

Report Seeks Jones Act Changes for Puerto Rico

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In connection with the financing crisis in Puerto Rico, the Commonwealth of Puerto Rico commissioned a report on changes that can be made to reverse the situation. The report – [“Puerto Rico – A Way Forward”](#) – was released on June 29, 2015.

The report points out that “structural problems, economic shocks, and weak public finances have yielded a decade of stagnation, outmigration, and debt” in Puerto Rico. The report makes several suggestions for growing the Puerto Rico economy, including “structural reforms.” Among the recommended “reforms” is making changes to the Jones Act. The Jones Act requires that all merchandise shipped to and from Puerto Rico from the United States be transported in qualified U.S.-flag vessels.

The report finds that “exempting Puerto Rico from the U.S. Jones Act could significantly reduce transport costs and open up new sectors for future growth” and that “in no mainland state does the Jones Act have so profound an effect on the cost structure as in Puerto Rico.” The report also notes that the Jones Act does not apply to the U.S. Virgin Islands.

A March 2013 U.S. Government Accountability Office report entitled “Puerto Rico – Characteristics of the Island’s Maritime Trade and Potential Effects of Modifying the Jones Act” was less sanguine on the effects of Jones Act changes. The GAO report concluded that “the effects of modifying the application of the Jones Act for Puerto Rico are highly uncertain, and various trade-offs could materialize depending on how the Act is modified.”

Changes to the Jones Act can only be made by the U.S. Congress. A bill was introduced last Congress by Pedro R. Pierluisi, the Resident Commissioner of Puerto Rico, to exempt Puerto Rico from the Jones Act with respect to certain types of cargoes – but that bill did not receive favorable Congressional attention.

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