

Project title

The Impact of Modifying Jones Act on US Domestic Shipping

Principal Investigators

Dr. Asaf Ashar

Professor – Research

National Ports & Waterways Initiative

University of New Orleans Transportation Institute

240-242-3676; aashar@uno.edu

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Project description

The Jones Act, or Section 27 of the Merchant Marine Act of 1920, relates to goods and passengers transported by water between US ports, hereafter referred to as domestic shipping or cabotage. The Jones Act specifically mandates that all domestic shipping shall be exclusively provided by US-flag ships: i.e. defined as ships fulfilling four stipulations: (a) Owned by US citizens; (b) Crewed by US citizens or permanent residents; (c) Constructed by US shipyards; and (d) Operated under US laws and regulations.

The Jones Act has four provisions related to ownership, construction, regulations and labor. This study is not concerned with the repeal of Jones Act, which has been exhaustively studied, but with modifying some of its provisions which we deem more realistic. The first modification would allow the re-flagging of foreign-built ships. The second modification is adjusting the size and composition of US crews serving on re-flagged ships according to the technical requirements of the ship, and in line with foreign crews on these ships prior to the re-flagging.

This research will focus on coastal services, both for domestic and international (feeder) freight. The need for a US-based feeder system will become critical following the 2014 expansion of Panama Canal. Modifications to the Jones Act are expected to substantially lower the capital and operating cost of US-flag feeder ships which, in turn, may trigger a transformation of the service system of deep-sea shipping in the US into a hub & spoke model with an extensive network of feeder services.

The overall objective of this study is to assess the impact of two modifications of Jones Act which would allow the deployment of re-flagged US ships operated by rationalized US crews in coastal shipping of (a) Domestic freight along the coasts of the US mainland and between the mainland and off-shore US states and territories; and (b) International freight between US-based hub ports and smaller US ports (feeder).

The objectives of this research will be met by conducting the following sequential set of tasks: (1) Review Professional Literature; (2) Define Trade Lanes and Traffic Volumes; (3) Define Ships and Shipping Services; (4) Assess Costs and Level of Service of Selected Services; and (5) Summarize Observations and Recommendations.