



Legislation Text

File #: Res 0836-2015, **Version:** *

Res. No. 836

Resolution calling upon the United States Congress to pass and the President to sign legislation allowing an economic hardship exemption for Puerto Rico from the Merchant Marine Act of 1920, commonly known as the “Jones Act.”

By The Speaker (Council Member Mark-Viverito) and Council Members Arroyo, Cabrera, Chin, Constantinides, Gibson, Johnson, Koo, Lancman, Mendez, Richards, Reynoso, Rosenthal, Lander, Eugene, Kallos and Menchaca

Whereas, The Merchant Marine Act of 1920, commonly known as the “Jones Act,” requires that all shipping between United States (U.S.) ports be conducted by U.S. built, flagged, crewed and owned vessels; and

Whereas, The Jones Act was originally intended to promote and maintain a merchant marine industry for the sake of domestic commerce and provide appropriate vessels and trained crews ready to assist the U.S. Navy and military in time of war or national emergency; and

Whereas, Puerto Rico, a U.S. territory and island in the Caribbean, is almost entirely reliant on shipping for the receipt of goods; and

Whereas, Therefore, the requirements of the Jones Act affect the cost of nearly every product Puerto Ricans consume; and

Whereas, According to a 2012 report by the New York Federal Reserve, the cost of shipping a 20 foot container to Puerto Rico from the East Coast of the U.S. was twice the cost of delivering the same container to nearby ports in the Dominican Republic or Jamaica; and

Whereas, According to a 2013 Government Accountability Office (GAO) report, Puerto Rico's freight shipping needs are primarily met by four carriers with a combined fleet of 17 vessels with an average age of 39 years for containerships and 31 years for barges; and

Whereas, According to the U.S. Energy Information Administration, per capita, Puerto Rican energy usage is two-fifths less than that of mainland Americans, yet their cost of electricity, approximately 27 cents per kilo-watt hour, is twice the average cost on the mainland; and

Whereas, A principal reason for high energy costs is Puerto Rico's reliance on expensive petroleum to generate electricity, due in part, to a limited universe of Jones Act qualified carriers for its bulk cargo needs; and

Whereas, A 2013 GAO report identified three Jones Act carriers with a total of six vessels, available on a limited basis, that serve Puerto Rico's bulk cargo needs, such as petroleum and grain; and

Whereas, Limited availability of Jones Act qualified bulk cargo carriers has obliged Puerto Rico to import oil and gas from foreign sources; and

Whereas, The Puerto Rico Electric Power Authority had planned to expand its use of liquefied natural gas (LNG), but expressed concerns, cited in the GAO report, regarding the availability of Jones Act qualified vessels capable of shipping cheaper LNG from the U.S.; and

Whereas, Puerto Rico's economy is currently in great financial distress as the island's residents are experiencing an unemployment rate of 12.6%, which is more than twice the national average, and a poverty rate nearly double that of Mississippi, the poorest state in the Union; and

Whereas, According to a recent Puerto Rican government commissioned report by International Monetary Fund economist, Anne Krueger, the Puerto Rican economy has seen virtually no growth since 1996;

and

Whereas, In this climate of falling revenues and rising costs, Puerto Rico's government has accrued a debt in excess of \$73 billion dollars that it simply cannot pay; and

Whereas, There is wide consensus that costs associated with the Jones Act are a drag on the Puerto Rican economy and hinder Puerto Rico's ability to grow its way out of this crisis; and

Whereas, The aged fleet of freight vessels serving Puerto Rico neither promote the shipbuilding industry, nor provide up to date vessels for maritime emergency needs, as was the original Jones Act intent; and

Whereas, Exemption from the Jones Act is not without precedent for United States territories as the U.S. Virgin Islands are exempt from the Jones Act; and

Whereas, Failure to address this obstacle to the growth of Puerto Rico's economy in the face of its economic collapse, would constitute a dereliction of the federal constitutional obligation to promote the general welfare of its citizens-3.6 million of whom inhabit the island of Puerto Rico-and represents a concern for all Americans; and

Whereas, Conditions in Puerto Rico are especially distressing for the approximately 800,000 New Yorkers of Puerto Rican descent with cultural and familial ties to the island; now therefore, be it

Resolved, That the Council of the city of New York calls upon the United States Congress to pass and the President to sign legislation allowing an economic hardship exemption for Puerto Rico from the Merchant Marine Act of 1920, commonly known as the "Jones Act."

LS 5752

7/6/2015

2:35pm

I.M.