

The Jones Act and Puerto Rico

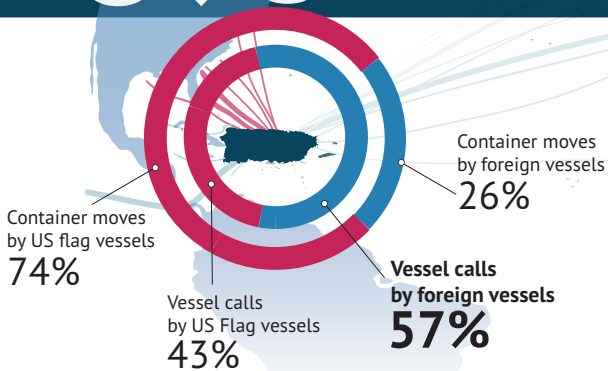
Report finds Jones Act has no impact on retail prices or cost of living and provides positive impact on island's economy

SUMMARY

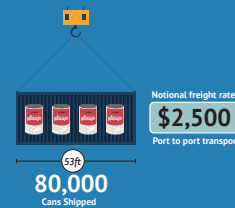
A new study performed jointly by Reeve & Associates and Estudios Técnicos, Inc. concluded that the Jones Act has no impact on either retail prices or the cost of living in Puerto Rico. In addition, the report found that the state of the art maritime technology, Puerto-Rico focused investments, and dedicated closed-loop service offered by Jones Act carriers provide a significant positive economic impact to the island, at freight rates lower or comparable to similar services to other Caribbean Islands.

JONES ACT IMPACT 0%

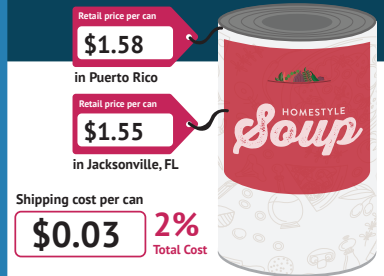
Cost Impact of Jones Act on
Puerto Rico's consumers



Ship to Store



JONES ACT COST IMPACT 0%

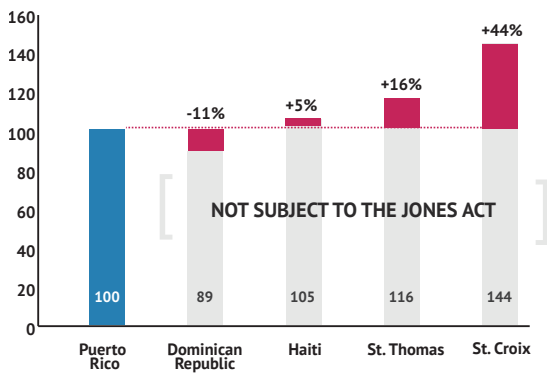


The Jones Act has no impact on either retail prices or the cost of living in Puerto Rico

A market basket analysis of an assortment of consumer goods at Walmart Stores in San Juan, Puerto Rico, the U.S. Virgin Islands, and Jacksonville, Florida, found there was “no significant difference in the prices of either grocery items or durable goods between the three locations.” **In fact, retail prices of goods in Puerto Rico are essentially the same as on the mainland.**

The report found that shipping costs between the mainland and Puerto Rico make up only a small percentage of the retail price. For example, ocean shipping accounts for just 3 cents (or 2 percent) in the retail price of \$1.58 for a can of chicken soup in San Juan. **It found that, “[e]ssentially, transportation costs for Puerto Rico are not materially different than those on the mainland.”**

1. Reeve & Associates and Estudios Técnicos, Inc., *Impact of the U.S. Jones Act on Puerto Rico* (July 2018).



There is no Jones Act freight rate premium for ocean transport

The report found that freight rates for shipments between the mainland and Puerto Rico are **very similar to or lower than rates for shipping between the mainland and neighboring islands**, including the U.S. Virgin Islands, Haiti, and the Dominican Republic.

The report flatly refuted assertions in other studies that the negative impact of the Jones Act is \$850 million per year, noting that total annual gross revenues for Jones Act shipping services “was substantially below” that level. In other words, “[t]he Jones Act carriers could have provided shipping services for free yet ... there still would have been a negative economic impact” – which defies logic.

Foreign vessels can deliver directly to Puerto Rico from foreign countries

Finding that 57 percent of San Juan’s port traffic in 2016 was carried on foreign vessels, the report noted that there is “nothing in the Jones Act that precludes foreign-flag vessels from serving Puerto Rico directly from foreign countries.”

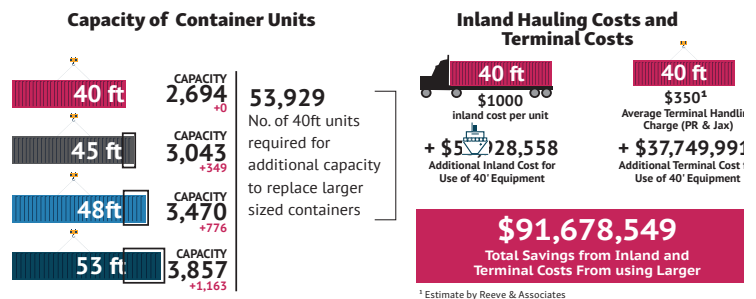
Southbound service is vital to Puerto Rico consumers, while the northbound service is a key contributor to economic development on the island

As highlighted in the report, the fact that the vessels operating in the Puerto Rico trade are dedicated to that route “gives shippers very fast transit times directly between the mainland and Puerto Rico without stops in intermediate ports as typically occurs in international shipping markets.”

The Puerto Rico-CONUS trade operates in a “closed-loop” route. Goods vital for the welfare of the people are delivered promptly from the mainland, while high-value goods are shipped directly to the mainland from Puerto Rico, **providing a high speed and very economic supply chain to Puerto Rican exporters.**

Carriers provide highly effective logistics systems, including economical and environmentally friendly vessels, which ensure a high level of supply chain efficiency

According to Reeve et al., “the fact that the Jones Act carriers operate dedicated services for Puerto Rico with vessels and intermodal equipment that are uniquely designed to closely integrate the commonwealth with the advanced logistics systems of the mainland provides cargo owners with major economic and service advantages.”



The report noted that the “size of equipment has a major impact on the cost of moving cargo ‘intermodally’ in containers.” For example, a 53-foot container that is widely used in Puerto Rican service has 43 percent more cubic capacity than the standard international 40-foot unit – this differential **provides an estimated \$92 million of cost savings annually through greater efficiency.**

The report highlighted that the carriers in Puerto Rico offer shippers options that are “designed to meet the requirements of the range of cargoes moving in the trade,” including fleets of thousands of containers and trailers capable of carrying either dry or refrigerated cargoes, as well as vessels and barges designed to carry vehicles in roll-on/roll-off mode and carry breakbulk cargo that is too large to be accommodated in a standard container.