



What Is the Jones Act— and Can It Be Fixed?

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1. Introducing the Jones Act

This Explainer seeks to provide a better understanding of the Merchant Marine Act of 1920, known as the Jones Act. This law was passed with the best of intentions and has been a staple of the American political landscape for over one hundred years. It has also created many unintended consequences, challenges, and problems, suggesting a need for substantial legislative reform in this area.

2. A Summary of the Jones Act

The Jones Act was signed into law on June 5, 1920, by President Woodrow Wilson. The purpose of this law was simple enough: “the promotion and maintenance of the American merchant marine.” The spirit of the law, however, was *not* to protect these jobs for domestic workers. It was to “ensure adequate domestic shipbuilding capacity and a ready supply of ships and merchant mariners that can serve as an auxiliary in times of war or other national emergencies.”

To accomplish this goal, the Act stipulates that all ships transporting goods between US ports meet four conditions:

- Be American-made.
 - ◇ All major components (hull and superstructure) must be made in the US and the vessel’s actual assembly must be entirely done in the US.
- Be American-crewed
 - ◇ All officers on deck and at least 75 percent of the crew must be US citizens.
- Be American-owned
 - ◇ 75 percent of the ownership stake must be by US citizens or by US companies that are controlled by US citizens.
- Be American-flagged
 - ◇ All vessels must be registered in the US and must fly a US flag. They must also follow all regulatory requirements of the US and be subject to inspection by the US.

This law was passed with the best of intentions, and may have been warranted in the immediate term due to World War I, the War's extension throughout the Atlantic, and German attacks on American shipping from 1917 onwards. The long-lasting results of this law, however, can only be described as “disastrous.” It neither promotes the domestic merchant marine industry nor bolsters national defense.

Because of the restrictions on the domestic shipping industry – specifically, the protections from foreign competition – the cost of shipping goods domestically skyrocketed. Some estimates find that the Jones Act increases shipping costs dramatically over the going rate for international shipping. Estimates vary on the exact figure.

The US Department of Transportation acknowledged this in 2020, citing its own previous report: the cost of operating a Jones-Act-compliant vessel was at least double compared to non-Jones-Act-compliant vessels. In 2020, the nonpartisan Congressional Research Service, citing numerous studies, calculated “the price of a US-built tanker is estimated to be about four times the global price of a similar vessel, while a US-built container ship may cost five times the global price.” That corresponds to previous research: a 2011 study by the US Maritime Administration (MARAD) found “the average operating cost of a US-flagged ship was 2.7 times greater than a foreign-flag ship,” a cost differential MARAD predicted would increase.

3. Unintended Consequences: The Status of the US Shipbuilding Industry Today

Counter to the goals of the Jones Act, raising the cost of domestic sea-shipping to such a degree has encouraged domestic producers to find alternative means of transporting their wares. In an extreme case, cows from Hawaii are frequently shipped by air because it is cheaper than shipping them by water. By reducing demand, high shipping costs actually *reduce* the number of domestically produced ships, the domestic shipbuilding facilities, jobs in the shipbuilding industry, and the number of qualified mariners available to crew Jones-Act-compliant ships.

Rather than nurturing an abundance of ships and mariners standing ready to bolster naval operations, the Jones Act has produced the opposite: shortages of both. In 2017, the Maritime Workforce Working Group

reported a deficit of 1,839 mariners for a “sustained sealift,” meaning “sustained wartime efforts.” Even this estimate assumes that all currently “actively sailing and qualified mariners with unlimited credentials available to crew... [were] available and willing to sail.” At a 2023 hearing before the Department of Transportation, Ann Phillips, then the Maritime Administrator, noted that since the 2017 study, “globally standardized credentialing requirements” and “the COVID-19 pandemic” have both “negatively impacted mariner retention.” While she did not provide new figures for the deficit, one can only surmise that the situation has gotten worse, not better.

The sobering unintended consequences of the Jones Act go further. At a 2013 hearing before the House Subcommittee on Coast Guard and Maritime Transportation, the Subcommittee’s staff reported as “Background” that between 1983 and 2013, at least 300 shipyards closed, leaving just four remaining open today.

The result of all of this has been a massive decline in the capacities of the US shipbuilding industry. In a 2019 statement before the House Subcommittee on Coast Guard and Maritime Transportation, Mark Buzby, the Administrator of the Maritime Administration of the US Department of Transportation, testified: “In the case of large self-propelled oceangoing vessels, U.S. shipyards still lack the scale, technology, and the large volume ‘series building’ order books needed to compete effectively with shipyards in other countries.”

Compared to other countries, the US has clearly fallen behind. A 2025 report from the US Trade Representative states that “today, the US ranks nineteenth in the world in commercial shipbuilding, and we build fewer than five ships each year, while the [People’s Republic of China] is building more than 1,700 ships. In 1975, the United States ranked number one, and we were building more than 70 ships a year.”

4. A World Without the Jones Act

One starting point for such reform would be to ask the following question: what would the world of American shipping and ship-building look like in the absence of the Jones Act?

First, it is useful to lay some groundwork for what this world looks like *with* the Jones Act. Shipping from, for example, Alaska to California can

be done in one of two ways. The first is by using a ship in compliance with the Jones Act. The second is by using a legal workaround. The Jones Act applies to ships moving directly between two American ports, but not if a ship stops at a foreign port between two US ports. Many ships leaving Alaska briefly stop in British Columbia before heading to California, just to avoid having to comply with the Act.

A more famous example of a means of circumventing the Jones Act was the Bayside Canadian Railway, a 200-foot railway built in New Brunswick, Canada, that was used to take advantage of an exemption for goods shipped “by rail” in Canada. By unloading the cargo, driving it 100 feet by train, and then pushing it back 100 feet before loading it again, massive amounts of money could be saved. The US Department of Justice received a tip about this in August 2021 and, after a “months-long court battle,” the US District Court for Alaska ruled that the Bayside Canadian Railway was not compliant with the Jones Act; it did, however, waive the fines imposed by the US Customs and Border Protection Agency. That it took the court *months* to render a ruling is telling.

In a 2023 analysis, Scott Lincicome argued that US highways are more congested, particularly those along the coasts, than they otherwise would be because of the high costs of domestic shipping *by sea*. Shipping within the United States, even along the coasts, is primarily done with trucks on the road, thus putting more traffic on the road and strain on infrastructure than there would otherwise be.

At present, the US Virgin Islands, American Samoa, and the Northern Mariana Islands are all exempt from the Jones Act, meaning that ships coming into their ports, regardless of their port of origin, can dock there no matter where the ship was built, where it is registered, or who crews it. The exemptions create massive comparative savings for these islands.

In 1999, for example, the Government Accountability Office released a study describing the costs of shipping Alaskan North Slope Oil to various destinations. To ship oil to the Gulf Coast region of the United States, it took 41 days at sea and cost \$7.15 per barrel. By comparison, shipping the oil from the same place in Alaska to the Virgin Islands took 84 days at sea (which involved going around Cape Horn in South America) and cost a mere \$2.35 per barrel. While many factors determine the cost of shipping a barrel of oil, the exemption to the Jones Act is playing a significant role in lowering the cost of oil to the Virgin Islands compared to other regions in the area.

The Jones Act has a long history of being waived under extraordinary circumstances, having been waived at least 39 times since its inception for varying lengths of time and purposes. In September 2022, a foreign-flagged tanker shipping diesel fuel from Texas to Europe was rerouted to Puerto Rico in response to Hurricane Fiona and the devastation that was wrought upon the island. Sadly, the tanker had to wait offshore for several days before receiving permission to dock and deliver the diesel fuel that people desperately needed. The Jones Act was waived again the very next month, allowing shippers to meet the “unique and urgent need for liquefied natural gas in Puerto Rico.”

September 2017 proved to be a chaotic month for the Jones Act. It was waived three separate times with regard to different territories and products, in response to Hurricanes Harvey, Irma, and Maria. The waiver for Puerto Rico was only granted after considerable drama, with the Department of Homeland Security initially refusing to do so, before eventually capitulating to widespread public outcry.

In 2012, the Jones Act was waived in response to Hurricane Sandy to “immediately allow additional oil tankers coming from the Gulf of Mexico to enter Northeastern ports, to provide additional fuel resources to the region.” The very next day, this exemption was expanded to allow “the transportation of feedstocks, blending components, and additives used to produce fuels.”

In 2011, an ice-breaking ship from Russia received a waiver of the Jones Act, allowing it to deliver critical fuel to the isolated city of Nome, Alaska.

In 2005, a waiver was granted to allow “the transportation of petroleum and refined petroleum products” in response to Hurricane Katrina, which sped up the natural disaster recovery process for the Gulf Coast States.

Beyond natural disasters, the Act has been waived in response to particular economic conditions. In 2010, it was waived to “exempt vessels used in the anchoring of oil rigs off the coast of Alaska”; in 2002, to “allow the use of foreign-flag tanker (sic) in Jones Act trade if construction of a Jones Act-compliant tanker was delayed by unusual circumstances”; and in 1996 for oil spill clean-up operations.

The list goes on (see Table A-1 here), but what each case has in common is that exemptions were deemed “*necessary in the interest of national defense*,” which is striking given that the Jones Act’s stated purpose is to *promote* national defense. When we need to grant exemptions to a law to serve that

law’s purpose, we really need to question the efficacy of the law itself.

Estimated savings from repealing the Jones Act would be enormous. In 2019, the OECD projected that “an abolishment of the Act will result in net economic gains for the US, in particular for US industries dependent on water transportation services for intra-US sales, *and the shipbuilding industry itself*” (emphasis added).

A different perspective is presented by the American Maritime Partnership, which in 2018 found that the Jones Act has “no impact on either retail prices or the cost of living in Puerto Rico.” This report has been cited time and again among pro-Jones Act groups. But digging into the Who We Are portion of the Partnership’s website, we find that it is “the broadest, deepest coalition ever assembled to represent the domestic maritime industry.” On the “What We Do” page, the partnership claims to have “led the way in telling the story of the positive impacts of America’s domestic maritime industry.” Note the careful phrasing here: the partnership exists only to tell the *positive* impacts and eschew the negative. A group of people with a financial interest in the Jones Act having no negative effect on prices or the cost of living in Puerto Rico was able to find that there was no such effect; simple skepticism should raise serious questions about the report.

5. A Call for Reform

That the Jones Act has been waived so many times and in the name of promoting national defense strongly indicates the need for reform. Recognizing that immediate and full repeal may not be feasible, this section provides three pathways toward reform – two forms of selective repeals and sunseting.

Product-Selective Repeals — Liquefied Natural Gas

The Jones Act has been a staple of US maritime shipping rules and regulations for over 100 years. A full repeal would create considerable disruption to entire industries, including those beyond the shipping industry. Rather than a full repeal of the Jones Act, and in keeping with the Trump Administration’s focus on improving government efficiency, selective repeal of certain aspects of the Jones Act and reform of other Congressional statutes could achieve meaningful cost reductions and national security gains without causing widespread disruption to the maritime industry.

A permanent exemption, for example, could be granted to the shipment of liquefied natural gas (LNG). Today, approximately 500 ships globally can transport LNG. None are compliant with the Jones Act. In 2011, three such ships that were previously Jones Act-compliant (and lost their status after being purchased by foreign investors) were allowed by Congress to reenter the Jones Act trade. According to the Congressional Research Service, none did, and the ships are now 45 years old.

Most tellingly, New England relies heavily on foreign LNG, despite the US being one of the largest exporters of LNG in the world. Transport restrictions due to the Jones Act make importing cheaper than using domestic supplies. Similarly, Puerto Rico imports LNG from Trinidad and Tobago instead of using domestic suppliers.

Exempting LNG shipments from the Jones Act requirements would lower energy costs at a time when those savings are desperately needed. Likewise, reopening cost-prohibitive domestic markets would encourage more domestic production of LNG and energy as well, creating jobs in a sector crucial to the future viability of the US economy.

Geographically Selective Repeals — Alaska, Hawaii, and the Unincorporated Territories

The ports within Alaska, Hawaii, Puerto Rico, Guam, American Samoa, the US Virgin Islands, and the Northern Mariana Islands are all legally considered “US soil.” Presently, the Virgin Islands, American Samoa, and the Northern Mariana Islands are all exempt from the Jones Act, but of these, only the Virgin Islands are truly exempt, as shipping routes from American Samoa and the Northern Mariana Islands almost all go through Hawaii before going on to the contiguous United States. Because they stop in Hawaii, the ships effectively need to be Jones Act-compliant throughout the entire journey, thereby nullifying their exemption.

Instead, all of these non-contiguous regions of the United States could simply be exempt entirely. This would pose minimal national security risk, imperil virtually zero ship-crewing jobs, and, by making shipping to and from their ports less costly, would actually spur economic development.

Taking these steps would improve the disaster recovery and response in these regions immensely, as they would no longer have to wait days or even weeks for a waiver when disaster strikes. Not just the rebuild-

ing efforts, but also search and rescue operations and medical care for the wounded would move more quickly without Jones Act impediments.

Sunseting the Jones Act

Just as Congress does with other legislation, the Jones Act could be subject to sunset after a specified period of five or ten years. A study could be commissioned – and preferably conducted by an external, independent, and non-partisan organization – to systematically assess the benefits and costs of the Jones Act. From this, benchmarks for any benefits of the Jones Act could be presented to the domestic maritime shipping industry.

In the spirit of government efficiency, a law that does not clearly provide benefits in excess of its costs should be modified, if not outright eliminated. If the domestic maritime shipping industry cannot hit these benchmarks, a process might be triggered by which certain provisions of the Jones Act would be wound down.

Adjusting the Made-in-America Requirements

Four key provisions drive the Jones Act: a vessel must be American-made, -crewed, -owned, and -flagged. While these may be sensible requirements for military vessels, they are (at best) *overly cumbersome* when it comes to commercial vessels.

A 2011 US Department of Transportation Maritime Administration report found that operating a Jones Act-compliant vessel costs \$12,600 more per day than a “open registry” ship, with almost 90 percent of this increase attributable to higher crew costs. A 2022 Government Accountability Office report found that the additional cost of operating a Jones Act-compliant vessel had increased further, “to about \$6.2 to \$6.5 million [annually]” or nearly \$17,000 per day. To put that into perspective, the USDA estimated in 2024 that \$12,600 is enough money to feed a family of four for an entire year. Rescinding the requirement that 75 percent of the crew must be American citizens, or even just lowering this number to, say, 50 percent, would afford massive savings on shipping costs.

The same could be said about the requirement that vessels be *owned* by Americans. Removing or lowering this requirement would encourage foreign investment in American shipbuilding. At a time when the Trump Administration is touting the increased foreign investment across the na-

tion in the automotive and semiconductor sectors, it would make sense to encourage this same activity in domestic maritime shipping.

6. Curtains for the Jones Act?

The Jones Act will celebrate its 105th birthday this year. *In its current form*, the Jones Act has failed to deliver on its goals. It has not promoted nor even maintained the American merchant marine; instead, it has reduced and undermined the American commercial capacity and military readiness. Nor has it ensured adequate domestic shipbuilding capacity or a ready supply of ships and merchant mariners that can serve as auxiliaries in times of war or national emergencies. Instead, it has reduced domestic shipbuilding capacity and decreased the supply of ships and merchant mariners.

In its current form, the Jones Act is detrimental to national security, saddles Americans with higher prices, and reduces the number of good, high-paying manufacturing jobs on America's coasts. This leaves the US at both a strategic and economic disadvantage.

A new, reformed and pared-down Jones Act would boost manufacturing jobs in the US, lower prices for American consumers around the world, and boost US exports. Most importantly, it would make Americans safer by boosting naval capacity.



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