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TO: Connecticut Commerce Committee

FROM: Kyle Burleson

RE: Opposition to House Resolution 9

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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 coast. We oppose House Resolution 9, which would weaken U.S. national, homeland and economic security, as well as harm Puerto Rico.

The Jones Act is one of America's oldest homeland security laws. It is a cabotage law, mandating that cargo moved between U.S. points is moved on U.S.-built, U.S.-owned, and U.S.-crewed vessels. Similar laws exist for passenger vessels, fishing, towing, and dredging. And this is not a uniquely American concept: Ninety-one countries, comprising 80% of the world's coastlines, have their own equivalent of the Jones Act in their respective countries. AWO was disappointed to hear testimony that distorts what the Jones Act is and is not. Contrary to what some testimony in support of H.R. 9 would suggest, this foundational law of the U.S. maritime industry has had an undeniably strong, positive impact on our nation's economy:.

- There are 40,000 Jones Act vessels in service.
- 650,000 Americans are employed because of the Jones Act .
- \$41 billion in labor compensation and \$154 billion in annual economic output is due to the Jones Act.

America's domestic maritime industry is strong thanks to the Jones Act, which ensures U.S. control of our maritime borders. The Jones Act is also a cornerstone of the evolving U.S. strategy to thwart China's aims at maritime dominance. Without the Jones Act, Chinese or Russian vessels could roam America's inland waterways. Imagine if a crew hostile to the United States was allowed to pilot a vessel towing diesel or ammonium nitrate up the Mississippi River. Or even setting more open hostilities aside, in a trade war, could we trust that another country's control over the shipment of groceries and basic goods to Puerto Rico wouldn't become a bargaining chip?

Regrettably, in some instances American and foreign opponents of the Jones Act are working in concert to undermine the law and create openings for foreign vessels to operate on U.S. waters at the expense of American mariners. Just last week, a bipartisan group of congressional leaders sent a [letter](#) to the European Union ambassador to the United States to call out an EU campaign to undermine the Jones Act using TikTok-like videos and other tactics – notably, the EU’s Foreign Agents Registration Act (FARA) filing discussing the campaign mentions: “A partnership with [American think tank] CATO was developed for executing this activity.” Ironically, the EU’s interest in dismantling the Jones Act to do the work currently being done by the hardworking men and women of the U.S. maritime industry serves to further underscore the strength and vibrancy of the Jones Act workforce.

The American maritime industry is strong and critical to national defense. In fact, General Randall Reed, Commander of U.S. Transportation Command (USTRANSCOM), [testified](#) just last week in a Senate Armed Services Committee Hearing that because of the Jones Act, “We have a way to make sure that we can build ships here in the United States; that we can sail those ships to maintain commerce; that we can produce the crews that sail those ships.” In doing so, Gen. Reed has reiterated the same support for the Jones Act we have heard from every past Commander of USTRANSCOM.

Regarding the Jones Act and the state of [Connecticut](#), domestic maritime contributes over \$1.7 billion annually to the state’s economy, including over \$550 million in worker income. What’s more, the Constitution state is home to more than 6,500 careers associated with the industry. Also notable is the Jones Act’s economic impact on Puerto Rico, where more than \$221 million dollars is added to the local economy every year, including more than \$96 million in worker income and more than 2,000 jobs. The American maritime industry has invested billions of dollars in Puerto Rico to ensure there is efficient, sustainable and reliable trade for the island.

Unfortunately, a common misconception persists that the Jones Act harms Puerto Rico and that only American vessels can call on the island. In fact, the opposite is true. Vessels from anywhere in the world can call on Puerto Rico, and the majority of ships calling on Puerto Rico are foreign flagged. However, Puerto Ricans [benefit](#) tremendously from a dedicated fleet of dozens of American-owned, American-crewed, and American-built vessels, including four state-of-the-art, LNG-fueled containerships that reliably deliver goods between Puerto Rico and the mainland U.S. Please note that in my haste to debunk myriad claims made by opponents of the Jones Act, I misspoke regarding the number of LNG-fueled ships serving Puerto Rico. This written testimony is an accurate reflection of the current state of the fleet engaged in the Puerto Rico trade.

As we saw during the pandemic, when foreign-flag vessel rates skyrocketed and stores on the mainland were plagued by empty shelves, the dedicated fleet of American Jones Act vessels serving Puerto Rico provided reliable, consistent, cost-effective service. These vessels can handle 53-foot containers instead of the standard 40-footers, generating savings of \$92 million. Compared to neighboring islands, shipping rates to Puerto Rico are 16% cheaper than St. Thomas and 44% cheaper than St. Croix, both not subject to the Jones Act. What’s more,

businesses in Puerto Rico, especially small businesses, benefit from very low backhaul rates to ship their goods to the mainland. In sum, the Jones Act is a net [positive](#) for Puerto Rico.

We have also seen claims that the Jones Act hinders hurricane recovery. Again, the opposite is true. While vessels from anywhere in the world can bring hurricane relief supplies to Puerto Rico, American companies dedicated to the Puerto Rico trade pre-position vessels so they are ready to deliver cargoes such as fuel, generators, food, water, and baby formula as soon as ports reopen after a storm. As we saw after Hurricane Maria, landside transportation of goods from the ports to the interior of the island has been a bigger problem than getting cargo to Puerto Rico after a storm. Then-Resident Commissioner, now Governor, Jenniffer Gonzalez-Colon spoke to this issue in this [interview](#).

To be certain, a waiver process does exist to allow foreign vessels to move cargo between United States ports, and this waiver process has been utilized for Puerto Rico. On those occasions, no cost savings were realized by the people of Puerto Rico. Instead, we have seen foreign shipping companies pocketing profits and engaging in disaster arbitrage as they do not have to comply with the same laws as domestic carriers.

Time and again, the Jones Act comes under attack for increasing costs for Puerto Rico, and time and again, the [data](#) simply does not support that baseless claim. [Economic studies](#) have shown that transportation costs for Puerto Rico are not materially different than those on the mainland.

The Jones Act enjoys broad bipartisan support across the United States, including Puerto Rico. At the beginning of this year, the AFL-CIO affiliated Federation of Workers of Puerto Rico [affirmed](#) its support for the Jones Act. Puerto Rico's Governor Jenniffer Gonzalez-Colon has been a longtime supporter of the Jones Act and was recognized as a [champion](#) of the Jones Act in 2022 while serving as Resident Commissioner.

One of the speakers who testified in committee made a comment about his air travel to Hartford and how if a Jones Act existed for aviation, he would have flown on an antiquated aircraft. Without going into a detailed discussion of this point, I will point out that he was not able to travel from Reagan National Airport to Bradley International Airport on Air China or any other foreign carrier, because of air cabotage laws. This further highlights the fact that cabotage laws are common.

Much was made in the committee hearing about the effect of the Jones Act on fuel costs. A recent [study](#) by the National Bureau of Economic Research (NBER) found that the Jones Act is responsible for \$0.003 per gallon of gasoline in New England. In other words, NBER found that the Jones Act adds 0.3 cents to the cost of a gallon of gasoline, and results for diesel, home heating fuel, and natural gas would be comparable. The cost of crude oil, refining costs, and taxes all play a much more impactful role on energy costs than does transportation.

This study has fatal flaws, however, in that it assumes that 1) foreign shippers would pass that savings along to consumers rather than pocket it as profit, and 2) that foreign tankers could operate in U.S. domestic commerce exempt from U.S. laws pertaining to income tax,

immigration, wages, hours, and other employment laws, among others. No industry, American or foreign, can operate within U.S. domestic commerce yet outside of U.S. laws.

There was also considerable discussion of the challenge of using the domestic maritime industry to move fuels to New England. This point is largely moot when one considers that most of New England's heating oil comes from Irving Oil's refinery in Saint John, New Brunswick. This is due to Brunswick's proximity to New England, creating a much shorter route than from the U.S. Gulf Coast. As a result, most of New England's heating oil is coming via non-Jones Act carriers.

With respect to liquified Natural Gas (LNG), I would like to reiterate the statements I made in committee. First, pipelines are the safest and most cost-effective way to move natural gas, and increased pipeline capacity would be the most effective way to reduce the cost and increase the availability of natural gas. However, regardless of the mode of transportation, any consumer of LNG purchasing product on the spot market will pay higher costs. A long-term contract would not only stabilize pricing but also would give domestic carriers the commercial commitment needed to build LNG carriers for domestic trade, whether in the form of ships or barges. It is not that domestic LNG carriers do not exist that increases costs for New England, but rather spot market pricing. Purchasing LNG during cold snaps is no way to obtain it at a bargain.

Another witness at the hearing testified that the Jones Act forced cargo onto trucks and trains. This argument falls apart when one considers the efficiency of maritime transportation. As the safest and most fuel-efficient mode of transportation, rates for marine shipping pale in comparison to other modes of surface transportation, regardless of cabotage laws.

That broad [support](#) for the Jones Act cited earlier applies to both business and labor, highlighted by AWO's support of the Jones Act as well as the national AFL-CIO's [support](#) for the law.

With all of the pressing issues facing Connecticut for your attention, we would encourage a no vote on this resolution and work together on increasing the size of the maritime industry here and across the country, including Puerto Rico.

Again, I appreciate the opportunity to share the American Waterways Operators' position on H.R. 9 and 21 and would be happy to answer any further questions you may have. Please feel free to contact me at any time.