

## **THE PROBLEM**

The people of Puerto Rico have been suffering through a prolonged **recession**, a **bankruptcy** proceeding that has caused **economic uncertainty** and an unprecedented **Category 5 hurricane** that has exacerbated these conditions on the island, leading to a fiscal and humanitarian crisis. **The Jones Act adversely impacts the ability of Puerto Rico to improve its fiscal and economic condition and to optimize relief and recovery operations after major storms.**

## **WHAT IS THE JONES ACT?**

The Merchant Marine Act of 1920 (aka the “Jones Act”) provides that **all goods** shipped between two points within the U.S. must be transported on vessels that meet certain federal regulatory requirements (*i.e.*, the vessels may not be built or re-built in a foreign country and must be primarily owned and crewed by U.S. citizens). The Jones Act **does not apply to foreign shipments** directly into or out of Puerto Rico, however foreign ships are restricted from delivering goods between multiple U.S. ports in a single trip (*i.e.*, shipping goods from Mexico to Texas, and then shipping additional goods from Texas to Puerto Rico is illegal under the Act).

## **HOW DOES THE JONES ACT UNFAIRLY IMPACT PUERTO RICO?**

As an island that **imports almost all of its goods** – such as food (**85% imported**), oil, electrical appliances, transport vehicles, and plastics – the Jones Act **significantly increases the cost of living** in Puerto Rico and **depresses trade with the mainland U.S.** Independent studies estimate that the Jones Act costs the Puerto Rican economy **hundreds of millions of dollars every year** costing as much as **\$537 million** in 2010 alone. A 2012 report from the Federal Reserve Bank of New York found that the shipping cost for a 20-foot container from the mainland U.S. to Puerto Rico was **twice as much** as the cost of the same container going from the mainland to the Dominican Republic. Puerto Rico is the **only non-contiguous U.S. territory not wholly or partially exempt** from the Jones Act. **Puerto Rico has no vote in Congress** so it has no direct ability to influence the policies surrounding the Jones Act.

## **WHY IT MATTERS**

- The Jones Act is significantly **harming the people** of Puerto Rico and **hampering the economic recovery** of the island.
- The Jones Act makes it significantly more **difficult to respond to natural disasters**, such as hurricanes, and undermines the rapid mobilization of aid and supplies.
- The Jones Act **imposes costs on the mainland U.S.** by decreasing trade with Puerto Rico. Even when the mainland may offer similar goods/services at a lower price, due to the effect of the Act it is often cheaper for Puerto Rico to get these goods from foreign markets. **This hurts American businesses and jobs.**
- By granting advantages to a small group of shipping companies with little to no oversight, the Jones Act forces a **captive market** (Puerto Rico) to conduct its trade with the mainland U.S. in a way that is **inefficient, unreliable, restricted, burdensome** and **subject to abuse.**
- A **bipartisan** group of lawmakers and organizations have called for changes to the Jones Act, particularly in its application to Puerto Rico.

**For more information and to read our report, visit <http://bit.ly/2wyjXYi>.**

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