

ASSOCIATED STUDENTS OF THE UNIVERSITY OF HAWAI‘I AT MĀNOA
2465 Campus Road, Campus Center 211A
Honolulu HI 96822

Senate Resolution 17-16

IN SUPPORT OF EXEMPTING HAWAII FROM THE U.S. BUILD REQUIREMENT OF THE JONES ACT

BE IT ENACTED BY THE UNDERGRADUATE SENATE:

WHEREAS, the Associated Students of the University of Hawai‘i at Mānoa (ASUH) Senate is the elected body representing approximately 14,000 full-time classified undergraduate students; and,

WHEREAS, the state of Hawai‘i is currently considered to be one of the most expensive places to make a living, and college students are one of the most vulnerable populations who endure the effects of Hawai‘i’s cost of living; and,¹

WHEREAS, the Jones Act is a cabotage law that is found in Section 27 of the Merchant Marine Act of 1920 which requires goods being shipped between U.S. ports be carried on U.S. built ships whose crews consist of 75% U.S. citizens and whose cargo is 75% U.S. owned; and,²

WHEREAS, the coastwise laws of the U.S. including the Jones Act affect four of the seven non-contiguous domestic jurisdictions, namely the State of Alaska, the Territory of Guam, the State of Hawai‘i and the Commonwealth of Puerto Rico, while the Territory of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), and the Virgin Islands of the United States (USVI) are fully exempt from the Jones Act as a result of the international treaties associated with their annexation to the U.S.; and,³

WHEREAS, this protectionist measure drives up shipping costs, increases energy costs, stifles competition, hampers innovation in the U.S. shipping industry, and artificially increases the cost of living in the State of Hawai‘i by a substantial amount; and,

WHEREAS, in 1997, a Hawai‘i government official asserted that “Hawai‘i residents pay an additional \$1 billion per year, [which] amounts to approximately \$3,000 for every household, in higher prices because of the Jones Act”; and,⁴

WHEREAS, the effects of this regulation extends beyond just our state, in which Alaska, Guam, and Puerto Rico have made similar calls for reform since only a select few

¹ <http://www.civilbeat.com/2015/07/living-hawaii-the-nations-worst-place-to-earn-a-living/>

² <http://www.investopedia.com/terms/j/jonesact.asp?layout=orig>

³ http://www.capitol.hawaii.gov/session2015/Bills/SR10_.PDF

⁴ <http://www.marinelog.com/DOCS/NEWSMMIX/2010jun00252.html>

benefit from the implementation of the Jones Act, due to a low supply and high cost of U.S. shipping, every day countless trades are forgone or business deals are moved overseas, and;⁵

WHEREAS, although supporters state that the Jones Act benefits the U.S., in 1990 the Jones Act failed to prevent 40,000 longshoremen and 40,000 merchant seamen from losing their jobs; and,⁶

WHEREAS, on June 29, 2012, the Federal Reserve Bank of New York issued a report on the competitiveness of Puerto Rico's economy in which they assessed that "the high cost of shipping is a substantial burden on the Island's productivity... One option could be to seek a temporary exemption from the Jones Act, for instance for five years... to allow for assessment of the costs and benefits of a permanent exemption"; and,⁷

WHEREAS, the U.S. build requirement of the Jones Act, in particular, creates an artificial scarcity of major capital ships, erects substantial barriers to entry domestic trades, and severely restricts the contestability of the domestic ocean transportation markets; and

WHEREAS, the Jones Act no longer fulfills its intended purpose of maintaining a dependable marine fleet for national security and emergencies since Jones Act eligible fleets have seen a considerable reduction from 1,072 ships in 1955, to 193 ships in 2000, and to only 90 ships by 2014; and,⁸

WHEREAS, the U.S. build requirement of the Jones Act is not essential for the national defense of the United States because the remaining seven domestic shipbuilding yards capable of constructing large oceangoing ships mainly build naval ships and produce so few merchant ships each year that this activity does not represent sufficient shipbuilding capacity to address the mobilization needs of a major wartime contingency and sustains only a limited industrial base unable to support ongoing naval construction programs due to excessively high costs; and,³

WHEREAS, as a relief effort to address the aftermath of Hurricane Sandy in 2012, President Obama temporarily suspended the Jones Act, and within days of the president's action, gasoline prices declined significantly; and,⁹

⁵ <http://www.economics21.org/commentary/jones-act-west-coast-ports-shipping-2014-12-02>

⁶ <https://capitalresearch.org/2013/04/the-sinking-ship-of-cabotage-how-the-jones-act-lets-unions-and-a-few-companies-hold-the-economy-hostage/>

⁷ <https://www.newyorkfed.org/regional/puertorico/recommendations.html>

⁸ <http://www.heritage.org/research/reports/2014/05/sink-the-jones-act-restoring-americas-competitive-advantage-in-maritime-related-industries>

⁹ <http://www.heritage.org/research/reports/2014/05/sink-the-jones-act-restoring-americas-competitive-advantage-in-maritime-related-industries>

WHEREAS, according to the Hawaii Senate minority, the cost of building one U.S. large shipping vessel is equivalent to the costs of building up to five comparable large shipping vessels in Asia, and;¹⁰

WHEREAS, In 2013 Japan had provided 168 large commercial vessels, Japan also carried the ship building infrastructure to produce 300 or more large commercial ships (not including those for its domestic use) South Korea produced around 282 container ships a year, and China built 295 container ship per year, altogether these countries contributed to 90% of the world's large vessels, in comparison the U.S. averages around 2 large commercial vessels a year, and;¹⁰

WHEREAS, the high cost and low production of the U.S. shipbuilding industry has resulted in an aging and inefficient deep-sea Jones Act fleet that adversely and disproportionately affects Hawai'i and the other noncontiguous jurisdictions; and,

WHEREAS, in 2012, the World Economic Forum had pointed out that the Jones Act restricts business to utilize high cost suppliers that hold inefficient shipping operations, many with old ships that are too expensive to replace resulting in high environmental costs, the older ships often burn different grades of bunker oil and emit sulfur and nitrogen chemicals into the air affecting marine plants, animals, and causing breathing problems in people, and;¹⁰

WHEREAS, granting an exemption to the U.S. build requirement would allow aging ships to be more quickly and economically replaced by less expensive, safer, and more fuel efficient ships in accordance with efforts to conserve resources and protect the environment; and

WHEREAS, during the twenty-eighth session of the Hawai'i State Legislature (2016), Senator Sam Slom introduced SCR 113 requesting congress to exempt Hawai'i, Puerto Rico, Alaska, and Guam from the U.S. build requirement of the Jones Act; and,¹¹

BE IT RESOLVED, the ASUH remains committed to tackling the increasing cost of education at the University of Hawai'i at Mānoa, and believes that dealing with the state's exorbitant cost of living is integral to addressing this issue; and,

BE IT RESOLVED, the ASUH supports the passage of SCR 113 that was introduced by Senator Slom requesting Hawai'i to be exempt from the U.S. build requirement of the Jones Act; and,

BE IT FURTHER RESOLVED, the ASUH requests the United States Congress to pass legislation granting an exemption from the U.S. build requirement of the Jones Act in the noncontiguous State of Hawai'i; and,

¹⁰ <http://www.hawaii-senateminority.com/jones-act.html>

¹¹ http://www.capitol.hawaii.gov/session2016/bills/SCR113_.pdf

BE IT FURTHER RESOLVED, the ASUH respectfully requests the President of the United States and his administration to support legislative reform on the Jones Act to create a more robust economy and to reduce the cost of living for the people of Hawai‘i; and,

NOW, THEREFORE, BE IT FINALLY RESOLVED, that copies of this resolution shall be sent to the United States President Barack Obama, United States Senator John McCain, United States Senator Mazie Hirono, United States Senator Brian Schatz, United States Congressman Mark Takai, United States Congresswoman Tulsi Gabbard, Governor of the State of Hawai‘i David Ige, Hawai‘i State Senator Sam Slom, the University of Hawai‘i President David Lassner, the UH Board of Regents Randy Moore and members, UH Mānoa Chancellor Bley-Vroman, Hawai‘i Shippers Council President Michael Hansen, the Grassroot Institute of Hawai‘i President Keli‘i Akina, the Honolulu Star Advertiser, Honolulu Civil Beat, and the Ka Leo o Hawai‘i.

Introducers: Sean Mitsui, Senator-at-Large; David Enriquez, Senator of the Colleges of Arts and Sciences; Maggie Hinshaw, Senator of the Colleges of Arts and Sciences; Eugene Lao, Senator of the College of Arts and Sciences

ROLL CALL VOTE:

Aye(s): Vice President Kamoshida, Treasurer Takara, Secretary Tagaban, Senators-at-Large Callihan, Mitsui, Nishihara, Senators Barrow, Bui, Caramat, Cheung, Crollard, Garma, Hinshaw, Jimenez, Kim, Lao, Lawi-an, Omokawa, Rafael, Tacey, Willis, Yamada[23]

Naye(s): [0]

Abstains: [0]