SB 102 - AS INTRODUCED

2023 SESSION

23-0822
07/04

SENATE BILL ***102***

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

SPONSORS: Sen. Murphy, Dist 16; Rep. Polozov, Merr. 10

COMMITTEE: Commerce

ANALYSIS

This bill requires the department of energy to submit a report to the legislature on the impact of the Jones Act on New Hampshire's heating and energy fuel market.

- - - -

23-0822
07/04

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Findings. The general court finds:

I. The Merchant Marine Act of 1920, also known as the Jones Act, forbids shipping between US ports except in ships built by and crewed by citizens of the United States, in shipyards located therein; and

II. The Act provides that the Federal Department of Homeland Security may suspend the Act in the interest of national defense; and

III. There is currently only one shipyard in the United States that builds commercial cargo ships; and

IV. The United States produces less than 10 cargo ships per year, while China alone produces over 1,000 cargo ships per year, and

V. Out of 44,000 commercial ships worldwide, less than 200 meet the requirements of the Merchant Marine Act of 1920; and

VI. The act has been suspended in recent years in order to allow deliveries of oil, gasoline, and natural gas to Alaska, Florida, New Orleans, and Puerto Rico; and

VII. New England lacks sufficient pipeline capacity to transport necessary supplies of oil, diesel, or natural gas; and

VIII. The ongoing conflict in Ukraine has disrupted energy markets worldwide; and

IX. New England's citizens are currently paying unprecedented prices for energy and heating oil; and

X. The climate in New England is such that access to heat and energy is a matter of life and death.

2 New Section; Department of Energy; Jones Act Report. Amend RSA 12-P by inserting after section 15 the following new section:

12-P:16 Jones Act Report. The department of energy shall submit a report to the legislature on the estimated impact of the Merchant Marine Act of 1920, also known as the Jones Act, on New Hampshire's heating fuel and energy market. The report shall include the department's findings and any recommendations for proposed legislation to the president of the senate, the speaker of the house of representatives, the senate clerk, the house clerk, the governor, and the state library on or before November 1, 2023.

3 Repeal. RSA 12-P:16, relative to the Jones Act report, is repealed.

4 Effective Date.

I. Section 3 of this act shall take effect November 1, 2023.

II. The remainder of this act shall take effect upon its passage.

CONSENT CALENDAR

May 10, 2023

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

The Committee on Commerce and Consumer Affairs to which was referred SB 102,

AN ACT relative to the Jones Act's effect on New Hampshire's heating and energy fuel market. Having considered the same, report the same with the following resolution: RESOLVED, that it is INEXPEDIENT TO LEGISLATE.

Rep. Shaun Filiault

FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

COMMITTEE REPORT

Committee:	**Commerce and Consumer Affairs**
Bill Number:	**SB 102**
Title:	**relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.**
Date:	**May 10, 2023**
Consent Calendar:	**CONSENT**
Recommendation:	**INEXPEDIENT TO LEGISLATE**

STATEMENT OF INTENT

This bill would create a study committee to study the effect of the federal Jones Act (the Act) on New Hampshire's energy and fuel market. The state Department of Energy testified that such a study would cost $250,000. Ultimately, the impact and future of the Act is an issue better addressed by the state's federal delegation since it is federal law. Thus, the Committee believes the $250,000 spent on the proposed study committee would be better used for other purposes over which the State has actual control.

Vote 18-0.

Rep. Shaun Filiault
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

CONSENT CALENDAR

Commerce and Consumer Affairs

SB 102, relative to the Jones Act's effect on New Hampshire's heating and energy fuel market. **INEXPEDIENT TO LEGISLATE.**

Rep. Shaun Filiault for Commerce and Consumer Affairs. This bill would create a study committee to study the effect of the federal Jones Act (the Act) on New Hampshire's energy and fuel market. The state Department of Energy testified that such a study would cost $250,000. Ultimately, the impact and future of the Act is an issue better addressed by the state's federal delegation since it is federal law. Thus, the Committee believes the $250,000 spent on the proposed study committee would be better used for other purposes over which the State has actual control. **Vote 18-0.**

Original: House Clerk
Cc: Committee Bill File

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

PUBLIC HEARING ON SB 102

BILL TITLE: **relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.**

DATE: **April 12, 2023**

LOB ROOM: **302-304** **Time Public Hearing Called to Order:** **2:15 p.m.**

Time Adjourned: **3:05 p.m.**

Committee Members: Reps. Hunt, Ammon, Beaulieu, Osborne, Potucek, Terry, Post, Cole, Porcelli, Thackston, L. Walsh, Burroughs, Herbert, McAleer, Calabro, Filiault, Gibbs, Spier and J. Sullivan

Bill Sponsors:
Sen. Murphy **Rep. Polozov**

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

*Senator Murphy - Introduced

*Griffin Roberge - Neutral
- Dept is neutral
- The Department would like a report
- Estimated economic impact of the Merchant Marine Act

Rep Yury Polozov - Supports

*Kyle Burkson - American Waterways Operators
- Testimony on Commerce
- Email sites
- Opposes
- All about national securities

SIGN UP SHEET

To Register Opinion If Not Speaking

Bill #: SB102 Date: 4/12/23

Committee: COMMERCE

**** Please Print All Information ****

Name	Address	Phone	Representing	Pro	Con

House Remote Testify

Commerce and Consumer Affairs Committee Testify List for Bill SB102 on 2023-04-12

Support: 8 Oppose: 1 Neutral: 1 Total to Testify: 0

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Name	City, State Email Address	Title	Representing	Position	Testifying	Non-Germane	Signed Up
Smith, Julie	Nashua, NH cantdog@comcast.net	A Member of the Public	Myself	Support	No	No	4/8/2023 8:09 AM
Beauchain, Brenda	Fremont, NH bbfly728@yahoo.com	A Member of the Public	Myself	Support	No	No	4/9/2023 7:28 PM
Robinson, Steven	Northwood, NH Nikkiandme@yahoo.com	A Member of the Public	Myself	Support	No	No	4/10/2023 10:27 AM
Robinson, Karen	Northwood, NH KarenRobinson578@gmail.com	A Member of the Public	Myself	Support	No	No	4/10/2023 10:35 AM
Gardner, James	Keene, NH yourgardner@protonmail.com	A Member of the Public	Myself	Support	No	No	4/10/2023 11:41 AM
McCrea, Keith	Manchester, NH mccrea.keith@gmail.com	A Member of the Public	Myself	Support	No	No	4/10/2023 1:49 PM
Cleveland, Elizabeth	Mont Vernon, NH bjcleveland46@yahoo.com	A Member of the Public	Myself	Oppose	No	No	4/10/2023 4:45 PM
Roberge, Griffin	Concord, NH griffin.j.roberge@energy.nh.gov	State Agency Staff	NH Department of Energy	Neutral	No	No	4/11/2023 3:41 PM
Abbott, Gary	Bow, NH gabbott@agcnh.org	A Lobbyist	Associated General Contractors of NH	Support	No	No	4/11/2023 8:22 PM
Richardson, Daniel	Nashua, NH daniel6_22@comcast.net	A Member of the Public	Myself	Support	No	No	4/12/2023 10:31 AM

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

SUBCOMMITTEE WORK SESSION on SB 102

BILL TITLE: relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

DATE: May 3, 2023

Subcommittee Members: Reps. Ammon, Cole, Thackston, Hunt, McAleer, Burroughs and Spier

Comments and Recommendations:

MOTIONS: **RETAINED**

Moved by Rep. Rep. Spier Seconded by Rep. Rep. Hunt Vote: 8-0

Respectfully submitted,

Rep. John Hunt
Subcommittee Clerk

STATE OF NEW HAMPSHIRE

COMMISSIONER
Jared S. Chicoine

DEPUTY COMMISSIONER
Christopher J. Ellms, Jr.

DEPARTMENT OF ENERGY
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-3670

FAX No. 271-1526

Website:
www.energy.nh.gov

April 12, 2023

Chairman John Hunt
And Members of the House Commerce and Consumer Affairs Committee
Legislative Office Building, Room 302-304
33 North State Street
Concord, NH 03301

Dear Chairman Hunt and members of the committee:

The NH Department of Energy is **neutral** to SB 102 as amended by the Senate.

As a region, New England uses natural gas to meet nearly half of its electricity needs. A shortage of natural gas supply makes it challenging for New England to get enough fuel during periods of peak energy demand, such as during the coldest days in the winter or the hottest days in the summer.

In general, most of New England's natural gas arrives via pipelines. New Hampshire's natural gas utilities – Unitil and Liberty –have firm contracts to receive natural gas supply from those pipelines. Natural gas electricity generators must buy gas from the unused portion of the pipelines, which becomes limited during the winter. Straining available pipeline capacity can lead to price spikes during gas system constraints and can lead peaking power stations, such as Merrimack Station – a coal plant in Bow, NH – and oil generators to help meet regional energy demand.

Additionally, creating additional pipeline capacity is easier said than done. Siting additional pipelines can be difficult, time-consuming, and costly for developers, especially when states establish policies that make it difficult to site new energy infrastructure.

Another way to get additional natural gas supply is through shipping tankers that carry liquified natural gas (LNG). These LNG tankers come into Boston to help backfill the region with extra natural gas to help meet gas demand. However, the Merchant Marine Act of 1920, also known as the Jones Act, impedes the ability to get domestic LNG by tanker. This brings us to SB 102.

The Jones Act is a protectionist federal statute that requires LNG tankers that travel between US ports be built, owned, and flagged by Americans and American companies. This means that New England cannot receive domestically produced LNG from Texas or Pennsylvania by ship. In essence, the Jones Act precludes all US produced LNG from being delivered to New England.

While America is the largest exporter of LNG, there are no Jones Act compliant LNG tankers. No LNG tankers have been built in the US since the 1980s. There are currently 12 LNG tankers that

were constructed in US ports between 1977-1980 that could potentially be re-flagged and re-crewed to become Jones Act compliant. All of them are currently flagged for other countries. Additionally, most LNG tankers are constructed in foreign countries at a cheaper cost.

This leaves New England dependent on foreign LNG imports, primarily from Trinidad and Tobago. Major geopolitical events like Russia's invasion of Ukraine have seen LNG tankers being sent to Europe to meet their energy demand. These geopolitical events have caused significant turmoil in global energy markets.

In July 2022, New England's governors sent a letter to the US Department of Energy asking the Biden Administration to explore suspending the Jones Act for the winter of 2022-2023. These governors met with Secretary Jennifer Granholm in September 2022. While the Administration indicated its continuing approach to enhance its partnership with the region to weather the winter season, no waiver from the Jones Act was issued.

SB 102 as amended by the Senate requires the NH Department of Energy to produce a report to the legislature on the estimated impact of the Jones Act on New Hampshire's heating fuel and energy market. The bill requires the report be completed by June 1, 2024.

The Department is neutral on the bill, but would like to see three amendments to the bill if it moves forward:

1. Amend page 1, line 25 to read: "… the estimated **economic** impact of the Merchant Marine Act of 1920…" The phrase "estimated impact" is quite broad. The Department would welcome this clarification.

2. Extend the report date from June 1, 2024 to January 1, 2025 on page 1, line 29 and page 2, line 2.

3. Appropriate $250,000 to the Department to retain the services of an outside consultant to complete the report. The Department does not currently have in-house resources who are knowledgeable about the Jones Act and its specific impacts on New Hampshire's energy markets. An outside consultant would have the means to conduct an in-depth, detailed economic analysis beyond a standard literary review of existing studies and resources.

Please feel free to contact me with any questions.

Respectfully,



Griffin Roberge
State Energy Program Manager
Phone: (603) 271-8341
E-mail: griffin.j.roberge@energy.nh.gov

STATE OF NEW HAMPSHIRE

COMMISSIONER
Jared S. Chicoine

DEPUTY COMMISSIONER
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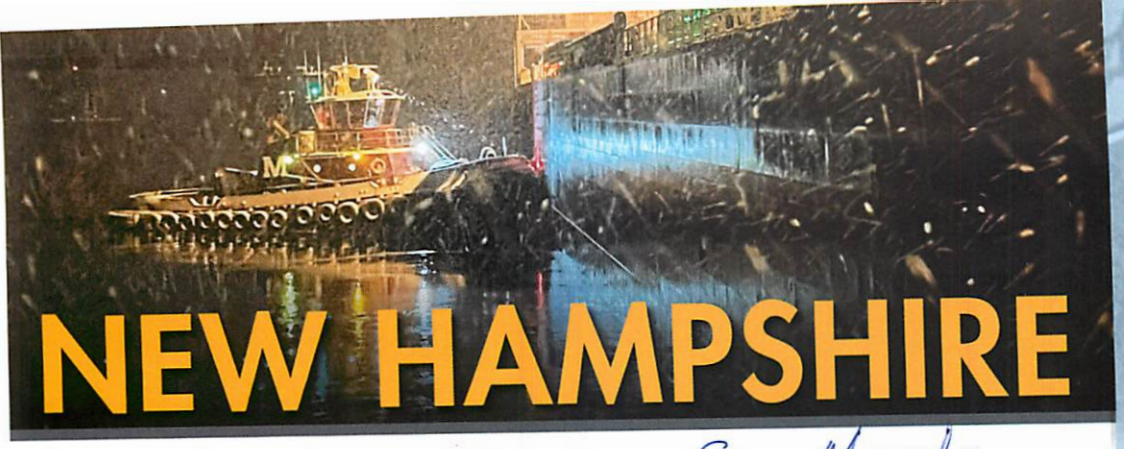
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Respectfully,



Griffin Roberge
State Energy Program Manager
Phone: (603) 271-8341
E-mail: griffin.j.roberge@energy.nh.gov



NEW HAMPSHIRE



New Hampshire's Maritime Industry Reflects New Hampshire's Values

Sen. Murphy

SUSTAINABILITY JOBS COMMERCE SAFETY

Maritime is a critical part of New Hampshire's history and its future. Today's industry is a reflection of New Hampshire values.

Together we promote:

- A robust workforce
- Living wage jobs
- Energy security
- Environmental sustainability

New Hampshire's coastline may be modest, measuring 18 miles, but maritime is integral to both the history of the Granite State and the lives of today's residents. Portsmouth was a key port city during the Revolutionary War, and it is New Hampshire's busiest port today.

During New Hampshire's frigid winter months, the state relies on home heating oil delivered by barge. Approximately 90% of home heating oil in New England is delivered by marine transportation. Without barges, fuel supplies would dwindle, and costs would increase, leaving hundreds of thousands of New Hampshirites unable to heat their homes.

But the marine transportation industry is there for New Hampshire, utilizing its waterways to deliver critical commodities like oil, food and road salt while providing good paying jobs and making a substantial impact on the state's economy. And thanks to the Jones Act, New Hampshire citizens can count on American vessels, crewed by American mariners, rather than relying on foreign suppliers.



Barges and ships deliver diesel year-round and home heating oil seasonally to Portsmouth. The tugboats guiding these vessels to port are a vital part of New Hampshire's energy supply chain.

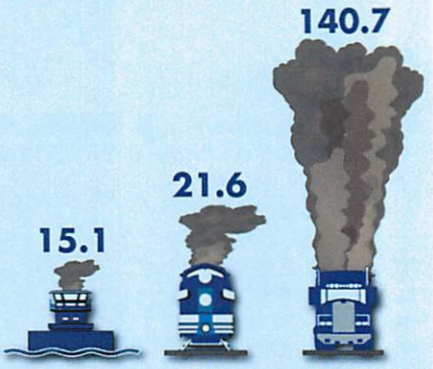


Towing vessels are a critical part of the growing offshore wind industry. These American vessels are needed to develop 2.6 GW of clean energy for New Hampshire.



NEW HAMPSHIRE ENVIRONMENTAL IMPACT

WHICH MODE IS THE MOST ENVIRONMENTALLY FRIENDLY?



GRAMS OF CO_2 PER TON MILE

WHICH MODE IS THE SAFEST?



In times of energy scarcity, America's maritime transportation industry is standing by to not only supply the state with essential diesel and heating oil, but also to deliver coal to power the Merrimack Station in times of greatest power needs.

The American Waterways Operators

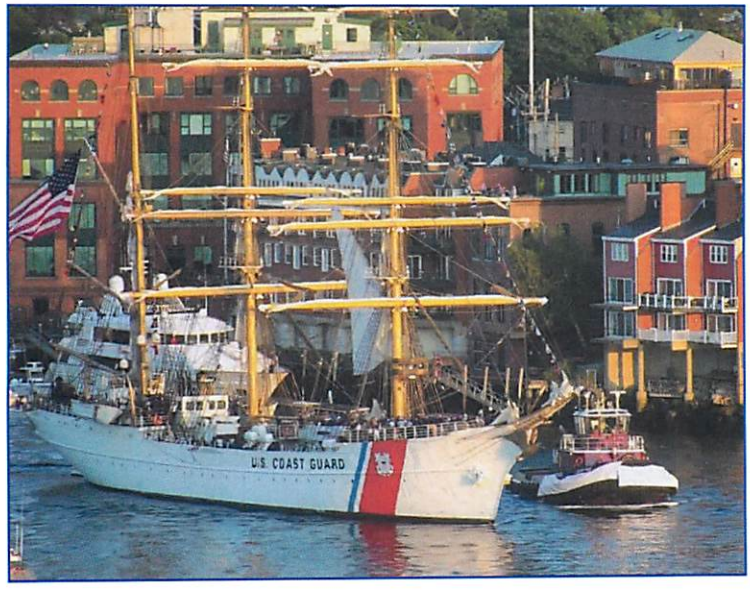
www.americanwaterways.com

NEW HAMPSHIRE

The domestic maritime industry supports good-paying jobs and ladders of career opportunity for New Hampshire residents that are non-exportable and don't require a college degree – or college debt.



Thanks to the Jones Act, goods moved on New Hampshire waters are moved by American-owned, American-crewed, and American-built vessels. These vessels are the eyes and ears of the waterways – helping provide security to the nation.



Tugboat captains are licensed every 5 years by the Coast Guard and have a minimum of 11,520 hours of training – more than a commercial airline pilot – ensuring the safety of the waterways.



NEW HAMPSHIRE ECONOMIC IMPACT

HOW DOES MARITIME SUPPORT NEW HAMPSHIRE JOBS?

MARITIME INDUSTRY

1,210
TOTAL JOBS

$75.3 MILLION
LABOR INCOME

HOW DOES MARINE TRANSPORT BENEFIT NEW HAMPSHIRE'S ECONOMY

MARITIME INDUSTRY TOTAL

$236 MILLION
TO NEW HAMPSHIRE GDP

ABOUT AWO

The **American Waterways Operators** is the tugboat, towboat and barge industry's advocate, resource and united voice for safe, sustainable and efficient transportation on America's waterways, oceans and coasts. Industry vessels move more than 665 million tons of America's commerce each year on the U.S. inland and intracoastal waterways, the Atlantic, Pacific and Gulf Coasts and the Great Lakes.







For more information about the importance of waterway transportation, please contact AWO at **(703) 841-9300** or visit AWO's website at **www.americanwaterways.com**.

Information and data sources: AWO, Texas Transportation Institute, American Maritime Partnership, National Waterways Foundation and U.S. Chamber of Commerce

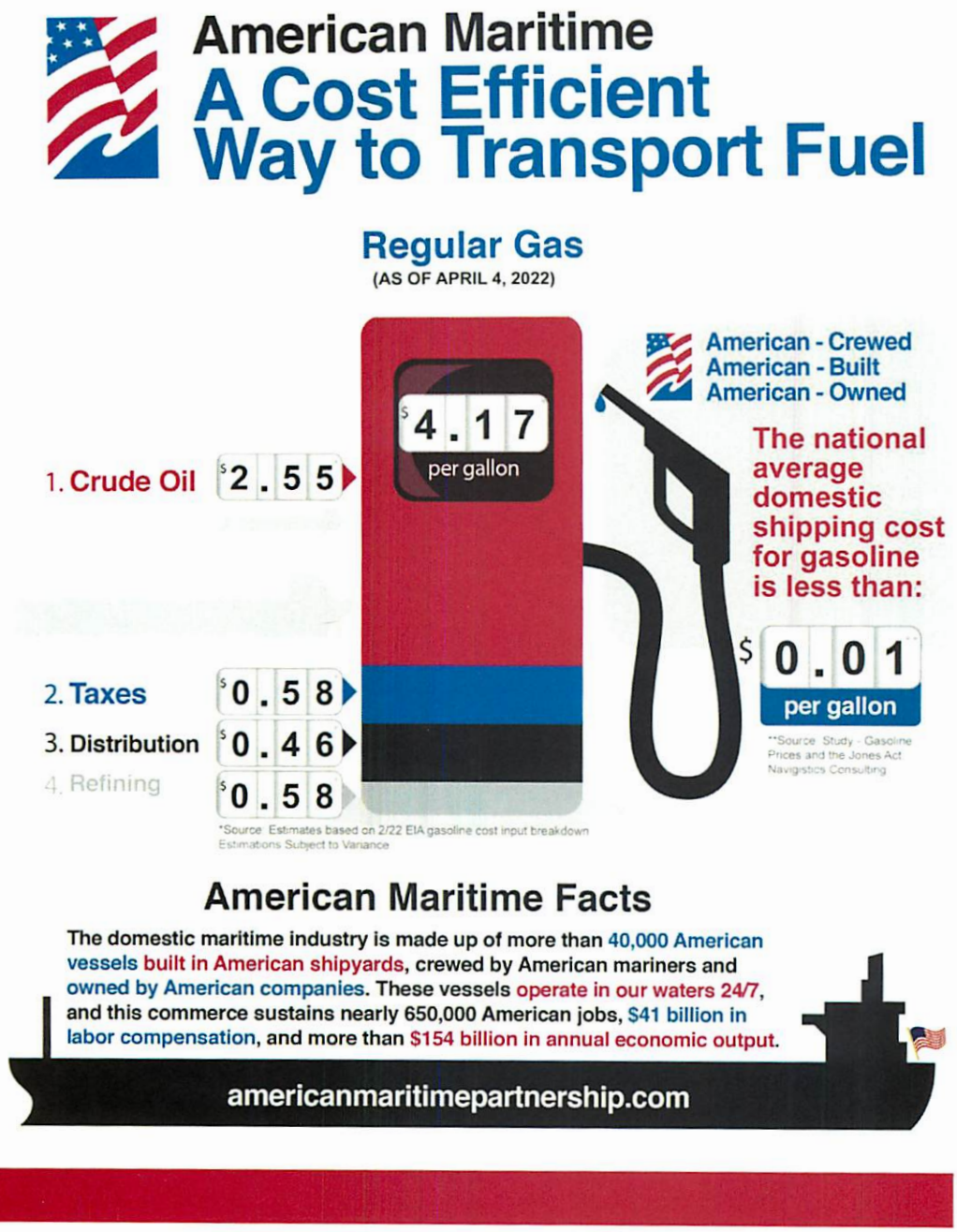
The American Waterways Operators

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Sen Murphy

American Maritime: A Cost Efficient Way To Transport Fuel

APRIL 11, 2022 | INFOGRAPHICS



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The Jones Act: Friend Or Foe?

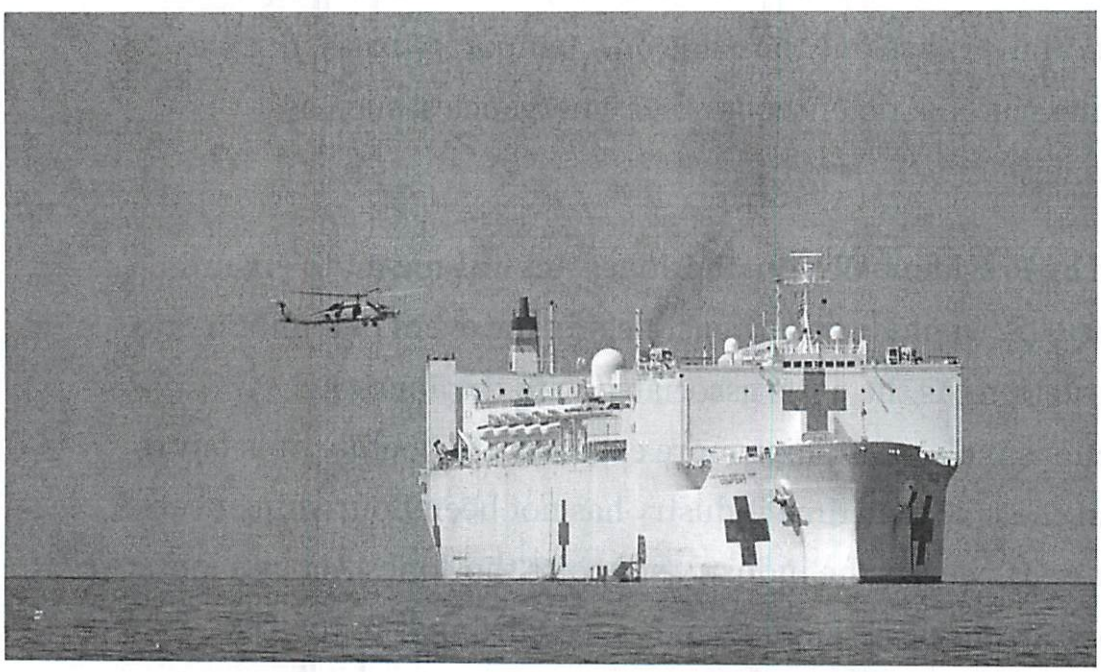
Sen Murphy

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A helicopter lands on the USNS (United States Naval Ship) Comfort hospital ship in the harbour off... [+]

By Ted Loch-Temzelides

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more commonplace in the U.S. territory when, as many scientists argue, water temperatures rise, and the frequency and severity of hurricanes increase.

The Jones Act, or, more precisely, the "Merchant Marine Act," is a federal statute, meant to support the U.S. commercial fleet. It is one of the most important transportation-related laws in the country. The act is named after Senator Wesley Jones, who introduced it in 1920. The act regulates all maritime commerce in U.S. waters and between U.S. ports. It requires that shipping of all goods transported between U.S. ports be carried out by ships under the U.S flag. The ships must be constructed in the United States, owned by U.S. citizens, and crewed by U.S. citizens and U.S. permanent residents. Furthermore, the steel used in any foreign repair work on a Jones Act vessel must be less than ten percent of the ship's total weight. Waivers are only possible on a temporary basis, in cases involving national defense, or other emergencies, such as hurricanes.

Signed by President Wilson, the Jones Act was meant to ensure that the U.S. would have a robust fleet in the event of a military confrontation. As the costs associated with the Jones Act restrictions make U.S. ships more expensive to operate, it is fair to say that the U.S. maritime industry has not been flourishing over the years. However, the industry supports the Jones Act as a job creator for American workers and as a contributor to the U.S. National Security. Indeed, over time presidents from both parties are on record supporting the Jones Act, based on national security considerations.

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from carrying cargo between U.S. ports. Reduced competition in both building ships and transporting goods can lead to higher prices. For example, Jones Act ships can cost three times as much as those built in foreign shipyards. Critics of the act argue that a large fraction of these costs is passed on to the final consumers, who have to pay higher prices for the transported goods, or for goods using high-cost inputs transported by Jones Act vessels. Places like Hawaii and Puerto Rico are considered to be particularly affected due to their reliance on maritime transportation. Sen. John McCain has been one of the strongest critics of the law. On the other hand, proponents argue that the Jones Act is vital to national security and that it protects American jobs, for example, in the ship-building industry. The Jones Act has been historically waived during short periods of emergencies affecting the mainland of the United States, most recently after Hurricanes Harvey and Irma. After some hesitation, it was just announced that the Act will be temporarily waived for Puerto Rico. These incidents contribute to the debate about the Jones Act's overall net merits.

The fact that the Jones Act has both fierce opponents and fierce supporters is not surprising. Like many regulations, it creates both winners and losers. The question for policy should be whether the gains from the regulation exceed the resulting losses or the other way round.

But despite the importance of the act, there is no rigorous economic analysis devoted to the evaluation of the costs and benefits that it generates for the U.S. economy. An exhaustive analysis is needed in order to compare the welfare effects associated with maritime

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Such an analysis will need to consider a number of different factors.

Many foreign-flag vessels operate in competitive, somewhat unregulated markets and are often subject to low compliance costs. As a result, and since foreign and domestic vessels are largely considered to be perfect substitutes in transportation, foreign competition would likely result in reductions in freight rates, should the Jones Act be repelled.

However, the Jones Act has other far-reaching implications for the entire U.S. transportation sector and beyond. Such effects are very hard to capture in their entirety. As an example, the U.S. trucking and rail industries, as well as the ports, would be affected in complex ways, if the Jones Act were to be repelled. Trains have been used as a substitute for maritime transportation in the U.S., when this leads to costs savings. If maritime transportation becomes less expensive due to increased competition, there will be a corresponding shift away from rail, resulting in loss of revenue in that sector. Ports, on the other hand, could benefit from the increased number of foreign vessels served, due to economies of scale.

Perhaps most importantly, in the presence of foreign competition,

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compete. Supporters of the Act point to the national security implications of such an outcome.

For a complete cost-benefit analysis, losses in domestic "producer surplus" need to be aggregated and compared to the total benefits in "consumer surplus." In addition, the national security benefits from the Act will need to be assigned a dollar value and enter the calculation as well. The resulting net effect would determine the desirability of a potential policy change.

Is the Jones Act, then, a friend or a foe of the American economy?

It depends on whom you ask.

Until a rigorous cost-benefit analysis of the far-reaching implications from its potential repeal are carefully calculated, we will not know.

The fact that the Act affects different industries, locations, professions, etc. diversely, and the fact that it involves non-trivial national security implications, makes this a formidable task.

Ted Loch-Temzelides is Professor of Economics and Rice Scholar at the Baker Institute for Public Policy's Center for Energy Studies.



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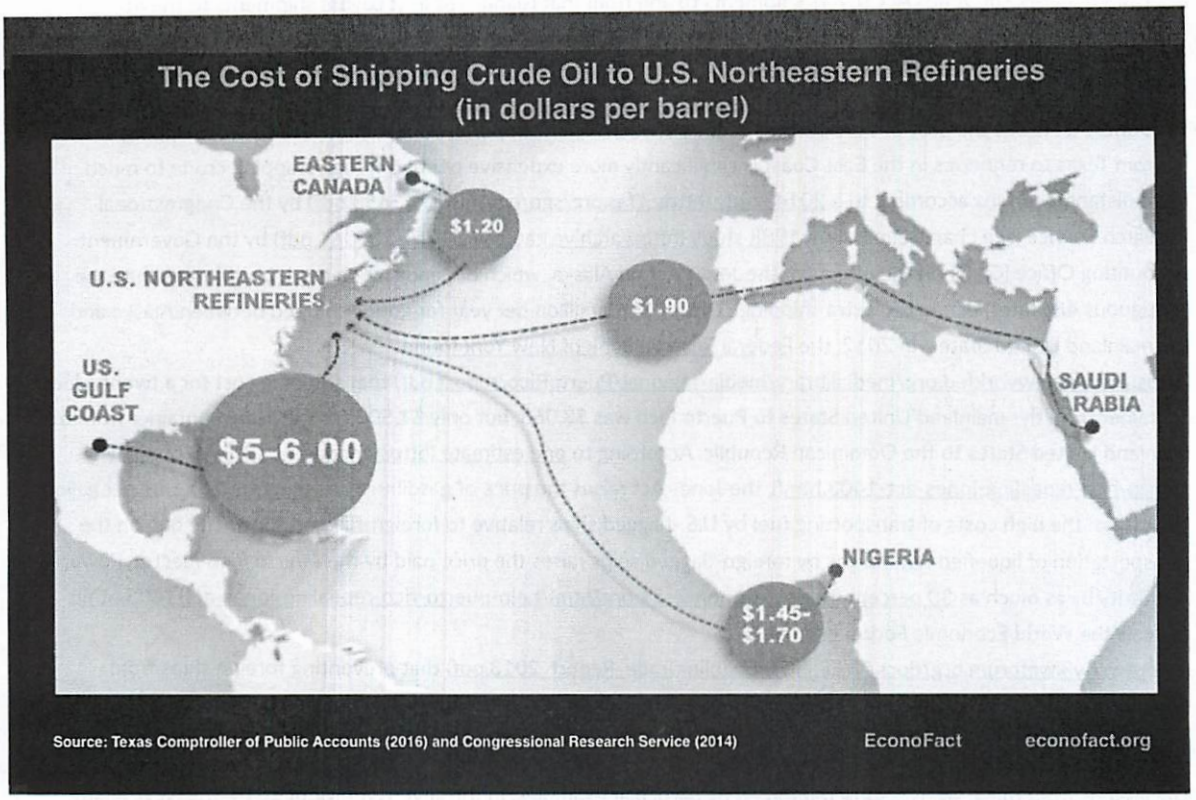
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Menu

Sen. Murphy

The Jones Act and the Cost of Shipping Between U.S. Ports

By Daniel Bergstresser and Marc Melitz
Brandeis University and Harvard University



The Issue:

The efforts to help Puerto Rico recover from Hurricane Maria, which made landfall on the island on September 20, 2017, have brought attention to a previously little-known piece of legislation, the Jones Act. This act prevents foreign-owned or operated vessels from shipping between ports in the United States, limiting competition in that type of transportation. The scarcity of Jones Act compliant vessels limits the movement of relief aid to that island from the United States mainland. The Jones Act was temporarily suspended by President Trump on September 28 in an effort to support relief efforts in Puerto Rico. Similar suspensions of the Jones Act occurred in the wake of Hurricanes Harvey and Irma, as well as Sandy in 2012, and Hurricanes Katrina and Rita in 2005, to expedite the delivery of fuel. The effects of this Act at a time of acute crisis highlight a more general consequence of protectionist policies that endures over time, benefiting a small number of producers by raising costs and limiting choice for a vastly larger group of consumers. After the crisis subsides, these costs diffuse more broadly across all potential consumers of domestic shipping services.

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> Relief efforts in Puerto Rico after Hurricane Maria spotlighted a 1920s regulation that restricts shipping in the United States.

The Facts:

- **The Merchant Marine Act of 1920, often referred to as the Jones Act, requires shipping between U.S. ports to occur on ships that carry the U.S. flag, are built in the United States, and are owned by U.S. citizens.** The act also requires crew on these ships to be comprised of at least 75 percent U.S. citizens or permanent residents. The original rationale for this act was to support the continuing viability of an American merchant marine fleet, an issue that was of concern after the significant losses to the U.S. Merchant Marine fleet in World War I. The Jones Act's main purpose subsequently shifted towards supporting employment and work conditions for American shipbuilders and seamen. The U.S. is not unusual in restrictions on cabotage (the shipment of goods, person or mail between ports within the same country); most countries surveyed (https://www.hsdl.org/?abstract&did=455295) by the U.S. Department of Transportation restrict operation of international vessels between domestic ports to at least some degree. Since Puerto Rico is part of the United States, the Jones Act covers shipments to and from that island, just as it covers shipments to the 48 contiguous states, Alaska, Hawaii, and Guam. The Jones Act does not cover some United States territories, such as the U.S. Virgin Islands.

- **The Jones Act raises the cost of transporting goods between American ports.** For example, the cost of shipping crude oil from Texas to refineries in the East Coast is significantly more expensive per barrel than shipping crude to much more distant locations according to a 2014 study (https://fas.org/sgp/crs/misc/R43653.pdf) by the Congressional Research Service (see chart). Similarly, a 1988 study (http://archive.gao.gov/d17t6/137061.pdf) by the Government Accounting Office (GAO) on the effects of the Jones Act on Alaska, which depends much more on shipping than the contiguous 48 states, estimated extra shipping costs of $163 million per year for goods shipped between Alaska and the mainland United States. In 2012, the Federal Reserve Bank of New York found (https://www.newyorkfed.org/medialibrary/media/regional/PuertoRico/report.pdf) that shipping cost for a twenty-foot container from the mainland United States to Puerto Rico was $3,063, but only $1,503 for the same container from the mainland United States to the Dominican Republic. According to one estimate (https://economics21.org/html/help-puerto-rico-repealing-jones-act-1403.html), the Jones Act raises the price of gasoline by as much as 15 cents per gallon because of the high costs of transporting fuel by U.S.-flagged ships relative to foreign-flagged ships. The ban on the transportation of liquefied natural gas by foreign-flagged ships raises the price paid by the Puerto Rico Electric Power Authority by as much as 30 percent (https://economics21.org/html/help-puerto-rico-repealing-jones-act-1403.html). Overall, the World Economic Forum estimates (http://www3.weforum.org/docs/WEF_SCT_EnablingTrade_Report_2013.pdf) that preventing foreign ships from transporting cargo between United States ports costs the United States economy $200 million per year in extra shipping costs.

- **The lessons from these statistics are reinforced by particular examples.** In the severe winter of 2014, the New Jersey Department of Transportation ran short of road salt. A 40,000-ton pile of road salt was available 400 miles away, on the coast of Maine, near a vessel that could transport it. But this foreign vessel, which was not Jones Act-compliant, was banned from completing the delivery and ultimately the shipment was both delayed and more than double what it would have cost (http://www.nj.com/union/index.ssf/2014/02/post_23.html) had the foreign-vessel been able to deliver it. Another example is that lumber products (https://www.jstor.org/stable/3003547?seq=1#page_scan_tab_contents) on the East Coast of the United States are purchased from Western Canada, rather than from Washington State or Oregon, because of the higher transportation costs due to the Jones Act. Finally, a cattle rancher in Hawaii sends his cows to the mainland United States on airplanes (http://www.npr.org/sections/money/2016/08/05/488869138/episode-524-mr-jones-act), rather than ships, because of the sea transportation expenses associated with the Jones Act.

- **The provision of the Jones Act that requires ships to be built in the United States also raises costs.** For example, a Congressional Research Service estimates (https://fas.org/sgp/crs/misc/R43653.pdf) that oil tankers built in the United States are about four times more expensive than those built abroad. An article (https://www.bbh.com/en-us/insights/jonesing-for-a-fix--delving-into-the-merchant-marine-act-of-1920/10996) by Brown Brothers Harriman reports that Matson Incorporated placed a $418 million order for two Jones Act ships, about five times what it would

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have cost to build the tankers in Asia and the contract price of $250 million for two vessels purchased by Philly Tankers AS was more than three times what comparable ships constructed in Vietnam would have cost.

- **The original motivation of the Jones Act was based on national security concerns, and these reasons continue to be advanced today.** But cargo shipping by air is possible today, which was not the case in 1920. The United States Department of Defense frequently leases foreign vessels for missions that require sealift. Also, only one of the five shipyards that produce major vessels for the Navy and Coast Guard builds commercial vessels that are Jones Act compliant.

What this Means:

The Jones Act provides a particular example of how restrictions on trade benefit a very small group of producers at the expense of a vastly larger group of consumers. There is political support for these types of restrictions because the benefits are concentrated while the costs are much more diffuse; in this case, the beneficiaries are the owners and workers in the U.S. shipbuilding and industries while the costs are borne by consumers of shipping services, especially those in places like Alaska, Hawaii and Puerto Rico that disproportionately depend upon those services. Efforts to repeal the Jones Act, like those of Senator John McCain in January 2015, have failed due to the efforts of a coalition of the maritime industry, shipyards, unions and military officials. The costs of this act become particularly apparent at times of acute crisis, but its ongoing costs endure in more normal times and generate a structural impediment for places like Puerto Rico, as well as an overall burden on U.S. consumers.

TOPICS: DEREGULATION / PUERTO RICO / SHIPPING / TRADE

Written by The EconoFact Network. To contact with any questions or comments, please email contact@econofact.org.

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HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

EXECUTIVE SESSION on SB 102

BILL TITLE: relative to the Jones Act's effect on New Hampshire's heating and energy fuel market.

DATE: May 10, 2023

LOB ROOM: 302-304

MOTIONS: INEXPEDIENT TO LEGISLATE

Moved by Rep. Filiault Seconded by Rep. Potucek Vote: 18-0

CONSENT CALENDAR: YES

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep Lisa Post, Acting Clerk

OFFICE OF THE HOUSE CLERK

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Roll Call Committee Registers Report

2023 SESSION

Commerce and Consumer Affairs

Bill #: 102 Motion: ITL AM #: _____ Exec Session Date: 5/10/23

Members	YEAS	Nays	NV
Hunt, John B. Chairman	18		
Ammon, Keith Michael Vice Chairman	1		
Osborne, Jason M.	2		
Potucek, John M.	3		
Terry, Paul A			
Post, Lisa C.M.	4		
Cole, Brian D	5		
Porcelli, Susan M	6		
Thackston, Dick H	7		
Walsh, Lilli M	8		
Burroughs, Anita D.	9		
Herbert, Christopher J.	10		
~~Beaulieu, Jane E. Clerk~~ Laval	10		
~~McAleer, Chris~~ R. Loch	17		
Vincent, Kenneth S.			
Calabro, Karen E	13		
Filiault, Shaun M	14		
Gibbs, Merryl	15		
Spier, Carry	16		
Sullivan, Jared	17		
TOTAL VOTE:	18-		0