiguous jurisdictions of the United States, including Alaska, Puerto Rico, and the territory of Guam, and I am very pleased to bring up a panel of students of Speaker Won Pat's Public Policy Institute. I really want to thank the Speaker for assigning this project.

Speaker Judith T. Won Pat: The Public Policy Institute (PPI) students were writing reflections about their presentation on The Jones Act and how it affects Guam. All PPI students have shown interest in this. The panel consists of Linda Song, Dominique Ong, Rachell Kim, Joseph Maravilla, Anthony Lamorena and General Director Chirag Bohjwhani. I'll turn it over to the students now.

Senator Respicio: I want to thank the parents who are also in the audience. I have a sponsor statement that I will forego, so you can start on the presentation.

Linda Song: Without further ado, we will start our presentation.

Anthony Lamorena: A brief history about the Jones Act. It was sponsored by Senator Wesley L. Jones of Washington. He was the Chairman on the Senate Commerce Committee and the Jones Act was signed into law on March 2, 1917.

Joseph Maravilla: Now the Jones Act is not something new. In fact, it originated in Britain with the passing of the Navigation Acts of 1651, and it was passed for two purposes. One was to protect British shipping, and to grant British merchants a monopoly on colonial commodities.

Rachell Kim: Under the Merchant Marine Act, created in 1920, it contains rules and regulations that include Cabotage laws, and transportation of goods by water between ports of the United States. One of the biggest points of the Jones Act is that it also applies to all inland lakes, and coastal waters generally within three miles of shore.

Dominique Ong: The primary purpose of the Jones Act is to maintain American controlled commercial shipping during times of war. The Jones Act states that only ships manned, owned, and built by American citizens, can carry merchandise between U.S. ports.

Linda Song: However, in some cases, there are exceptions. Waivers have been granted by MARAD (the Maritime Administration). These waivers include exemptions, like for the First Gulf War, where a partial suspension of the Jones Act was executed in order to ensure adequate fuel supply needs; and also during the devastation of hurricane Katrina, when the Jones Act was suspended in order to ensure the supply of petroleum was consistently available.

Anthony Lamorena: There are some advantages to the Jones Act. It helps maintain economic and national security during times of war, and ensures a reliable domestic water transport, as well as maintaining facilities where vessels can be constructed and repaired.

Joseph Maravilla: Another advantage would be that the Jones Act requires freight revenue taxes that will provide some additional funding for the government. It also protects crewmembers on American flag vessels from harsh conditions that can often be experienced on foreign flagged ships. Among the most valuable of the Jones Act protections is the security component: it protects domestic shipbuilding, and provides repair bases for vessels. Maritime unions support the Jones Act, which they claim has created 124,000 jobs in maritime industries. Matson, one of the largest of U.S. flagged oceangoing shippers, calls the Jones Act "the single most important piece of legislation to Matson."

Hawaii's congressional delegation members say the Jones Act ensures jobs for Americans and is a matter of protecting national security from foreign vessels taking over U.S. domestic shipping. In addition, Hawaii's Senior U.S. Senator, the late Daniel Inouye, often stated his support of the Jones Act because Hawaii regularly enjoyed high quality, scheduled shipping service. He said: "The Jones Act helps to balance against foreign subsidies, maintains national security and makes certain that companies comply with U.S. tax, labor, health and safety requirements."

Additionally, security, tax, environmental and safety laws are followed by Jones Act shippers and these U.S. flag ships are crewed by U.S. citizens (or legal residents) who undergo extensive background checks and rigorous professional training.

Linda Song then presented some points against the Jones Act:

- It prevents ship repair in overseas facilities.
- Transportation becomes more expensive (U.S. crews are paid higher wages than foreign crews; U.S. environmental and safety laws are followed, also increasing costs).
- These costs are passed on to consumers, increasing their cost of living.
- Protectionism: many countries use a variety of protectionist measures, like tariffs and import quotas, to protect domestic industries from foreign competitors. Most economists prefer free trade, but they acknowledge that protectionism benefits some players in the world economy.
- In some cases, MARAD can issue a Jones Act waiver, allowing a foreign vessel to operate under special conditions:
 - In 2006, an independent oil company, Escopeta, received a Jones Act waiver so that it could use a foreign-flagged vessel to bring a jack-up rig into Alaska's Cook Inlet. During those same post-Katrina times, several agricultural interests also applied for Jones Act waivers, arguing that farmers would suffer financial harm if they couldn't get more-relaxed shipping options for their products.
 - After Hurricane Sandy, President Barack Obama had to temporarily suspend the Jones Act in order to get gasoline flowing in the New York area.
 - Malia Blom Hill, Director of Policy for The Grassroots Institute of Hawai'i, said: "It can come as no surprise to the federal government that the Jones Act creates a substantial burden on commerce - the very existence of the waiver system, and the emergency waivers granted after the Gulf War and Hurricane Katrina attest to the fact that the government recognizes the problematic nature of the Jones Act in times of national security."
 - Senator John McCain, a supporter of the Jones Act, states: "The Jones Act ... only serves to raise shipping costs, thereby making U.S. farmers less competitive and increasing costs for American consumers ..."

- A 1988 GAO report found that the Jones Act was costing Alaskan families between \$1,921 and \$4,821 annually in increased prices.
- Other opponents like the International Trade Commission (USITC) have stated:
 - Federal law costs consumers annually on a national level an estimated \$10 billion.
 - Jones Act vessels' total costs are 82 percent higher than competitive vessels.
 - Jones Act costs \$2.8 billion annually (1995)
 - Removal of the Jones Act would lower domestic shipping prices by estimated 26%
 - World Economic Forum describes Jones Act as "the most restrictive of global cabotage laws and an anomaly in an ... open market like the United States ..." (2013).

Joseph Maravilla: As you can see, the Jones Act is a popular issue. One article I would point out is the "Jones Act Reform Key Element in Guam's Economic Plan." Last year Governor Calvo released his economic plan, and one key component was the Jones Act. Because in 2011, Horizon Lines was terminated, which was because they were not able to carry goods between the contiguous U.S. and Hawaii. This left us with only one company, Matson. Since the first quarter of 2012, Matson's volume of containers increased 94% which increased its profits by 50%.

Anthony Lamorena: There are no alternatives to overseas shipping and air cargo. As an island, being open to commercial flows is an essential economic characteristic, and one of the main causes of the high cost of living in Guam, and Guam is exempt from the requirement that cargo ships must be built in the U.S.

The Open Americas Act was introduced by Senator John McCain on June 23, 2010, calling for a full repeal of the Jones Act. He quoted "a 1999 U.S. International Trade Commission economic study, suggesting that a repeal of the Jones Act would lower shipping costs by approximately 22% percent. A 2002 economic study from the same Commission found that repealing the Jones Act would have an annual positive welfare effect of \$656 million on the overall U.S. economy. These statistics demonstrate that a repeal of the Jones Act could prove to be a true stimulus to our economy in the midst of such difficult economic times."

Linda Song: We have a series of the Guam Perspective. First is Fargo Pacific, Inc., (FPI) in Guam since September 1975 as a General Contractor

- General Construction Business
- Working for the Department of Defense, specifically the Department of the Navy
- Specializes in military, commercial, residential, maintenance, facilities construction
- Current President and General Manager of FPI is Mr. Jay S.H. Park

Mr. Park states:

- "Cost of a project will be higher due to using the U.S. materials via U.S. flagged ships. If we were to use the cheap 'made in China' materials then the price will be lower; however, you are taking a big risk by using the inferior products/materials that do not meet the contract specifications;"
- "If the Jones Act is repealed, then we would have more competition among the carriers and suppliers; however, this has not affected our business/daily operations since we have to buy all materials from the Designated or NAFTA countries under our current contracts;"
- "I think the Jones Act should be abolished once and for all. Not only for materials' sake, but it will be beneficial for all types of transportation businesses especially in the airline business;"
- "Because of the Jones Act, Guam is the worst case scenario in traveling abroad to the U.S. Mainland from Guam. I think the lawmakers in Guam should strongly work together to abolish the Jones Act for reasons stated above."

Joseph Maravilla: Here we have Payless Markets Inc., a Retailing Corporation

- Established in 1950 as a member of Guam's business community.
- Inventory in produce and goods
- Current Executive Vice President: Kathy C. Sgro, who states:

"Since the majority of grocery products are imported into Guam, there is a significant impact on the cost of goods due to shipping costs. Many international vessels are less expensive to build, including lower labor and material costs. Thus, overall shipping costs are lower with international vessels in comparison to U.S. ships.

"If the Jones Act was to be lifted then there would be more competition amongst shipping companies. Due to Guam's proximity to Asia, there would be a definite advantage in the cost of goods due to lower shipping costs. The advantage of the Jones Act is the U.S. protectionist stance in supporting U.S. companies and employing U.S. personnel. From a defense standpoint, U.S. ships in our territory is a more secure and stable environment especially in times of political unrest.

"If there was an opportunity to make amendments to the Act, I would suggest that ship parts of U.S. vessels be sourced internationally in order to obtain lower prices at more competitive rates. Hopefully this would bring down shipping costs which would impact the cost of goods. The net result would be a lower retail price to Guam's consumers."

Dominque Ong: Guam Hardwood Construction Supply in Dededo

- Founded in 1972
- President: Rene Ong
- "Currently, US flag carriers operate at a higher cost compared to other flag carriers, which means a higher freight charge to the consumer. A container to Guam is around \$7500, while a container to Manila is around \$2800. This has pushed the cost of construction materials much higher than it should be."
- "This law has good intentions because it guarantees the USA will have capabilities of making ships for war and a ready merchant marine to move the cargo. But the law is old and has protectionist overtones. A revision, not a complete scrapping, of the law is now necessary."

Anthony Lamorena: Pacific Trucking Guam

Guam trucking company

- Founded in 1987 by Juan T. Limtiaco
- Vice-President Michael Limtiaco

"The Jones Act does not directly relate to the trucking industry, but if the Jones Act were lifted the trucking industry would be initially strained. The trucking industry would have to provide more chassis for the increase in foreign vessels."

"The trucking industry in Guam would be strained at first if the Jones Act was lifted because it would have to provide more chassis to accommodate all of the new foreign vessels. The trucking industry would have an increase in rates because they would have to provide new chassis infrastructure at the port. The rates for foreign containers would increase because the trucking company would have to provide more

chassis. Trucking rates would increase on average by 30% to maintain the chassis because trucking companies bear the chassis infrastructure demands.”

Trucking rates would increase due to the demand of more chassis for foreign vessels coming into the port.

Dominique Ong: Next is Marianas Express Line

- Founded in 1997
- Headquarters in Singapore
- Carries containers between China, Southeast Asia, Japan, Australia, and islands in the Pacific including Guam. “Matson is the only carrier and they monopolize the market as they are the only carrier servicing Guam from the US on a weekly basis.”

- Next is Nissan, where we interviewed Van Shelly who is the President and CEO of Nissan Motor Corp.: “These (Jones Act) protections grant Matson great latitude to set Guam ocean freight rates and surcharges as they desire.”

In a Letter to the Editor, published by the Pacific Daily News on February 8, 2012, he wrote:

“The Jones Act... falls most heavily on the noncontiguous jurisdictions because they lack interstate surface transportation alternatives to ocean shipping.”

In the same Letter he wrote:

“(The Jones Act) ... provides little practical benefit because the sustainability of any domestic Westbound container service to Guam is linked to the Hawaii trade, which requires U.S.-Built vessels.”

Rachell Kim: I interviewed Dr. Robert Underwood, who is President of the University of Guam

- Former member of Congress from Guam
- “What you have to understand is the politics of it... This is one of these economic activities in American society where corporations and unions are on the same side. That makes it very hard to challenge. When you’re trying to get an exemption, you’re trying to fight corporations. Who supports the corporations? Usually the Republicans. Then you have to fight the unions, [and] who usually support the unions? Democrats. So now, you're trying to fight everybody. That’s why the politics of it is very hard to overcome.”
- “Almost all the cargo that goes from Asia to the United States takes the shortest route possible. Why would you go over the fat part of the ocean? It’s not just that the cost of living is high. Ships are not going to come here unless we force them to.”
- “You have to look in Hawaii politics. If there is strength in Hawaii politics to start attacking it, then there will be strength here.”
- “Because it’s not clear, it really isn’t clear, that if you allowed competition then the rates will go down. But at the end of the day, really, it’s an unfair system. So the only way you should deal with it is to open it up to competition, and if these carriers are better and they’re safer, they have nothing to worry about.”

Linda Song: Here are some recommendations we have:

- Full exemption for Guam, CNMI, Virgin Islands, American Samoa, Hawaii from the U.S.-build requirement of the Jones Act
- Propose open trade with Asian countries: Philippines, Taiwan, and China
- Gradually increase wages of workers to complement the high costs of U.S. goods
- Carry out further in-depth study of how prices as a result of the Jones Act affects Guam

Action on this issue has taken place recently:

Resolution No. 371-31 (COR)

- Introduced by F.F. Blas Jr. on April 4, 2012: "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)."

Resolution No. 138-32 (COR)

- Introduced by R.J. Respicio, T.C. Ada, & V. Anthony Ada on May 14, 2013: "Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive 'Merchant Marine Act of 1920,' more commonly known as the 'Jones Act,' which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam."

In conclusion, we support Resolutions 371-31 and 138-32, and request modification of Section 27 of the Merchant Marine Act of 1920 to remove the restrictions now imposed on the Territory of Guam.

Senator Respicio: First let's thank you, on behalf of the Committee, for your very intelligent, passionate, well-researched presentation on the issue before us. Your mentor, Speaker Won Pat, has taught you well on cause and effect. You said everything nice about everyone, those who were open to the interview and those who may not be available, but of particular importance is recognizing that Senator McCain who is still waiting for the Department of Defense to turn in the master plan in order for Congress to support funding the buildup, can be a proponent for Guam in this instance, with the repeal or modification of the Jones Act.

We have received written testimonies from Michael Hansen, who is the president of the Hawaii Shippers Council, and we received email notices and updates from him on a regular basis, he is in complete support of the resolution. I would like to ask permission to use your entire presentation as part of the Committee Report, and the Public Record, if that's OK. I know your work is proprietary, and I'm very happy that you have received support, and spent time in practicing for this presentation, and thank you for waiting. Let me ask Speaker Won Pat first.

Senator Respicio opened the floor to senators for follow-up question then thanked the panel for testifying and the senators present at the hearing.

Speaker Won Pat: I really am proud of all of you and the work you have done, and congratulations.

Senator Duenas: First of all, congratulations on this excellent presentation. You have on your recommendations that say full exemptions, that says the CNMI, US Virgin Islands, and American Samoa. What does your research say in particular to the exemption of the CNMI? Are they partial? What is their status?

Dominique Ong: CNMI and the Virgin Islands are not under it (the Jones Act). Guam is asking for a full exemption also.

Linda Song: We recommended this, because Michael Hanson, suggested that we get a more reachable goal like a full exemption of Guam only.

Senator Duenas: So it is under the CNMI, but I'll do my own research.

Rachell Kim: To my understanding, I believe that the CNMI is exempt.

Senator Duenas: I always wondered why foreign ships never wanted to go through the CNMI economically. Because if they do have the exemptions, they would wonder, why they would have a reverse shipping boom, in terms of theory.

Mr. Herslet: They students did a tremendous job. I used to be the former director of the Maritime Committee for the Chamber of Commerce in the late 80s. We altered a white paper that regarded the Jones Act, and my personal feeling, I am pro Jones Act. The reason I'm for it is because we would have decent service, like we have now, and our cost of inventory is still coming down because inventory is carried on the sea, and when you have regular service there is no problem, but when you have irregular service there is a problem. You, therefore have to increase inventory in Guam again.

Regarding Saipan, they don't have the facility to bring ships in. In Guam we have a decent port, but our depth isn't decent for the big ships. The Matson ships bring in about 1800 containers. They're loaded on the ship and only 600 get to Guam. 1200 go off to China, and that is why we should open our market up to other foreign competition.

Why would a shipping company come here only with 600 containers and maintain a low rate, and on top of that, the 600 containers are not all going to the shipping company. We have to realize who we are and what we are, we are a good island. We must work within our own means. I think there should be modification to the Jones Act, but I still believe in its original purpose which is protection.

Senator Duenas: So Mr. Herslet, it's not the theory of the reverse shipping capability, it's because they are constrained in the up-front investment, meaning they are not deep water. But theoretically if they did have that capability, the reverse shipping would work.

Mr. Herslet: We had something in the late 80s and early 90s, where the shipping line picked up cargo in Japan and brought it to Guam, and that was possible but they faded away too, because we had an 84/54 agreement (under the IRS code). There was also a time period when a tariff change was affected, Guam protested to reduce the costs, but there was a suit waged against the federal government regards to the Jones Act and that when the 84/54 agreement dissolved.

Senator Duenas: I always wondered why CNMI didn't bring in smaller ships, taking advantage of the Jones Act. It must be because they are too reliable on US goods.

Mr. Herslet: They didn't have any U.S. bottoms. You got to maintain.

Senator Duenas: I noticed there was a comment or interview on the Congresswoman's response, but it wasn't contained in the presentation. Is there any official statement from the Congresswoman?

Linda Song: We didn't include it because it was very brief and we only got it yesterday.

Anthony Lamorena: I don't have the paper, but I can definitely get it for you guys. She agrees with the resolution, but the first step is to get an official report in Guam, to see how it affects Guam directly.

Senator Duenas: That goes back to what Mr. Herslet was saying also because that was one response I got from my correspondents I had for shipping was even in the area of Matson, or other carriers, the deeper draft U.S. carriers if we could accommodate them it would totally change the dynamic because they have the multi-visit per week on this basis. Now because they run the smaller ships for draft constraints, they have to get to China to pickup empties (containers). Just some valuable information.

Senator Tom Ada: Great presentation. You know I was looking at your presentation here and where you said Senator McCain introduced the Open America's Water Act. Did you guys follow up with his office if he was going to reintroduce the legislation or where he stands at this point?

Linda Song: No we did not, but we can research and get back to you.

Senator Tom Ada: Yes, it would be a good idea because the dynamics of Congress has changed where the opponents of the repeal, some of the players have changed so maybe there, if he intends to reintroduce it, they may be able to get some headway, and hopefully he gives you some indication that he plan introduce it again.

Speaker Pangelinan: Thank you very much, and congratulations on the report guys, and learning a little more. I wish you'd interview Senator Cruz because I don't know how many years he spent in Washington working on trying to repeal the Jones Act. Because you said, what has been done so far, and the need for consumer study. We actually did a consumer study back in the early 90s. We actually spent 2.8 million dollars of government funds hiring experts filing a rate case with MARAD, so there is a lot that has happened before these two resolutions, that actually involved experts. We hired an economic expert, Dr. Nadal, who researched the Jones Act. There a whole bunch of studies that have been paid for. The white paper, that Mr. Herslet mentioned. There are economic analyses on the study. So there is more in the findings in chronicles in finding a rate case in MARAD. Might find some in MARC, during Gutierrez and Ada. Even with Barry Ysrael before the Hilton case. He did the rate case. I suggest additional backgrounds, and these resolutions show our support, but the actual work in trying to repeal the Jones Act. Filing a case before the maritime for the repeal of the administrative side. Given the type of work, you'll enjoy this research.

Senator Barnes: Just want to thank and congratulate you. Take in consideration what former speaker said, and add it in. I think we can continue to bring this up to the forefront. It is my sincere hope that we continue to work through this.

Vice-Speaker Cruz: I was looking at your bibliography, and there isn't any publication that came out last week on Puerto Rico. I notice it wasn't included. We didn't want to overwhelm the presentation. You need to read the GAO report, because that is something Congress can use against it and to address this issue. And Senator Ada, what he mentioned about Senator Ada said. An important consideration like the politics of it, like what delegate Underwood said. But great work.

Senator Respicio: We will come back at this issue in August. You may also talk to former senator Leon Guerrero. She did something with this issue.

No further testimony being offered, Senator Respicio then declared that **Resolution No. 138-32 (COR)** was duly heard.

III. WRITTEN TESTIMONY

Mr. Michael N. Hansen, President of Hawaii Shipper's Council, submitted written testimony on Resolution No. 138-32 (COR). (See attached for written testimony):

On behalf of the Hawaii Shippers Council, I am submitting testimony in support of Resolution No. 138-32 (COR). We believe effective reform of the Jones Act is very important to the noncontiguous domestic jurisdictions of the United States, which include the Territory of Guam, Alaska, Hawaii, and Puerto Rico.

The Hawaii Shippers Council (HSC) is a business league organization incorporated in 1997 to represent the interests of the cargo owners – known as “shippers” – who tender goods for shipment with the ocean carriers in the Hawaii trade.

Our goal is to promote the most efficient shipping services for Hawaii and by extension Guam. The two trades are inextricably linked because the Westbound ocean common carrier services from the United States West Coast to Guam also call at Honolulu. The carriers are financially reliant on carrying cargoes to both destinations to complete a successful voyage.

We think the best approach to Jones Act reform for Hawaii and Guam is to include the other two noncontiguous jurisdictions encompassed by the Jones Act namely Alaska and Puerto Rico. Among other things, this approach would create a single, coherent cabotage regime applicable across the noncontiguous trades.

We strongly believe that the limited Jones Act reform called for by the instant resolution would greatly improve the efficiency of the trades and provide important relief to the residents of noncontiguous jurisdictions. That reform would be to exempt the noncontiguous domestic trades from the United States build requirement of the Jones Act. Although Guam is exempt from the domestic build requirement, because the Hawaii and Guam trades are linked and a United States built ship is required to serve Hawaii, the Guam exemption is not useful in practice.

The cost of building oceangoing self-propelled ships in the United States is now approximately four (4) to five (5) times the cost of constructing a comparable ship in Japan and South Korea. These are the types of ships that provide mainline services in the noncontiguous trades and include containerhips, tankers, bulk carriers and vehicle carriers.

Approximately half of the Jones Act fleet of 96 oceangoing ships are typically employed in the noncontiguous domestic trades. As such, the extraordinarily high cost of constructing ships in United States disproportionately places a huge burden on the noncontiguous jurisdictions to cover the capital costs of the Jones Act fleet.

The extremely high cost of United States built ships creates a significant barrier to entry into the noncontiguous domestic trades because virtually all potential new entrant operators are unable or unwilling to purchase ships at unrealistically high prices to challenge the incumbent operators.

The high barriers to entry create a market that is for all intents and purposes uncontestable by a new entrant and insulates the incumbent operators from almost any threat of competition.

The extraordinarily high cost of building an oceangoing ship in the United States has led to an ageing inefficient deep draft Jones Act fleet that is much older than its peers in the international fleet. Jones Act shipowners replace their ships on a much longer schedule than internationally because of the high cost of

the ships built in the United States. Older ships are less efficient and incur significantly higher operating costs that must be passed along to the consumers in the noncontiguous jurisdictions.

Although it may seem counterintuitive, the Jones Act ocean carriers – such as Matson Inc. and Horizon Lines Inc. – do not want the noncontiguous trades exempted from United States build requirement. The carrier's opposition to an exemption unanimous despite the fact that such an exemption would give them access to significantly lower cost ships.

The Jones Act carriers support the domestic build requirement because it provides such an effective barrier to entry and is an almost absolute protectionist barrier. The carriers prefer to acquire United States built ships at an extraordinarily high cost, because, at the end of the day, their customers will pay the additional cost of the protectionist measure.

Since 1992, slightly fewer than two (2) deep draft oceangoing ships have been built in the United States each year. This production level is too low to effectively support a shipbuilding industrial base for commercial and national security naval construction purposes. In contrast Japan and South Korea collectively produce several hundred ships per year, enabling the shipbuilding yards in those countries to operate at economies of scale unavailable to the major shipbuilding yards in the United States.

The proposed exemption would significantly lower the carriers' capital costs, lead to newer more efficient ships operating in the noncontiguous trades, lower barriers to entry and make the trades more contestable, and create a larger market for foreign-built United States-flag ships that would bring competition and greater capacity to the noncontiguous trades.

It is therefore clear exempting the noncontiguous trades of Alaska, Hawaii and Puerto Rico from the United States-build requirement similarly to the Guam exemption, will bring important economic benefits to the residents of the noncontiguous jurisdictions.

Thank you for the opportunity to testify in support of Resolution 138-32 (COR).

IV. FINDINGS AND RECOMMENDATIONS The Committee on Rules, Federal, Foreign & Micronesian Affairs, and Human & Natural Resources; and Election Reform hereby reports out **Resolution No. 138-32 (COR)** with the recommendation TO PASS.

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
(FIRST) REGULAR SESSION

Rules Resolution No. 138-32 (COR)

Introduced by:

R. J. Respicio
T.C. Ada
V. Anthony Ada

2013 MAY 14 PM 2:47

Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.

BE IT RESOLVED BY THE COMMITTEE ON RULES OF *I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN*:

WHEREAS, interstate ocean shipping is a vital economic link between the seven (7) noncontiguous domestic jurisdictions of the United States and the contiguous forty-eight (48) mainland states of the union; and

WHEREAS, The "Merchant Marine Act of 1920," more commonly known as the "Jones Act," requires that all goods shipped from the U.S. mainland to the non-contiguous areas of the United States, including Guam, must be shipped on board U.S. flag carriers using U.S.-made vessels; must be owned by U.S. companies; and must be operated by U.S. crews; and

1 **WHEREAS**, the coastwise laws of the U.S. including the Jones Act
2 encompass four (4) of the seven (7) noncontiguous domestic jurisdictions,
3 specifically, the State of Alaska, the Territory of Guam, the State of Hawaii
4 and the Commonwealth of Puerto Rico; and

5 **WHEREAS**, while the Territory of American Samoa, the
6 Commonwealth of the Northern Mariana Islands, and the Territory of the
7 United States Virgin Islands are fully exempt from the Jones Act, the
8 continued imposition of the Act is unnecessarily restrictive and costly for
9 affected jurisdictions, and Guam is the U.S. insular area for which the Jones
10 Act has the greatest impact because of our small size, and great distance
11 from other U.S. ports; and

12 **WHEREAS**, although an exemption from the U.S.-build requirement
13 of the Jones Act for all commercial vessels engaged in the domestic Guam
14 trade exists (46 U.S.C. § 12111), and is known as the "Guam Exemption,"
15 the Exemption is of limited usefulness if the Territory of Hawaii is not
16 included, because the natural westbound trade lane from the U.S. West
17 Coast to Guam passes through Hawaii, making it difficult for the ocean
18 common carriers to mount financially viable voyages without carrying
19 cargo to both Hawaii and Guam, unfairly shackling Guam's interstate trade
20 to the U.S.-build requirement; and

1 **WHEREAS**, this “Guam Exemption” is really a “non-exemption” and
2 is especially problematic for Guam, the largest of the Marianas Islands,
3 because the Commonwealth of the Northern Marianas Islands is just 56
4 miles from Guam, and encompasses the remaining Marianas Islands,
5 which enjoys a full exemption from very costly Jones Act requirements;
6 and

7 **WHEREAS**, in addition to Guam, the three (3) noncontiguous
8 jurisdictions included in the coastwise laws, namely Alaska, Hawaii and
9 Puerto Rico, are also seeking a similar but more limited exemption for large
10 oceangoing ships engaged in their domestic trades, and the jurisdictions
11 support each others’ efforts; and

12 **WHEREAS**, the Jones Act was implemented nearly 100 years ago
13 when strict regulations protecting our country’s economy, America’s
14 shipping, shipbuilding industries, and national defense, made a great deal
15 of sense, ensuring that seagoing transportation for military supplies,
16 equipment and personnel were readily available; and

17 **WHEREAS**, in the 21st century, the provisions of the Jones Act have
18 become onerous, placing unfair, unequal, unnecessary and unexpected
19 restrictions on many thousands of American households that are outside
20 the continental United States; and

1 **WHEREAS**, Guam, along with each of the other noncontiguous
2 jurisdictions of Alaska, Hawaii, and Puerto Rico, have all expressed
3 support for the modifying of existing laws to secure economic fairness for
4 all affected areas; and

5 **WHEREAS**, the Jones Act generally restricts competition in the
6 domestic ocean shipping industry, and has led to monopoly-like shipping
7 markets for interstate ocean common carrier transportation in the coastwise
8 noncontiguous domestic trades; and

9 **WHEREAS**, the noncontiguous jurisdictions are completely
10 dependent on ocean shipping, their geography precluding access to
11 alternatives such as interstate railroad, highway and pipeline
12 transportation that are readily available and provide competitive carriage
13 within the contiguous United States; and

14 **WHEREAS**, the U.S.-build requirement of the Jones Act in particular
15 creates substantial barriers to domestic trades, with U.S. deep-draft ship
16 construction typically costing three or more times greater than similar
17 vessels built in Japan and South Korea, the high cost and low production of
18 the U.S. shipbuilding industry resulting in an ageing and inefficient deep-
19 sea Jones Act fleet that disproportionately imposes a considerable

1 economic cost on, and adversely affects, the noncontiguous jurisdictions;
2 and

3 **WHEREAS**, in order to create a significant, positive economic impact
4 for the American citizens and residents of Guam and most of the other
5 non-contiguous areas of the United States (excluding American Samoa, the
6 Commonwealth of the Northern Marianas and the United States Virgin
7 Islands which have Jones Act exemptions), an amendment or exemption of
8 the U.S. insular areas covered by the Jones Act will lead to increased
9 economic competition and lower consumer prices, in addition to having
10 other positive effects on American jurisdictions which economies have
11 been negatively affected by the imposition of this burdensome act for
12 nearly a century; and

13 **WHEREAS**, for Guam, such positive impact is likely to promote an
14 expansion of activities and increase revenues for Guam's Port Authority,
15 our island's only seaport; and

16 **WHEREAS**, although the Jones Act does provide a significant degree
17 of protection for U.S. shipyards, domestic carriers, and American merchant
18 sailors, a recent U.S. International Trade Commission economic study
19 found that repealing the Jones Act would have an annual positive effect on

1 the overall U.S. economy of \$656 million, and this and other studies make
2 an economic case for exemption or modification of the Act; and

3 **WHEREAS**, the Congressional Research Service released a report
4 (RS21566) titled: "The Jones Act: An Overview," pointing out that "The
5 American Farm Bureau Federation believes that the Jones Act stands in the
6 way of shipping feed grains economically from the Great Lakes to
7 Southeastern U.S. ports ..." contending that "... livestock producers in the
8 Southeast import feed from foreign suppliers rather than buy from U.S.
9 suppliers in the Midwest because international ocean rates are lower than
10 domestic rates;" and

11 **WHEREAS**, arguments have been, and continue to be made on both
12 sides of the Jones Act issue, with the most affected jurisdictions themselves
13 speaking most loudly for fairness, and relief from the requirements of the
14 Jones Act; now, therefore, be it

15 **RESOLVED**, that the Committee on Rules of *I Mina'Trentai Dos na*
16 *Liheslaturan Guåhan*, the 32nd Guam Legislature, on behalf of the people of
17 Guam, does hereby respectfully request Guam's Delegate to the United
18 States Congress, the Honorable Congresswoman Madeleine Z. Bordallo, to
19 introduce and/or co-sponsor legislation aimed at either exempting Guam,
20 Alaska, Hawaii, and Puerto Rico from the U.S. Build provision of the

1 Maritime Shipping Laws (Jones Act); or to propose legislation that would
2 replace the Jones Act without continuing to restrict the economic
3 development of America's insular areas; and be it further

4 **RESOLVED**, that the Speaker certify, and the Chairperson of the
5 Committee on Rules and the Legislative Secretary attest to, the adoption
6 hereof, and that copies of the same be thereafter transmitted to the
7 Honorable Congresswoman Madeleine Z. Bordallo of Guam; to the
8 Honorable Senator Mazie Hirono of Hawaii; to the Honorable Senator
9 Brian Schatz of Hawaii; to the Honorable Congresswoman Colleen
10 Hanabusa of Hawaii; to the Honorable Congresswoman Tulsi Gabbard of
11 Hawaii; to the Honorable Senator Lisa Murkowski of Alaska; to the
12 Honorable Senator Mark Begich of Alaska; to the Honorable Congressman
13 Don Young of Alaska; to the Honorable Congressman Eni Faleomavaega of
14 American Samoa; to the Honorable Congressman Gregorio Kilili Sablan of
15 the Northern Mariana Islands; to the Honorable Congressman Pedro R.
16 Pierluisi of the Commonwealth of Puerto Rico; and to the Honorable
17 Edward Baza Calvo, Governor of Guam *I Maga'lahaen Guåhan*

**DULY AND REGULARLY ADOPTED BY THE COMMITTEE ON
RULES OF I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN ON
THE _____ DAY OF MAY, 2013.**

JUDITH T. WON PAT
Speaker

RORY J. RESPICIO
Chairperson, Committee on Rules

TINA ROSE MUÑA BARNES
Legislative Secretary

**SENATOR RORY J. RESPICIO
MAJORITY LEADER**

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

PUBLIC HEARING SIGN-IN SHEET

Tuesday, June 4, 2013– 9:00 AM

I Liheslatura • Public Hearing Room • Hagåtña, Guam

Resolution No. 138-32 (COR) – Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada- “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.”

NAME	AGENCY OR ORGANIZATION	SUPPORT? OPPOSE?	WRITTEN TESTIMONY	ORAL TESTIMONY	PHONE NUMBER	EMAIL ADDRESS
Joseph Maravilla	P.P.I	Op Support		✓	483-5636	jos.maravilla@gmail.com
Dominique Ong	PPI	Support		✓	483-6303	cdominique_ong@yahoo.com
Rachell Kim (Rachell Kim)	PPI	support		✓	486-1967	rachellkim27@gmail.com
Linda Song (Linda Song)	PPI	support		✓	483-7179	lindas.extra.storage@gmail.com
Anthony Lamorena	PPI	support		✓	488-8269	anthony96931@yahoo.com
Mr. Michael Hansen	President of Hawaii Shippers Council	support	X			

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåban
THIRTY-SECOND GUAM LEGISLATURE

June 4, 2013

Sponsor Statement on Resolution No. 138-32 (COR)

Good morning and thank you all for being here this morning for our public hearing on **Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.**

Before we begin to hear testimony, I would like to provide a little background information on this resolution. As many of you know, the “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” requires that all goods shipped from the U.S. mainland to the non-contiguous areas of the United States, including Guam, Alaska, Hawaii, and Puerto Rico, must be shipped on board U.S. flag carriers using U.S.-made vessels; must be owned by U.S. companies; and must be operated by U.S. crews.

This law was enacted to protect American shipbuilding and seafaring interests. But the law was implemented nearly 100 years ago. And although the Jones Act does provide a significant degree of protection for U.S. shipyards, domestic carriers, and American merchant sailors, a recent U.S. International Trade Commission economic study found that repealing the Jones Act would have an annual positive effect on the overall U.S. economy of \$656 million, and this and other studies make an economic case for exemption or modification of the Act.

And we all know that the Jones Act has led to an adverse impact on the cost of shipping goods to Guam. With the Jones Act in place, the problem is that American Samoa, the U.S. Virgin Islands and the CNMI all have exemptions and can use much less expensive foreign shipping to bring products to their islands. This means that the cost of goods transported by ship from the continental U.S. to Guam, Alaska, Hawaii, and Puerto Rico has a much higher delivery cost per mile than the same goods transported by ship from the continental U.S. to American Samoa, the U.S. Virgin Islands and the CNMI.

I found this to be unfair as the CNMI and Guam are in the same island chain and separated by less than 60 miles of ocean. Why should there be two very different shipping costs?

Although Guam does have an exemption from the Jones Act, it has never been utilized because Hawaii is on the same shipping route from the U.S. west coast that includes Guam. Jones Act ships MUST carry the cargo from the west coast to Hawaii, and since those ships then sail to Guam, we're stuck with the Jones Act.

There is a movement in Hawaii pursuing an option known as NTJAR. In 2010, the Hawaii Shippers Council put forward a legislative proposal to reform the Jones Act. The proposal is known as the Noncontiguous Trades Jones Act Reform (NTJAR). The NTJAR Initiative would exempt just the Jones Act noncontiguous domestic trades - Alaska, Guam, Hawaii and Puerto Rico - from the U.S.-Build requirement.

For the reasons above, we are pursuing this resolution to ensure the fair and equitable treatment of the people of Guam and to assist with the high cost of living for our people. I believe that the continued imposition of the Act is unnecessarily restrictive and costly for Guam which has more of an impact here on island because of our small size, and great distance from other U.S. ports. I am hoping that once this resolution is passed by my colleagues, it will encourage Congresswoman Madeleine Z. Bordallo to introduce and/or co-sponsor legislation aimed at exempting Guam, Alaska, Hawaii, and Puerto Rico from the U.S. Build provision of the Jones Act or to propose legislation that would replace the Jones Act without continuing to restrict the economic development of our island.

Thank you and I look forward to hearing your testimony.

TESTIMONY OF MICHAEL N HANSEN, PRESIDENT
HAWAII SHIPPERS COUNCIL
BEFORE THE COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN
AFFAIRS; HUMAN AND NATURAL RESOURCES; AND ELECTION REFORM
THIRTY-SECOND GUAM LEGISLATURE

IN THE MATTER OF RESOLUTION NO. 138-32 (COR)
RELATIVE TO REQUESTING THE HONORABLE MADELEINE Z BORDALLO, GUAM'S
DELEGATE TO CONGRESS, SUPPORT MODIFICATIONS TO THE ANTIQUATED AND
RESTRICTIVE "MERCHANT MARINE ACT OF 1920," MORE COMMONLY KNOWN AS
THE "JONES ACT," WHICH CONTINUES TO HAVE AN ADVERSE EFFECT ON
CERTAIN NONCONTIGUOUS DOMESTIC JURISDICTIONS OF THE UNITED STATES,
INCLUDING ALASKA, HAWAII, PUERTO RICO AND THE TERRITORY OF GUAM.

TUESDAY, JUNE 4, 2013 (09:00 a.m.)

Good morning, Chairman Respicio and distinguished members of the Committee.

On behalf of the Hawaii Shippers Council, I am submitting testimony in support of Resolution No. 138-32 (COR). We believe effective reform of the Jones Act is very important to the noncontiguous domestic jurisdictions of the United States, which include the Territory of Guam, Alaska, Hawaii, and Puerto Rico.

The Hawaii Shippers Council (HSC) is a business league organization incorporated in 1997 to represent the interests of the cargo owners – known as "shippers" – who tender goods for shipment with the ocean carriers in the Hawaii trade.

Our goal is to promote the most efficient shipping services for Hawaii and by extension Guam. The two trades are inextricably linked because the Westbound ocean common carrier services from the United States West Coast to Guam also call at Honolulu. The carriers are financially reliant on carrying cargoes to both destinations to complete a successful voyage.

We think the best approach to Jones Act reform for Hawaii and Guam is to include the other two noncontiguous jurisdictions encompassed by the Jones Act namely Alaska and Puerto Rico. Among other things, this approach would create a single, coherent cabotage regime applicable across the noncontiguous trades.

We strongly believe that the limited Jones Act reform called for by the instant resolution would greatly improve the efficiency of the trades and provide important relief to the residents of noncontiguous jurisdictions. That reform would be to exempt the noncontiguous domestic trades from the United States build requirement of the Jones Act. Although Guam is exempt from the domestic build requirement, because the Hawaii and Guam trades are linked and a United States built ship is required to serve Hawaii, the Guam exemption is not useful in practice.

The cost of building oceangoing self-propelled ships in the United States is now approximately four (4) to five (5) times the cost of constructing a comparable ship in Japan and South Korea. These are the types of ships that provide mainline services in the noncontiguous trades and include containerships, tankers, bulk carriers and vehicle carriers.

Approximately half of the Jones Act fleet of 96 oceangoing ships are typically employed in the noncontiguous domestic trades. As such, the extraordinarily high cost of constructing ships in United States disproportionately places a huge burden on the noncontiguous jurisdictions to cover the capital costs of the Jones Act fleet.

The extremely high cost of United States built ships creates a significant barrier to entry into the noncontiguous domestic trades because virtually all potential new entrant operators are unable or unwilling to purchase ships at unrealistically high prices to challenge the incumbent operators.

The high barriers to entry create a market that is for all intents and purposes uncontestable by a new entrant and insulates the incumbent operators from almost any threat of competition.

The extraordinarily high cost of building an oceangoing ship in the United States has led to an ageing inefficient deep draft Jones Act fleet that is much older than its peers in the international fleet. Jones Act shipowners replace their ships on a much longer schedule than internationally because of the high cost of the ships built in the United States. Older ships are less efficient and incur significantly higher operating costs that must be passed along to the consumers in the noncontiguous jurisdictions.

Although it may seem counterintuitive, the Jones Act ocean carriers – such as Matson Inc. and Horizon Lines Inc. – do not want the noncontiguous trades exempted from United States build requirement. The carrier's opposition is unanimous despite the fact that such an exemption would give them access to significantly lower cost ships.

The Jones Act carriers support the domestic build requirement because it provides such an effective barrier to entry and is an almost absolute protectionist barrier. The carriers prefer to acquire United States built ships at an extraordinarily high cost, because, at the end of the day, their customers will pay the additional cost of the protectionist measure.

Since 1992, slightly fewer than two (2) deep draft oceangoing ships have been built in the United States each year. This production level is too low to effectively support a shipbuilding industrial base for commercial and national security naval construction purposes. In contrast Japan and South Korea collectively produce several hundred ships per year, enabling the shipbuilding yards in those countries to operate at economies of scale unavailable to the major shipbuilding yards in the United States.

The proposed exemption would significantly lower the carriers' capital costs, lead to newer more efficient ships operating in the noncontiguous trades, lower barriers to entry and make the trades more contestable, and create a larger market for foreign-built United States-flag ships that would bring competition and greater capacity to the noncontiguous trades.

It is therefore clear exempting the noncontiguous trades of Alaska, Hawaii and Puerto Rico from the United States-build requirement similarly to the Guam exemption, will bring important economic benefits to the residents of the noncontiguous jurisdictions.

Thank you for the opportunity to testify in support of Resolution 138-32 (COR).

###

The

**Public Policy Institute of The
Guam Legislature**

Speaker Judith T. Won Pat, Ed.D. - Mentor

Committee Members:

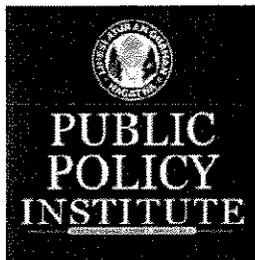
Linda Song

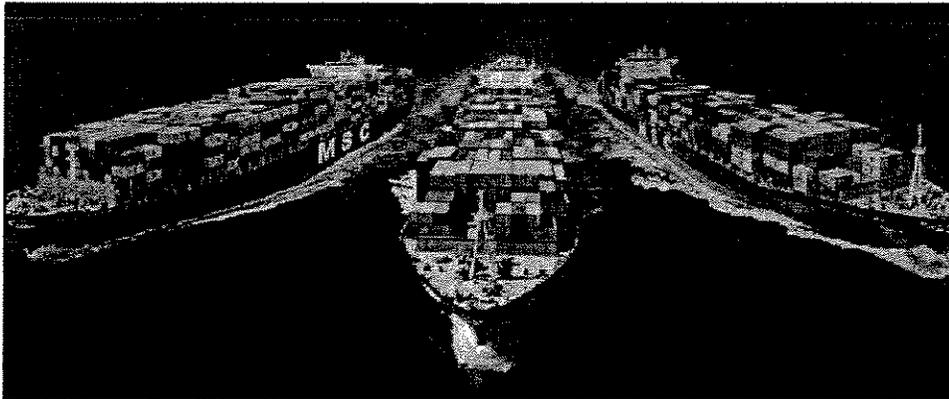
Dominique Ong

Rachell Kim

Joseph Maravilla

Anthony Lamorena





<http://www.gutenberg.org/cache/epub/50652/images/ship/ship-compete-01.jpg>

Brief History

- Sponsored by Senator Wesley L. Jones of Washington
 - Chairman of Senate Commerce Committee at time
- Signed into law on March 2, 1917

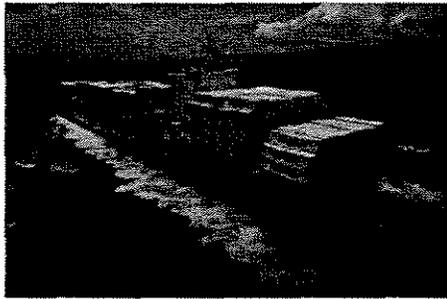
Brief History

- Restatement of earlier prohibitions
 - British Navigation Acts (1651)
 - Taxes on foreign ships involved in US trade (1780, 1790)
 - Act Concerning the Navigation of US (1817)



http://www.ahp.com/ahpmedia.org/ahpmedia/cewscoc/CMW/wesley_L_jones.jpg

What is the Jones Act?



<http://www.hardhat.com/national-battle-royale-over-jones-act-exemption-by-02-08-11-and-house-congressional-delegation-to-the-4-11-12>

- Section 27 of the Merchant Marine Act of 1920 (46 USC 883)
 - Cabotage
 - Transportation of goods by water between two ports of the United States

What is the Jones Act?



http://www.fishbase.org/field_of_view/American_ports

- Applies within the navigable waters of the U.S.
 - All inland/Great Lakes waters
 - Coastal waters generally within three nautical miles of shore

What is the Jones Act?

Purpose

- Support US maritime industry
- Maintain naval fleet in time of war
- Provide efficient facilities for building, repairing vessels



What is the Jones Act?

Only ships that are built, owned, and manned by US citizens can carry merchandise between points in US

SEC. 27. JONES ACT - TRANSPORTATION OF MERCHANDISE BETWEEN POINTS IN UNITED STATES IN OTHER THAN DOMESTIC BUILT OR REBUILT AND DOCUMENTED VESSELS; INCINERATION OF HAZARDOUS WASTE AT SEA (46 App. U.S.C. 883 (2002)).⁶ No merchandise, including merchandise owned by the United States Government, a State (as defined in section 2101 of title 46, United States Code), or a subdivision of a State, shall be transported by water, or by land and water, on penalty of forfeiture of the merchandise (or a monetary amount up to the value thereof as determined by the Secretary of the Treasury, or the actual cost of the transportation, whichever is greater, to be recovered from any consignor, seller, owner, importer, consignee, agent, or other person or persons so transporting or causing said merchandise to be transported), between points in the United States, including Districts, Territories, and possessions thereof embraced within the coastwise laws, either directly or via a foreign port, or for any part of the transportation, in any other vessel than a vessel built in and documented under the laws of the United States and owned by persons who are citizens of the United States,⁷ or vessels to which the privilege of engaging in the coastwise trade is extended by sections 18 or

Exceptions to Jones Act

- Can be waived by Secretary of Transportation in certain, limited circumstances
 - Legislative waiver
 - General governmental/agency waiver
 - In the interest of national defense
 - Cannot be issued solely for economic reasons
 - CBP/MARAD/Energy inter-agency waiver



Prior Exemption Incidences

- During the first Gulf War, a partial suspension of the Jones Act was needed in order to ensure adequate fuel supply for national defense needs.



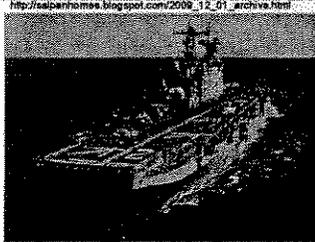
Prior Exemption Incidences

- Following the devastation of Hurricane Katrina, the Jones Act was suspended for the shipping of petroleum by the Secretary of Homeland Security



http://www.msnbc.com/hurricane_katrina/hurricane_katrina_index.jpg

Advantages



[http://en.wikipedia.org/wiki/USNS_Saipan_\(LHA-2\)](http://en.wikipedia.org/wiki/USNS_Saipan_(LHA-2))

- Economic, national, homeland security maintained in time of war
- Ensures:
 - Reliable domestic water transportation
 - Availability of facilities for vessel construction, repair
 - Sailors for emergencies

Advantages



- Freight revenues are all subjected to taxes, which provides government funding
- Prevents sailors from harsh working conditions often found on foreign ships

Advantages

Overall Contribution of the Jones Act Fleet to the U.S. Economy
(Employment in number of jobs, dollar amounts in billions of 2000 dollars)

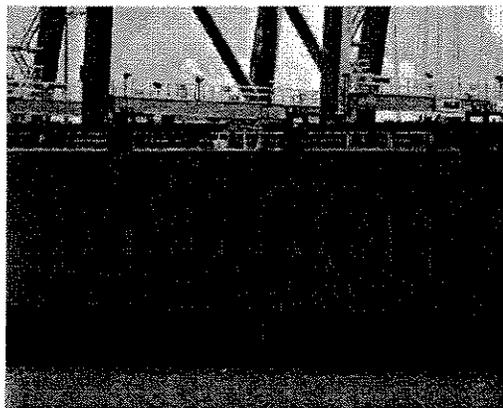
	Direct Contribution	Indirect and Induced Contribution	Overall Contribution
Employment	73,787	425,889	499,676
Labor Compensation	\$6.5	\$22.9	\$29.4
Output	\$36.4	\$63.9	\$100.3
Value-Added	\$10.5	\$35.5	\$46.0
Taxes	\$2.5	\$8.9	\$11.4

Defenders of the Jones Act

- Pro defense groups
 - Shipbuilding, merchant marine essential in times of war
 - Most valuable security component: domestic shipbuilding, repair base
- Maritime unions
 - 124,000 jobs created due to Jones Act

Defenders of the Jones Act

- Matson, in a letter to employees, calls the Jones Act "the single most important piece of legislation to Matson"



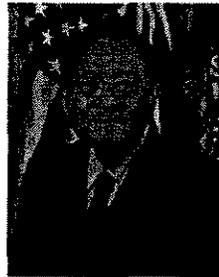
<http://www.hawaiireporter.com/wp-content/uploads/2011/07/matson2.jpg>

Defenders of the Jones Act

- Hawaii's congressional delegation members say the Jones Act ensures jobs for Americans and is a matter of protecting national security from foreign vessels.

Defenders of the Jones Act

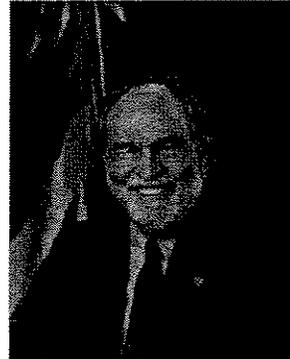
- Hawaii's Senior U.S. Senator Daniel Inouye supports the Jones Act because Hawaii enjoys high quality, regularly scheduled service
- "Jones Act helps to **balance against foreign subsidies, maintains national security and makes certain that companies comply with U.S. tax, labor, healthy and safety requirements"**



http://upload.wikimedia.org/wikipedia/commons/thumb/3/38/Daniel_inouye_official_Senate_photo_portrait_2008.jpg/220px-Daniel_inouye_official_Senate_photo_portrait_2008.jpg

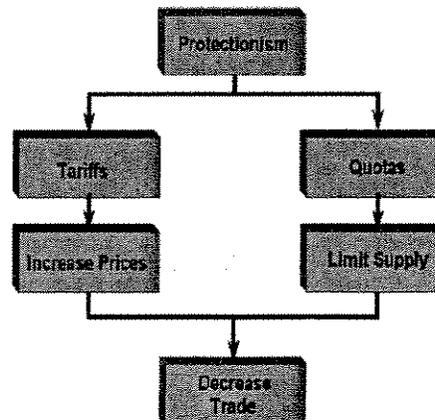
Defenders of the Jones Act

- Hawaii Governor Neil Abercrombie
- "Guarantees that cargo between U.S. ports is carried aboard **vessels subject to U.S. labor, security, tax, environmental and safety laws** and U.S. flag ships are crewed by U.S. citizens (or legal residents) who **undergo extensive background checks and rigorous professional training**"



Disadvantages

- Prevents ship repair in overseas facilities
- Transportation becomes more expensive
- Increased price of goods, cost of living
- Protectionism



Opponents of the Jones Act

- Bulk shippers
 - Commodities lower value per unit cost
 - Transport costs higher proportion of total cost
- Consumers in Hawaii, Puerto Rico, Alaska
 - Argue that subsidizing Jones Act fleet through higher rates
 - If for national defense, nation as whole should share burden
 - Domestic fleet subsidized directly by Department of Defense

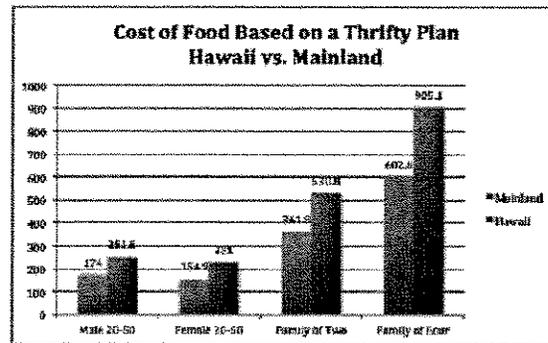
Disadvantages

Table 2. Cost of Food Based on a Thrifty Plan

	Mainland	Hawaii	Difference
Male 20-50	\$174.00	\$221.00	30.8%
Female 20-50	\$164.50	\$231.00	32.9%
Family of Two	\$361.00	\$532.00	31.8%
Family of Four	\$802.00	\$1065.10	33.4%

Source: Official USDA Food, 2000; Official USDA Alaska, 2000
 The Negative Effects of the Jones Act on the Economy of Hawaii
 Daniel Brackman

Disadvantages



Opponents of the Jones Act

- Malia Blom Hill (Washington DC attorney)
 - "...although originally envisioned as protectionist member to ensure the survival of America's merchant marine fleet for reasons related to national security, the Jones Act has objectively failed in both of these goals" (Hill)
 - Why does she say this?

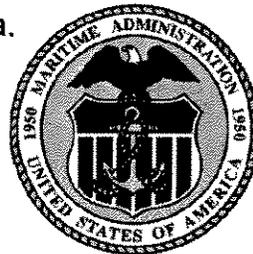
MARAD can issue a Jones Act waiver in some cases, allowing a foreign vessel to operate under special conditions.

- In 2006, an independent oil company, Escopeta, received a Jones Act waiver so that it could use a foreign-flagged vessel to bring a jack-up rig into Alaska's Cook Inlet.

escopeta oil

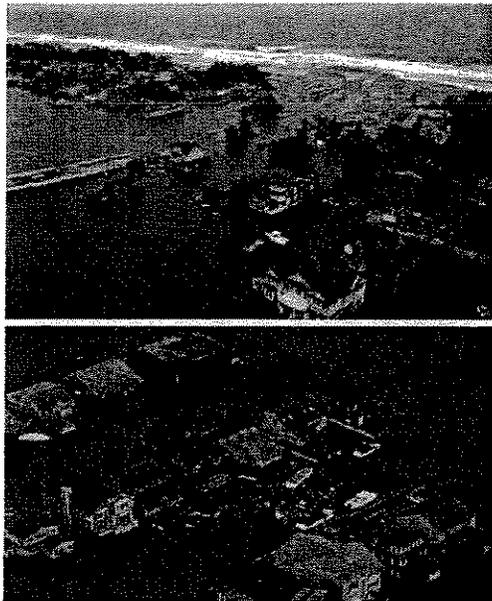


- During those same post-Katrina times, several agricultural interests also applied for **Jones Act waivers**, arguing that farmers would suffer financial harm if they couldn't get more-relaxed shipping options for their products.
- After Hurricane Sandy, President Barack Obama had to temporarily suspend the Jones Act in order to get gasoline flowing in the New York area.



Thus, Blom Hill concludes...

- *"It can come as no surprise to the federal government that the Jones Act creates a substantial burden on commerce - the very existence of the waiver system, and the emergency waivers granted after the Gulf War and Hurricane Katrina attest to the fact that the government recognizes the problematic nature of the Jones Act in times of national security"*



"The Jones Act...only serves to raise shipping costs, thereby making U.S. farmers less competitive and increasing costs for American consumers..."

A 1988 GAO report found that the Jones Act was costing Alaskan families between \$1,921 and \$4,821 annually for increased prices paid on goods shipped from the mainland."

-Senator John McCain

Opponents of the Jones Act

International Trade Commission (USITC):

- Federal law costs consumers annually on a national level an estimated \$10 billion
- Jones Act vessels total costs are **82 percent higher** than competitive vessels.
- Jones Act costs \$2.8 billion annually (1995)
- Removal would lower domestic shipping prices by 26%
- World Economic Forum describes Jones Act as "the most restrictive of global cabotage laws and an anomaly in an...open market like the United States" (2013).

Disadvantages

Table 5-1
Comparison of daily operating expenses for U.S.-flag vs. foreign-flag vessels, 2002

Type of Vessel	Tanker ¹		Containership ²	
	U.S.-flag	Foreign-flag	U.S.-flag	Foreign-flag
	U.S. dollars			
Crew	9,400	2,100	12,190	2,800
Fuel	5,000	5,000	12,790	12,300
Maintenance and repair costs ³	2,000	1,600	4,200	2,600
Insurance	900	600	2,200	1,400
Port call, cargo, and vessel expenses ⁴	3,700	3,600	96,646	96,146
Total	27,000	13,300	127,846	117,246

**Total Cost Differential
2002**
Tanker 65%
Containership 10%

Source: USITC. *The Economic Effects of Significant U.S. Import Restraints*, 2004, Page 96.

Disadvantages

Table 5-1
Comparison of daily operating expenses for U.S.-flagged vs. foreign-flagged vessels, U.S. dollars, 2005

Expense category	Type of vessel			
	Tanker ^a		Containership ^b	
	U.S.-flagged	Foreign-flagged	U.S.-flagged	Foreign-flagged
Crew	11,000	2,800	12,708	2,940
Fuel	2,600	1,100	4,412	3,048
Maintenance and repair costs	1,200	700	2,210	1,670
Insurance	11,000	11,000	13,338	13,332
Other	2,100	1,800	1,300	1,400
Total	27,900	16,600	44,258	22,190

**Total Cost Differential
2005**
Tanker 63%
Containership 54%

Source: USITC. *The Economic Effects of Significant U.S. Import Restraints*, 2007, Page 98.

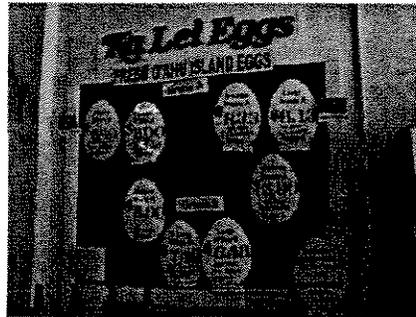
Disadvantages

- Ka Lei Eggs
 - in Hawaii
 - Operated by Lois and Phyllis Shimabukuro



Disadvantages

- "In Lois' case, there is a 33.3 percent shipping freight surcharge on the feed she brings in from the mainland. Since there no longer is a manufacturer in Hawaii, **Lois imports egg cartons. But shipping those in costs more than the cartons themselves**"



From "Jones Act Killing Hawaii's Sustainability Efforts" in the Hawaii Reporter

Disadvantages

- "Lois and Phyllis wonder how they will be able to sustain the family business started by their grandfather in 1947...They are the **only remaining major fresh egg producer in Hawaii.**"



From "Jones Act Killing Hawaii's Sustainability Efforts" in the Hawaii Reporter

Significance to Guam



UPDATE: Guam senator introduces Jones Act resolution



Jones Act Reform Key Element of Guam's Economic Plan

Hawai'i Free Press

Jones Act Hurts Hawaii (Alaska, Guam and Puerto Rico too)
By Pinos Prevedoros PhD @ 2:48 PM :: 692 Views :: Jones Act



Guam should join Hawaii, Alaska and Puerto Rico for Jones Act reform

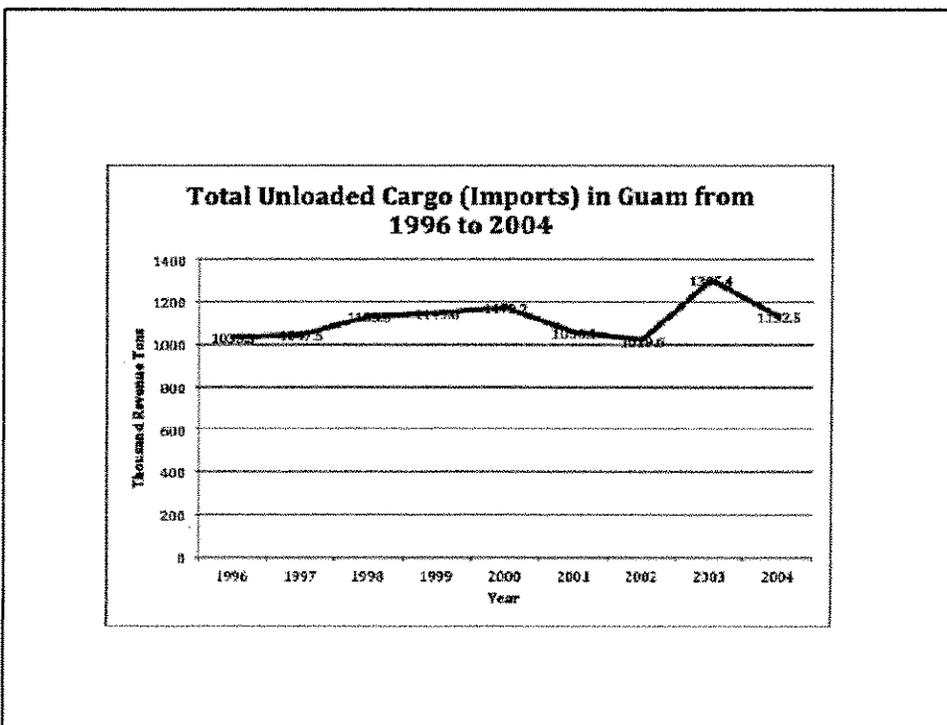
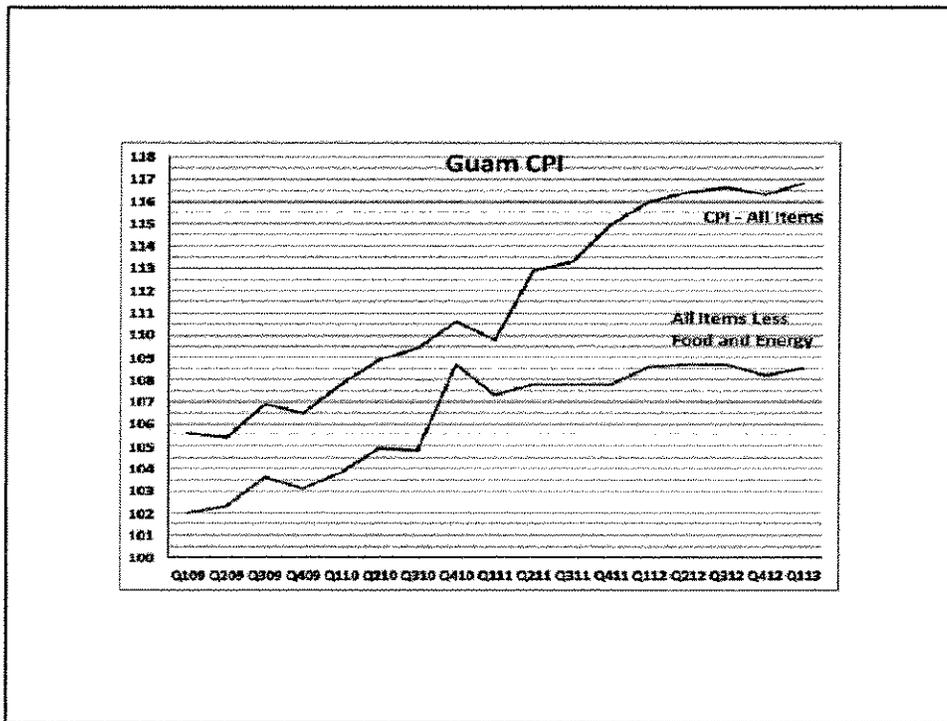
Significance to Guam

- Limited transportation resources
 - No alternatives to overseas shipping and air cargo
- As island, being open to commercial flows is an essential economic characteristic



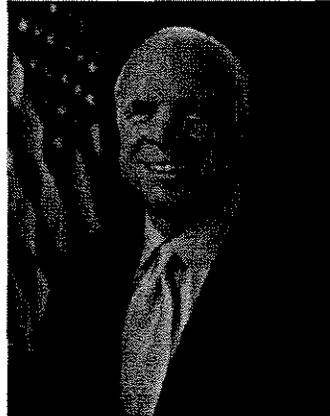
Significance to Guam

- One of the main causes of high cost of living on Guam
- Guam is exempt from requirement that ships must be built in U.S.
 - Proven not to be beneficial



Open America's Waters Act

- Introduced by Senator John McCain
- Full repeal of Jones Act
- Introduced June 23, 2010

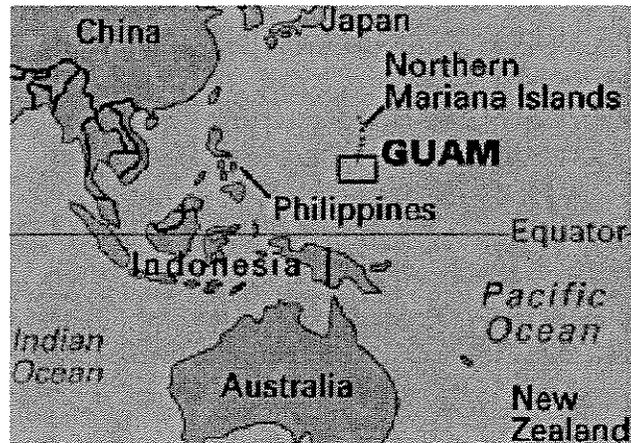


Open America's Waters Act

"a 1999 *U.S. International Trade Commission* economic study...suggested that a repeal of the Jones Act would lower shipping costs by approximately 22 percent...a 2002 economic study from the same *Commission* found that repealing the Jones Act would have an annual positive welfare effect of \$656 million on the overall U.S. economy...These statistics demonstrate that a repeal of the Jones Act could prove to be a true stimulus to our economy in the midst of such difficult economic times. "

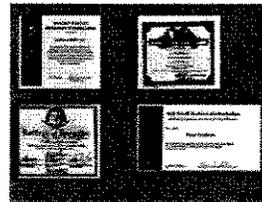
-Senator John McCain

The Guam Perspective



Fargo Pacific Inc.

- Incorporated on Guam since September 1975 as a General Contractor
- General Construction Business
- Working for the Department of Defense, specifically the Department of the Navy
- Specializes in military, commercial, residential, maintenance, and facilities construction
- Current President and General Manager of FPI
 - Mr. Jay S.H. Park



Fargo Pacific Inc.

" Cost of the project will be higher due to using the U.S. Materials via U.S. Flagged Ships. If we were to use the cheap made in China materials then the price will be lower; however, you are taking a big risk by using the inferior products/materials that do not meet the contract specifications"

" If the Jones Act is repealed, then we would have more competition among the carriers and suppliers; however, this has not affected our business/daily operations since we have to buy all materials from the Designated or NAFTA countries under our current contracts"

- Jay S.H. Park

Fargo Pacific Inc.

"I think the Jones Act should be abolished once and for all. Not only for materials' sake, but it will be beneficial for all types of transportation businesses especially in the airline business"

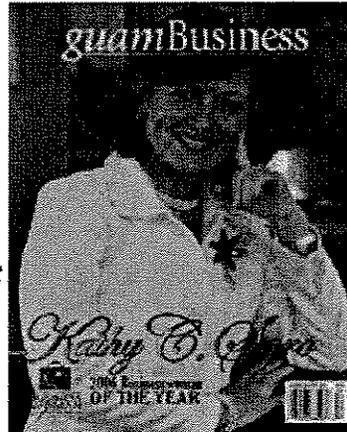
"Because of the Jones Act, Guam is the worst case scenario in travelling abroad to the U.S. Mainland from Guam. We have no freedom of choosing our airlines to travel to the U.S. Mainland except to use United Airlines or its team alliances."

"I think the lawmakers on Guam should strongly work together to abolish the Jones Act for reasons stated above"

- Jay S.H. Park

Pay-Less Markets, Inc.

- *Retailing Incorporation*
- *Was established in 1950 as a member of Guam's business community.*
- *Inventory in produce and goods*
- *Current Executive Vice President*
 - *Kathy C. Sgro*



Pay-Less Markets, Inc.

"Since the majority of grocery products are imported into Guam, there is a significant impact on the cost of goods due to shipping costs. Many international vessels are less expensive to build, including lower labor and material costs. Thus, overall shipping costs are lower with international vessels in comparison to U.S. ships.

"If the Jones Act was to be lifted then there would be more competition amongst shipping companies. Due to Guam's proximity to Asia, there would be a definite advantage in the cost of goods due to lower shipping costs."

-Kathy C. Sgro

Pay-Less Markets, Inc.

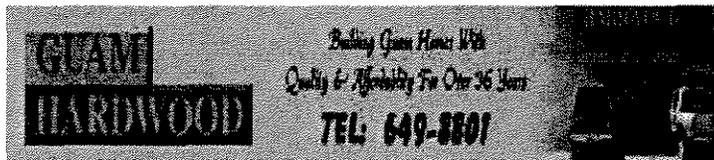
"The advantage of the Jones Act is the U.S. protectionist stance in supporting U.S. companies and employing U.S. personnel. From a defense standpoint, U.S. ships in our territory is a more secure and stable environment especially in times of political unrest.

"If there was an opportunity to make amendments to the Act, I would suggest that ship parts of U.S. vessels be sourced internationally in order to obtain lower prices at more competitive rates. Hopefully this would bring down shipping costs which would impact the cost of goods. The net result would be a lower retail price to Guam's consumers."

-Kathy C. Sgro

Guam Hardwood

- Construction supply in Dededo
- Founded in 1972
- President: Rene Ong



Guam Hardwood

"Currently, US flag carriers operate at a higher cost comparative to other flag carriers, ergo a higher freight charge to the consumer. A container to Guam is around \$7500, while a container to Manila is around \$2800. This have pushed the cost of the construction materials much higher than it should"

-Rene Ong

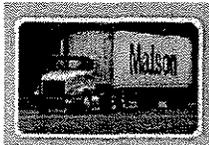
Guam Hardwood

*" This law has good intentions because it guarantees the USA will have capabilities of making ships for war and a ready merchant marine to move the cargo. **But the law is old and have protectionist overtones. A revision, not a complete scrapping, of the law is now necessary"***

-Rene Ong

Pacific Trucking Guam

- Guam trucking company
- Founded in 1987 by Juan T. Limtiaco
- Vice-President Michael Limtiaco



Pacific Trucking Guam

- *“The Jones Act does not directly relate to the trucking industry, but if the Jones Act were lifted the trucking industry would be initially strained. The trucking industry would have to provide more chassis for the increase in foreign vessels.”*
- *The trucking industry on Guam would be strained at first if the Jones act was lifted because it would have to provide more chassis to accommodate all of the new foreign vessels.*

-Michael Limtiaco

Pacific Trucking Guam

"The trucking industry would have an increase in rates because they would have to provide new chassis infrastructure at the port. The rates for foreign containers would increase because the trucking company would have to provide more chassis. Trucking rates would increase on average by 30% to maintain the chassis because trucking companies bare the chassis infrastructure demands."

Trucking rates would increase due to the demand of more chassis for foreign vessels coming in to the port.

-Michael Limtiaco

Marianas Express Lines

- Founded in 1997
- Headquarters in Singapore
- Carries containers between China, Southeast Asia, Japan, Australia, islands in the Pacific including Guam

 **MARIANA**
EXPRESS LINES



Marianas Express Lines

"Matson is the only carrier and they monopolize the market as they are the only carrier servicing Guam from the US on a weekly bases"

-Anonymous

Marianas Express Lines

*"The JA was created to protect the US Seamen workforce and to guarantee the US Government support when there is need for US vessel support in the time of war. We are in the 20th century where US vessels are no longer needed. We have more hardware than required with the Military...
Guam must fight US Congress to repeal this law for Guam"*

-Anonymous

Van R. Shelly

- President and CEO of Nissan Motor Corp. Guam



Van R. Shelly

"in the Guam trade, Matson is protected from: foreign competition by the Jones Act; domestic competition by the high cost of U.S. shipbuilding; and from facing real rate regulation by reporting to an ineffective administrative agency. These protections grant Matson great latitude to set Guam ocean freight rates and surcharges as they desire."

In a Letter to the Editor, published on February 8, 2012

Van R. Shelly

"The Jones Act... falls most heavily on the noncontiguous jurisdictions because they lack interstate surface transportation alternatives to ocean shipping."

In a Letter to the Editor, published on February 8, 2012

Van R. Shelly

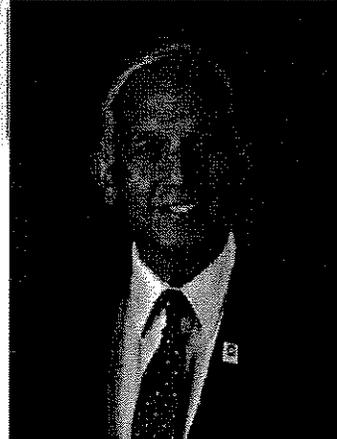
"Guam is currently the only noncontiguous domestic jurisdiction exempt from the U.S.-Build requirement of the Jones Act. However, this...provides little practical benefit because the sustainability of any domestic Westbound container service to Guam is linked to the Hawaii trade, which requires U.S.-Built vessels."

In a Letter to the Editor, published on February 8, 2012

Dr. Robert Underwood



UNIVERSITY OF GUAM
UNIBETSEDAT GUAHAN



-
- President of the University of Guam
- Former member of Congress

Dr. Robert Underwood

" What you have to understand is the politics of it... This is one of these economic activities in American society where corporations and unions are on the same side. That makes it very hard to challenge. When it comes to the Jones Act, the corporations and unions are on the same side.

When you're trying to get an exemption, you're trying to fight corporations. Who supports the corporations? Usually the republicans. Then you have to fight the unions, [and] who usually support the unions? Democrats. So now, you're trying to fight everybody. That's why the politics of it is very hard to overcome."

Dr. Robert Underwood

" Almost all the cargo that goes from Asia to the united states takes the shortest route possible. Why would you go over the fat part of the ocean? It's not just that the cost of living is high. Ships are not going to come here unless we force them to."

" You have to look in Hawaii politics. If there is strength in Hawaii politics to start attacking it, then there will be strength here."

- Geographical location also provides a reason for shipping conflict

Dr. Robert Underwood

*" The geography is changing; the technology is changing, so it is outmoded. **The system is very dependent upon a 20th century point of view...**the whole nature of shipping has changed. No one is technologically behind anymore, so the only thing they'll say is they rely a lot on the military security argument."*

*" Because it's not clear, it really isn't clear, that if you allowed competition then the rates will go down. **But at the end of the day, really, it's an unfair system.** So the only way you should deal with it is to open it up to competition, and if these carriers are better and they're safer, they have nothing to worry about."*

Recommendations

- Full exemption for Guam
 - Including CNMI, Virgin Islands, American Samoa
- Exemption for Hawaii
 - From the U.S.-build requirement of the Jones Act
- Propose open trade with Asian countries
 - Philippines, Taiwan, and China
- Gradually increase the wages of workers
 - To complement the high costs of U.S. goods
- Carry out further in-depth study of how prices as a result of the Jones Act affects Guam

Actions Taken So Far...

- Resolution No. 371-31
- Introduced by F.F. Blas Jr.
- Resolution No. 138-32 (COR)
- Introduced by R.J. Respicio, T.C. Ada, & V. Anthony Ada
- May 14th, 2013

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).

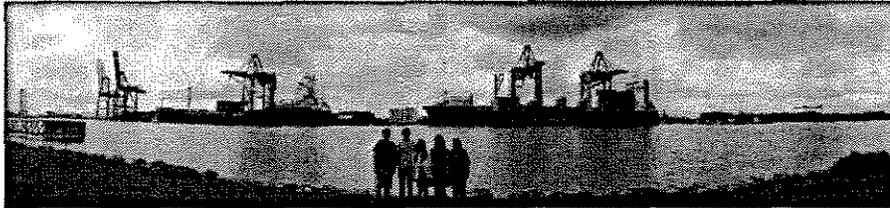
- April 4th, 2012

Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.

Conclusion



We support Bill 138-32 for request to modify Section 27 of the Merchant Marine Act of 1920, the Jones Act.



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- Valentin-Mari, Jeffry, Dr., and Jose I. Alameda-Lozada, Dr. "Economic Impact of Jones Act on Puerto Rico's Economy." N.p., 26 Apr. 2012. Web. 3 June 2013.



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature

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Senator

Rory J. Respicio

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MAJORITY LEADER

Senator

Thomas C. Ada

VICE CHAIRPERSON

ASSISTANT MAJORITY LEADER

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Senator

Michael F.Q. San Nicolas

Member

Senator

V. Anthony Ada

Member

MINORITY LEADER

Senator

Aline Yamashita

Member

May 15, 2013

MEMORANDUM

To: Rennae Meno
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Subject: Referral of Resolution No. 138-32 (COR)

As Chairperson of the Committee on Rules, I am forwarding my referral of Resolution No. 138-32 (COR). Please ensure that the subject resolution is referred, in my name, to the respective sponsor, as shown on the attachment.

I also request that the same be forwarded to all Senators of *I Mina'trentai Dos na Liheslaturan Guåhan*.

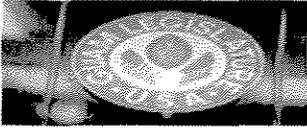
Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os ma'åse!

(1) Attachments

Resolutions Log Sheet

Resolution No.	Sponsor	Title	Date Intro	Date of Presentation	Date Referred	Committee / Ofc Referred	Date Adopted
138-32 (COR)	R. J. Respicio T.C. Ada V. Anthony Ada	Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.	5/14/13 2:47 p.m.		5/15/2013	Sponsor	



First Notice of Public Hearing – Tuesday, June 4, 2013

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 23, 2013 at 5:05 PM

To: "Aline A. Yamashita, Ph.D" <aline4families@gmail.com>, "Christopher M. Duenas" <duenasenator@gmail.com>, "Dennis G. Rodriguez" <senatordrodriguez@gmail.com>, "Frank Blas Aguon, Jr." <aguon4guam@gmail.com>, "Judith T. Won Pat, Ed.D." <speaker@judiwonpat.com>, "Thomas C. Ada" <tom@senatorada.org>, Tina Rose Muna Barnes <tinamunabarnes@gmail.com>, Tommy Morrison <tommy@senatomorrison.com>, "V. Anthony Ada" <tony@tonyada.com>, vicente 'ben' pangelinan <senbenp@guam.net>, "Benjamin JF Cruz" <senator@senatorbjcruz.com>, "Brant McCreadie" <brantforguam@gmail.com>, ""Michael F. Q. San Nicolas"" <responsibleguam@gmail.com>, ""Michael T. Limtiaco"" <mike@mikelimtiaco.com>, "Rory J. Respicio" <roryforguam@gmail.com>

Cc: Guam Legislature Clerks <clerks@guamlegislature.org>, Therese Terlaje <tterlaje@guam.net>, Tom Unsiog <sgtarms@guamlegislature.org>, mis <mis@guamlegislature.org>, phnotice <phnotice@guamlegislature.org>

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Vince P. Amiola" <vpamiola1@gmail.com>

May 23, 2013

MEMORANDUM

To: All Members

From: Majority Leader Rory J. Respicio

Subject: First Notice of Public Hearing – Tuesday, June 4, 2013

Håfa Adai! Please be advised that the Committee on Rules; Federal, Foreign & Micronesia Affairs; and Human & Natural Resources will be conducting a **Public Hearing on Tuesday, June 4, 2013 beginning at 9:00 A.M.**, in the Legislature's Public Hearing Room on the following:

9:00 A.M.

1. **Bill No. 108-32 (COR)** – "An act to amend §§ 44103, 44105, 44108, 44114, and 44115 of Chapter 44, Title 10, Guam Code Annotated; and to repeal §§ 44106 and 44109 of Chapter 44, Title 10, Guam Code

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cc: All Senators
Clerk of the Legislature
Legal Counsel
Sergeant-at-Arms/Audio
MIS

–
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåban
THIRTY-SECOND GUAM LEGISLATURE

May 23, 2013

MEMORANDUM

To: All Members

From: Majority Leader Rory J. Respicio 

Subject: First Notice of Public Hearing – Tuesday, June 4, 2013

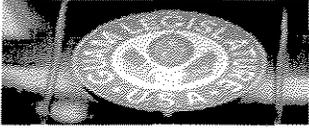
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cc: All Senators
Clerk of the Legislature
Legal Counsel
Sergeant-at-Arms/AV
MIS



First Notice of Public Hearing – Tuesday, June 4, 2013

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 23, 2013 at 5:07 PM

To: news@guampdn.com, news@k57.com, news@pacificnewscenter.com, news@spbgum.com,
marvic@mvguam.com, hottips@kuam.com, sabrina@kuam.com

May 23, 2013

MEMORANDUM

To: All Media

From: Majority Leader Rory J. Respicio

Subject: First Notice of Public Hearing – Tuesday, June 4, 2013

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Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
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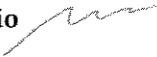


I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

May 23, 2013

MEMORANDUM

To: All Media

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Subject: First Notice of Public Hearing – Tuesday, June 4, 2013

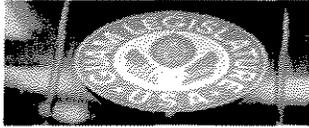
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###



Second Notice of Public Hearing – Tuesday, June 4, 2013

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 30, 2013 at 4:31 PM

To: "Aline A. Yamashita, Ph.D" <aline4families@gmail.com>, "Christopher M. Duenas" <duenasenator@gmail.com>, "Dennis G. Rodriguez" <senatordrodriguez@gmail.com>, "Frank Blas Aguon, Jr." <aguon4guam@gmail.com>, "Judith T. Won Pat, Ed.D." <speaker@judiwonpat.com>, "Thomas C. Ada" <tom@senatorada.org>, Tina Rose Muna Barnes <tinamunabarnes@gmail.com>, Tommy Momison <tommy@senatormomison.com>, "V. Anthony Ada" <tony@tonyada.com>, vicente 'ben' pangelinan <senbenp@guam.net>, "Benjamin JF Cruz" <senator@senatorbjcruz.com>, "Brant McCreddie" <brantforguam@gmail.com>, "Michael F. Q. San Nicolas" <responsibleguam@gmail.com>, "Michael T. Limtiaco" <mike@mikelimtiaco.com>, "Rory J. Respicio" <rolyforguam@gmail.com>

Cc: Guam Legislature Clerks <clerks@guamlegislature.org>, Therese Terlaje <tterlaje@guam.net>, Tom Unsiog <sgtarms@guamlegislature.org>, mis <mis@guamlegislature.org>, phnotice <phnotice@guamlegislature.org>

May 30, 2013

MEMORANDUM

To: All Members

From: Majority Leader Rory J. Respicio

Subject: Second Notice of Public Hearing – Tuesday, June 4, 2013

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cc: All Senators
Clerk of the Legislature
Legal Counsel
Sergeant-at-Arms/AV
MIS

On Thu, May 23, 2013 at 5:05 PM, Senator Rory J. Respicio <cor@guamlegislature.org> wrote:

May 23, 2013

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To: All Members

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Subject: First Notice of Public Hearing – Tuesday, June 4, 2013

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Clerk of the Legislature

Legal Counsel

Sergeant-at-Arms/Audio

MIS

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Majority Leader Rory J. Respicio

Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
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I Mina'Trentai Dos na Liheslaturan Guåhan

155 Hesler Place, Ste. 302

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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
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I Mina'trentai Dos na Liheslaturan Guåban
THIRTY-SECOND GUAM LEGISLATURE

May 30, 2013

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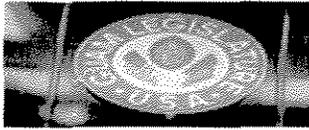
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Second Notice of Public Hearing – Tuesday, June 4, 2013

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 30, 2013 at 4:34 PM

To: news@guampdn.com, news@k57.com, news@pacificnewscenter.com, news@spbg Guam.com, marvic@mvguam.com, hottips@kuam.com, sabrina@kuam.com

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <rorforguam@gmail.com>, "Vince P. Arriola" <vparriola1@gmail.com>

May 30, 2013

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1. **Bill No. 108-32 (COR)** – “An act to amend §§ 44103, 44105, 44108, 44114, and 44115 of Chapter 44, Title 10, Guam Code Annotated; and to repeal §§ 44106 and 44109 of Chapter 44, Title 10, Guam Code Annotated; and to amend § 45105 of Chapter 45, Title 10, Guam Code Annotated; and to amend § 54104 of Chapter 51, Title 10, Guam Code Annotated, relative to the Guam Beverage Container Recycling Act of 2010 and the power of the Guam Environmental Protection Agency to implement the same.” **Sponsor – Senator T.R. Muña Barnes**

2. **Bill No. 120-32 (LS)** – “An act relative to honoring Guam’s men and women who have courageously and selflessly served our island people and our nation in the War on Terror and who have made the ultimate sacrifice, through the establishment of a *Fallen Heroes* Monument; through adding a new subsection §79601.2 to Chapter 79, Article 6, Title 21, Guam Code Annotated.” **Sponsors – Senator F.B. Aguon, Jr., Senator R.J. Respicio, Senator T.C. Ada, Senator A.A. Yamashita, Ph.D., Senator V. A. Ada, Senator D.G. Rodriguez, Jr., Vice-Speaker B.J.F. Cruz, Senator T.R. Muña Barnes, and Speaker J.T. Won Pat, Ed.D.**

3. **Resolution No. 138-32 (COR)** – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.” **Sponsors – Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada**

Written testimony should be addressed to Senator Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources, & Election Reform, and may be submitted via email to cor@guamlegislature.org; fax to (671) 472-3547; or hand-delivery/mail to 155 Hesler Place, *Hågatña*, Guam 96910. Should special assistance or accommodations be required, please contact Elaine Tajalle at my office at (671) 472-7679 or by e-mail at etajalle@guamlegislature.org. *Si Yu’os ma’åse’!*

###

–
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
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–
Majority Leader Rory J. Respicio

Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåban
THIRTY-SECOND GUAM LEGISLATURE

May 30, 2013

MEMORANDUM

To: All Media

From: Majority Leader Rory J. Respicio 

Subject: Second Notice of Public Hearing – Tuesday, June 4, 2013

Håfa Adai! Please be advised that the Committee on Rules; Federal, Foreign & Micronesian Affairs; and Human & Natural Resources will be conducting a **Public Hearing on Tuesday, June 4, 2013 beginning at 9:00 A.M.**, in the Legislature's Public Hearing Room on the following:

9:00 A.M.

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2. **Bill No. 120-32 (LS)** – “An act relative to honoring Guam’s men and women who have courageously and selflessly served our island people and our nation in the War on Terror and who have made the ultimate sacrifice, through the establishment of a *Fallen Heroes* Monument; through adding a new subsection §79601.2 to Chapter 79, Article 6, Title 21, Guam Code Annotated.” **Sponsors – Senator F.B. Aguon, Jr., Senator R.J. Respicio, Senator T.C. Ada, Senator A.A. Yamashita, Ph.D., Senator V. A. Ada, Senator D.G. Rodriguez, Jr., Vice-Speaker B.J.F. Cruz, Senator T.R. Muña Barnes, and Speaker J.T. Won Pat, Ed.D.**
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Written testimony should be addressed to Senator Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources, & Election Reform, and may be submitted via email to cor@guamlegislature.org; fax to (671) 472-3547; or hand-delivery/mail to 155 Hesler Place, *Hågatña*, Guam 96910. Should special assistance or accommodations be required, please contact Elaine Tajalle at my office at (671) 472-7679 or by e-mail at etajalle@guamlegislature.org. *Si Yu'os ma'åse'!*

###

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As of May 15, 2013**

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As of May 15, 2013**

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SENATOR RORY J. RESPICIO

MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Liheslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

PUBLIC HEARING

Tuesday, June 4, 2013 • 9:00 AM

Legislature's Public Hearing Room • Hagåtña, Guam

AGENDA

I. Call to Order

II. Announcements

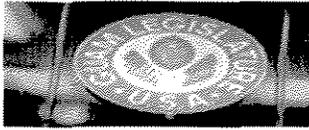
III. Items for Public Consideration

1. **Bill No. 108-32 (COR)** – “An act to amend §§ 44103, 44105, 44108, 44114, and 44115 of Chapter 44, Title 10, Guam Code Annotated; and to repeal §§ 44106 and 44109 of Chapter 44, Title 10, Guam Code Annotated; and to amend § 45105 of Chapter 45, Title 10, Guam Code Annotated; and to amend § 54104 of Chapter 51, Title 10, Guam Code Annotated, relative to the Guam Beverage Container Recycling Act of 2010 and the power of the Guam Environmental Protection Agency to implement the same.” **Sponsor – Senator T.R. Muña Barnes**
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IV. Closing Remarks

V. Adjournment

For copies of the above mentioned bills, please visit the Guam Legislature’s website at www.guamlegislature.com. Testimony should be addressed to Senator Rory J. Respicio, Chairperson, and may be submitted via hand-delivery to our office or our mailbox at the Main Legislature Building at 155 Hesler Place, Hagåtña, Guam 96910, via e-mail to cor@guamlegislature.com, or via facsimile to (671) 472-3547. Individuals requiring special accommodations, auxiliary aids, or services shall contact and submit their request to Elaine Tajalle at our office. For more information, please call 472-7679. We look forward to your attendance and participation. *Si Yu’os ma’åse’!*



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 30, 2013 at 2:07 PM

To: madeleine.bordallo@mail.house.gov

Cc: Joaquin Perez <kinginza@yahoo.com>, "Tenorio, Andrew" <andrew.tenorio@mail.house.gov>, "Calvo, Jon" <jon.calvo@mail.house.gov>

Bcc: Bemadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Arriola" <vparriola1@gmail.com>

May 30, 2013

VIA E-MAIL

madeleine.bordallo@mail.house.gov

Honorable Madeleine Z. Bordallo

Congresswoman

U.S. House of Representatives

120 Father Duenas Avenue, Suite 107

Hagåtña, Guam 96910

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Congresswoman Bordallo:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – "Relative to requesting the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,"** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on **Tuesday, June 4, 2013, 9:00 A.M.** in the Legislature's Public Hearing Room.

I invite you to appear before this committee and provide testimony on Resolution No. 138-32 (COR). Please feel free to extend this invitation to other interested members of our community. Testimony should be addressed to Majority Leader Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, and may be hand-delivered or mailed to my office at 155 Hesler Place, *Hagåtña*, Guam 96910; e-mailed to cor@guamlegislature.org; or faxed to (671) 472-3547. Individuals requiring special accommodations, auxiliary aids, or service shall contact and submit their request to Elaine Tajalle at my office.

Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Rory J. Respicio

—
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

May 30, 2013

VIA E-MAIL

ppi@juditwonpat.com

Speaker Judith T. Won Pat, Ed.D.
Founder and Mentor
Public Policy Institute
155 Hesler Street
Hagåtña, Guam 96910

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Speaker Won Pat:

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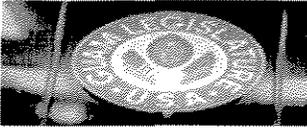
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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Handwritten signature of Rory J. Respicio in cursive.

Rory J. Respicio



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, May 30, 2013 at 2:12 PM

To: ppi@judiwonpat.com, Speaker Won Pat <speaker@judiwonpat.com>

Cc: therese@judiwonpat.com, rob@judiwonpat.com

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Amiola" <vpamiola1@gmail.com>

May 30, 2013

VIA E-MAIL

ppi@judiwonpat.com

Speaker Judith T. Won Pat, Ed.D.

Founder and Mentor

Public Policy Institute

155 Hesler Street

Hagåtña, Guam 96910

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

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Rory J. Respicio

—

Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
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 **RJR Memo_Notice of PH_PPI_2013.05.30.pdf**
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

June 3, 2013

VIA E-MAIL

paje.butler@dhx.com

Paje Butler
Chairman
Guam Chamber of Commerce Maritime Affairs Committee (MAC)
173 Aspinall Avenue
Suite 101, Ada Plaza Center
Hagåtña, Guam 96910

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Mr. Butler:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesia Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,”** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on **Tuesday, June 4, 2013, 9:00 A.M.** in the Legislature’s Public Hearing Room.

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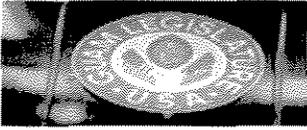
Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

A handwritten signature in cursive script that reads "Rory J. Respicio".

Rory J. Respicio

cc: *Mr. David Leddy, President of Guam Chamber of Commerce*



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Mon, Jun 3, 2013 at 3:16 PM

To: paje.butler@dhx.com

Cc: DAVID LEDDY <dleddy@guamchamber.com.gu>, Catherine Castro <ccastro@guamchamber.com.gu>, EVA PANGILINAN <epangilinan@guamchamber.com.gu>

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeier2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Amiola" <vpamiola1@gmail.com>

June 3, 2013

VIA E-MAIL

paje.butler@dhx.com

Paje Butler

Chairman

Guam Chamber of Commerce Maritime Affairs Committee (MAC)

173 Aspinall Avenue
Suite 101, Ada Plaza Center
Hagåtña, Guam 96910

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Mr. Butler:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,”** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A.

Ada on Tuesday, June 4, 2013, 9:00 A.M. in the Legislature's Public Hearing Room.

I invite you to appear before this committee and provide testimony on Resolution No. 138-32 (COR). Please feel free to extend this invitation to other interested members of our community. Testimony should be addressed to Majority Leader Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, and may be hand-delivered or mailed to my office at 155 Hesler Place, *Hagåtña*, Guam 96910; e-mailed to cor@guamlegislature.org; or faxed to (671) 472-3547. Individuals requiring special accommodations, auxiliary aids, or service shall contact and submit their request to Elaine Tajalle at my office.

Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Rory J. Respicio

cc: *Mr. David Leddy, President of Guam Chamber of Commerce*

—
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

 **RJR Memo_Notice of PH_Butler_2013.06.03.pdf**
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

June 3, 2013

VIA E-MAIL

jbrown@portguam.com

Ms. Joanne M.S. Brown
General Manger
Port Authority of Guam
1026 Cabras Highway, Suite 201
Piti, Guam 96915

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Ms. Brown:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesia Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,” sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on Tuesday, June 4, 2013, 9:00 A.M. in the Legislature’s Public Hearing Room.

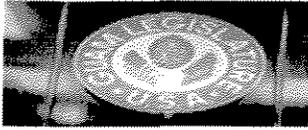
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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Handwritten signature of Rory J. Respicio in cursive.

Rory J. Respicio



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Mon, Jun 3, 2013 at 5:06 PM

To: jbrown@portguam.com

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Vince P. Arriola" <vparriola1@gmail.com>

June 3, 2013

VIA E-MAIL

jbrown@portguam.com

Ms. Joanne M.S. Brown

General Manger

Port Authority of Guam

1026 Cabras Highway, Suite 201

Piti, Guam 96915

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Ms. Brown:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – "Relative to requesting the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,"** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on **Tuesday, June 4, 2013, 9:00 A.M.** in the Legislature's Public Hearing Room.

I invite you to appear before this committee and provide testimony on Resolution No. 138-32 (COR). Please feel free to extend this invitation to other interested members of our community. Testimony should be addressed to Majority Leader Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesian Affairs, Human & Natural Resources; & Election Reform, and may be hand-delivered or mailed to my office at 155 Hesler Place, *Hagåtña*, Guam 96910; e-mailed to cor@guamlegislature.org; or faxed to (671) 472-3547. Individuals requiring special accommodations, auxiliary aids, or service shall contact and submit their request to Elaine Tajalle at my office.

Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Rory J. Respicio

—

Majority Leader Rory J. Respicio

Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Liheslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

June 3, 2013

VIA E-MAIL

Port Users Group of Guam

Mr. Ariel Dumapat, Inchcape Shipping: ariel.dumapat@iss-shipping.com

Mr. Danny Lim, CTSI Logistics: danny_lim@ctsiguam.com

Mr. Richard Sablan, Marianas Steamship: rsablan@msaguam.com, rsablan@msa-guam.com

Mr. Len Isotoff, Matson Navigation: lisotoff@matson.com

Mr. Greg David, Ambyth Shipping: corp@ambyth.guam.net

Mr. Paul Blas, Sea Bridge, Inc.: fjsantos@seabridgeguam.com

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Port Users Group of Guam:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesia Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,”** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on **Tuesday, June 4, 2013, 9:00 A.M.** in the Legislature’s Public Hearing Room.

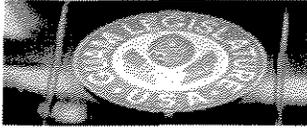
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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

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A handwritten signature in cursive script that reads "Rory J. Respicio".

Rory J. Respicio



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Mon, Jun 3, 2013 at 5:09 PM

To: ariel.dumapit@iss-shipping.com, danny_lim@ctsiguam.com, rsablan@msaguam.com, rsablan@msa-guam.com, lisotoff@matson.com, corp@ambyth.guam.net, fjsantos@seabridgeguam.com

Bcc: Bemadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Amiola" <vparriola1@gmail.com>

June 3, 2013

VIA E-MAIL

Port Users Group of Guam

Mr. Ariel Dumapat, Inchcape Shipping: *ariel.dumapit@iss-shipping.com*

Mr. Danny Lim, CTSI Logistics: *danny_lim@ctsiguam.com*

Richard Sablan, Marianas Steamship: *rsablan@msaguam.com, rsablan@msa-guam.com*

Mr. Len Isotoff, Matson Navigation: *lisotoff@matson.com*

Mr. Greg David, Ambyth Shipping: *corp@ambyth.guam.net*

Mr. Paul Blas, Sea Bridge, Inc.: *fjsantos@seabridgeguam.com*

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Dear Port Users Group of Guam:

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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Rory J. Respicio

—

Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

June 3, 2013

VIA E-MAIL
djtydingco@gta.net

Mr. Daniel J. Tydingco
Chairman
Board of Directors
Port Authority of Guam
1026 Cabras Highway, Suite 201
Piti, Guam 96915

Subject: Notice of Public Hearing – Tuesday, June 4, 2013, 9:00 A.M.

Dear Mr. Tydingco:

Hafa adai! Please be advised that, in my capacity as the Chairperson of the Committee on Rules; Federal, Foreign & Micronesia Affairs, Human & Natural Resources; & Election Reform, I will be conducting the Public Hearing for **Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam,”** sponsored by Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada on **Tuesday, June 4, 2013, 9:00 A.M.** in the Legislature’s Public Hearing Room.

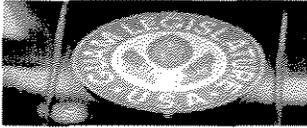
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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Handwritten signature of Rory J. Respicio in cursive.

Rory J. Respicio



Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

Senator Rory J. Respicio <cor@guamlegislature.org>

Mon, Jun 3, 2013 at 5:07 PM

To: djtydingco@gta.net

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Amiola" <vparriola1@gmail.com>

June 3, 2013

VIA E-MAIL

djtydingco@gta.net

Mr. Daniel J. Tydingco

Chairman

Board of Directors

Port Authority of Guam

1026 Cabras Highway, Suite 201

Piti, Guam 96915

Subject: Notice of Public Hearing –Tuesday, June 4, 2013, 9:00 A.M.

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Please do not hesitate to contact me, should you have any questions or concerns. I look forward to your attendance and participation.

Very truly yours,

Rory J. Respicio

—

Majority Leader Rory J. Respicio

Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform

I Mina'Trentai Dos na Liheslaturan Guåhan

155 Hesler Place, Ste. 302

Hagåtña, Guam 96910

Phone: (671) 472-7679

Fax: (671) 472-3547

 **RJR Memo_Notice of PH_Tydingco_2013.06.03.pdf**
168K



Senator Michael F.Q. San Nicolas

Chairman – Committee on Aviation, Ground Transportation,
Regulatory Concerns and Future Generations
I Mina'trentai Dos Na Liheslaturan Guåhan | 32nd Guam Legislature



January 17, 2013

The Honorable Madeleine Z. Bordallo
Delegate, United States House of Representatives
120 Father Duenas Avenue, Suite 107
Hagåtña, Guam 96910

Re: Shipment of inbound goods to Guam



Dear Congresswoman Bordallo,

Håfa adai! I am writing to express my concern with the current process of shipping inbound goods from the contiguous United States into Guam. It is my understanding that shipping packages from the contiguous United States to Guam are required to be accompanied by a customs declaration form. This additional requirement has discouraged some stateside merchants from choosing to make shipping available to our island.

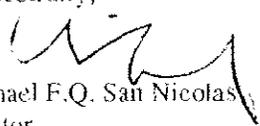
On one hand, United States cabotage laws for air transportation and provisions of the Jones Act as it relates to ocean transport, recognize Guam as a domestic port. As a matter of interstate commerce, however, stateside businesses must fill out customs declarations when shipping to Guam thus treating our island as if it were an international destination. This unequal application of the law deserves remedy.

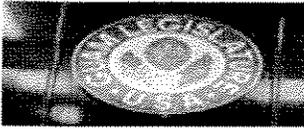
The Guam Customs and Quarantine Agency (CQA) is the only agency of its kind in the United States that does not fall under the jurisdiction of the federal government. It is because of this uniqueness that our local CQA faces a hurdle with the outgoing transport of goods from Guam. However, this should not affect shipments coming into Guam.

Island residents and businesses must possess the ability to receive goods from a greater number of stateside merchants. Additionally, we must allow for a wider selection of merchandise to be made available for shipment to Guam. Reducing the bureaucratic process and associated costs will improve product availability, delivery times, and potentially lower costs; all of which will result in more choices at better prices for our people.

As our island's representative to Congress, I am humbly requesting for the introduction of legislation which would recognize Guam as a domestic destination for the shipment of inbound goods from the contiguous United States. I stand ready to offer any assistance you may need and look forward to working with you on resolving this issue.

Respectfully,


Michael F.Q. San Nicolas
Senator



Rory Respicio <cor@guamlegislature.org>

Senator San Nicolas seeks to make shipping to Guam from the United States easier

Senator Michael San Nicolas <senatorsannicolas@gmail.com>

Thu, Jan 17, 2013 at 5:23 PM

To: senatorsannicolas@gmail.com

Bcc: phnotice@guamlegislature.org

Senator San Nicolas seeks to make shipping to Guam from the United States easier

FOR IMMEDIATE RELEASE

January 17, 2013

Senator Michael F.Q. San Nicolas wrote to Congresswoman Madeleine Z. Bordallo expressing concern over the process of shipping inbound goods from the United States to Guam. Under federal cabotage laws relating to air transportation and the Jones Act relating to ocean transport, Guam is recognized as a domestic port. However, packages shipped by stateside businesses to Guam are required to be accompanied by a customs declaration form. This additional requirement effectively treats Guam as if it was an international destination and has discouraged some stateside merchants from choosing to make shipping available to our island.

“This unequal application of the law deserves remedy,” wrote San Nicolas. **“Island residents and businesses must possess the ability to receive goods from a greater number of stateside merchants. Additionally, we must allow for a wider selection of merchandise to be made available for shipment to Guam.”**

Senator San Nicolas has requested that Congresswoman Bordallo introduce legislation which would recognize Guam as a domestic destination for the shipment of inbound goods from the contiguous United States.

“Reducing the bureaucratic process and associated costs will improve product availability, delivery times, and potentially lower costs; all of which will result in more choices at better prices for our people,” said Senator San Nicolas. **“I stand ready to offer any assistance you may need and look forward to working with you on resolving this issue.”**

###

For additional information, please email contact Jermaine Alerta at 472-6453 or email senatorsannicolas@gmail.com.

Note: Attached is a digital copy of the letter from Sen. San Nicolas to Del. Bordallo

 **ltr_MZB_1.17.13.pdf**
91K

MADELEINE Z. BORDALLO
GUAM

ARMED SERVICES COMMITTEE

RANKING MEMBER, SUBCOMMITTEE ON
READINESS

SUBCOMMITTEE ON MILITARY PERSONNEL

NATURAL RESOURCES COMMITTEE

SUBCOMMITTEE ON FISHERIES, WILDLIFE,
OCEANS AND INSULAR AFFAIRS

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES



Congress of the United States
House of Representatives

WASHINGTON, D.C. OFFICE:

2441 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-1188
FAX: (202) 226-0341

DISTRICT OFFICE:

120 FATHER DUENAS AVENUE
SUITE 107
HAGÁTRA, GUAM 96910
(671) 477-4272
FAX: (671) 477-2587

<http://www.house.gov/bordallo>

January 17, 2013

The Honorable Michael F.Q. San Nicolas
Chairman
Committee on Aviation, Ground Transportation,
Regulatory Concerns, and Future Generations
I Mina'trentai Dos Na Liheslaturan Guahan
155 Hesler Place, Suite 203
Hagatna, GU 96910

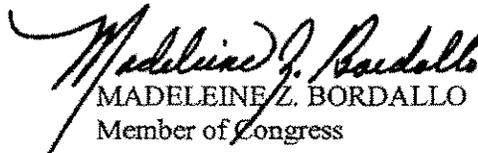
Dear Senator San Nicolas,

I write in response to your letter of January 17, 2013 requesting that I introduce legislation to include Guam as a domestic shipping destination for goods from the contiguous United States. I appreciate your contacting me regarding this matter.

Current federal law places Guam outside the U.S. customs zone and is consistent with previous preferences expressed by our local leaders. Because of this classification, U.S. companies may not consider Guam a domestic destination for their business purposes. I recognize the frustrations that this classification has caused to members of our community, and I am open to having a broader discussion with you and our elected officials regarding our customs zone. However it is important for local leaders to fully consider the ramifications and potential impacts that including Guam in the U.S. customs zone will have on our community.

I would like to discuss this matter further with your during my next district visit. Please have your staff contact my District Scheduler, Cecilia Blas, at cecilia.blas@mail.house.gov or 477-4272 to arrange this meeting. Again, thank you for contacting me regarding this matter, and I look forward to working with you on issues important to our island.

Sincerely,


MADELEINE Z. BORDALLO
Member of Congress

received
1/18/13 9:52a
F. Terlaje



Senator Michael F.Q. San Nicolas

Chairman - Committee on Aviation, Ground Transportation,
Regulatory Concerns and Future Generations
I Mina'trentai Dos Na Liheslaturan Guåhan | 32nd Guam Legislature



January 18, 2013

The Honorable Madeleine Z. Bordallo
Delegate, United States House of Representatives
120 Father Duenas Avenue, Suite 107
Hagåtña, Guam 96910



Re: Clarification on Request for Legislative Action

Dear Congresswoman Bordallo,

Håfa adai! Thank you for your response to my letter dated January 17, 2013 regarding the shipment of inbound goods from the contiguous United States to Guam. I would like the opportunity to clarify my request with particular attention to the assertion in your letter dated January 18, 2013:

“Current federal law places Guam outside the U.S. customs zone and is consistent with previous preferences expressed by our local leaders... However it is important for local leaders to fully consider the ramifications and potential impacts that including Guam in the U.S. customs zone will have on our community.”

I fully understand that current federal laws recognize Guam as outside of the U.S. customs zone. What my letter requests is legislation to redefine that classification as it relates to the flow of goods. I believe that legislation can be crafted to maintain our status as outside of the U.S. customs zone for goods transiting from Guam to the U.S., and inside the U.S. customs zone for goods transiting to Guam from the U.S. While this type of dual classification as proposed is unique, our existing circumstances are already unique, so defining the uniqueness through federal legislation to improve commerce for Guam would be a public service that only you can provide.

My broad stroke assessment is that this type of classification would not be of detriment to the United States as it would improve the ability for contiguous merchants to access our markets, while still protecting and enforcing all applicable duties and tariffs on goods that flow from Guam to the U.S. For benefit of our people, this proposed dual classification will still maintain our status as a duty-free destination for international goods and increase the availability of domestic U.S. goods for our people and local businesses, all while maintaining our existing customs autonomy.

I encourage you to further explore this opportunity to introduce definitive legislation that specifies the application of international customs on goods from Guam to the U.S. along with the application of domestic customs on goods from the U.S. to Guam, while maintaining our customs autonomy to execute this new form.

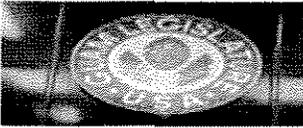
I look forward to working with you on this issue. Thank you for considering this proposition to make meaningful improvements on the opportunities for our local businesses and the quality of life for our people.

Respectfully,



Michael F.Q. San Nicolas
Senator

CC: All Media
All Senators



Rory Respicio <cor@guamlegislature.org>

Senator San Nicolas responds to Congresswoman Bordallo and seeks Congressional Action to make shipping to Guam from the United States easier

Senator Michael San Nicolas <senatorsannicolas@gmail.com>
To: Senator Michael San Nicolas <senatorsannicolas@gmail.com>
Bcc: phnotice@guamlegislature.org

Fri, Jan 18, 2013 at 4:34 PM

Senator San Nicolas responds to Congresswoman Bordallo and seeks Congressional Action to make shipping to Guam from the United States easier

FOR IMMEDIATE RELEASE

January 18, 2013

Senator Michael F.Q. San Nicolas responded to Congresswoman Madeleine Z. Bordallo regarding his request for legislative action over the process of shipping inbound goods from the United States to Guam. Congresswoman Bordallo responded to Senator San Nicolas's initial request for legislative action by saying in part:

“Current federal law places Guam outside the U.S. customs zone and is consistent with previous preferences expressed by our local leaders... However it is important for local leaders to fully consider the ramifications and potential impacts that including Guam in the U.S. customs zone will have on our community.”

In response, Senator San Nicolas said, **“I believe that legislation can be crafted to maintain our status as outside of the U.S. customs zone for goods transiting from Guam to the U.S., and inside the U.S. customs zone for goods transiting to Guam from the U.S. While this type of dual classification as proposed is unique, our existing circumstances are already unique, so defining the uniqueness through federal legislation to improve commerce for Guam would be a public service that only you can provide.”**

Senator San Nicolas continued his call for Congresswoman Bordallo to introduce legislation which would recognize Guam as a domestic destination for the shipment of inbound goods from the contiguous United States.

“...[T]his type of classification would not be of detriment to the United States as it would improve

the ability for contiguous merchants to access our markets, while still protecting and enforcing all applicable duties and tariffs on goods that flow from Guam to the U.S. For benefit of our people, this proposed dual classification will still maintain our status as a duty-free destination for international goods and increase the availability of domestic U.S. goods for our people and local businesses, all while maintaining our existing customs autonomy,” said Senator San Nicolas.

###

For additional information, please email contact Jermaine Alerta at 472-6453 or email senatorsamicolas@gmail.com

Note: Two (2) attachments with this release

- 1. digital copy of the response letter from Del. Bordallo to Sen. San Nicolas dated 1/17/13*
- 2. digital copy of the letter from Sen. San Nicolas to Del. Bordallo dated 1/18/13*

2 attachments



1.18.13 mzb ltr.pdf

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1.18.13 mzb response.pdf

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MADELEINE Z. BORDALLO
GUAM

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RANKING MEMBER, SUBCOMMITTEE ON
READINESS

SUBCOMMITTEE ON MILITARY PERSONNEL

NATURAL RESOURCES COMMITTEE

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Congress of the United States
House of Representatives

July 8, 2013

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SUITE 107
HAGATNA, GUAM 96910
(671) 477-4272
FAX: (671) 477-2587

<http://www.house.gov/bordallo>

The Honorable Rory J. Respicio
Majority Leader
I Mina'trentai Dos Na Liheslaturan Guåhan
155 Hesler Place, Suite 302
Hagåtña, Guam 96910

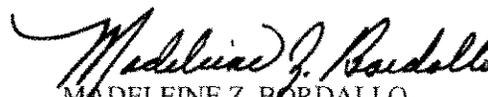
Dear Majority Leader Respicio,

Thank you for your letter of July 6, 2013, regarding forthcoming legislation that may be introduced by Congressman Pedro Pierluisi of Puerto Rico regarding amending the Jones Act. I understand the need to continually examine the impacts of the Jones Act on Guam, and the other areas in the Asia-Pacific region.

I understand that Congressman Pierluisi intends to introduce legislation to amend the Jones Act. As Congressman Pierluisi has stated publicly, the legislation will be narrowly tailored to provide certain exemptions for energy or fuel and agricultural products to Puerto Rico. As Mr. Pierluisi has pointed out in press releases and other public statements, any changes to the Jones Act are very difficult in the current political climate. In particular, the Hawaii and west coast Congressional delegations continue to have concerns regarding potential changes to the Jones Act and we need to ensure their concerns are taken into account in any future legislation that affects trade from the west coast of the United States through Hawaii to Guam. I continue to have dialogue with these Members and stakeholders.

Further, the GAO report that you highlight is the basis for Congressman Pierluisi's legislation. Unfortunately, the GAO did not offer any recommendations, in fact the report emphasized that the issue is complex and multifaceted. The report solely focused on impacts to Puerto Rico, and as such, that is why Congressman Pierluisi is tailoring his legislation narrowly. Regardless, I will continue work closely with my colleagues in the House of Representatives, as well as the local leaders and stakeholders, to ensure that the interests and concerns of our community are given appropriate and due consideration with regards to legislative vehicles which may reform the Jones Act.

Sincerely,


MADELEINE Z. BORDALLO
Member of Congress

MADELEINE Z. BORDALLO
GUAM

ARMED SERVICES COMMITTEE

RANKING MEMBER, SUBCOMMITTEE ON
READINESS

SUBCOMMITTEE ON MILITARY PERSONNEL

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FAX: (671) 477-2587

<http://www.house.gov/bordallo>

July 11, 2013

The Honorable Rory J. Respicio
Majority Leader
I Mina'Trentai Dos Na Liheslaturan Guhan
155 Hesler Place, Suite 302
Hagåtña, Guam 96910

Dear Majority Leader Respicio,

Thank you for your follow-up letter of July 11, 2013 regarding efforts to amend the Jones Act for certain purposes in Puerto Rico. I appreciate our continued dialogue on an important matter for the people of Guam.

I know that you appreciate that any changes to the Jones Act are difficult in the current political environment and we will continue to work with you and other stakeholders to make progress when there are opportunities. Any changes to this legislation would have to take into account the support or opposition of the Hawaii and West Coast delegations as it has significant impacts to their jurisdictions and they can be a significant help or hurdle. At this time I do not believe that those delegations are inclined to support broad changes to the Jones Act. However, limited exemptions have a better chance for success. Our effort must be focused and we will build on any progress and find partners in Congress on these various fronts.

I look forward to a continued dialogue with you and other stakeholders about this important issue. Thank you again for the correspondence on this matter.

Sincerely,


MADELEINE Z. BORDALLO
Member of Congress

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

Testimony Favors Jones Act Reform

June 4, 2013 - A hearing was held this morning on Resolution No. 138-32 (COR) – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam’s Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.”

Students from various high schools around the island who are members of the Public Policy Institute testified in favor of Resolution No. 138-32 (COR). Those testifying included Joseph Maravilla, Anthony Lamorena, Dominique Ong, Rachell Kim and Linda Song.

Lawmakers also received a statement of support for the resolution from Michael N. Hansen, the President of the Hawaii Shippers Council.

A copy of Mr. Hansen’s testimony is attached. Also attached to this news release is the statement made by resolution sponsor Senator Rory J. Respicio and a copy of the resolution as introduced in the Guam Legislature.

For more information, please contact Senator Respicio’s office at 472-7679.

-END-

Attachments:

Resolution No. 138-32 (COR)

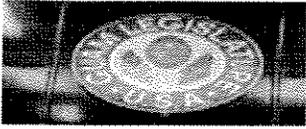
Senator Rory J. Respicio’s Sponsor Statement on Resolution No. 138-32 (COR)

Mr. Michael Hansen’s Statement of Support on Resolution No. 138-32 (COR)

Photo: Members of Public Policy Institute testify before the Legislature.

UNSWORN DECLARATION: I hereby declare that the foregoing is true and correct to the best of my knowledge and belief, under penalty of perjury of the laws of Guam, this declaration being sworn and made in lieu of an affidavit pursuant to Title 6 Guam Code Annotated §4308, at the place and date identified herein.

Rory J. Respicio



Rory Respicio <cor@guamlegislature.org>

News Release: Testimony Favors Jones Act Reform

Senator Rory J. Respicio <cor@guamlegislature.org>

Tue, Jun 4, 2013 at 3:15 PM

To: "hottips@kuam.com" <hottips@kuam.com>, "mvariety@pticom.com" <mvariety@pticom.com>, "news@guampdn.com" <news@guampdn.com>, "news@k57.com" <news@k57.com>

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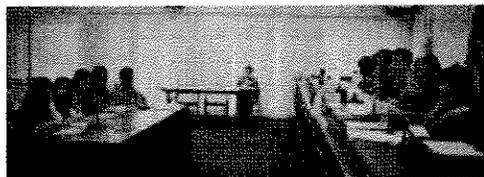
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Photo: Members of Public Policy Institute testify before the Legislature.

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—
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina Trentai Dos na Liheslaturan Guahan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

5 attachments



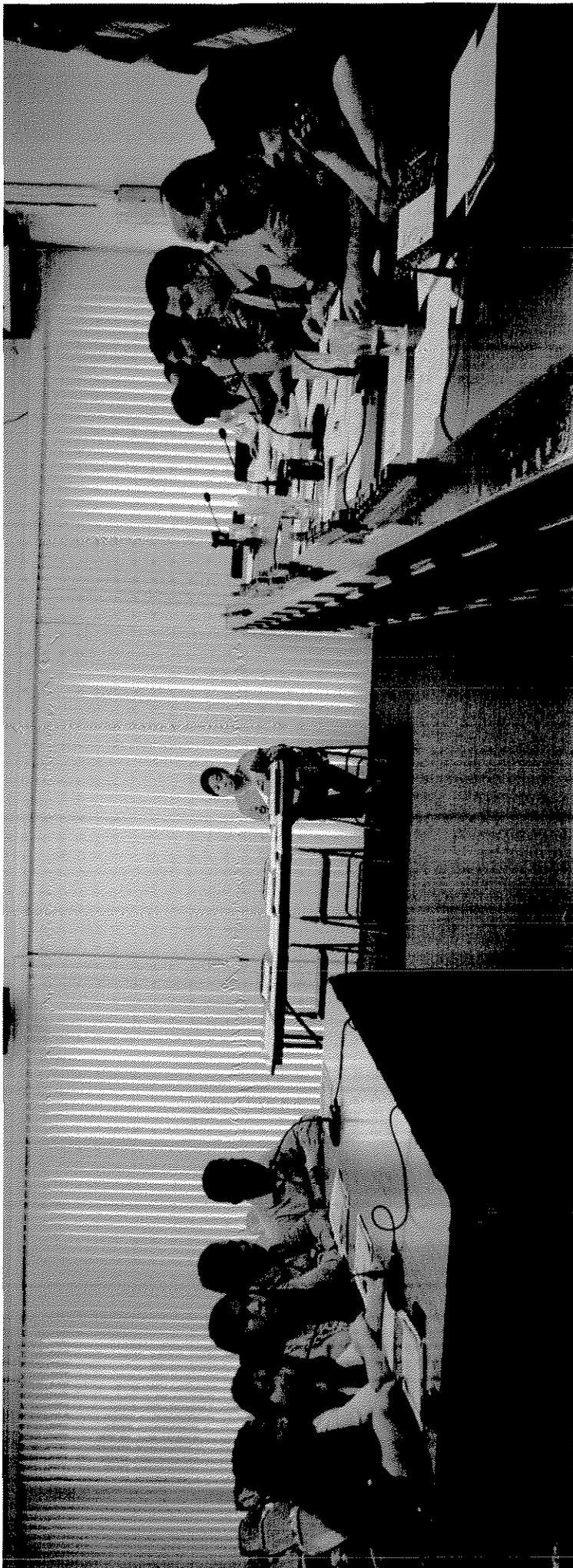
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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

June 28, 2013
Pacific Daily News
Sunday Forum

Should the federal government modify the Jones Act to better benefit the territories?

By Rory J. Respicio

Yes. On May 14 of this year, with Senators Tom Ada and Tony Ada, I introduced Resolution 138-32: "Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive 'Merchant Marine Act of 1920,' more commonly known as the 'Jones Act,' which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam."

For nearly a century, the Jones Act has served several important purposes, including supporting the U.S. shipbuilding industry, providing work for thousands of merchant seamen, and ensuring reliable, safe cargo shipments among the contiguous states and non-contiguous U.S. jurisdictions.

However, the Jones Act has numerous requirements: cargo ships serving U.S. ports must be built in the U.S., crewed by U.S. seamen, carry the U.S. flag, and be U.S. owned. A "one size fits all" approach doesn't work in every situation. Over the years, a number of jurisdictions have been granted exemptions: American Samoa and the Commonwealth of the Northern Marianas received full exemptions, because shipping costs are lower when carried by foreign vessels.

But there doesn't seem to be any logic applied to providing exemptions. The USVI enjoys a full reprieve from high shipping costs, but their nearby neighbor Puerto Rico does not. Guam's exemption can't be used, because our shipping route from the U.S. west coast passes through Hawaii first, and Hawaii requires goods be carried on Jones Act ships.

Like Guam, the Hawaii and Puerto Rico Legislatures are also seeking a reprieve from the Jones Act. The Hawaii Shippers Council has proposed several amendments to the Act that would make it more equitable. Congress needs to amend the Jones Act by using an evenhanded approach to benefit all noncontiguous jurisdictions.

###

Senator Rory J. Respicio chairs the Committee on Rules, Federal, Foreign & Micronesian Affairs, Human & Natural Resources, and Election Reform in the 32nd Guam Legislature

Attachment: Resolution No. 138-32 (COR)

UNSWORN DECLARATION: I hereby declare that the foregoing is true and correct to the best of my knowledge and belief, under penalty of perjury of the laws of Guam, this declaration being sworn and made in lieu of an affidavit pursuant to Title 6 Guam Code Annotated §4308, at the place and date identified herein.

Rory J. Respicio

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Congress must amend the Jones Act

5:50 AM Jun. 29, 2013

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On May 14 of this year, with Sens. Tom Ada and Tony Ada, I introduced Resolution 138-32: "Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive 'Merchant Marine Act of 1920,' more commonly known as the 'Jones Act,' which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam."

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Written by
Rory J. Respcio

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Change: Noncontiguous parts of the US need to see Jones Act modified

Jan. 28

guampdn.com

The archaic and stifling Jones Act must be updated to help reduce costs and provide economic benefits for Guam and other noncontiguous parts of the United States.

When the Jones Act was passed in 1920, it made a lot of sense. The federal law requires all vessels that ship goods between U.S. ports to be at least 75-percent owned by U.S. companies, at least 75-percent crewed by U.S. citizens, and built and registered in the United States.

In 1920, the law was needed to protect U.S. shipping and shipbuilding, the national economy and to better ensure the defense of our country by allowing for the transport of troops across the globe.

But there have been tremendous changes in the United States and the world in the last 93 years. The U.S. shipbuilding industry no longer is competitive; most of the big transoceanic cargo ships are built elsewhere. America no longer needs to rely on civilian ocean transport to get troops to warzones; that's done by aircraft.

In this age of globalization, the stringent restrictions of the Jones Act need to be changed to match the times.

The most sensible change would be to eliminate the requirement for U.S.-built vessels. While Guam already has that exemption, it's useless because Hawaii -- the key shipping point between the mainland and our island -- lacks the exemption, so it doesn't make economic sense to shippers.

This update would preserve the intent of the Jones Act by requiring ships that deliver goods to be U.S.-owned, U.S.-crewed and U.S.-flagged, but allowing shippers to purchase cargo vessels on the international market, where they're much more inexpensive.

To ensure that corners aren't cut at the price of quality and safety, the Jones Act could require that all foreign-built vessels purchased by U.S. shippers meet a specific set of standards.

This change would lower costs for shippers and also increase competition, which would translate into lower costs and improved economies at all noncontiguous U.S. states and territories.

From the Desk of:
JOSEPH F. S. MARAVILLA
PO Box 2178, Hagåtña, Guam 96932
Contact: 671.483.5636 · email: joe.maravilla@gmail.com

(Dededo) - The Federal Government should absolutely modify the Merchant Marine Act of 1920, also known as “The Jones Act.” The Act only allows ships that are built, owned, and operated by American citizens to carry merchandise between United States shipping ports under the guise of economic, national, and homeland security purposes.

The Jones Act has affected the island of Guam in a most serious fashion, and has a huge effect on our island’s economy. I have learned that although it is a lucrative proposition, because of the Jones Act, there isn’t much competition in the shipping industry in Guam.

Currently, the only ocean freight carrier present on Guam is Matson. Since Matson is the only carrier, one can argue as presented by the committee of the Public Policy Institute (PPI) tasked with researching the effects of the Jones Act on our island community - that their prices are inflated, and their business model here can be viewed as a monopoly. This in turn allows for the escalation of the price of shipping goods into Guam. The PPI is an intern student organization that operates out of Speaker Won Pat’s Office.

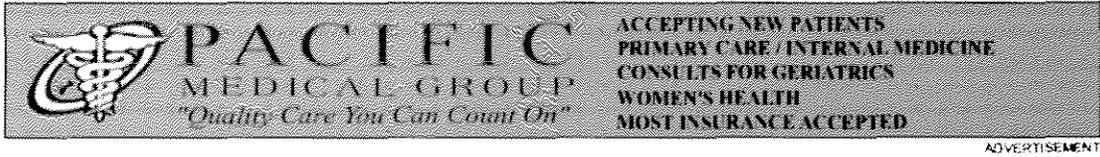
You can see this effect reflected in the price of goods at island businesses. Prices continually increase, and as consumers, we feel the pinch where it hurts us the most, in - as my mom says - our “pocketbook.”

Our island, as we all know it, is small. We all rely on importing goods from everywhere, and there is really no other alternative. An immediate solution that can address the rising costs of goods and provide some economic relief to our people is to modify the Jones Act because the act is one of the main contributors to the high cost of living here on island. Not only does this Act affect our island, but it affects other territories. Territories like, Commonwealth of the Northern Mariana Islands, the Virgin Islands and American Samoa – even Hawaii, also suffer from this very outdated piece of legislation amended from versions of the 1800’s and passed in 1920 - is almost a hundred years old.

The Jones Act must be modified. The purpose of national security and safety should stay, but there should be exemptions when it is recognized that the provisions in the act adversely affect communities where the very citizens the Act claims to protect are adversely affected. This is hurting our economy substantially. If the Jones Act were to be modified, there could possibly be an open trade with other foreign competition. This would directly have an impact on the pricing of goods, and resources for the benefit of our community.

Senator John McCain introduced the Open America’s Act to repeal the Jones Act. Although it failed, island leaders continue to support the repeal. In the prior legislature, former Sen. Frank Blas proffered Resolution No. 371-31, to exempt Guam and other territories from the Jones Act. More recently, Resolution No. 138-32 proposed by Sens. Rory Respicio, Tom Ada and Tony Ada requests Congresswomen Bordallo to support modifications to the Jones Act.

Joseph Maravilla is a Senior at Father Duenas Memorial, He serves as the Social Media Manager for the Public Policy Institute, Office of Speaker Won Pat and currently interns With Sen. Rory J. Respicio.



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Modify shipping law to help Guam's economy

5:50 AM, Jun. 29, 2013

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Written by **Joseph F. S. Maravilla**

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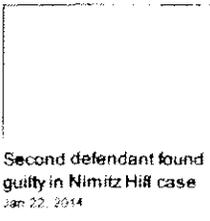
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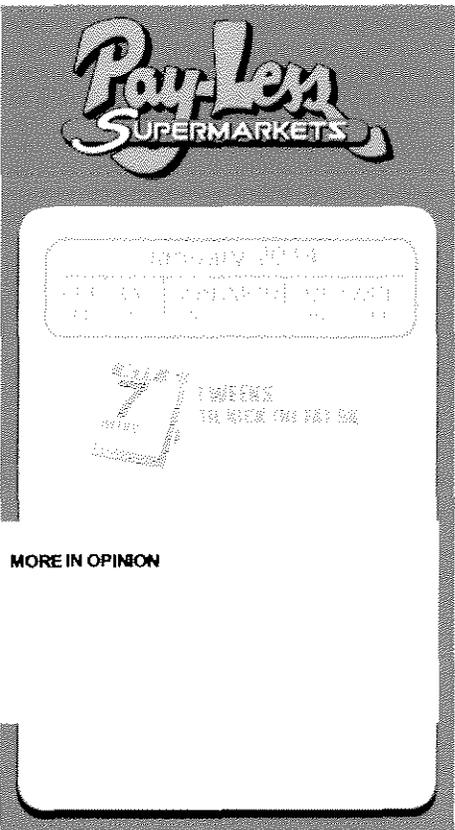
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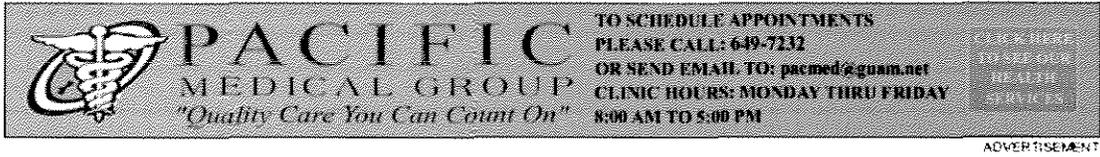


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Federal, local studies needed on the issue

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Written by **Julian Jansson**

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Section 27 of Public Law 66-261, The Merchant Marine Act of 1920, is known as the Jones Act. The Jones Act requires that goods shipped between U.S. ports be carried in U.S. ships owned by U.S. citizens and manned by U.S. citizens and permanent residents.

According to a report by the U.S. Government Accountability Office studying potential modifications of the Jones Act with regard to Puerto Rico, full exemption from the Jones Act would likely result in lower costs of shipping to and from Puerto Rico, with negative impacts on the U.S. merchant marine and shipyards. The impact for Guam would ...

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Written by
Michael N. Hansen

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I recently submitted testimony in support of Resolution No. 138-32 (COR), which a committee of the Guam Legislature heard on June 4. The resolution asks Guam's congresswoman, Madeleine Bordallo, to support modification of the federal shipping law known as the Jones Act.

The Hawaii Shippers Council is a business league organization incorporated in 1997 to represent the interests of the cargo owners -- known as "shippers" -- who tender goods for shipment.

The council's goal is to promote the most efficient shipping services for Hawaii and, by extension, Guam. Toward that end, we view Jones

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MAJORITY LEADER

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COMMITTEE ON RULES, FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåban
THIRTY-SECOND GUAM LEGISLATURE

July 11, 2013

The Honorable Madeleine Z. Bordallo
Member of Congress
120 Father Dueñas Avenue, Suite 107
Hagåtña, Guam 96910

Dear Congresswoman Bordallo:

Hafa Adai! Thank you for your prompt reply to my letter encouraging the support of Puerto Rico's attempt to amend the Jones Act, relating specifically to their Commonwealth. As long as provisions of the Jones Act are not amended for the non-contiguous areas of the United States, these unfairly imposed requirements will continue to cause higher shipping costs.

Our introduction of Resolution No. 138-32 (attached to my previous letter) received very positive support during its public hearing, including from students of the Public Policy Institute, who made an informative presentation on Jones Act history, and reasons for needed change. Also, in a recent Pacific Daily News Sunday Forum on the Jones Act, I wrote: "Like Guam, the Hawaii and Puerto Rico Legislatures are also seeking a reprieve from the Jones Act. The Hawaii Shippers Council has proposed several amendments to the Act that would make it more equitable. Congress needs to amend the Jones Act by using an evenhanded approach to benefit all noncontiguous jurisdictions."

I recognize that the proposed change of Puerto Rico's Jones Act provisions would neither solve problems in the Marianas, nor reduce costs in Hawaii and Alaska. However, by working together, the united voice of the non-contiguous areas of the U.S., including the Jones Act-exempted areas of the U.S. Virgin Islands and the Territory of American Samoa, can be more powerful and effective than individual attempts by each area to find fairness in the marketplace.

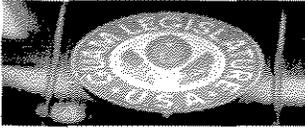
Our unified goal should be the equal treatment of all Americans in all non-contiguous areas. If Honorable Delegate Pierluisi successfully modifies the Jones Act for Puerto Rico, other insular areas may also achieve success. The Hawaii State Legislature has proposed an exemption from the "U.S. build" provision in the Jones Act, (HR 119 and HCR 150, copies included) and if implemented, this provision would benefit Guam, Alaska, Puerto Rico, and the CNMI as well. A complex issue like this one needs determination to find solutions for each jurisdiction.

Thank you for your continued support. I look forward to the eventual modification of the Jones Act for the benefit of all Americans in the non-contiguous areas. *Si Yu'os Ma'åse'!*

Very truly yours,

Rory J. Respicio
Majority Leader

Attachments: HR 119, HCR 150



Letter to Congresswoman Bordallo regarding The Jones Act

Senator Rory J. Respicio <cor@guamlegislature.org>

Thu, Jul 11, 2013 at 11:47 AM

To: madeleine.bordallo@mail.house.gov

Cc: Joaquin Perez <kinginza@yahoo.com>, "Tenorio, Andrew" <andrew.tenorio@mail.house.gov>, Jon Junior Calvo <joncalvo01@gmail.com>

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <marymaravilla19@gmail.com>, "Rory J. Respicio" <roryforguam@gmail.com>, "Vince P. Arriola" <vpamiola1@gmail.com>

July 11, 2013

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Member of Congress

120 Father Dueñas Avenue, Suite 107

Hagåtña, Guam 96910

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Rory J. Respicio

Majority Leader

Attachments: HR 119, HCR 150

—
Majority Leader Rory J. Respicio
Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform
I Mina'Trentai Dos na Liheslaturan Guåhan
155 Hesler Place, Ste. 302
Hagåtña, Guam 96910
Phone: (671) 472-7679
Fax: (671) 472-3547

3 attachments

 **2013.07.11_RJR Letter to MZB re the Jones Act.pdf**
134K

 **HR119_Exempt from Jones Act.pdf**
254K

 **HCR150_Exempt from Jones Act.pdf**
257K

HOUSE CONCURRENT RESOLUTION

REQUESTING CONGRESS TO EXEMPT THE NONCONTIGUOUS DOMESTIC TRADES
OF ALASKA, HAWAII, AND PUERTO RICO FROM THE UNITED STATES
BUILD REQUIREMENT OF THE JONES ACT FOR LARGE OCEANGOING
SHIPS.

1 WHEREAS, interstate ocean shipping is a vital economic link
2 between the seven noncontiguous domestic jurisdictions of the
3 United States and the contiguous forty-eight mainland states of
4 the union; and

5
6 WHEREAS, Section 27 of the Merchant Marine Act of 1920,
7 P.L. 66-261 (46 U.S.C. 55102), commonly known as the Jones Act,
8 is a federal cabotage law that restricts the carriage of cargo
9 between coastwise points in the United States to vessels that
10 are U.S.-built, U.S.-flag, U.S.-owned and U.S.-crewed; and

11
12 WHEREAS, the coastwise laws of the U.S. including the Jones
13 Act, encompass four of the seven noncontiguous domestic
14 jurisdictions, namely, the State of Alaska, the Territory of
15 Guam, the State of Hawaii, and the Commonwealth of Puerto Rico,
16 while the Territory of American Samoa, the Commonwealth of the
17 Northern Mariana Islands, and the Virgin Islands of the United
18 States are fully exempt from the Jones Act as a result of the
19 international treaties associated with their annexation to the
20 U.S.; and

21
22 WHEREAS, there is a historical exemption from the U.S.-
23 build requirement of the Jones Act for all commercial vessels
24 engaged in the domestic Guam trade (46 U.S.C. 12111) known as
25 the "Guam Exemption" and the other three noncontiguous
26 jurisdictions encompassed by the coastwise laws, namely Alaska,
27 Hawaii, and Puerto Rico, are now seeking a similar but more
28 limited exemption for large oceangoing ships engaged in their
29 domestic trades; and
30



1 WHEREAS, the Guam Exemption is of limited usefulness to the
2 Territory because the natural westbound trade lane from the U.S.
3 West Coast to Guam passes through Hawaii, making it difficult
4 for the ocean common carriers to mount financially viable
5 voyages without carrying cargo to both Hawaii and Guam,
6 effectively shackling Guam's interstate trade to the U.S.-build
7 requirement despite their exemption and causing Guam to support
8 the limited extension of their exemption to the jurisdictions of
9 Alaska, Hawaii, and Puerto Rico proposed herein; and

10
11 WHEREAS, the late U.S. Senator Daniel K Inouye inserted in
12 the Omnibus Appropriations Act of 2003 a limited exemption from
13 the U.S.-built requirement of the vessel documentation laws
14 granting three large foreign-built U.S.-flag cruise ships a
15 coastwise endorsement to operate in the Hawaii trade (P.L. 108-
16 7, division B, title II, section 211), known as the "Hawaii
17 Cruise Trade Exemption," recognizing that U.S. shipyards could
18 not successfully construct large specialist cruise ships after
19 the failure of an earlier program to do the same and which
20 Senator Inouye sponsored, known as "Project America" and was
21 contained in the Department of Defense Appropriations Act for
22 Fiscal Year 1998 (P.L. 105-56 section 8109); and

23
24 WHEREAS, current Hawaii Governor Neil Abercrombie in his
25 State of the State address on January 22, 2013, strongly
26 implored the Hawaii State Legislature "to move forward with" him
27 to "embark on a path to LNG (liquefied natural gas) [that] will
28 result in long term avoided costs" and "allow us to purchase
29 fuel from American sources" because "our State, our residents,
30 our constituents, our businesses and communities need relief"
31 while "to do nothing puts everyone in the State at risk"; and

32
33 WHEREAS, the former Governor of Puerto Rico Luis Fortuno
34 established an LNG program, which includes gaining access to
35 domestic sources for the Commonwealth, and his successor
36 Governor Alejandro Garcia Padilla is following suit to reduce
37 their energy costs, and Governor Sean Parnell of Alaska is
38 developing the State's North Slope LNG resources for export
39 primarily to Asia and shipment to Hawaii as well; and

40
41 WHEREAS, the ocean shipment of LNG requires specialist
42 tanker ships known as "LNG Carriers", none of which have been
43 built in the U.S. since the mid-1970's, and new construction in
44 the U.S. would be cost prohibitive and potentially result in



1 failure as did Project America denying Hawaii and Puerto Rico
2 access to U.S. LNG sources and Alaska from supplying LNG to
3 other States unless the noncontiguous trades are exempted from
4 the U.S. built requirement; and
5

6 WHEREAS, the noncontiguous jurisdictions are completely
7 dependent on ocean shipping for interstate surface
8 transportation and their geography precludes access to
9 alternatives such as interstate railroad, highway, and pipeline
10 transportation that are readily available and provide
11 competitive carriage within the contiguous United States; and
12

13 WHEREAS, the Jones Act generally restricts competition in
14 the domestic ocean shipping industry, has led to monopoly-like
15 shipping markets for interstate ocean common carrier
16 transportation in the coastwise noncontiguous domestic trades,
17 and has left many shippers in the contract carriage (non-common
18 carrier) sectors of those trades without access to the kinds of
19 efficient ocean transportation for commodities - such as bulk
20 grains and livestock - which are readily available to the rest
21 of the world; and
22

23 WHEREAS, the U.S.-build requirement of the Jones Act in
24 particular creates an artificial scarcity of major capital
25 ships, erects substantial barriers to entry for domestic trades,
26 and severely restricts the contestability of the domestic ocean
27 transportation markets; and
28

29 WHEREAS, U.S. deep-draft ship construction is typically
30 three or more times the cost in Japan and South Korea and U.S.
31 ship production is very limited - building on average fewer than
32 three deep draft merchant ships annually in the U.S. since the
33 mid-1980's - putting the major U.S. shipbuilding yards at a
34 distinct disadvantage in terms of economies of scale adversely
35 affecting their ability to apply new technology, expertise, and
36 experience in the construction of large modern oceangoing ships
37 as compared to their international peers; and
38

39 WHEREAS, the high cost and low production of the U.S.
40 shipbuilding industry has resulted in an aging and inefficient
41 deep-sea Jones Act fleet that disproportionately imposes a
42 considerable economic cost on, and adversely affects, the
43 noncontiguous jurisdictions; and
44



1 WHEREAS, the average age of the Jones Act containerships
2 employed in the coastwise noncontiguous domestic trades is
3 twenty-eight years compared to the international average of
4 twelve years for containerships, and international maritime
5 insurance data clearly shows that ship accident rates correlate
6 to the age of ships spiking after twenty years; and
7

8 WHEREAS, foreign and U.S.-built ships alike are designed
9 and built to the universal standards established by the nearly
10 50 international conventions and agreements and numerous
11 protocols and amendments administered by the United Nation's
12 International Maritime Organization (IMO), which have been
13 ratified by the United States and made part of U.S. law; and
14

15 WHEREAS, the United States Coast Guard (USCG) inspects all
16 foreign-built ships seeking to become registered vessels of the
17 United States to ensure that they comply with all U.S. ship
18 construction and safety laws and regulations; and
19

20 WHEREAS, the U.S.-build requirement of the Jones Act for
21 large oceangoing ships in noncontiguous domestic trades is not
22 essential for the national defense of the United States because
23 the remaining eight major domestic shipbuilding yards capable of
24 constructing large oceangoing ships primarily build naval ships
25 and produce so few merchant ships each year that this activity
26 does not represent sufficient shipbuilding capacity to begin
27 addressing the shipbuilding requirements of a major war time
28 contingency and sustains a limited industrial base unable to
29 support ongoing naval construction programs; and
30

31 WHEREAS, more than half of the large oceangoing Jones Act
32 fleet is employed in the coastwise noncontiguous domestic
33 trades, thus imposing more than fifty per cent of the additional
34 cost burden of operating large oceangoing Jones Act ships on
35 less than two per cent of the U.S. population; and
36

37 WHEREAS, all other modes of domestic transportation in the
38 U.S. are permitted to use foreign manufactured equipment for
39 commercial operation without restriction including aircraft,
40 railroad cars and locomotives, trucks, automobiles, and mass
41 transit vehicles; and
42

43 WHEREAS, in December 1994, the U.S. signed the Organization
44 for Economic Cooperation and Development's final act of the



1 "Agreement Respecting Normal Competitive Conditions in the
2 Commercial Shipbuilding and Repair Industry" (known as the OECD
3 Shipbuilding Agreement) that would allow certain foreign built
4 ships in the domestic Jones Act trades, but it has not been
5 ratified by the U.S. Congress; and

6
7 WHEREAS, the U.S. domestic build provisions of the Jones
8 Act do not comply with ongoing Multilateral Trade Negotiations
9 that began under the General Agreement on Tariffs and Trade and
10 continues with the World Trade Organization; and

11
12 WHEREAS, the U.S.-build requirement of the Jones Act is an
13 absolute merchandise import restriction contrary to
14 international trade agreements; and

15
16 WHEREAS, the residents of the coastwise noncontiguous
17 jurisdictions subsidize an inefficient and commercially
18 uncompetitive U.S. major ship building industry; and

19
20 WHEREAS, the exemption described herein is a limited and
21 narrowly targeted reform of the Jones Act that would not change
22 the existing U.S.-flag, U.S.-ownership and U.S.-crew provisions
23 of the Jones Act as they currently apply to the coastwise
24 noncontiguous domestic trades, would not allow foreign-seamen or
25 foreign-shipowners in any domestic trade where they are not
26 currently allowed, would not apply to the domestic tug and barge
27 industry anywhere in the U.S. including in the Jones Act
28 noncontiguous jurisdictions, would not affect any domestic
29 shipping along the coasts of the contiguous U.S. mainland, in
30 the intercoastal trades, on the inland waterways, or on the
31 Great Lakes, and would not negatively impact any maritime
32 industry jobs in the noncontiguous jurisdictions; and

33
34 WHEREAS, the passage of federal legislation exempting the
35 noncontiguous domestic trades from the U.S.-build requirement
36 for large self-propelled ships would revitalize U.S.-flag
37 shipping by allowing new foreign-built ships into the
38 noncontiguous domestic trade, removing barriers to entry and
39 encouraging more effective competition in those trades, and
40 generally making more U.S.-flag merchant ships available to
41 support military operations; now, therefore,

42
43 BE IT RESOLVED by the House of Representatives of the
44 Twenty-seventh Legislature of the State of Hawaii, Regular



H.C.R. NO. 150

1 Session of 2013, the Senate concurring, that this body
 2 respectfully requests the Congress of the United States to pass
 3 legislation granting an exemption from the U.S.-build
 4 requirement of the Jones Act in the noncontiguous domestic
 5 trades of Alaska, Hawaii, and Puerto Rico for large self-
 6 propelled oceangoing ships; and

7
 8 BE IT FURTHER RESOLVED that this body respectfully requests
 9 the President of the United States and his administration to
 10 support the congressional legislation requested herein; and

11
 12 BE IT FURTHER RESOLVED that the Hawaii congressional
 13 delegation is urged to request Congress to exempt Alaska,
 14 Hawaii, and Puerto Rico from the U.S. build requirement of the
 15 Jones Act for large self-propelled oceangoing ships; and

16
 17 BE IT FURTHER RESOLVED that certified copies of this
 18 Concurrent Resolution be transmitted to the President of the
 19 United States, the President of the United States Senate, the
 20 Speaker of the United States House of Representatives, the
 21 Secretary of the United States Department of Transportation,
 22 members of Alaska, Guam, Hawaii, and Puerto Rico's congressional
 23 delegations, and to the Governors of Alaska, Guam, Hawaii and
 24 Puerto Rico.

25
 26
 27

OFFERED BY:

The block contains four handwritten signatures. The first is a large, stylized signature. Below it is a signature that reads "Cindy Evans". The third signature reads "John M. ...". The fourth signature is another stylized name.

MAR 13 2013



HOUSE RESOLUTION

REQUESTING CONGRESS TO EXEMPT THE NONCONTIGUOUS DOMESTIC TRADES
OF ALASKA, HAWAII, AND PUERTO RICO FROM THE UNITED STATES
BUILD REQUIREMENT OF THE JONES ACT FOR LARGE OCEANGOING
SHIPS.

1 WHEREAS, interstate ocean shipping is a vital economic link
2 between the seven noncontiguous domestic jurisdictions of the
3 United States and the contiguous forty-eight mainland states of
4 the union; and

5
6 WHEREAS, Section 27 of the Merchant Marine Act of 1920,
7 P.L. 66-261 (46 U.S.C. 55102), commonly known as the Jones Act,
8 is a federal cabotage law that restricts the carriage of cargo
9 between coastwise points in the United States to vessels that
10 are U.S.-built, U.S.-flag, U.S.-owned and U.S.-crewed; and

11
12 WHEREAS, the coastwise laws of the U.S. including the Jones
13 Act, encompass four of the seven noncontiguous domestic
14 jurisdictions, namely, the State of Alaska, the Territory of
15 Guam, the State of Hawaii, and the Commonwealth of Puerto Rico,
16 while the Territory of American Samoa, the Commonwealth of the
17 Northern Mariana Islands, and the Virgin Islands of the United
18 States are fully exempt from the Jones Act as a result of the
19 international treaties associated with their annexation to the
20 U.S.; and

21
22 WHEREAS, there is a historical exemption from the U.S.-
23 build requirement of the Jones Act for all commercial vessels
24 engaged in the domestic Guam trade (46 U.S.C. 12111) known as
25 the "Guam Exemption" and the other three noncontiguous
26 jurisdictions encompassed by the coastwise laws, namely Alaska,
27 Hawaii, and Puerto Rico, are now seeking a similar but more
28 limited exemption for large oceangoing ships engaged in their
29 domestic trades; and

30
31 WHEREAS, the Guam Exemption is of limited usefulness to the
32 Territory because the natural westbound trade lane from the U.S.
33 West Coast to Guam passes through Hawaii, making it difficult



1 for the ocean common carriers to mount financially viable
2 voyages without carrying cargo to both Hawaii and Guam,
3 effectively shackling Guam's interstate trade to the U.S.-build
4 requirement despite their exemption and causing Guam to support
5 the limited extension of their exemption to the jurisdictions of
6 Alaska, Hawaii, and Puerto Rico proposed herein; and
7

8 WHEREAS, the late U.S. Senator Daniel K Inouye inserted in
9 the Omnibus Appropriations Act of 2003 a limited exemption from
10 the U.S.-built requirement of the vessel documentation laws
11 granting three large foreign-built U.S.-flag cruise ships a
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13 7, division B, title II, section 211), known as the "Hawaii
14 Cruise Trade Exemption," recognizing that U.S. shipyards could
15 not successfully construct large specialist cruise ships after
16 the failure of an earlier program to do the same and which
17 Senator Inouye sponsored, known as "Project America" and was
18 contained in the Department of Defense Appropriations Act for
19 Fiscal Year 1998 (P.L. 105-56 section 8109); and
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21 WHEREAS, current Hawaii Governor Neil Abercrombie in his
22 State of the State address on January 22, 2013, strongly
23 implored the Hawaii State Legislature "to move forward with" him
24 to "embark on a path to LNG (liquefied natural gas) [that] will
25 result in long term avoided costs" and "allow us to purchase
26 fuel from American sources" because "our State, our residents,
27 our constituents, our businesses and communities need relief"
28 while "to do nothing puts everyone in the State at risk"; and
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30 WHEREAS, the former Governor of Puerto Rico Luis Fortuno
31 established an LNG program, which includes gaining access to
32 domestic sources for the Commonwealth, and his successor
33 Governor Alejandro Garcia Padilla is following suit to reduce
34 their energy costs, and Governor Sean Parnell of Alaska is
35 developing the State's North Slope LNG resources for export
36 primarily to Asia and shipment to Hawaii as well; and
37

38 WHEREAS, the ocean shipment of LNG requires specialist
39 tanker ships known as "LNG Carriers", none of which have been
40 built in the U.S. since the mid-1970's, and new construction in
41 the U.S. would be cost prohibitive and potentially result in
42 failure as did Project America denying Hawaii and Puerto Rico
43 access to U.S. LNG sources and Alaska from supplying LNG to



1 other States unless the noncontiguous trades are exempted from
2 the U.S. built requirement; and
3

4 WHEREAS, the noncontiguous jurisdictions are completely
5 dependent on ocean shipping for interstate surface
6 transportation and their geography precludes access to
7 alternatives such as interstate railroad, highway, and pipeline
8 transportation that are readily available and provide
9 competitive carriage within the contiguous United States; and
10

11 WHEREAS, the Jones Act generally restricts competition in
12 the domestic ocean shipping industry, has led to monopoly-like
13 shipping markets for interstate ocean common carrier
14 transportation in the coastwise noncontiguous domestic trades,
15 and has left many shippers in the contract carriage (non-common
16 carrier) sectors of those trades without access to the kinds of
17 efficient ocean transportation for commodities - such as bulk
18 grains and livestock - which are readily available to the rest
19 of the world; and
20

21 WHEREAS, the U.S.-build requirement of the Jones Act in
22 particular creates an artificial scarcity of major capital
23 ships, erects substantial barriers to entry for domestic trades,
24 and severely restricts the contestability of the domestic ocean
25 transportation markets; and
26

27 WHEREAS, U.S. deep-draft ship construction is typically
28 three or more times the cost in Japan and South Korea and U.S.
29 ship production is very limited - building on average fewer than
30 three deep draft merchant ships annually in the U.S. since the
31 mid-1980's - putting the major U.S. shipbuilding yards at a
32 distinct disadvantage in terms of economies of scale adversely
33 affecting their ability to apply new technology, expertise, and
34 experience in the construction of large modern oceangoing ships
35 as compared to their international peers; and
36

37 WHEREAS, the high cost and low production of the U.S.
38 shipbuilding industry has resulted in an aging and inefficient
39 deep-sea Jones Act fleet that disproportionately imposes a
40 considerable economic cost on, and adversely affects, the
41 noncontiguous jurisdictions; and
42

43 WHEREAS, the average age of the Jones Act containerships
44 employed in the coastwise noncontiguous domestic trades is



1 twenty-eight years compared to the international average of
2 twelve years for containerships, and international maritime
3 insurance data clearly shows that ship accident rates correlate
4 to the age of ships spiking after twenty years; and
5

6 WHEREAS, foreign and U.S.-built ships alike are designed
7 and built to the universal standards established by the nearly
8 50 international conventions and agreements and numerous
9 protocols and amendments administered by the United Nation's
10 International Maritime Organization (IMO), which have been
11 ratified by the United States and made part of U.S. law; and
12

13 WHEREAS, the United States Coast Guard (USCG) inspects all
14 foreign-built ships seeking to become registered vessels of the
15 United States to ensure that they comply with all U.S. ship
16 construction and safety laws and regulations; and
17

18 WHEREAS, the U.S.-build requirement of the Jones Act for
19 large oceangoing ships in noncontiguous domestic trades is not
20 essential for the national defense of the United States because
21 the remaining eight major domestic shipbuilding yards capable of
22 constructing large oceangoing ships primarily build naval ships
23 and produce so few merchant ships each year that this activity
24 does not represent sufficient shipbuilding capacity to begin
25 addressing the shipbuilding requirements of a major war time
26 contingency and sustains a limited industrial base unable to
27 support ongoing naval construction programs; and
28

29 WHEREAS, more than half of the large oceangoing Jones Act
30 fleet is employed in the coastwise noncontiguous domestic
31 trades, thus imposing more than fifty per cent of the additional
32 cost burden of operating large oceangoing Jones Act ships on
33 less than two per cent of the U.S. population; and
34

35 WHEREAS, all other modes of domestic transportation in the
36 U.S. are permitted to use foreign manufactured equipment for
37 commercial operation without restriction including aircraft,
38 railroad cars and locomotives, trucks, automobiles, and mass
39 transit vehicles; and
40

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42 for Economic Cooperation and Development's final act of the
43 "Agreement Respecting Normal Competitive Conditions in the
44 Commercial Shipbuilding and Repair Industry" (known as the OECD



1 Shipbuilding Agreement) that would allow certain foreign built
2 ships in the domestic Jones Act trades, but it has not been
3 ratified by the U.S. Congress; and
4

5 WHEREAS, the U.S. domestic build provisions of the Jones
6 Act do not comply with ongoing Multilateral Trade Negotiations
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8 continues with the World Trade Organization; and
9

10 WHEREAS, the U.S.-build requirement of the Jones Act is an
11 absolute merchandise import restriction contrary to
12 international trade agreements; and
13

14 WHEREAS, the residents of the coastwise noncontiguous
15 jurisdictions subsidize an inefficient and commercially
16 uncompetitive U.S. major ship building industry; and
17

18 WHEREAS, the exemption described herein is a limited and
19 narrowly targeted reform of the Jones Act that would not change
20 the existing U.S.-flag, U.S.-ownership and U.S.-crew provisions
21 of the Jones Act as they currently apply to the coastwise
22 noncontiguous domestic trades, would not allow foreign-seamen or
23 foreign-shipowners in any domestic trade where they are not
24 currently allowed, would not apply to the domestic tug and barge
25 industry anywhere in the U.S. including in the Jones Act
26 noncontiguous jurisdictions, would not affect any domestic
27 shipping along the coasts of the contiguous U.S. mainland, in
28 the intercoastal trades, on the inland waterways, or on the
29 Great Lakes, and would not negatively impact any maritime
30 industry jobs in the noncontiguous jurisdictions; and
31

32 WHEREAS, the passage of federal legislation exempting the
33 noncontiguous domestic trades from the U.S.-build requirement
34 for large self-propelled ships would revitalize U.S.-flag
35 shipping by allowing new foreign-built ships into the
36 noncontiguous domestic trade, removing barriers to entry and
37 encouraging more effective competition in those trades, and
38 generally making more U.S.-flag merchant ships available to
39 support military operations; now, therefore,
40

41 BE IT RESOLVED by the House of Representatives of the
42 Twenty-seventh Legislature of the State of Hawaii, Regular
43 Session of 2013, that this body respectfully requests the
44 Congress of the United States to pass legislation granting an



1 exemption from the U.S.-build requirement of the Jones Act in
2 the noncontiguous domestic trades of Alaska, Hawaii, and Puerto
3 Rico for large self-propelled oceangoing ships; and
4

5 BE IT FURTHER RESOLVED that this body respectfully requests
6 the President of the United States and his administration to
7 support the congressional legislation requested herein; and
8

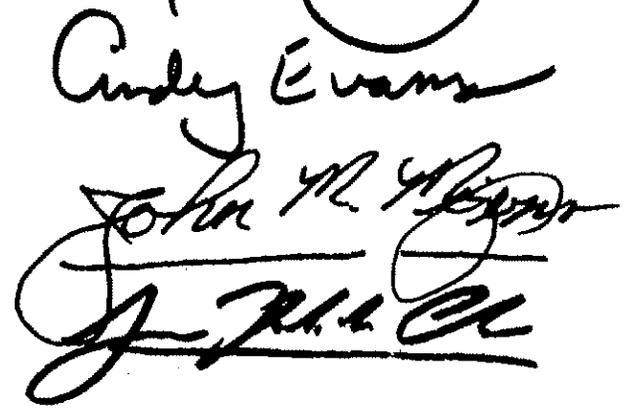
9 BE IT FURTHER RESOLVED that the Hawaii congressional
10 delegation is urged to request Congress to exempt Alaska,
11 Hawaii, and Puerto Rico from the U.S. build requirement of the
12 Jones Act for large self-propelled oceangoing ships; and
13

14 BE IT FURTHER RESOLVED that certified copies of this
15 Resolution be transmitted to the President of the United States,
16 the President of the United States Senate, the Speaker of the
17 United States House of Representatives, the Secretary of the
18 United States Department of Transportation, members of Alaska,
19 Guam, Hawaii, and Puerto Rico's congressional delegations, and
20 to the Governors of Alaska, Guam, Hawaii and Puerto Rico.
21
22
23

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MAR 13 2013



Saturday, June 29, 2013

Guam: Legislators, Media Protest Jones Act 'Monster of the Pacific Rim'
By Selected News Articles @ 7:38 PM :: 823 Views :: Jones Act



Op-Eds from Guam Pacific Daily News June 29 & 30, 2013 -- Click links to read:

- **Congress must amend the Jones Act** by Rory J. Respicio Guam Senate Majority Leader
- **Change: Noncontiguous parts of the US need to see Jones Act modified --** Guam Pacific Daily News Editorial
- **Modify shipping law to help Guam's economy** by Joseph F. S. Maravilla, Guam Public Policy Institute
- **Federal, local studies needed on the issue** by Julian Janssen, Policy Analyst
- **It's clear exemptions are needed** by Michael N. Hansen, Hawaii Shippers Council

From: Tisha C. Panter

Sent: Thursday, March 13, 2014 4:27 PM

To: 'senator.fred.dyson@akleg.gov'; 'Senator John Coghill'; 'Rory J. Respicio'; 'V. Anthony Ada'; 'Senator Rosanna Lopez Leon'; 'Larry Seilhamer'; 'Michael N Hansen'; 'sbh@lava.net'; Rep. Cindy Evans; Rep. Gene Ward

Cc: Melvin Ah Ching; 'Hans Rodvik'; 'Bill Phillips'; 'Jennifer Louise Dulla'; 'Peter J. Leon Guerrero'; 'Edward G. Lee'; 'Jose A. Perez'; 'Coral Odio Rivera'; 'senadointeractivo@gmail.com'; 'misoto@senado.pr.gov'; 'japerez@senado.pr.gov'; 'tyler.belk@akleg.gov'

Subject: FW: jones act

Dear all,

AP has picked it up and posted it 2 hours after the press conference and here is the first small story to run in Hawaii's Star Advertiser.

http://www.staradvertiser.com/news/breaking/20140313_hawaii_alaska_territories_team_up_on_jones_act.html?id=250266311

Tisha Panter

Senior Attorney and Director of Research

Senate Minority Research Office

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State Capitol

Honolulu, Hawaii 96813

Tel: (808) 586-6996 (W)

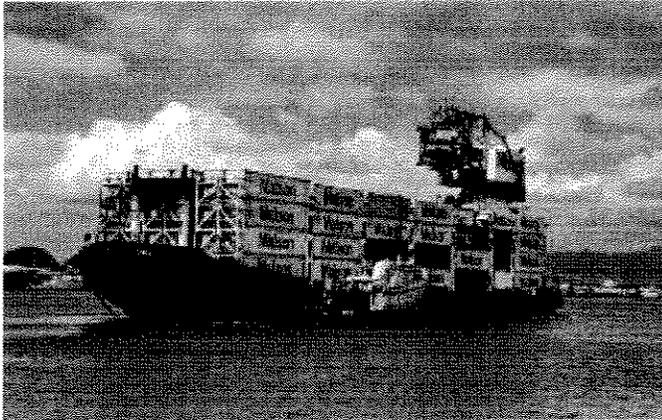
Fax: (808) 586-6759

Email: t.panter@capitol.hawaii.gov

Hawaii, Alaska, territories team up on Jones Act

By Cathy Bussewitz / Associated Press

POSTED: 03:47 p.m. HST, Mar 13, 2014 LAST UPDATED: 03:55 p.m. HST, Mar 13, 2014



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www.guamhome.com/s=400

Lawmakers from Hawaii, Alaska, Puerto Rico and Guam are teaming up to pressure the U.S. government for relief from a maritime law passed in the 1920s.

The Jones Act was designed to protect the domestic shipping industry. It says that only ships made in the U.S. and flying the country's flags can deliver goods between U.S. ports.

That means that a cargo ship filled with goods from China can only make one stop in the U.S. at a time. It can't stop in Hawaii to exchange goods before heading to Los Angeles.

Hawaii state Sen. Sam Slom says the law punishes the people of Alaska, Puerto Rico, Guam and Hawaii with high costs of living.

Representatives from the impacted states and territories met in a videoconference Thursday.



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East shores can expect high surf until Wednesday
Boat with ton of marijuana found on L.A. beach
Man charged with felony stalking of Selena Gomez
Only 2 midsize SUVs get top rating in crash tests
UConn beats Kentucky to win NCAA title
High surf advisory posted for all islands
Hawaii Gas brings in first shipment of containerized LNG
Former 'Iolani star named Mid-Pacific basketball coach
Woman crashes SUV into Hawaii Kai bank branch



Media release - 2014 Video Press Conference on the Jones Act - non-contiguous states

Tisha C. Panter <t.panter@capitol.hawaii.gov>

Fri, Mar 14, 2014 at 11:39 AM



Senator Sam Slom
Senate Minority Leader
Hawaii State Capitol
Room 214

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Please see news release below regarding the Jones Act

Caption: Lawmakers of Hawaii, Alaska, Puerto Rico and Guam ask the U.S. Congress to allow foreign built vessels into their ports

NEWS RELEASE

For Immediate Release

Friday 3/13/2014

Hawaii, Alaska, and Puerto Rico lawmakers say the U.S. ship build requirement of the Jones Act is a major contributor to the high cost of living in their locations and they want the U.S. Congress to remove this burden.

The public is urged to get involved.

HONOLULU— Today, lawmakers from Alaska, Puerto Rico and Hawaii came together by video to voice their views to the public and the United States government on the Jones Act. (Technicians were unable to establish a connection with Guam.)

Each jurisdiction participating today has tried singularly, on numerous occasions, to persuade the United States government to provide exemptions, waivers and relief from the Jones Act. Today, lawmakers from these jurisdictions are joining forces to try to get the word to the U.S. Administration and the U.S. Congress that the Jones Act is punishing the people of Alaska, Puerto Rico, Guam and Hawaii with high costs of living. For example, according to the USDA thrifty plan data (2011) the average cost of groceries in Hawaii is 49% higher when compared to the mainland costs. <http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>

USDA food costs	Mainland	Hawaii	Alaska
Average Monthly Food Cost (2011)	\$533	\$1,038	\$725
Difference - \$		\$505	\$192
Difference - %		49%	26%

Domestic ocean transportation in the Alaska, Guam, Hawaii and Puerto Rico is known as the noncontiguous trades. The noncontiguous jurisdictions are unique in the nation as they are completely reliant on ocean shipping for interstate surface transportation. The forty-eight states

comprising the contiguous United States (CONUS) – also known as the “mainland” and the “lower 48” – have many interstate surface transportation alternatives, including truck and rail.

The four jurisdictions video conferencing for the press conference today have greater political effectiveness working together in seeking reform to federal cabotage laws. [1] International critics call the Jones Act “super cabotage” and “the mother of all cabotage laws.” The U.S. maritime cabotage laws are unique in the world by strictly requiring vessels be domestically built. In contrast, United States aviation cabotage laws do not require domestically manufactured aircraft to carry commercial freight and passengers between points in the United States. For example, witness the widespread use of foreign-manufactured Airbus aircraft in domestic U.S. service.

A common reform solution, by exempting the non-contiguous states from the U.S. ship build requirement, would create a larger market and foster greater competition in ocean shipping for the noncontiguous trades. For comparison, recent figures show that a 40' container rate from Los Angeles to Shanghai is \$790 while a 40' container from Los Angeles to Honolulu is \$8,700 (Matson lines – see article at watchdog.org Nov 26, 2013). Many lawmakers would like to know why the U.S. is contributing to a lower cost of living in China, while continuing to encourage high costs of living in the non-contiguous U.S. states. The non-contiguous states' lawmakers propose a Jones Act reform that would exempt the noncontiguous trades from the U.S. ship build requirement.

The costs of building large oceangoing self-propelled ships in the United States, as required by the federal cabotage laws, are now four to five times the cost of building a comparable ship in Japan and South Korea. This extraordinary U.S. shipbuilding cost has many ramifications. It restricts domestic ship construction, creates an artificial scarcity of ships, erects very high barriers to entry for the domestic coastal and noncontiguous trades effectively restricting competition, and has resulted in an ageing and inefficient Jones Act fleet including in the noncontiguous trades.

Two ocean common carriers operating in the Puerto Rico trade – Sea Star Line and Crowley Maritime – announced earlier this year they plan to build in U.S. Shipyards two new containerships each to replace their ageing vessels. The new ships will have a capacity of approximately 3,000 Twenty-foot Equivalent Units (TEU)s and cost approximately U.S. \$200 million apiece. These ships will be built under license to foreign shipyards which created their design. Had these ships been purchased directly from the companies who designed them and built at one of those companies' foreign shipyards, the cost would have been in the range of U.S. \$40 to 50 million. The people and businesses of the non-contiguous states are paying for the difference between the domestic and foreign build cost for these ships.

The Territory of Guam is currently exempt from the U.S. ship build requirement of the Jones Act (46 USC 12111), which is commonly known as the “Guam Exemption.” However, the exemption is

of limited usefulness as the natural westbound trade lane from the U.S. West Coast passes through Honolulu effectively shackling Guam to the U.S. ship build requirement for its interstate trade.

The list of participants at the press conference today included:

Hawaii: Senator Sam Slom (R); Representative Gene Ward (R); Representative Evans (D).

Territory of Guam: Senator V. Anthony "Tony" Ada (R) – Minority Leader; Senator Rory J. Respicio (D) – Majority Leader.

Alaska: Senator Fred Dyson (R) - talking; Senator John Coghill (R) – Majority Leader – participated for a short time but needed to leave prior to speaking.

Commonwealth of Puerto Rico: Senator Rossana Lopez Leon – Majority Whip

Other speakers: Michael N. Hansen, President, Hawaii Shippers Council; Cliff Slater, Independent Transportation/Trucking/Railroad Professional

PHOTOS OF THE PARTICIPANTS ARE ATTACHED. A VIDEO LINK OF THE VIDEO PRESS CONFERENCE WILL FOLLOW.

#####

FOR MEDIA ONLY: For digital images and video from the press conference, or an interview with Senator Sam Slom, please contact Tisha Panter at (808) 586-6996 t.panter@capitol.hawaii.gov or Herb Laybon at (808) 586-6780 / h.laybon@capitol.hawaii.gov

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Note: Some information above was gleaned from Michael Hansen's, President, Hawaii Shipper's Council testimony to the Puerto Rico legislature dated 11-04-2013.

[i] Examples include but are not limited to: Senate of Puerto Rico, S.R. 237 (2013); Hawaii Senate SR45 and SCR 93(2014), SR97 and SCR117 (2013); Hawaii House of Representatives HCR153, HR113 (2014) HR119 and HCR150 (2013; Alaska Statutes-Sec. 44.19.035. Jones Act repeal. Article 02. The governor shall use best efforts and all appropriate means to persuade the United States Congress to repeal those provisions of the Jones Act formerly codified at 46 U.S.C. 861, et seq.; Territory of Guam Resolution No. 179 (LS) refers to the high cargo costs to due cabotage laws.

[ii] There are several federal cabotage laws that regulate a variety of domestic marine activities. Section 27 of the Merchant Marine Act of 1920 (46 USC 50101) commonly known as the Jones Act regulates the carriage of cargo. The Passenger Vessel Act of 1886 (48 USC 55103) regulates passenger carriage. Additionally, the Dredging Act (46 USC 55109), Towage Act (46 USC 55111), and Salvage Act (46 USC 80304) cover specific activities as their names indicate. The Nicholson Act of 1950 (46 USC App. 251(a)) regulates the use of fishing vessels. The Second Proviso of the Jones Act (P.L. 84-714 of 1956) (46 USC 12101(a) and 12132(b)) restricts foreign rebuilding of coastwise eligible vessels. Section 446 of the Tariff Act of 1930 (also known as the Smoot Hawley Tariff) (19 USC 1466) imposes a 50% ad valorem duty on repairs to U.S. flag ships performed in a foreign place.

10 attachments



Cliff Slater, Mike Hansen, Representative Cindy Evens, Senator Sam Slom, Representative Gene Ward of Hawaii at the 2014 Jones Act Video Press Conference.JPG
76K



Hawaii delegation and Senator Rossana Lopez Leon at the 2014 Jones Act Video Press Conference.JPG
71K



Mike Hansen, Representative Cindy Evans, Senator Sam Slom, Representative Gene Ward at the 2014 Jones Act Video Press Conference.JPG

74K



Representative Cindy Evans, Senator Sam Slom, Representative Gene Ward of Hawaii at the 2014 Jones Act Video Press Conference.JPG

76K



Senator Fred Dyson of Alaska.jpg

50K



Senator Rossana Lopez Leon of Puerto Rico at the 2014 Jones Act Video Press Conference.JPG

76K



2014 Jones Act - News release - Mike Hansen, President, Hawaii Shippers.docx

17K



2014 Jones Act - News release - Senator Rossana Lopez Leon, Puerto Rico.docx

37K



2014.03.13 - News release - Jones Act (V#2).docx

110K

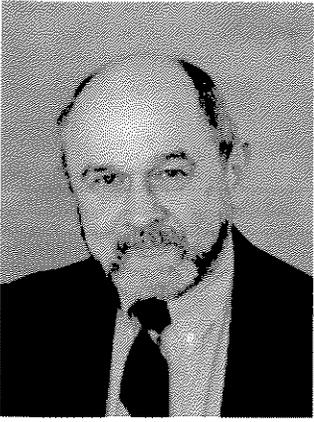
 **2014.3.13 - Jones Act - goods price comparisons(with advertisements).pdf**
828K













**PRESENTATION OF MICHAEL N HANSEN, PRESIDENT
HAWAII SHIPPERS' COUNCIL**

PRESS CONFERENCE
CONFERENCE ROOM 413
HAWAII STATE LEGISLATURE
1:00 P.M., THURSDAY, MARCH 13, 2014

IN REFERENCE TO COMPANION RESOLUTIONS HR 113 HCR 153 SR 45 SCR 93

REQUESTING CONGRESS TO EXEMPT HAWAII (JOINED BY PUERTO RICO AND
ALASKA) FROM THE U.S. BUILD REQUIREMENT OF THE JONES ACT FOR LARGE
OCEANGOING SHIPS

Concurrently Introduced, Friday, March 7, 2014, in the 27th Legislature, State of Hawaii

I am pleased to join with and thank the Hawaii State legislators gathered here today and who introduced the four companion resolutions calling for Jones Act reform. I would also like to thank the legislators from Alaska, Guam and Puerto Rico who participated today.

The Hawaii Shippers Council is an industry trade association representing those interests of cargo owners who ship their merchandise in the Hawaii trade. Shippers are the customers of the shipping companies, and pay the freight.

We fully support the intent of the resolutions to exempt the noncontiguous trades of Alaska, Guam, Hawaii and Puerto Rico from the domestic build requirement of the Jones Act.

The cost of building major commercial ships in the United States is now well documented to be five times that of constructing comparable ships in Japan and

South Korea. Together with China, Japan and South Korea build more than 90% of the worlds new ships over 1,000 gross tons.

Although there are approximately 38,000 self-propelled ships over 1,000 gross tons in the world, the U.S. domestic shipping trades face a scarcity of large self-propelled ships. This is especially critical to interstate surface transportation in the noncontiguous trades where nearly 50% of the 90 ships over 1,000 gross in the Jones Act fleet are employed.

The eight major domestic shipbuilding yards in the U.S. have constructed on average approximately 2 ships per year since the early 1990's. In comparison, Japan alone builds over 300 ships per year for export.

There is no shortage of major ships in the world, just in the Jones Act trades due to a highly protectionist law known as the Jones Act.

In comparison, other modes of transportation are allowed to use foreign manufactured equipment including air transportation and trucking industries.

The extraordinarily high cost of shipbuilding and the artificial shortage of commercial ships in the U.S. creates a narrow and highly concentrated domestic shipping market.

The shortage of ships and high cost of construction create significant barriers to entry in to the Jones Act trades.

Virtually any potential new entrant ship operators are unable to afford or unwilling to acquire the necessary capital assets – namely U.S. built ships – at unrealistically inflated prices to challenge the incumbent players.

The very high barriers to entry create a market that is all but uncontested by a new entrant and insulates the incumbent operators from virtually any new competition.

Although it seems counterintuitive, the Jones Act shipping industry supports the U.S. build requirement of the Jones Act even though it makes acquiring ships for domestic service much more expensive.

The Jones Act industry supports the build requirement because it protects their monopoly like positions and wards away any meaningful competition.

Because of their control of the domestic shipping market the existing Jones Act shipping interests can pass the high cost of U.S. built ships to their customers – the shippers who own the cargo – and ultimately the American consumers – especially those residents in the noncontiguous jurisdictions.

The high Jones Act ship acquisition costs also provide greater absolute profits. This is especially true for the containerships operating common carrier in the noncontiguous trades. Their rates are nominally regulated by the U.S. Surface Transportation Board. The greater their rate base, the greater the absolute profit allowed under the regulatory standard known as the “zone of reasonableness”

It is time to align the domestic shipping operators in the noncontiguous trades with the rest of the world. It's time to remove the protectionist U.S. build requirement, and compel the shipping operators to acquire their ships from far more efficient foreign sources. This is a realistic approach to bring real competition to the trades and relief to the shippers and consumers.

#

File Ref: HSC-621 (Press conference presentation 03-13-2014)



Puerto Rico Senate
Estado Libre Asociado de Puerto Rico

SENATOR ROSSANA LÓPEZ LEÓN

Majority Whip
President of the Civil Rights, Citizenship Participation and Social Economy Committee

AUTHORIZED STATEMENT

FROM:
SENATOR ROSSANA LÓPEZ LEÓN

DATE:
March 13th, 2014

SUBJECT:
**PUERTO RICO AND OTHER JURISDICTIONS REQUEST THE U.S. CONGRESS, EXEMPTION
FROM THE U.S. SHIPBUILT REQUIREMENT OF THE JONES ACT**

AUTHORIZED STATEMENT:

"In Puerto Rico for the past four months, I have been presiding hearings regarding the Senate of Puerto Rico Resolution Number 237, which orders an investigation about the economic impact of the maritime fleet costs between Puerto Rico and the United States, having the United States Government Accountability Office Report "Puerto Rico: Characteristics of the Island's Maritime Trade and Potential Effects of Modifying the Jones Act", as a start up for the investigation. If we truly want to create jobs and boost our economic development we need to eliminate the implementation of the Jones Act in Puerto Rico. We will support President Obama's public policy to create jobs increasing exports, but we need total exemption of the Jones Act to transform our island into a powerful transshipment destination.

Studies made by prestigious organizations, such as the World Economic Forum and the Federal Reserve Bank in New York, among others, revealed that the Jones Act represent an obstacle for Puerto Rico's economic development. Also, local economists said in public hearings that we can grow at least 10% without the application of Cabotage Laws. All Puerto Rico commercial sector, as well as the industrials and small businesses agreed that we have to move from the Jones Act, otherwise we're losing great business opportunities hidden behind this obsolete law." Said Senator López León

###

CONTACT:
Paul Díaz Rosado | 787.314.9288 | paul@diazrosado.com



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Please see news release below regarding the Jones Act

Caption: Lawmakers of Hawaii, Alaska, Puerto Rico and Guam ask the U.S. Congress to allow foreign built vessels into their ports

NEWS RELEASE

For Immediate Release

Friday 3/13/2014

Hawaii, Alaska, Puerto Rico and Guam lawmakers say the U.S. ship build requirement of the Jones Act is a major contributor to the high cost of living in their locations and they want the U.S. Congress to remove this burden.

The public is urged to get involved.

HONOLULU— Today, lawmakers from Guam, Alaska, Puerto Rico and Hawaii come together by video to voice their views to the public and the United States government on the Jones Act.

Each jurisdiction participating today has tried singularly, on numerous occasions, to persuade the United States government to provide exemptions, waivers and relief from the Jones Act.¹ Today, lawmakers from these jurisdictions are joining forces to try to get the word to the U.S. Administration and the U.S. Congress that the Jones Act is punishing the people of Alaska, Puerto Rico, Guam and Hawaii with high costs of living. For example, according to the USDA

thrifty plan data (2011) the average cost of groceries in Hawaii is 49% higher when compared to the mainland costs. <http://www.cnpp.usda.gov/USDAFoodCost-Home.htm>

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Notes:

- 1. Quotes from the press conference to be provided in the follow up electronic version.*
- 2. Portions of the information above was obtained or quoted from Michael Hansen's, President, Hawaii Shipper's Council testimony to the Puerto Rico legislature in 11-04-2013.*

The list of participants at the press conference today may include:

Hawaii: Senator Sam Slom (R); Representative Gene Ward (R); Representative Evans (D).

Territory of Guam: Senator V. Anthony "Tony" Ada (R) – Minority Leader; Senator Rory J. Respicio (D) – Majority Leader.

Alaska: Senator Fred Dyson (R); Senator John Coghill (R) – Majority Leader.

Commonwealth of Puerto Rico: Senator Rossana Lopez Leon – Majority Whip; Lawrence N. "Larry" Seilhamer Rodriguez -Minority Leader.

Other speakers: Michael N. Hansen, President, Hawaii Shippers Council; Cliff Slater, Independent Transportation/Trucking/Railroad Professional

#####

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ⁱExamples include but are not limited to: Senate of Puerto Rico, S.R. 237 (2013); Hawaii Senate SR45 and SCR 93(2014), SR97 and SCR117 (2013); Hawaii House of Representatives HCR153, HR113 (2014) HR119 and HCR150 (2013; Alaska Statutes-Sec. 44.19.035. Jones Act repeal. Article 02. The governor shall use best efforts and all appropriate means to persuade the United States Congress to repeal those provisions of the Jones Act formerly codified at 46 U.S.C. 861, et seq.; Territory of Guam Resolution No. 179 (LS) refers to the high cargo costs to due cabotage laws.

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Nice! Select Nuts	\$3.99	Nice! Select Nuts	\$2.99	Nice! Select Nuts	\$2.99
CHEEZ-IT Crackers	\$2.99	CHEEZ-IT Crackers	\$1.99	CHEEZ-IT Crackers	\$1.99
Living Solutions Queen Size Airbed	\$39.99	Living Solutions Queen Size Airbed	\$34.99	Living Solutions Queen Size Airbed	\$34.99
Hershey's or Cadbury Easter Egg Candy	\$4.99	Hershey's or Cadbury Easter Egg Candy	\$3.99	Hershey's or Cadbury Easter Egg Candy	\$3.99
Visine Eye Drops	\$3.99	Visine Eye Drops	\$2.49	Visine Eye Drops	\$2.49
Huggies Big Pak Diapers	\$21.99	Huggies Big Pak Diapers	\$18.99	Huggies Big Pak Diapers	\$18.99
<u>Milk 1-Gallon</u>	<u>\$4.49</u>	<u>Milk 1-Gallon</u>	<u>\$2.99</u>	<u>Milk 1-Gallon</u>	<u>\$2.99</u>
TOTAL	\$93.43	TOTAL	\$78.43	TOTAL	\$78.43



Jones act articles

Tisha C. Panter <t.panter@capitol.hawaii.gov>

Sat, Mar 15, 2014 at 4:44 AM

To: "senator.fred.dyson@akleg.gov" <senator.fred.dyson@akleg.gov>, Senator John Coghill <Senator.John.Coghill@akleg.gov>, "Rory J. Respicio" <roryforguam@gmail.com>, "V. Anthony Ada" <tony@tonyada.com>, Senator Rosanna Lopez Leon <rlassoc@gmail.com>, Larry Seilhamer <lseilhamer@senadopr.us>, Michael N Hansen <pacmar@hawaiiintel.net>, "sbh@lava.net" <sbh@lava.net>, "Rep. Cindy Evans" <repevans@capitol.hawaii.gov>, "Rep. Gene Ward" <repward@capitol.hawaii.gov>, "Sen. Sam Slom" <senslom@capitol.hawaii.gov>, Herbert Laybon <h.laybon@capitol.hawaii.gov>, Paul Harleman <p.harleman@capitol.hawaii.gov>, Tim Soon-Sutton <suttont@hawaii.edu>
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Below are the links to some of the articles that have appeared so far from yesterday's conference. I will send out the video as soon as it becomes available.

http://www.huffingtonpost.com/2014/03/13/hawaii-alaska-jones-act_n_4961203.html

<http://abcnews.go.com/International/wireStory/hawaii-alaska-territories-team-jones-act-22906669>

<http://www.businessweek.com/ap/2014-03-14/hawaii-alaska-territories-team-up-on-jones-act>

http://www.washingtonpost.com/national/hawaii-alaska-territories-team-up-on-jones-act/2014/03/13/e5f0bc16-ab16-11e3-b8ca-197ef3568958_story.html

<http://www.washingtontimes.com/news/2014/mar/14/hawaii-alaska-territories-team-up-on-jones-act/print/>

<http://www.fresnobee.com/2014/03/13/3821056/hawaii-alaska-territories-team.html>

<http://www.adn.com/2014/03/13/3373392/hawaii-alaska-territories-team.html>

<http://www.news12.com/news/hawaii-alaska-territories-team-up-on-jones-act-1.7386418>

<http://www.modbee.com/2014/03/13/3238617/hawaii-alaska-territories-team.html>

http://www.cincinnati.com/news/read/category/Latin%20America%20And%20Caribbean%20News/article/ap-hawaii_alaska_territories_team_up_on_jon-ap

http://article.wn.com/view/2014/03/14/Hawaii_Alaska_territories_team_up_on_Jones_Act_rl/

This one has some figures: <http://www.sify.com/finance/hawaii-alaska-territories-team-up-on-jones-act-news-international-odoha0fdiaf.html>

http://www.windstream.net/news/read/category/Latin%20America%20And%20Caribbean%20News/article/ap-hawaii_alaska_territories_team_up_on_jon-ap

<http://www.idahostatesman.com/2014/03/13/3079167/hawaii-alaska-territories-team.html>

<http://www.thestarphoenix.com/business/Lawmakers+from+Hawaii+Alaska+territories+team+relief+from/9615631/story.html>

<http://www.star-telegram.com/2014/03/13/5648109/hawaii-alaska-territories-team.html>

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Chili's Cancels Plan To Fundraise For Autism Vaccination Group
(http://www.huffingtonpost.com/2014/04/06/chilis-cancels-plan-to-fundraise-for-autism-vaccination_n_5101026.html)



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Hawaii, Alaska And Territories Team Up Against The Jones Act

by CATHY BUSSEWITZ

Posted: 03/13/2014 11:01 pm EDT | Updated: 03/13/2014 11:59 pm EDT



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The Jones Act was designed to protect the domestic shipping industry. It states that only ships made in the U.S. and flying the country's flags can deliver goods between U.S. ports.

That means that a cargo ship filled with goods from China can only make one stop in the U.S. at a time. It can't stop in Hawaii to exchange goods before heading to Los Angeles.

Hawaii state Sen. Sam Slom says the law punishes the people of Alaska, Puerto Rico, Guam and Hawaii with high costs of living.

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"All of our areas are specifically impacted by the Jones Act," Slom said. "It is now known that the Hawaiian cost of living, primarily because of our additional shipping cost and because of the Jones Act, are now 49 percent higher than the U.S. mainland. And this is becoming unbearable. It's difficult for individuals. It's difficult for families. It's difficult for small businesses as well.

Slom is part of a bipartisan group of Hawaii lawmakers pushing Congress to reconsider the Jones Act or to consider a waiver for noncontiguous states and territories. Slom said it costs about \$790 to ship a 40-foot container from Los Angeles to Shanghai, but it costs \$8,700 to ship the same container from Los Angeles to Honolulu.

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The Puerto Rico Senate passed a resolution calling for an investigation of the economic impact of the Jones Act, Puerto Rico Sen. Rossana Lopez Leon said. Studies by the World Economic Forum and Federal Reserve Bank in New York have concluded that the Jones Act hinders economic development in the commonwealth, she said.

"If we truly want to create jobs and boost our economic development, we need to eliminate the implementation of the Jones Act in Puerto Rico," Lopez Leon said.

The territory of Guam is currently exempt from the Jones Act, but because natural shipping lanes pass through Honolulu the law affects Guam.

Rep. Gene Ward of Hawaii said the state isn't asking for much, just a waiver from the rules. "Having something made, flagged, and owned by America is obsolete," said Ward, a Republican.

The cost of building ships in the U.S. is five times higher than constructing comparable ships in Japan and South Korea, said Michael Hansen, president of the Hawaii Shipper's Council, an association that represents the interest of cargo owners. There also are far fewer ships built in the U.S. than abroad.

"The extraordinarily high cost of shipbuilding and the artificial shortage or commercial ships in the U.S. creates a narrow and highly concentrated domestic shipping market," Hansen said.

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Hawaii, Alaska, territories team up on Jones Act

By Cathy Bussewitz March 14, 2014

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The Jones Act was designed to protect the domestic shipping industry. It states that only ships made in the U.S. and flying the country's flags can deliver goods between U.S. ports.

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"All of our areas are specifically impacted by the Jones Act," Slom said. "It is now known that the Hawaiian cost of living, primarily because of our additional shipping cost and because of the Jones Act, are now 49 percent higher than the U.S. mainland. And this is becoming unbearable. It's difficult for individuals. It's difficult for families. It's difficult for small businesses as well.

Slom is part of a bipartisan group of Hawaii lawmakers pushing Congress to reconsider the Jones Act or to consider a waiver for noncontiguous states and territories. Slom said it costs about \$790 to ship a 40-foot container from Los Angeles to Shanghai, but it costs \$8,700 to ship the same container from Los Angeles to Honolulu.

Alaskan lawmakers have made a similar request to Congress, but the state hasn't yet seen results, said Alaska state Sen. Fred Dyson. Like Hawaii, the state brings in most of its goods by ship or airplane.

Most of Alaska's goods move along the coast, and freight rates would be drastically reduced if the state could use foreign ships, he said.

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The Puerto Rico Senate passed a resolution calling for an investigation of the economic impact of the Jones Act, Puerto Rico Sen. Rossana Lopez Leon said. Studies by the World Economic Forum and Federal Reserve Bank in New York have concluded that the Jones Act hinders economic development in the commonwealth, she said.

"If we truly want to create jobs and boost our economic development, we need to eliminate the implementation of the Jones Act in Puerto Rico," Lopez Leon said.

The territory of Guam is currently exempt from the Jones Act, but because natural shipping lanes pass through Honolulu the law affects Guam.

Rep. Gene Ward of Hawaii said the state isn't asking for much, just a waiver from the rules. "Having something made, flagged, and owned by America is obsolete," said Ward, a Republican.

The cost of building ships in the U.S. is five times higher than constructing comparable ships in Japan and South Korea, said Michael Hansen, president of the Hawaii Shipper's Council, an association that represents the interest of cargo owners. There also are far fewer ships built in the U.S. than abroad.

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Hawaii, Alaska, territories team up on Jones Act

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By CATHY BUSSEWITZ - Associated Press

Friday, March 14, 2014

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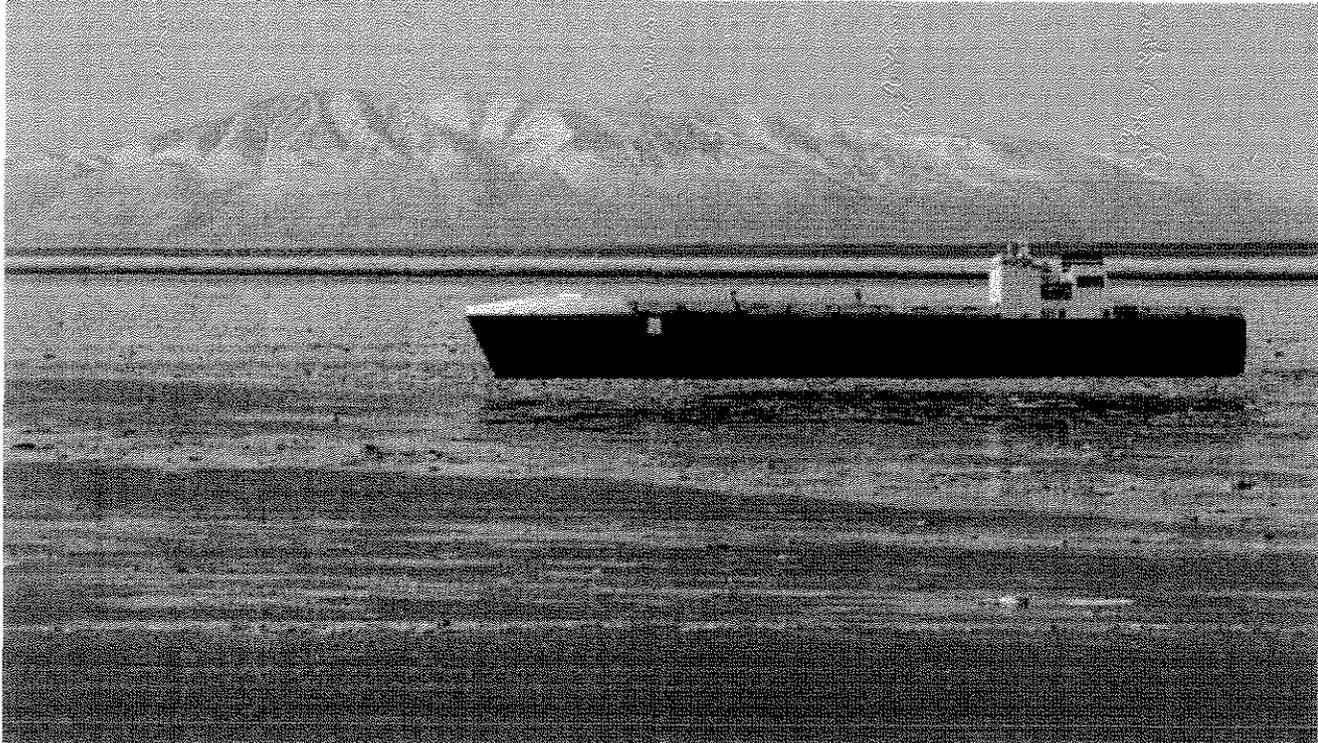
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Alaska, Hawaii work for changes in near-century-old shipping law

By CATHY BUSSEWITZ

The Associated Press March 13, 2014

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The M. V. Midnight Sun, operated by Totem Ocean Trailer Express, negotiates pan ice as it passes by Point Woronzof after leaving the Port of Anchorage on its way to the Port of Tacoma on Sunday, March 20, 2011.

BILL ROTH — Anchorage Daily News Buy Photo

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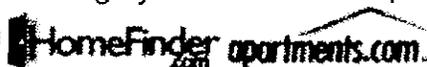
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The Associated Press - By CATHY BUSSEWITZ - The Associated Press

March 14, 2014 4:00pm

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"All of our areas are specifically impacted by the Jones Act," Slom said. "It is now known that the Hawaiian cost of living, primarily because of our additional shipping cost and because of the Jones Act, are now 49 percent higher than the U.S. mainland. And this is becoming unbearable. It's difficult for individuals. It's difficult for families. It's difficult for small businesses as well.

Slom is part of a bipartisan group of Hawaii lawmakers pushing Congress to reconsider the Jones Act or to consider a waiver for noncontiguous states and territories. Slom said it costs about \$790 to ship a 40-foot container from Los Angeles to Shanghai, but it costs \$8,700 to ship the same container from Los Angeles to Honolulu.

Alaskan lawmakers have made a similar request to Congress, but the state hasn't yet seen results, said Alaska state Sen. Fred Dyson. Like Hawaii, the state brings in most of its goods by ship or airplane.

Most of Alaska's goods move along the coast, and freight rates would be drastically reduced if the state could use foreign ships, he said.

The American Maritime Partnership, a coalition that represents vessel owners and operators, unions, equipment yards and vendors, says the Jones Act is critical for economic and security reasons. It says the domestic maritime industry is responsible for nearly 500,000 jobs and more than \$100 billion in annual economic output.

The Puerto Rico Senate passed a resolution calling for an investigation of the economic impact of the Jones Act, Puerto Rico Sen. Rossana Lopez Leon said. Studies by the World Economic Forum and Federal Reserve Bank in New York have concluded that the Jones Act hinders economic development in the commonwealth, she said.

"If we truly want to create jobs and boost our economic development, we need to eliminate the implementation of the Jones Act in Puerto Rico," Lopez Leon said.

The territory of Guam is currently exempt from the Jones Act, but because natural shipping lanes pass through Honolulu the law affects Guam.

Rep. Gene Ward of Hawaii said the state isn't asking for much, just a waiver from the rules. "Having something made, flagged, and owned by America is obsolete," said Ward, a Republican.

The cost of building ships in the U.S. is five times higher than constructing comparable ships in Japan and South Korea, said Michael Hansen, president of the Hawaii Shipper's Council, an association that represents the interest of cargo owners. There also are far fewer ships built in the U.S. than abroad.

"The extraordinarily high cost of shipbuilding and the artificial shortage of commercial ships in the U.S. creates a narrow and highly concentrated domestic shipping market," Hansen said.

The group agreed to stay in touch and meet again to coordinate efforts.

"The general population is utterly ignorant of either the Jones Act or its implications for us," Dyson said. "We have a job to do to explain what the savings would be." 2014 The Associated Press

Original article can be found at:

[http://www.cincinnati.com/news/read/category/Latin America and Caribbean News/article/ap-hawaii_alaska_territories_team_up_on_jon-ap](http://www.cincinnati.com/news/read/category/Latin+America+and+Caribbean+News/article/ap-hawaii_alaska_territories_team_up_on_jon-ap)



Hawaii, Alaska, territories team up on Jones Act

2014-04-08 05:30:00

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Hawaii, Alaska, territories team up on Jones Act

The Associated Press - By CATHY BUSSEWITZ - The Associated Press

(March 14, 2014 4:00am)

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2014 The Associated Press

Original article can be found at:

http://www.windstream.net/news/read/category/Latin America and Caribbean News/article/ap-hawaii_alaska_territories_team_up_on_jon-ap

Lawmakers from Hawaii, Alaska, territories team up to ask for relief from Jones Act

BY CATHY BUSSEWITZ, THE ASSOCIATED PRESS

HONOLULU, Hawaii - Lawmakers from Hawaii, Alaska, Puerto Rico and Guam are teaming up to pressure the U.S. government for relief from a maritime law passed in the 1920s.

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Jennifer Louise Dulla <jenniferdulla@gmail.com>

Jones act articles

Tisha C. Panter <t.panter@capitol.hawaii.gov>

Sat, Mar 15, 2014 at 6:28 AM

To: "senator.fred.dyson@akleg.gov" <senator.fred.dyson@akleg.gov>, Senator John Coghill <Senator.John.Coghill@akleg.gov>, "Rory J. Respicio" <roryforguam@gmail.com>, "V. Anthony Ada" <tony@tonyada.com>, Senator Rosanna Lopez Leon <rlassoc@gmail.com>, Larry Seilhamer <lseilhamer@senadopr.us>, Michael N Hansen <pacmar@hawaiiintel.net>, "sbh@lava.net" <sbh@lava.net>, "Rep. Cindy Evans" <repevans@capitol.hawaii.gov>, "Rep. Gene Ward" <repward@capitol.hawaii.gov>, "Sen. Sam Slom" <senslom@capitol.hawaii.gov>, Herbert Laybon <h.laybon@capitol.hawaii.gov>, Paul Harleman <p.harleman@capitol.hawaii.gov>, Tim Soon-Sutton <suttont@hawaii.edu>
Cc: Melvin Ah Ching <ahching@capitol.hawaii.gov>, Hans Rodvik <Hans.Rodvik@akleg.gov>, Bill Phillips <phillipsguam@gmail.com>, Jennifer Louise Dulla <jennifer@roryforguam.com>, "Peter J. Leon Guerrero" <pete@tonyada.com>, "Edward G. Lee" <ed@tonyada.com>, Coral Odio Rivera <coralodiot@gmail.com>, "senadointeractivo@gmail.com" <senadointeractivo@gmail.com>, "misoto@senado.pr.gov" <misoto@senado.pr.gov>, "japerez@senado.pr.gov" <japerez@senado.pr.gov>, "tyler.belk@akleg.gov" <tyler.belk@akleg.gov>

This is particularly good coverage in the Caribbean Business.

March 14, 2014

Tisha & Andrew,

Another article from Puerto Rico:

Caribbean Business

<http://www.caribbeanbusinesspr.com/news/states-territories-team-up-on-jones-act-94761.html>

Mike

From: Tisha C. Panter

Sent: Friday, March 14, 2014 8:44 AM

To: 'senator.fred.dyson@akleg.gov'; 'Senator John Coghill'; 'Rory J. Respicio'; 'V. Anthony Ada'; 'Senator Rosanna Lopez Leon'; 'Larry Seilhamer'; 'Michael N Hansen'; 'sbh@lava.net'; Rep. Cindy Evans; Rep. Gene Ward; Sen. Sam Slom; Herbert Laybon; Paul Harleman; 'Tim Soon-Sutton'

Cc: Melvin Ah Ching; 'Hans Rodvik'; 'Bill Phillips'; 'Jennifer Louise Dulla'; 'Peter J. Leon Guerrero'; 'Edward G. Lee'; 'Jose A. Perez'; 'Coral Odio Rivera'; 'senadointeractivo@gmail.com'; 'misoto@senado.pr.gov'; 'japerez@senado.pr.gov'; 'tyler.belk@akleg.gov'

Subject: Jones act articles

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES, FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

March 26, 2014

The Honorable Madeleine Z. Bordallo
Member of Congress
120 Father Dueñas Avenue, Suite 107
Hagåtña, Guam 96910

Dear Congresswoman Bordallo:

Hafa Adai. I am writing to request the assistance of yourself and the Congress, in a matter that continues to negatively affect our island's economy for no justifiable reason. I am referring to the "Jones Act," officially known as the "Merchant Marine Act of 1920," one of those unreasonable, imbalanced, and seemingly insurmountable laws, which takes money from our people and local government for reasons that are no longer valid.

In spite of years of repeated efforts by yourself, other local leaders, and elected officials from across the United States and U.S. insular areas, reasonable and sensible attempts at modifying this law always seems to fail, and those in defense of the Jones Act remain successful in maintaining their monopoly.

The cumbersome, restrictive, and nearly century-old Jones Act specifically requires goods shipped between and among the 48 contiguous U.S. states and its non-contiguous areas (including the states of Alaska and Hawaii, as well as several U.S. insular areas) to be transported on U.S. flag carriers that use U.S.-built vessels; are owned by U.S. companies; and are primarily operated by U.S. crews. These constraints make our shipping industry among the most expensive on the planet.

Although the coastwise laws of the U.S., including the Jones Act, encompass all of the noncontiguous domestic jurisdictions noted above, as well as the Commonwealth of the Northern Mariana Islands (CNMI), and the Territories of American Samoa and the United States Virgin Islands (USVI), these three noncontiguous domestic jurisdictions are not treated equally under the law, because they possess special exemptions from the imposition of the Jones Act. At the same time, the noncontiguous domestic jurisdictions

of Guam, Puerto Rico, and the states of Hawaii and Alaska, are not exempt, and must pay the full Jones Act freight rates.

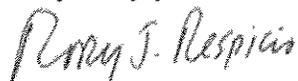
An unfortunate fact for the U.S. citizens of Guam, the largest of the Marianas chain of islands, is that it is the single U.S. insular area on which the Jones Act continues to have the greatest fiscal impact. Guam's small size (just 212 square miles), tiny population (est. 182,111 in 2013), and great distance to west coast U.S. ports where Guam's cargo mostly originates (6,208 miles to San Diego, 5,846 miles to Oakland) should make the island exempt from the Jones Act, just as the Northern Marianas is exempt, and just a few miles north of Guam.

To add insult to injury, there is a so-called "Guam exemption" in the domestic Guam trade (46 U.S.C. § 12111). Unfortunately for Guam, this exemption exists on paper only, because ships cannot make fiscally viable voyages to Guam from the U.S. west coast and return, even if the Guam exemption were to be in place, unless vessels are also allowed to transport cargo to and from the state of Hawaii. However, Hawaii has no "exemption." The large volume of Hawaii's cargo, combined with the smaller volume of Guam's cargo, could likely make this route profitable, but the Jones Act gets in the way.

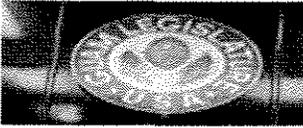
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I look forward to your response. By working together with representatives from all affected states and insular areas, I believe we may make progress on equity and fair treatment relative to shipping among our country's noncontiguous domestic jurisdictions, including our home of Guam. *Si Yu'os Ma'ase.*

Very truly yours,



Rory J. Respicio



Rory Respicio <cor@guamlegislature.org>

Letter regarding the Jones Act

Senator Rory J. Respicio <cor@guamlegislature.org>

Wed, Mar 26, 2014 at 1:53 PM

To: madeleine.bordallo@mail.house.gov

Cc: "Calvo, Jon" <jon.calvo@mail.house.gov>

Bcc: Bernadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, "Mary S. Maravilla" <mary@guamlegislature.org>, "Rory J. Respicio" <roryforguam@gmail.com>, Tyrone Taitano <tjtaitano@cs.com>, "Vince P. Ariola" <vpriola1@gmail.com>

March 26, 2014

The Honorable Madeleine Z. Bordallo
Member of Congress
120 Father Dueñas Avenue, Suite 107
Hagåtña, Guam 96910

Dear Congresswoman Bordallo:

Hafa Adai. I am writing to request the assistance of yourself and the Congress, in a matter that continues to negatively affect our island's economy for no justifiable reason. I am referring to the "Jones Act," officially known as the "Merchant Marine Act of 1920," one of those unreasonable, imbalanced, and seemingly insurmountable laws, which takes money from our people and local government for reasons that are no longer valid.

In spite of years of repeated efforts by yourself, other local leaders, and elected officials from across the United States and U.S. insular areas, reasonable and sensible attempts at modifying this law always seems to fail, and those in defense of the Jones Act remain successful in maintaining their monopoly.

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Northern Mariana Islands (CNMI), and the Territories of American Samoa and the United States Virgin Islands (USVI), these three noncontiguous domestic jurisdictions are not treated equally under the law, because they possess special exemptions from the imposition of the Jones Act. At the same time, the noncontiguous domestic jurisdictions of Guam, Puerto Rico, and the states of Hawaii and Alaska, are not exempt, and must pay the full Jones Act freight rates.

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I hope you will join forces with the representatives from Alaska, Hawaii and all insular areas, to jointly make a case for equality in the shipping of cargo between and among ALL American ports. Just a few weeks ago, the Hawaii Shippers Council organized a group of lawmakers from Hawaii, Alaska and Puerto Rico (scheduling problems prevented Guam from participating) to jointly request Congress to exempt each of these jurisdictions "because of the burdensome costs it places on the people who live in these locations." I hope this effort finds some traction, and that together, the affected areas can make progress in eliminating artificial barriers that unnecessarily raise the cost of living for Americans who live outside the 48 states and certain exempted territories.

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—
Majority Leader Rory J. Respicio

Chairperson, Committee on Rules;
Federal, Foreign & Micronesian Affairs;
Human & Natural Resources; and Election Reform

I Mina Trentai Dos na Liheslaturan Guáhan

155 Hesler Place, Ste. 302

Hagåtña, Guam 96910

Phone: (671) 472-7679

Fax: (671) 472-3547



2014.03.26_RJR Letter to MZB re The Jones Act.pdf

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SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES, FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES, AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

News Release
For Immediate Release

Respicio supports efforts to provide shipping equality at all U.S. ports

March 27, 2014—Senator Rory J. Respicio has requested the assistance of Congresswoman Madeleine Z. Bordallo to “make a case for equality in the shipping of cargo between and among ALL American ports.”

Senator Respicio pointed out that “While the Northern Marianas (CNMI), and the territories of American Samoa and the United States Virgin Islands (USVI), ... possess special exemptions from the Jones Act ... the domestic jurisdictions of Guam, Puerto Rico, and the states of Hawaii and Alaska are not exempt, and must pay the full Jones Act freight rates.”

Officially known as the “Merchant Marine Act of 1920,” the Jones Act requires that cargo shipped between any of the 48 continental United States and U.S. insular areas (Guam, the Virgin Islands, American Samoa, the CNMI and Puerto Rico) must be transported on U.S. built and owned vessels, and must be primarily operated by U.S. crews, except for the Virgin Islands, American Samoa and Puerto Rico, which have Jones Act exemptions.

According to Senator Respicio, these constraints make the U.S. shipping industry among the most expensive on the planet for areas without exemptions, including Guam, Puerto Rico, and the states of Hawaii and Alaska. Guam is the U.S. insular area on which the Jones Act continues to have the greatest fiscal impact, Respicio said. He noted that due to Guam’s small size (212 square miles), tiny population (est. 182,111 in 2013), and great distance (about 6,000 miles) to west coast U.S. ports where Guam’s cargo primarily originates, “I strongly believe that Guam should qualify for a Jones Act exemption,” Respicio said. He pointed out that the Northern Marianas, just a few miles north of Guam, has a Jones Act exemption, while Guam, geographically the largest of the Marianas islands, is not included.

Although a “Guam exemption” exists in the law relative to the domestic Guam trade, Senator Respicio pointed out that the volume of cargo to be carried from the U.S. west coast to Guam is insufficient, unless Hawaii-bound cargo is included, and Hawaii does not have an exemption, so the higher rates apply.

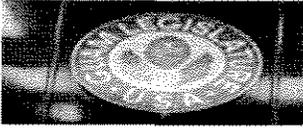
“This is unfair treatment, but by working together with Congresswoman Bordallo, and aligning with the affected states and insular areas,” Senator Respicio said, “I believe we can make progress on equity and fair treatment for Guam and our country’s other noncontiguous domestic jurisdictions. Any true exemptions to Jones Act made for Guam will directly have a positive impact for the people of Guam.”

A copy of Respicio’s letter to Bordallo is attached. For more information, please contact Senator Respicio’s office at 472-7679.

-30-

UNSWORN DECLARATION: I hereby declare that the foregoing is true and correct to the best of my knowledge and belief, under penalty of perjury of the laws of Guam, this declaration being sworn and made in lieu of an affidavit pursuant to Title 6 Guam Code Annotated §4308, at the place and date identified herein.

Rory J. Respicio



Rory Respicio <cor@guamlegislature.org>

News Release: Respicio supports efforts to provide shipping equality at all U.S. ports

News Release <news@roryforguam.com>

Thu, Mar 27, 2014 at 1:11 PM

To: "hottips@kuam.com" <hottips@kuam.com>, "mvariety@pticom.com" <mvariety@pticom.com>, "news@guampdn.com" <news@guampdn.com>, "news@k57.com" <news@k57.com>

Bcc: phnotice <phnotice@guamlegislature.org>, Bemadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, "Mary S. Maravilla" <mary@guamlegislature.org>, "Rory J. Respicio" <roryforguam@gmail.com>, Tyrone Taitano <tjtaitano@cs.com>, "Vince P. Arriola" <vpamiola1@gmail.com>

News Release

For Immediate Release

Respicio supports efforts to provide shipping equality at all U.S. ports

March 27, 2014—Senator Rory J. Respicio has requested the assistance of Congresswoman Madeleine Z. Bordallo to “make a case for equality in the shipping of cargo between and among ALL American ports.”

Senator Respicio pointed out that “While the Northern Marianas (CNMI), and the territories of American Samoa and the United States Virgin Islands (USVI), ... possess special exemptions from the Jones Act ... the domestic jurisdictions of Guam, Puerto Rico, and the states of Hawaii and Alaska are not exempt, and must pay the full Jones Act freight rates.”

Officially known as the “Merchant Marine Act of 1920,” the Jones Act requires that cargo shipped between any of the 48 continental United States and U.S. insular areas (Guam, the Virgin Islands, American Samoa, the CNMI and Puerto Rico) must be transported on U.S. built and owned vessels, and must be primarily operated by U.S. crews, except for the Virgin Islands, American Samoa and Puerto Rico, which have Jones Act exemptions.

According to Senator Respicio, these constraints make the U.S. shipping industry among the most expensive on the planet for areas without exemptions, including Guam, Puerto Rico, and the states of Hawaii and Alaska. Guam is the U.S. insular area on which the Jones Act continues to have the greatest fiscal impact, Respicio said. He noted that due to Guam’s small size (212 square miles), tiny population (est. 182,111 in 2013), and great distance (about 6,000 miles) to west coast U.S. ports where Guam’s cargo primarily originates, “I strongly believe that Guam should qualify for a Jones Act exemption,” Respicio said. He pointed out that the Northern Marianas, just a few miles north of Guam, has a Jones Act exemption, while Guam, geographically the largest of the Marianas islands, is not included.

Although a "Guam exemption" exists in the law relative to the domestic Guam trade, Senator Respicio pointed out that the volume of cargo to be carried from the U.S. west coast to Guam is insufficient, unless Hawaii-bound cargo is included, and Hawaii does not have an exemption, so the higher rates apply.

"This is unfair treatment, but by working together with Congresswoman Bordallo, and aligning with the affected states and insular areas," Senator Respicio said, "I believe we can make progress on equity and fair treatment for Guam and our country's other noncontiguous domestic jurisdictions. Any true exemptions to Jones Act made for Guam will directly have a positive impact for the people of Guam."

A copy of Respicio's letter to Bordallo is attached. For more information, please contact Senator Respicio's office at 472-7679.

-30-

UNSWORN DECLARATION: I hereby declare that the foregoing is true and correct to the best of my knowledge and belief, under penalty of perjury of the laws of Guam, this declaration being sworn and made in lieu of an affidavit pursuant to Title 6 Guam Code Annotated §4308, at the place and date identified herein.

2 attachments

-  **2014.03.27_RJR News Release_Respicio supports efforts to provide shipping equality at all U.S. ports.pdf**
158K
-  **2014.03.26_RJR Letter to MZB re The Jones Act.pdf**
139K

MADELEINE Z. BORDALLO
GUAM

ARMED SERVICES COMMITTEE

RANKING MEMBER, SUBCOMMITTEE ON
READINESS

SUBCOMMITTEE ON MILITARY PERSONNEL

NATURAL RESOURCES COMMITTEE

SUBCOMMITTEE ON FISHERIES, WILDLIFE,
OCEANS AND INSULAR AFFAIRS

SUBCOMMITTEE ON ENERGY AND
MINERAL RESOURCES



Congress of the United States
House of Representatives

WASHINGTON, D.C. OFFICE:
2441 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-1188
FAX: (202) 226-0341

DISTRICT OFFICE:
120 FATHER DUENAS AVENUE
SUITE 107
HAGÁTNA, GUAM 96910
(671) 477-4272
FAX: (671) 477-2587

<http://www.house.gov/bordallo>

March 28, 2014

The Honorable Rory J. Respicio
Majority Leader
I Mina Trentai Dos Na Liheslaturan Guahan
155 Hesler Place, Suite 302
Hagatna, Guam 96910

Office of Senator Rory J. Respicio	
Name :	<i>Rory</i>
Date/Time:	MAR 31 2014

Dear Majority Leader Respicio,

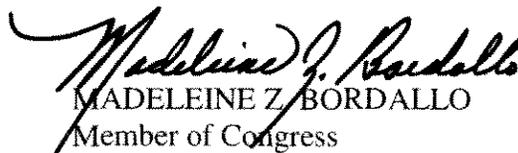
Thank you for your letter regarding the Jones Act impact on Guam, the other U.S. territories, Alaska and Hawaii. I appreciate your continued correspondence on this particular matter.

If the other jurisdictions were to develop a working group to look at Jones Act applicability to our respective jurisdictions, I would be glad to participate. At this time there is no such working group and I am not aware of any requests, other than yours, to establish such a group.

However, I would like to recall my July 11, 2013 response to your correspondence on the same matter. In that letter I stated, "any changes to the Jones Act are difficult in the current political environment". Further, I stated, "Any changes to this legislation would have to take into account the support or opposition of the Hawaii and West Coast delegations as it has significant impacts to their jurisdictions and they can be a significant help or hurdle. At this time I do not believe that those delegations are inclined to support broad changes to the Jones Act." I still hold these views that any changes to the Jones Act are difficult at this time and the other delegations do not seem inclined to support. However, if a working group is established by the other Representatives I commit to working with them to explore this issue further.

Again, thank you for your correspondence on this issue.

Sincerely,


MADELEINE Z. BORDALLO
Member of Congress

Jones Act hits Guam despite exemption

Written by Michelle Conerly Pacific Daily News

Mar. 28, 2014 |

guampdn.com

Earlier this month, lawmakers from Alaska, Hawaii, and Puerto Rico met to discuss a push for possible amendments to the Merchant Marine Act of 1920, also known as the Jones Act.

Although Sens. Tom Ada, D-Tamuning, and Rory Respicio, D-Agana Heights, were listed as participants, neither senator was present to represent Guam in the discussion.

But Respicio said this topic was brought up last year with local lawmakers who introduced Resolution 138-32, which asks Del. Madeleine Bordallo to support modifications to the “restrictive” act.

The Jones Act requires that all goods shipped between U.S. ports must be carried by U.S. ships and fly a U.S. flag.

Guam is exempt from the U.S.-built-ship portion of the Act, but because shipping lanes pass through Honolulu, the law continues to affect the territory, according to an article by The Associated Press.

Respicio said this exemption is really a “non-exemption” because of this issue, and that cost of living on Guam is significantly higher because of the Act.

Philippe Gerling, general manager at Nissan Motor Corp., said the Jones Act limits competition in transportation, and creates difficulties which directly affect prices of goods for residents.

Hawaii state Sen. Sam Slom at the video conference also said the cost of living is becoming unbearable in the Aloha State.

“All of our areas are specifically impacted by the Jones Act,” Slom said. “It is now known that the Hawaiian cost of living, primarily because of our additional shipping cost and because of the Jones Act, are now 49 percent higher than the U.S. mainland. And this is becoming unbearable. It’s difficult for individuals. It’s difficult for families. It’s difficult for small businesses as well.”

Ada said, although he supports in principle any effort that would enable goods to be imported and shipped to Guam at a lesser cost, lawmakers should tread lightly. “I think we’ve got to be careful when we say we want to get out of the Jones Act,” Ada said. “What are we trading off?”

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

April 2, 2014

The Honorable Madeleine Z. Bordallo
Member of Congress
2441 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Bordallo,

Hafa Adai, and thank you for your letter of March 28, relative to our continuing conversation on the Jones Act. This legislation's negative effect on our home island of Guam, also affects certain states and other insular areas of our country. Just like you (as you noted in your correspondence), I would also like to participate with other jurisdictions in developing a working group on this important issue.

Hawaii's members of Congress, as well as those representing Alaska and Puerto Rico, are likely mindful of the same kinds of problems in the noncontiguous trades that we experience in Guam, because we are all constrained by the same law. For this reason, I will be contacting the members of Congress from each of those noncontiguous domestic trades affected by the Jones Act.

I am certain you will be pleased to know that the state of Hawaii, and specifically the Hawaii Shippers Council (HSC), has already put forward legislative proposals to reform the Jones Act. In 2010, the HSC developed the "Noncontiguous Trades Jones Act Reform" proposal, (NTJAR), which singles out the Jones Act's noncontiguous domestic trades of Alaska, Guam, Hawaii and Puerto Rico from the Jones Act's U.S.-Build requirement.

NTJAR does not create a full exemption for the domestic trades listed above (such as the existing exemptions held by American Samoa, the CNMI and the U.S. Virgin Islands). NTJAR also does not propose a repeal of the Jones Act. Instead, it only targets large, self-propelled oceangoing ships. On its face, NTJAR (or a modification of it) seems to be a possible, and very reasonable compromise. According to the HSC, NTJAR "*is a limited and narrowly targeted reform of the Jones Act, that would greatly improve the efficiency of the critical interstate ocean-borne transportation between the US mainland and the domestic noncontiguous jurisdictions that are currently subject to cabotage.*"

I look forward to working with you and this group, and hopefully finding a satisfactory solution to this very difficult and expensive problem for all of our jurisdictions. *Si Yu'os Ma'ase*.

Very truly yours,

A handwritten signature in cursive script that reads "Rory J. Respicio".

Rory J. Respicio



Rory Respicio <cor@guamlegislature.org>

Letter regarding the Jones Act

Senator Rory J. Respicio <cor@guamlegislature.org>

Wed, Apr 2, 2014 at 4:39 PM

To: madeleine.bordallo@mail.house.gov

Cc: "Calvo, Jon" <jon.calvo@mail.house.gov>

Bcc: Bemadette Meno <guam.avon@gmail.com>, bill phillips <phillipsguam@gmail.com>, Elaine Tajalle <etajalle@guamlegislature.org>, Jennifer Louise Dulla <jennifer.lj.dulla@gmail.com>, mary louise wheeler <mlwheeler2000@yahoo.com>, Mary Maravilla <mary@guamlegislature.org>, "Rory J. Respicio" <roryforguam@gmail.com>, Tyrone Taltano <tjtaitano@cs.com>, "Vince P. Ariola" <vparriola1@gmail.com>

April 2, 2014

The Honorable Madeleine Z. Bordallo

Member of Congress

2441 Rayburn House Office Building

Washington, DC 20515

Dear Congresswoman Bordallo,

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Puerto Rico from the Jones Act's U.S.-Build requirement.

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I look forward to working with you and this group, and hopefully finding a satisfactory solution to this very difficult and expensive problem for all of our jurisdictions. *Si Yu'os Ma'ase.*

Very truly yours,

Rory J. Respicio

[Quoted text hidden]

 **2014.04.02_RJR Letter to MZB re The Jones Act.pdf**
135K



Jennifer Louise Dulla <jenniferdulla@gmail.com>

Jones Act - Guam + Multi-jurisdiction paper

Tisha C. Panter <t.panter@capitol.hawaii.gov>

Fri, Apr 4, 2014 at 7:04 AM

To: Bill Phillips <phillipsguam@gmail.com>, Coral Odio Rivera <coralodiot@gmail.com>, Hans Rodvik <Hans.Rodvik@akleg.gov>, Herbert Laybon <h.laybon@capitol.hawaii.gov>, Jennifer Louise Dulla <jennifer@roryforguam.com>, "Jose A. Perez" <japerez@senado.pr.gov>, Michael N Hansen <pacmar@hawaiiintel.net>, "misoto@senado.pr.gov" <misoto@senado.pr.gov>, Paul Harleman <p.harleman@capitol.hawaii.gov>, "Peter J. Leon Guerrero" <pete@tonyada.com>, "Rep. Cindy Evans" <repevans@capitol.hawaii.gov>, "Rory J. Respicio" <roryforguam@gmail.com>, "sbh@lava.net" <sbh@lava.net>, "Sen. Sam Slom" <senslom@capitol.hawaii.gov>, "senadointeractivo@gmail.com" <senadointeractivo@gmail.com>, "Senator Coghill (AK)" <senator.john.coghill@akleg.gov>, "Senator Dyson (AK)" <senator.fred.dyson@akleg.gov>, Senator Rosanna Lopez Leon <rlassoc@gmail.com>, "tyler.belk@akleg.gov" <tyler.belk@akleg.gov>, "V. Anthony Ada" <tony@tonyada.com>

Cc: Paul Harleman <p.harleman@capitol.hawaii.gov>, Herbert Laybon <h.laybon@capitol.hawaii.gov>, smo1 - Timothy <smo1@capitol.hawaii.gov>

Dear Senators,

Guam

Please see attached Guam Senator's press release and supporting letter in addition to the article below. Pacific Daily News

<http://www.guampdn.com/article/20140328/NEWS01/140328003/Jones-Act-hits-Guam-despite-exemption>

Paper/Study for the non-contiguous states

Since the video press conference last month the Hawaii Senate Minority Research Office, specifically Paul Harleman, M.B.A. (Budget Director) and myself with significant assistance from Mike Hansen of the Hawaii Shippers Council, have been researching and gathering available studies and papers associated with the costs to the non-contiguous states because the Jones Act (with an attempt to focus on the U.S. build requirement). It is our intention to draft a paper or report on the costs of the Jones Act U.S. build requirement to non-contiguous states and try to identify what removing the U.S. build requirement will mean for the non-contiguous states, as well as to try and make the Jones Act easier to understand for the general public.

So far we have discovered that there are many limited and flawed studies and reports associated with the costs to the non-contiguous states from the Jones Act.

Once we have settled on the mathematical models/formulas and when we have enough information to establish a template we intend to send that template out to you and invite you to submit content for your state or territory to be incorporated into the paper. Any writers submitting, or collaborators on the paper, will be given due credit. If you have any financial analysts or attorneys on your staff that are interested in submitting or collaborating let me know and we will liaise with them.

We understand that Puerto Rico held recent Senate hearings on the Jones Act and Senator Leon's staff are

compiling a report on the information provided at the hearings. We would be interested in reading that report when complete if you (Senator Leon) plan to make it publicly available.

Kind regards,

Tisha

Tisha Panter

Senior Attorney and Director of Research

Senate Minority Research Office

Room 006

State Capitol

Honolulu, Hawaii 96813

Tel: (808) 586-6996 (W)

Fax: (808) 586-6759

Email: t.panter@capitol.hawaii.gov

2 attachments

 **HSC-625 (Sen Respicio press release re JA 03-27-2014).pdf**
158K

 **HSC-626 (Sen. Respicio ltr to MZB re JA 03-26-2014).pdf**
139K

SENATOR RORY J. RESPICIO
MAJORITY LEADER

CHAIRPERSON
COMMITTEE ON RULES; FEDERAL, FOREIGN & MICRONESIAN AFFAIRS;
HUMAN & NATURAL RESOURCES; AND ELECTION REFORM



I Mina'trentai Dos na Libeslaturan Guåhan
THIRTY-SECOND GUAM LEGISLATURE

May 30, 2013

MEMORANDUM

To: All Members
From: Majority Leader Rory J. Respicio 
Subject: Second Notice of Public Hearing – Tuesday, June 4, 2013

Håfa Adai! Please be advised that the Committee on Rules; Federal, Foreign & Micronesia Affairs; and Human & Natural Resources will be conducting a **Public Hearing on Tuesday, June 4, 2013 beginning at 9:00 A.M.**, in the Legislature's Public Hearing Room on the following:

9:00 A.M.

1. **Bill No. 108-32 (COR)** – “An act to amend §§ 44103, 44105, 44108, 44114, and 44115 of Chapter 44, Title 10, Guam Code Annotated; and to repeal §§ 44106 and 44109 of Chapter 44, Title 10, Guam Code Annotated; and to amend § 45105 of Chapter 45, Title 10, Guam Code Annotated; and to amend § 54104 of Chapter 51, Title 10, Guam Code Annotated, relative to the Guam Beverage Container Recycling Act of 2010 and the power of the Guam Environmental Protection Agency to implement the same.” **Sponsor – Senator T.R. Muña Barnes**
2. **Bill No. 120-32 (LS)** – “An act relative to honoring Guam's men and women who have courageously and selflessly served our island people and our nation in the War on Terror and who have made the ultimate sacrifice, through the establishment of a *Fallen Heroes* Monument; through adding a new subsection §79601.2 to Chapter 79, Article 6, Title 21, Guam Code Annotated.” **Sponsors – Senator F.B. Aguon, Jr., Senator R.J. Respicio, Senator T.C. Ada, Senator A.A. Yamashita, Ph.D., Senator V. A. Ada, Senator D.G. Rodriguez, Jr., Vice-Speaker B.J.F. Cruz, Senator T.R. Muña Barnes, and Speaker J.T. Won Pat, Ed.D.**
3. **Resolution No. 138-32 (COR)** – “Relative to requesting the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive “Merchant Marine Act of 1920,” more commonly known as the “Jones Act,” which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.” **Sponsors – Senator R.J. Respicio, Senator T.C. Ada, and Senator V.A. Ada**

Written testimony should be addressed to Senator Rory J. Respicio, Chairperson, Committee on Rules; Federal, Foreign & Micronesia Affairs, Human & Natural Resources, & Election Reform, and may be submitted via email to cor@guamlegislature.org; fax to (671) 472-3547; or hand-delivery/mail to 155 Hesler Place, *Hågatña*, Guam 96910. Should special assistance or accommodations be required, please contact Elaine Tajalle at my office at (671) 472-7679 or by e-mail at etajalle@guamlegislature.org. *Si Yu'os ma'åse'!*

cc: All Senators
Clerk of the Legislature
Legal Counsel
Sergeant-at-Arms/AV
MIS



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature
155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com
E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

May 15, 2013

MEMORANDUM

To: **Rennae Meno**
Clerk of the Legislature

Attorney Therese M. Terlaje
Legislative Legal Counsel

From: **Senator Rory J. Respicio**
Majority Leader & Rules Chair

Subject: **Referral of Resolution No. 138-32 (COR)**

As Chairperson of the Committee on Rules, I am forwarding my referral of Resolution No. 138-32 (COR). Please ensure that the subject resolution is referred, in my name, to the respective sponsor, as shown on the attachment.

I also request that the same be forwarded to all Senators of *I Mina'trentai Dos na Liheslaturan Guåhan*.

Should you have any questions, please feel free to contact our office at 472-7679.

Si Yu'os ma'åse!

(1) Attachments

I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN
(FIRST) REGULAR SESSION

Rules Resolution No. 138-32 (COR)

Introduced by:

R. J. Respicio
T.C. Ada
V. Anthony Ada

2013 MAY 14 PM 2:47

Relative to requesting that the Honorable Madeleine Z. Bordallo, Guam's Delegate to Congress, support modifications to the antiquated and restrictive "Merchant Marine Act of 1920," more commonly known as the "Jones Act," which continues to have an adverse effect on certain noncontiguous domestic jurisdictions of the United States, including Alaska, Hawaii, Puerto Rico, and the Territory of Guam.

BE IT RESOLVED BY THE COMMITTEE ON RULES OF I
MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN:

WHEREAS, interstate ocean shipping is a vital economic link between the seven (7) noncontiguous domestic jurisdictions of the United States and the contiguous forty-eight (48) mainland states of the union; and

WHEREAS, The "Merchant Marine Act of 1920," more commonly known as the "Jones Act," requires that all goods shipped from the U.S. mainland to the non-contiguous areas of the United States, including Guam, must be shipped on board U.S. flag carriers using U.S.-made vessels; must be owned by U.S. companies; and must be operated by U.S. crews; and

1 **WHEREAS**, the coastwise laws of the U.S. including the Jones Act
2 encompass four (4) of the seven (7) noncontiguous domestic jurisdictions,
3 specifically, the State of Alaska, the Territory of Guam, the State of Hawaii
4 and the Commonwealth of Puerto Rico; and

5 **WHEREAS**, while the Territory of American Samoa, the
6 Commonwealth of the Northern Mariana Islands, and the Territory of the
7 United States Virgin Islands are fully exempt from the Jones Act, the
8 continued imposition of the Act is unnecessarily restrictive and costly for
9 affected jurisdictions, and Guam is the U.S. insular area for which the Jones
10 Act has the greatest impact because of our small size, and great distance
11 from other U.S. ports; and

12 **WHEREAS**, although an exemption from the U.S.-build requirement
13 of the Jones Act for all commercial vessels engaged in the domestic Guam
14 trade exists (46 U.S.C. § 12111), and is known as the “Guam Exemption,”
15 the Exemption is of limited usefulness if the Territory of Hawaii is not
16 included, because the natural westbound trade lane from the U.S. West
17 Coast to Guam passes through Hawaii, making it difficult for the ocean
18 common carriers to mount financially viable voyages without carrying
19 cargo to both Hawaii and Guam, unfairly shackling Guam’s interstate trade
20 to the U.S.-build requirement; and

1 **WHEREAS**, this “Guam Exemption” is really a “non-exemption” and
2 is especially problematic for Guam, the largest of the Marianas Islands,
3 because the Commonwealth of the Northern Marianas Islands is just 56
4 miles from Guam, and encompasses the remaining Marianas Islands,
5 which enjoys a full exemption from very costly Jones Act requirements;
6 and

7 **WHEREAS**, in addition to Guam, the three (3) noncontiguous
8 jurisdictions included in the coastwise laws, namely Alaska, Hawaii and
9 Puerto Rico, are also seeking a similar but more limited exemption for large
10 oceangoing ships engaged in their domestic trades, and the jurisdictions
11 support each others’ efforts; and

12 **WHEREAS**, the Jones Act was implemented nearly 100 years ago
13 when strict regulations protecting our country’s economy, America’s
14 shipping, shipbuilding industries, and national defense, made a great deal
15 of sense, ensuring that seagoing transportation for military supplies,
16 equipment and personnel were readily available; and

17 **WHEREAS**, in the 21st century, the provisions of the Jones Act have
18 become onerous, placing unfair, unequal, unnecessary and unexpected
19 restrictions on many thousands of American households that are outside
20 the continental United States; and

1 **WHEREAS**, Guam, along with each of the other noncontiguous
2 jurisdictions of Alaska, Hawaii, and Puerto Rico, have all expressed
3 support for the modifying of existing laws to secure economic fairness for
4 all affected areas; and

5 **WHEREAS**, the Jones Act generally restricts competition in the
6 domestic ocean shipping industry, and has led to monopoly-like shipping
7 markets for interstate ocean common carrier transportation in the coastwise
8 noncontiguous domestic trades; and

9 **WHEREAS**, the noncontiguous jurisdictions are completely
10 dependent on ocean shipping, their geography precluding access to
11 alternatives such as interstate railroad, highway and pipeline
12 transportation that are readily available and provide competitive carriage
13 within the contiguous United States; and

14 **WHEREAS**, the U.S.-build requirement of the Jones Act in particular
15 creates substantial barriers to domestic trades, with U.S. deep-draft ship
16 construction typically costing three or more times greater than similar
17 vessels built in Japan and South Korea, the high cost and low production of
18 the U.S. shipbuilding industry resulting in an ageing and inefficient deep-
19 sea Jones Act fleet that disproportionately imposes a considerable

1 economic cost on, and adversely affects, the noncontiguous jurisdictions;
2 and

3 **WHEREAS**, in order to create a significant, positive economic impact
4 for the American citizens and residents of Guam and most of the other
5 non-contiguous areas of the United States (excluding American Samoa, the
6 Commonwealth of the Northern Marianas and the United States Virgin
7 Islands which have Jones Act exemptions), an amendment or exemption of
8 the U.S. insular areas covered by the Jones Act will lead to increased
9 economic competition and lower consumer prices, in addition to having
10 other positive effects on American jurisdictions which economies have
11 been negatively affected by the imposition of this burdensome act for
12 nearly a century; and

13 **WHEREAS**, for Guam, such positive impact is likely to promote an
14 expansion of activities and increase revenues for Guam's Port Authority,
15 our island's only seaport; and

16 **WHEREAS**, although the Jones Act does provide a significant degree
17 of protection for U.S. shipyards, domestic carriers, and American merchant
18 sailors, a recent U.S. International Trade Commission economic study
19 found that repealing the Jones Act would have an annual positive effect on

1 the overall U.S. economy of \$656 million, and this and other studies make
2 an economic case for exemption or modification of the Act; and

3 **WHEREAS**, the Congressional Research Service released a report
4 (RS21566) titled: “The Jones Act: An Overview,” pointing out that “The
5 American Farm Bureau Federation believes that the Jones Act stands in the
6 way of shipping feed grains economically from the Great Lakes to
7 Southeastern U.S. ports ...” contending that “... livestock producers in the
8 Southeast import feed from foreign suppliers rather than buy from U.S.
9 suppliers in the Midwest because international ocean rates are lower than
10 domestic rates;” and

11 **WHEREAS**, arguments have been, and continue to be made on both
12 sides of the Jones Act issue, with the most affected jurisdictions themselves
13 speaking most loudly for fairness, and relief from the requirements of the
14 Jones Act; now, therefore, be it

15 **RESOLVED**, that the Committee on Rules of *I Mina' Trentai Dos na*
16 *Lihe slaturan Guåhan*, the 32nd Guam Legislature, on behalf of the people of
17 Guam, does hereby respectfully request Guam’s Delegate to the United
18 States Congress, the Honorable Congresswoman Madeleine Z. Bordallo, to
19 introduce and/or co-sponsor legislation aimed at either exempting Guam,
20 Alaska, Hawaii, and Puerto Rico from the U.S. Build provision of the

1 Maritime Shipping Laws (Jones Act); or to propose legislation that would
2 replace the Jones Act without continuing to restrict the economic
3 development of America's insular areas; and be it further

4 **RESOLVED**, that the Speaker certify, and the Chairperson of the
5 Committee on Rules and the Legislative Secretary attest to, the adoption
6 hereof, and that copies of the same be thereafter transmitted to the
7 Honorable Congresswoman Madeleine Z. Bordallo of Guam; to the
8 Honorable Senator Mazie Hirono of Hawaii; to the Honorable Senator
9 Brian Schatz of Hawaii; to the Honorable Congresswoman Colleen
10 Hanabusa of Hawaii; to the Honorable Congresswoman Tulsi Gabbard of
11 Hawaii; to the Honorable Senator Lisa Murkowski of Alaska; to the
12 Honorable Senator Mark Begich of Alaska; to the Honorable Congressman
13 Don Young of Alaska; to the Honorable Congressman Eni Faleomavaega of
14 American Samoa; to the Honorable Congressman Gregorio Kilili Sablan of
15 the Northern Mariana Islands; to the Honorable Congressman Pedro R.
16 Pierluisi of the Commonwealth of Puerto Rico; and to the Honorable
17 Edward Baza Calvo, Governor of Guam *I Maga'lahaen Guåhan*

**DULY AND REGULARLY ADOPTED BY THE COMMITTEE ON
RULES OF I MINA'TRENTAI DOS NA LIHESLATURAN GUÅHAN ON
THE _____ DAY OF MAY, 2013.**

JUDITH T. WON PAT
Speaker

RORY J. RESPICIO
Chairperson, Committee on Rules

TINA ROSE MUÑA BARNES
Legislative Secretary