REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing this collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Defense, Washington Headquarters Services, Directorate for Information Operations and Reports (0704-0188), 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number. **PLEASE DO NOT RETURN YOUR FORM TO THE ABOVE ADDRESS.**

1. REPORT DATE *(DD-MM-YYYY)*
03-10-2020

2. REPORT TYPE
FINAL

3. DATES COVERED *(From - To)*
N/A

4. TITLE AND SUBTITLE
For National Security's Sake — Revisiting the "Jones Act"

5a. CONTRACT NUMBER
N/A

5b. GRANT NUMBER
N/A

5c. PROGRAM ELEMENT NUMBER
N/A

6. AUTHOR(S)
LtCol Matthew K. Mulvey, USMC

5d. PROJECT NUMBER
N/A

5e. TASK NUMBER
N/A

5f. WORK UNIT NUMBER
N/A

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)

Writing & Teaching Excellence Center
Naval War College
686 Cushing Road
Newport, RI 02841-1207

8. PERFORMING ORGANIZATION REPORT NUMBER
N/A

9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)

N/A

10. SPONSOR/MONITOR'S ACRONYM(S)
N/A

11. SPONSOR/MONITOR'S REPORT NUMBER(S)

N/A

12. DISTRIBUTION / AVAILABILITY STATEMENT
Distribution Statement A: Approved for public release; Distribution is unlimited.

13. SUPPLEMENTARY NOTES A paper submitted to the faculty of the NWC in partial satisfaction of the requirements of the curriculum. The contents of this paper reflect my own personal views and are not necessarily endorsed by the NWC or the Department of the Navy.

14. ABSTRACT

By repealing the portion of the "Jones Act" that mandates only vessels constructed in the United States may conduct domestic maritime trade, the U.S. merchant marine industry can be revitalized and more effectively leveraged to promote national security. This enhancement regenerates the maritime industry in three ways. First, partially amending the "Jones Act" enables the immediate increase in the size of the U.S. merchant fleet. Second, when coupled with direct subsidies, the updated legislation facilitates revitalization of U.S. shipyards by reintroducing them to global shipbuilding competition. Finally, a consequentially larger U.S. flagged merchant fleet demands the growth in the number of U.S. merchant mariners required to crew these vessels in times of peace and war.

In 2014 the Department of Transportation was tasked with producing a National Maritime Strategy, originally due in February 2015; the strategy received a deadline extension into February 2020. Incorporating the ideas expressed in this paper to inform the National Maritime Strategy advances the national security and economic interests of the nation.

15. SUBJECT TERMS (Key words)
Jones Act, U.S. merchant marine, shipbuilding, merchant mariners,

16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT	b. ABSTRACT	c. THIS PAGE			Director, Writing Center
UNCLASSIFIED	UNCLASSIFIED	UNCLASSIFIED	N/A		19b. TELEPHONE NUMBER *(include area code)* 401-841-6499

Standard Form 298 (Rev. 8-98)

For National Security's Sake— Revisiting the "Jones Act" 100 Years Later

Matthew K. Mulvey

Lieutenant Colonel, USMC

National Security and Decision Making, Seminar 5

Date Submitted: 03 FEB 2020

Word Count: 3,500

A paper submitted to the Faculty of the United States Naval War College Newport, RI in partial satisfaction of the requirements of the Department of National Security Affairs.

DISTRIBUTION A. Approved for public release: distribution unlimited. The contents of this paper reflect the author's own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Contents

Abstract: 3

Introduction: 4

Background:

The Importance of the Merchant Marine 4

Underdelivering on Commercial Strategic Sealift Requirements: the "Jones Act" 5

Arguments:

Will the Ships Be There When the Call Comes? 6

American Commercial Shipyards Need an Overhaul 9

Growing the Number of Merchant Mariners—Supply and Demand 12

Counter Points: 14

Recommendation: 16

Conclusion: 18

Bibliography: 20

Abstract

By repealing the portion of the "Jones Act" that mandates only vessels constructed in the United States may conduct domestic maritime trade, the U.S. merchant marine industry can be revitalized and more effectively leveraged to promote national security. This enhancement regenerates the maritime industry in three ways. First, partially amending the "Jones Act" enables the immediate increase in the size of the U.S. merchant fleet. Second, when coupled with direct subsidies, the updated legislation facilitates revitalization of U.S. shipyards by reintroducing them to global shipbuilding competition. Finally, a consequentially larger U.S. flagged merchant fleet demands the growth in the number of U.S. merchant mariners required to crew these vessels in times of peace and war.

In 2014 the Department of Transportation was tasked with producing a National Maritime Strategy, originally due in February 2015; the strategy received a deadline extension into February 2020.[1] Incorporating the ideas expressed in this paper to inform the National Maritime Strategy advances the national security and economic interests of the nation.

[1] U.S. Government Accountability Office. National Maritime Strategy DOT is Taking Steps to Obtain Interagency Input and Finalize Strategy. Washington, D.D.: U.S. Government Accountability Office, 2020.p. 13

The United States is a maritime nation that requires its merchant marine industry to provide for domestic and foreign commerce and also augment naval or military forces in times of war or national crisis.[2] While the merchant marine industry has a long and intertwined history supporting U.S. economic and defense needs, improvements are required to continue this symbiotic relationship. Current deficits in the U.S. merchant marine industry pose a strategic risk to national security by limiting surface transportation capacities required to project military power overseas. This paper explores enhancing major components of the U.S. merchant marine industry including the U.S. flagged merchant fleet, the shipyards that build and maintain this fleet, and the U.S. merchant mariners who crew the individual vessels.

By repealing the portion of the "Jones Act" that mandates only vessels constructed in the United States may conduct domestic maritime trade, the U.S. merchant marine industry can be revitalized and more effectively leveraged to promote national security. This enhancement regenerates the maritime industry in three ways. First, partially amending the "Jones Act" enables the immediate increase in the size of the U.S. merchant fleet. Second, when coupled with direct subsidies, the updated legislation facilitates revitalization of U.S. shipyards by reintroducing them to global shipbuilding competition. Finally, a consequentially larger U.S. flagged merchant fleet demands the growth in the number of U.S. merchant mariners required to crew these vessels in times of peace and war.

The Importance of the Merchant Marine

[2] 46 USC Subtitle V: Merchant Marine, (2020).

A strong maritime industry plays a critical role in national security and fulfilling the economic needs of the United States. Augmenting government-owned vessels with commercially owned U.S. flagged vessels to provide transportation and sustainment in major military engagements such as World War I, World War II, the Korean and Vietnam Wars proved critical to the United States' military efforts.[3] More recently, in "Operations Enduring Freedom and Iraqi Freedom, the U.S. merchant marine provided the majority of the sustainment effort. More than 31 million tons of the nearly 52 million tons of cargo went on commercial ships."[4] In terms of economic importance, the U.S. gross domestic product grew from $5 trillion in 1988 to $19.5 trillion, which included a compensatory increase in sea trade from $230 billion to over $880 billion.[5] The National Security Strategy recognizes the return to great power competition; that includes China's One-Belt-One-Road initiative, which relies on an integrated global maritime trade network as a key component.[6] Based on both distant and recent history, the strategic importance of a strong merchant marine is without question. However, the current poor health of the U.S. maritime industry presents risk to national security.

Underdelivering on Commercial Strategic Sealift Requirements: the "Jones Act"

The nearly one-hundred-year-old Merchant Marine Act of 1920, informally referred to as the "Jones Act," significantly influences the U.S. maritime industry. Senator Wesley Jones (R-WA)

---

[3] Salvatore R. Mercogliano, "Why the United States Needs a Merchant Marine - A Historical Basis." Accessed Jan 11, 2020. https://gcaptain.com/why-the-united-states-needs-a-merchant-marine-a-historical-basis/.
[4] Salvatore R. Mercogliano. "Suppose there was a War and the Merchant Marine Didn't Come?" Proceedings 146/1/1,403, (Jan, 2020). https://www.usni.org/magazines/proceedings/2020/january/suppose-there-was-war-and-merchant-marine-didnt-come.
[5] Thomas B. Modly, SECNAV Vector 6 2020.
[6] United States, National Security Strategy of the United States of America. Dec 2017. President of the United States, 27.

introduced this post World War I bill that was signed into law as part of U.S. Code 46 by President Woodrow Wilson on June 5, 1920.[7] The "Jones Act" codified that only vessels constructed in the U.S., owned by U.S. Citizens, registered under the U.S. flag, and operated by U.S. citizens are permitted to conduct domestic transport of cargo.[8] The protectionist design of the "Jones Act" intends to shelter the U.S. maritime industry from foreign competition and ensure it is not only available for commerce, but also "as a naval or military auxiliary in time of war or national emergency."[9] However, the number of U.S. flagged ships and the associated merchant mariner jobs have steadily declined, which negatively impacts the capacity available to support the Department of Defense (DoD) in the event of a crisis or high-end war.[10] The "Jones Act's" isolation of the shipbuilding industry from foreign competition coupled with the Reagan Administration's 1982 cancelation of U.S. government provided Construction Differential Subsidies (CDS) drove the costs of domestically built ships higher.[11] Following a century of geopolitical change and a significant overall reduction in the capability and capacity of the U.S. maritime industry, it is time to reexamine the espoused intent of the "Jones Act" compared to its actual negative impacts to national security.

Will The Ships Be There When The Call Comes?

In the event of a major combat operation or emergency, the DoD expects sealift support from the U.S. merchant marine in multiple ways. Subject matter expert Dr. Salvatore Mercogliano refers to this additional support as the "sealift trident" comprised of government-owned or

---

[7] U.S. Congress. *Merchant Marine Act, 1920*. 66th sess. (Jun 5, 1920).
[8] U.S. Congress. Merchant Marine Act, 1920. 66th sess. (Jun 5, 1920).
[9] 46 USC Subtitle V: Merchant Marine, (2020).
[10] Transportation and Infrastructure. Review of Recent GAO Reports on Icebreaker Acquisition and the Need for a National Maritime Strategy. Nov 29, 2018a. (MARAD Administrator Testimony)
[11] Klein, Decline in U.S. Shipbuilding Industry: A Cautionary Tale of Foreign Subsidies Destroying U.S. Jobs

commercially chartered globally prepositioned ships, surge sealift supplied from the continental United States by the Maritime Administration (MARAD) and Military Sealift Command (MSC) and the U.S. flagged commercial fleet.[12] While dedicated to providing forward prepositioned support to the Geographic Combatant Commanders, the approximately thirty-two prepositioned ships are not warships and thus require a permissive environment for safe transit and discharge of their cargo.[13] Sixty-one ships make up the surge sealift fleet that U.S. Transportation Command (USTRANSCOM) and MARAD self-assessed in a September 2019 large-scale "Turbo Activation"; this exercise showcased the fleet as less than forty-one percent "mission ready without undue delay or significant mitigation," which is well short of their eighty-five percent "immediately available for operational tasking" goal.[14] According to a 2019 RAND Corporation Study, "none of the [surge sealift] ships are newer than fourteen years old, a few are greater than fifty years, and twenty-three are forty-five to forty-nine years old."[15] "The U.S. military must be able to move large amounts of military cargo on timelines dictated by the Operational Plans [OPLANS] of combatant commanders when fighting in areas far removed from U.S. territory."[16] The low expected survivability of prepositioned ships coupled with the relatively low operational readiness and advanced age of the surge sealift fleet suggest even greater OPLAN requirements for the U.S. commercial fleet to

---

[12] Salvatore R. Mercogliano. "Suppose there was a War and the Merchant Marine Didn't Come?" Proceedings 146/1/1,403, (Jan, 2020).
[13] U.S. Navy. Military Sealift Command 2018 Year in Review: Military Sealift Command, 2018. P.87.
[14] U.S. Transportation Command J37. Comprehensive Report for TURBO ACTIVATION 19-PLUS. Washington, D.C., 2019. p.14.
[15] Bradley Martin and Roland J. Yardley. RAND: Approaches to Strategic Sealift Readiness: RAND Corporation, 2019. p. 15 and fig 3.1.
[16] Bradley Martin and Roland J. Yardley. RAND: Approaches to Strategic Sealift Readiness: RAND Corporation, 2019. p. 1.

support major combat operations. Repealing the "domestic build" mandate of the "Jones Act" helps meet this growing unsatisfied requirement.

While the anticipated wartime demand for U.S. flagged vessels is high, the available inventory is historically low. In 1960, 2,926 of the 17,317 vessels in the world's fleet were U.S. flagged—approximately seventeen percent.[17] In the May 2019 Subcommittee on Coast Guard and Maritime Transportation hearing, Maritime Administrator Mark Buzby testified, "of approximately 50,000 large, oceangoing commercial vessels operating around the world today, only 181 fly the U.S. flag. Of those, eighty-one vessels operate exclusively in international trade. The remaining one hundred operate almost exclusively in domestic ("Jones Act") trade."[18] There were 636 U.S. flagged ships in 1990 when Iraq invaded Kuwait.[19] Even with a fleet roughly three times the size of the current one, only sixty-two U.S. flagged commercial shiploads (less than 13 percent of total U.S. cargo) were available to support U.S. combat operations; foreign flagged commercial vessels were trusted to transport 196 shiploads (approximately twenty-seven percent of total U.S. cargo).[20] The strategic risk described diverges from the espoused design of the 1920 "Jones Act"— to guard the U.S. against an over-reliance on foreign-flagged commercial shipping in times of national emergency.

---

[17] Bureau of Transportation Statistics. "Number and Size of the U.S. Flag Merchant Fleet and its Share of the World Fleet: Oceangoing Self-Propelled, Cargo-Carrying Vessels of 1,000 Gross Tons and Above." Accessed Jan 10, 2020.
[18] Transportation and Infrastructure. Review of Fiscal Year 2020 Budget for the Coast Guard and Maritime Transportation Programs. May 21, 2019.
[19] Bureau of Transportation Statistics. "Number and Size of the U.S. Flag Merchant Fleet and its Share of the World Fleet: Oceangoing Self-Propelled, Cargo-Carrying Vessels of 1,000 Gross Tons and Above." Accessed Jan 10, 2020.
[20] Matthews, James K. and Cora J. Holt. So Many, so Much, so Far, so Fast: Strategic Deployment for Operation Desert Shield / Desert Storm: U.S. Transportation Command, 1995. p. 139 Table IV-1.

The U.S. government's current efforts to correct the negatively trending supply and demand mismatch of U.S. flagged ships are inadequate. The Clinton administration attempted to correct this deficiency and established the Maritime Security Program (MSP) in 1996. The MSP offers a $5 million per ship subsidy to commercial shipping companies to offset the costs of operating 60 vessels in international trade under the U.S. flag; the 2020 National Defense Authorization Act (NDAA) authorized MSP through 2035.[21] The MSP ensures U.S. flagged and crewed vessels are made available to the government in times of war or national emergency; the MSP has supported every U.S. conflict since its inception and presently supports military operations worldwide.[22] In contrast to the "Jones Act," the MSP set a precedent that enabled foreign-built vessels to be reflagged to the United States to participate in the international program. Increasing the 60-ship limit permitted to participate in the MSP could provide more U.S. flagged ships to support the DoD combat requirement and avoid a continued reliance on foreign-flagged vessels to close the inventory gap. However, such an increase does not benefit U.S. domestic trade and does nothing to support the strategically important but waning U.S. commercial shipbuilding industry. The nation must allow foreign built vessels to participate in "Jones Act" trade while also reestablishing the U.S. domestic ability to maintain a commercial fleet and construct combat replacements in times of war.

American Commercial Shipyards Need an Overhaul

Advocates of protectionist legislation wrongly argue that sheltering U.S. commercial shipyard capabilities from foreign competition ensures their readiness for employment during times

---

[21] Funding will increase to $5.3 million per ship beginning in fiscal year 2022. 116th Congress. National Defense Authorization Act for Fiscal Year 2020 (09/10/2019).
[22] Transportation and Infrastructure. The State of the U.S. Flag Maritime Industry. Jan 17, 2018b.

of war. This position is contrary to the U.S. National Security Strategy that promotes "competition" and "restoring confidence in our free market system."[23] In 1975, the U.S. produced seventy percent of the world's commercial ocean-going fleet over one-hundred tons.[24] Under the "Jones Act," from 1983 through 2013, approximately 300 shipyards closed and shipbuilding employment fell from 186,700 in 1981 to 94,000 as of 2018.[25] Meanwhile, China's commercial shipbuilding grew over sixty percent from 2007-2017.[26] Mark Buzby testified in March of 2019 that the remaining five largest U.S. commercial shipyards are limited to supporting the "Jones Act" trade and averaged producing only five vessels per year over the last five years; this low productivity pales in comparison to the 1,408 ships produced worldwide during the same timeframe.[27] He stated, "over 90% of global shipbuilding [now] occurs in three countries; China, Korea, and Japan" and that while the U.S. remains a global leader in naval shipbuilding, the "large [U.S.] commercial shipyards are struggling to remain afloat."[28] This negative slipping trend in U.S. commercial shipbuilding and repair capability transformed a once American strength into an industrial complex gap and national security risk.

Foreign shipyards build large ocean-going commercial vessels faster and cheaper than U.S. commercial shipyards. Assessments, at least as far back as 1983, described the U.S. shipyards as

---

[23] United States, National Security Strategy of the United States of America. Dec 2017. President of the United States, p. 19.
[24] Wright, Brendan H. "America Anchored: An Analysis on the Jones Act and Maritime Legislation Affecting the U.S. Merchant Fleet."U.S. Merchant Marine Academy. p. 35.
[25] Colin Grabow. "Rust Buckets: How the Jones Act Undermines U.S. Shipbuilding and National Security." Accessed Nov 22, 2019. p. 4
[26] Research and Markets. "China's Shipbuilding Industry 2018-2022: Increasing Global Investment in Oil & Gas Development." Accessed Jan 11, 2020.
[27] Testimony of Mark Buzby. Transportation and Infrastructure. U.S. Maritime and Shipbuilding Industries: Strategies to Improve Regulation, Economic Opportunities and Competitiveness. Mar 6, 2019.
[28] Testimony of Mark Buzby. Transportation and Infrastructure. U.S. Maritime and Shipbuilding Industries: Strategies to Improve Regulation, Economic Opportunities and Competitiveness. Mar 6, 2019.

lacking in terms of technology, automation, as well as research and development when compared to their foreign counterparts in Japan and South Korea.[29] A 1985 U.S. International Trade Commission report found that U.S. commercial shipyards "require approximately forty to sixty percent more manhours to construct the same ship as many foreign yards," resulting in U.S. delivery times growing to twice as long as overseas counterparts.[30; 31; 32] A 2019 Congressional Research Report quantified the growing cost differences between U.S. and foreign shipyards by pointing out "the cost differential increased to 50% in the 1930s. In the 1950s, U.S. shipyard prices were double those of foreign yards, and by the 1990s, they were three times the price of foreign yards. Today, the price of a U.S.-built tanker is estimated to be about four times the global price of a similar vessel, while a U.S.-built container ship may cost five times the global price, according to one maritime consulting firm."[33] While U.S. commercial shipyards support the captive domestic "Jones Act" market, foreign shipyards, like ones in South Korea, are encouraged to modernize through international competition, taking advantage of government subsidies, and lower labor rates.[34] U.S. Government leaders must mitigate the strategic risk to the shipbuilding industrial

---

[29] An Assessment of Maritime Trade and Technology (Washington: U.S. Congress, Office of Technology Assessment, OTA-O-220, Oct 1983). P. 97.
[30] U.S. International Trade Commission, *Analysis of the International Competitiveness of the U.S. Commercial Shipbuilding and Repair Industries* (Washington: USITC, 1985).
[31] Comptroller General of the United States, "Maritime Subsidy Requirements Hinder U.S.-Flag Operators' Competitive Position," November 30, 1981, https://www.gao.gov/assets/140/135833.
pdf.
[32] U.S. International Trade Commission, *Analysis of the International Competitiveness of the U.S. Commercial Shipbuilding and Repair Industries*.
[33] John Frittelli, Congressional Research Service. "Shipping Under the Jones Act: Legislative and Regulatory Background." P.4
[34] John Frittelli, Congressional Research Service. "The Jones Act: An Overview" P.6

complex that now trails its global counterparts. But, lifting the "Jones Act" domestic build requirement to reintroduce natural competition is only one avenue of a two-pronged attack.

U.S. government fiscal policy intervention is also required to reinvigorate U.S. commercial shipbuilding and repair capabilities. The reinstatement of government-provided shipyard CDS, which ended in Fiscal Year 1982, could stimulate and help sustain growth.[35] The Maritime Administrator testified that "U.S. shipyards still lack the scale, technology, and the large volume 'series building' order books needed to compete effectively with shipyards in other countries."[36] USTRANSCOM's "Turbo Activation" exercise after-action report presents a growth opportunity for shipyards by recommending that "MSC and MARAD develop and execute a concerted readiness recovery program" to recapitalize its aging fleet.[37] A government-subsidized surge sealift recapitalization project could "prime the shipyard pump" with a significant domestic workload required to improve the capabilities and capacities of the U.S. flagged fleet. With these additional financial incentives and rejuvenated skills, U.S. shipyards can posture for sustained competition on a level playing field with foreign contenders—producing more affordable ships within reasonable timelines to reinforce national security.

Growing the Number of Merchant Mariners—Supply and Demand

Like the number of ships, the number of U.S. merchant mariners available to crew vessels in times of peace and war has atrophied through recent history. The mariner pool shrank from 25,000

---

[35] Wright, Brendan H. "America Anchored: An Analysis on the Jones Act and Maritime Legislation Affecting the U.S. Merchant Fleet."U.S. Merchant Marine Academy. p. A-24.
[36] Transportation and Infrastructure. U.S. Maritime and Shipbuilding Industries: Strategies to Improve Regulation, Economic Opportunities and Competitiveness. Mar 6, 2019b.
[37] David Larter. "US Military Triggers 'Turbo Activation' of Wartime Sealift Ships." Accessed Nov 22, 2019. p.5 ,

in 1991 to 16,900 in 2004.[38] In 2018, MARAD experts estimated a 1,800 U.S. mariner deficiency of the 11,678 mariners required to crew and sustain the ocean-going ship inventory during major combat operations exceeding 180 days.[39] In 1990, during Operations Desert Shield / Desert Storm, the average age of mariners was forty-nine years old; this average increased to "upwards of fifty-four years" as of 2013.[40; 41] The decreasing numbers of this aging workforce correlates to decreasing numbers of the aging fleet—fewer ships means fewer jobs for younger entry-level mariners.

Assuming the U.S. commercial fleet is revitalized and can support an adequate amount of mariner jobs, the capability exists to grow and maintain enough mariners to support national security needs in times of emergency. The Strategic Sealift Officer Program (SSOP) "supports the national defense sealift requirement and capabilities" by providing the "opportunity for Navy officers to obtain a valid U.S. merchant mariner's license and subject matter expertise in sealift, maritime operations, and logistics necessary to fulfill many of the Navy's combat support missions."[42] The SSOP consists of reserve "naval officers licensed as U.S. merchant mariners who are qualified to operate merchant ships as naval auxiliaries and provide officer crewing for ships in MARAD's Ready Reserve Force and MSC's Surge Sealift Fleet."[43] The U.S. Naval Education and

---

[38] John Frittelli, Congressional Research Service. Shipping Under the Jones Act: Legislative and Regulatory Background, 2019. p. 21.
[39] Testimony of Mark Buzby, Maritime Administrator, House Committee on Armed Services, Subcommittee on Seapower and Projection Forces, "Mobility and Transportation Command Posture," March 8, 2018.
[40] James K. Matthews and Cora J. Holt. So Many, so Much, so Far, so Fast: Strategic Deployment for Operation Desert Sheild / Desert Storm: U.S. Transportation Command, 1995. p. 132
[41] State of Washington Department of Commerce. Proposed Strategic Plan for Washington State: Maritime Sector 2017-2019, 2016. , p.11
[42] N42. OPNAV Instruction 1534.1E. OPNAV Instruction 1534.1E. Washington, D.C.: Office of the Chief of Naval Operations, 2017.p.1.
[43] N42. OPNAV Instruction 1534.1E. OPNAV Instruction 1534.1E. Washington, D.C.: Office of the Chief of Naval Operations, 2017., Encl 1.

Training Command directs the Departments of Naval Science at the U.S. Merchant Marine Academy and the six state maritime academies to qualify unlimited tonnage credentialed officers.[44] This program produces more than 1,000 new entry-level officers each year, but the current number of qualified SSOs is only approximately 2,100.[45; 46] While the capability exists to produce significant quantities of qualified entry-level SSOs to support our national security, more U.S. flagged ships are essential to offer long term employment opportunities for these officers to gain the experience and higher qualifications required to replace the current aging workforce. The "Jones Act" limits the number of available ships, which forces otherwise qualified mariners to seek alternative employment opportunities and subsequently drives down the number of SSOs available to support National Defense shipping requirements.

Counter Points

Champions of the "Jones Act" regard it as instrumental to the United States' global trade interests. Former chairman of the House Appropriations Committee's Transportation Subcommittee stated, "ending America's 'Jones Act' would surrender control of global trade to foreign countries and reward nations that keep pumping billions into subsidizing their merchant fleets."[47] However, in the same article, he agrees that "more American vessels would bring more price and service competition for carrying domestic cargo, as well as maintaining an industry vital

---

[44] The six State Maritime Academies (SMA's): California Maritime Academy, Maine Maritime Academy, Massachusetts Maritime Academy, Great Lakes Maritime Academy, Texas A&M Maritime Academy, and the State University of New York Maritime College. Strategic Sealift Midshipman Program (SSMP)
[45] Testimony of Mark Buzby, Maritime Administrator, House Committee on Armed Services, Subcommittee on Seapower and Projection Forces, "Mobility and Transportation Command Posture," March 8, 2018.
[46] Phone Conversation with Strategic Sealift Programs, Deputy Chief of Naval Operations, N4, Pentagon, Washington, D.C. Jan 14, 2020.
[47] Ernest Istook. "America's Global Trade Interests Depend on Countering China's Plan to Control the Seas." Accessed Dec 17, 2019.

to our security."[48] The argument this paper presents agrees with both of the congressman's statements and suggests only repealing the domestic-build portion of the "Jones Act." The enhancement essentially decouples the U.S. shipbuilding industry from regulations limiting the U.S. shipping industry. By allowing U.S. operating companies to buy foreign-built ships and reflagging them to the United States (while still meeting all other 'Jones Act' requirements), the U.S. Fleet can grow while the U.S. shipbuilding industry revitalizes through more liberal competition.

"Jones Act" supporters claim the legislation is key to the survival of the U.S. shipbuilding industry. A recognized defense expert, Dan Goure, stated, "the requirement that 'Jones Act' vessels be built and repaired in U.S. shipyards is vital to ensuring the viability of this important sector of the economy."[49] The historic evidence previously presented proves otherwise. "Jones Act" proponents argue foreign governments now routinely subsidize ship construction either directly or through tax advantages and without the "Jones Act," U.S. shipbuilding would crumble.[50] The fact is, the shipbuilding industry has crumbled. However, by reinstating the previously terminated CDS, the U.S. shipbuilding industry can begin its healing process.[51] Our global trade partners recognize the importance of their merchant fleets and have appropriately subsidized them to hedge success. Repealing the current requirement for "Jones Act" shipping to be domestically built becomes even more powerful with reinstated CDS. This combined effort enables a quick and less expensive U.S. commercial fleet expansion to meet the defense and economic needs of the nation while also

---

[48] Ernest Istook. "America's Global Trade Interests Depend on Countering China's Plan to Control the Seas." Accessed Dec 17, 2019.
[49] Goure, The Jones Act: Critical to U.S. Shipbuilding, Or an Outdated Burden on U.S. Consumers?
[50] Goure, The Jones Act: Critical to U.S. Shipbuilding, Or an Outdated Burden on U.S. Consumers?
[51] Loren Thompson. "With Construction of Big Merchant Ships Near Death in U.S., Navy could Throw A Lifeline." Accessed Jan 17, 2020.

stimulating the shipbuilding industry with vital CDS required to eventually compete on a global scale.

Lessons learned from the subsidized airline industry can inform the future of the shipbuilding industry. Policy analyst Colin Grabow points out that the U.S. leads the internationally competitive aerospace industry, which is not reliant on a "Jones Act-like" domestic build requirement.[52] Unlike present-day shipbuilding, domestically produced aircraft remains a top U.S. export.[53] The airline industry is closely watching the U.S. shipbuilding industry's historical decline; plane manufacturers favor the positive potentials of CDS, but not the domestic-build protectionist strategy of the "Jones Act" for aircraft providing domestic airline services.[54] The 2018 National Security Strategy identifies promoting American prosperity as a vital national interest; the proposed recommendations in this paper enable shipbuilding to follow the aerospace model and help "rejuvenate the American economy for the benefit of American workers and companies" while safeguarding the nation's ability to transport its military to combat.[55]

Recommendation

Meeting the nation's national security requirements for the merchant marine industry requires a comprehensive plan. Not surprisingly, the centerpiece of this multilayered and

---

[52] Colin Grabow. "Rust Buckets: How the Jones Act Undermines U.S. Shipbuilding and National Security." Accessed Nov 22, 2019. p.8.

[53] The U.S. exported $130 billion in commercial aircraft during 2019. This sub-category of 2019 U.S. exports is topped only by the government-subsidized farming exports at $133 billion and $159 billion from the automobile industry—which received government bailout beginning in 2008. (Kimberly Amadeo. "What does the United States Trade with Foreign Countries?" Accessed Jan 11, 2020. https://www.thebalance.com/u-s-imports-and-exports-components-and-statistics-3306270.)

[54] Klein, Decline in U.S. Shipbuilding Industry: A Cautionary Tale of Foreign Subsidies Destroying U.S. Jobs

[55] United States, National Security Strategy of the United States of America. Dec 2017. President of the United States, p. 4 & 17.

interdependent strategy is more U.S. flagged ships. When the "call for war" is sounded, "sealift requirements for the initial stages of a modern major conflict depend more on the sufficiency of U.S.-controlled shipping—and on trained U.S. crews—than on shipbuilding capacity."[56] In Aug 2019, the Maritime Administrator stated, "we need a larger American-flagged fleet" and estimated the wartime requirement for sustaining combat operations would be "45 more ships worth."[57] More ships spur demand for more merchant mariners as crews. The following steps mitigate the risks currently associated with the lack of strategic sealift and provide a framework for rapidly reconstituting the U.S. maritime industry as a national security asset.

First, repeal the portion of the "Jones Act" requiring U.S. construction. An amended legislation enables a rapid increase in the size of the U.S. flag fleet by allowing operating companies to purchase less expensive foreign-flagged vessels, which can then be re-flagged under the United States. These vessels can then be maintained in U.S. shipyards and crewed by U.S. mariners. Near-term growth of the U.S. flag fleet mitigates the risk associated with the growing shortage of strategic lift required by the DoD and provide employment opportunities for merchant mariners supporting both domestic and international trade aboard these ships.

Second, recapitalize the Surge Sealift fleet using U.S. commercial shipyards and government supplemental funds. "MARAD supports the Navy's surge sealift recapitalization strategy, which includes a combination of targeted service life extensions, acquiring and converting used vessels, and building new vessels in U.S. shipyards. All of these efforts require key industrial

---

[56] National Advisory Committee on Oceans and Atmosphere, Shipping, Shipyards, and Sealift: Issues of National Security and Federal Support (Washington: NACOA, Jul 1985). p.x.
[57] John Grady, "Buzby: Declining Ship Numbers, Opportunities Causing Merchant Marine Talent Loss." Accessed Jan 13, 2020. https://news.usni.org/2019/08/22/buzby-declining-ship-numbers-opportunities-causing-merchant-marine-talent-loss.

capabilities: A sustainable ship construction industrial base and available and sufficient marine repair facilities."[58] This government stimulus package is not unlike the bailout of the automobile industry. Jumpstarting the shipbuilding industry with this recapitalization effort is necessary to restore the aging surge sealift fleet while providing the volume of work required to grow the shipyard workforce as well as modernize equipment and procedures required for the U.S. shipbuilding industry to remerge as an international contender.

Finally, reinstitute CDS for shipbuilders to continue to modernize and build U.S. flagged ships. In December of 2019, Defense News reported the Navy's developing plans "to build Common Hull Auxiliary Multi-Mission Platform (CHAMP) sealift variants and use them to replace the current maritime pre-positioning ships, then move the current pre-positioning ships to the MSC's surge force fleet, and then move some of those ships to the Ready Reserve Force." CDS are required to increase and sustain shipyard capabilities and capacities to execute this recapitalization of the fleet and compete with foreign competitors.

Conclusion

It is time to revisit the century-old "Jones Act" and reinstate CDS for the sake of National Security. This paper's recommendations align with the National Security Strategy and positively adjust the comparative political economy by moving the maritime industry away from protectionism and towards free-market liberalism. The current "Jones Act" results in maritime operating companies purchasing ships domestically at a greater cost. These companies must charge

---

[58] Testimony of Mark Buzby, Maritime Administrator, House Committee on Armed Services, Subcommittee on Seapower and Projection Forces and Subcommittee on Readiness, "Mobility and Transportation Command Posture," March 7, 2019. p. 2.

higher shipping rates to recoup their expenses, which discourages domestic maritime transportation. More economic modes of domestic transportation (air, truck, rail, and pipeline) decrease the demand for U.S. shipyards to build more ships and, likewise, the demand for merchant mariners to crew them. This economically punishing cycle equates to national security risk. The risk manifests in the form of fewer ships and mariners available to serve "as a naval or military auxiliary in time of war or national emergency" and thus, less employment for the underdeveloped shipyards to maintain both the U.S. commercial and naval fleets.[59;60] The recommendations in this paper benefit the U.S. maritime industry and advance national security.

---

[59] Colin Grabow. "Rust Buckets: How the Jones Act Undermines U.S. Shipbuilding and National Security." Accessed Nov 22, 2019. p.7.
[60] 46 USC Subtitle V: Merchant Marine, (2020).

Bibliography

46 USC Subtitle V: Merchant Marine, (2020).

116th Congress. National Defense Authorization Act for Fiscal Year 2020 (09/10/2019). https://www.congress.gov/bill/116th-congress/house-bill/2500/text

Amadeo, Kimberly. "What does the United States Trade with Foreign Countries?" Accessed Jan 11, 2020. https://www.thebalance.com/u-s-imports-and-exports-components-and-statistics-3306270.

An Assessment of Maritime Trade and Technology (Washington: U.S. Congress, Office of Technology Assessment, OTA-O-220, Oct 1983).

Boone, Ryan and Harrison Schramm. Sustaining the Fight: Resilient Maritime Logistics for a New Era. Washington, D.C.: CSBA, 2019.

Bureau of Transportation Statistics. "Number and Size of the U.S. Flag Merchant Fleet and its Share of the World Fleet: Oceangoing Self-Propelled, Cargo-Carrying Vessels of 1,000 Gross Tons and Above." Accessed Jan 10, 2020. https://www.bts.gov/content/number-and-size-us-flag-merchant-fleet-and-its-share-world-fleet.

Testimony of Mark Buzby, Maritime Administrator, House Committee on Armed Services, Subcommittee on Seapower and Projection Forces, “Mobility and Transportation Command Posture,” March 8, 2018.

Transportation and Infrastructure. Review of Fiscal Year 2020 Budget for the Coast Guard and Maritime Transportation Programs. May 21, 2019a.

Transportation and Infrastructure. Review of Recent GAO Reports on Icebreaker Acquisition and the Need for a National Maritime Strategy. Nov 29, 2018a.

Transportation and Infrastructure. The State of the U.S. Flag Maritime Industry. Jan 17, 2018b.

Transportation and Infrastructure. U.S. Maritime and Shipbuilding Industries: Strategies to Improve Regulation, Economic Opportunities and Competitiveness. Mar 6, 2019b.

U.S. House of Representatives. Introduction of Jones Act Modernization Bill (Dec 19, 2019).

Center for Strategic and Budgetary Assessments. National Security Contributions of the U.S. Maritime Industry. Washington, D.C.: CSBA.

Frittelli, John. Congressional Research Service. Shipping Under the Jones Act: Legislative and Regulatory Background, 2019.

Gallagher, John. "Lawmakers Told Foreign Ships Threatening US Maritime Sector." Accessed Nov 25, 2019. https://www.freightwaves.com/news/lawmakers-told-foreign-ships-threatening-us-maritime-sector.

Gilday, M. M. "FRAGO 01/2019: A Design for Maintaining Maritime Superiority." (Dec, 2019). https://www.navy.mil/cno/docs/CNO%20FRAGO%20012019.pdf.

Goure, Dan. The Jones Act: Critical to U.S. Shipbuilding, Or an Outdated Burden on U.S. Consumers?. The National Interest. The Center for the National Interest, 2019a.

Goure, Dan. "A Recapitalizing Sealift Fleet is the Nation's most Important Military Program | RealClearDefense." Accessed Dec 17, 2019. https://www.realcleardefense.com/articles/2019/01/22/a_recapitalizing_sealift_fleet_is_the_nations_most_important_military_program_114125.html.

Grabow, Colin. "Rust Buckets: How the Jones Act Undermines U.S. Shipbuilding and National Security." Accessed Nov 22, 2019. https://www.cato.org/publications/policy-analysis/rust-buckets-how-jones-act-undermines-us-shipbuilding-national.

Grady, John. "Buzby: Declining Ship Numbers, Opportunities Causing Merchant Marine Talent Loss." Accessed Jan 13, 2020. https://news.usni.org/2019/08/22/buzby-declining-ship-numbers-opportunities-causing-merchant-marine-talent-loss.

Grady, John. "TRANSCOM, MARAD Want to Speed Up Purchase of used Ships for Reserve Fleet." Accessed Dec 17, 2019. https://news.usni.org/2019/03/07/transcom-marad-want-speed-purchase-used-ships-reserve-fleet.

Istook, Ernest. "America's Global Trade Interests Depend on Countering China's Plan to Control the Seas." Accessed Dec 17, 2019. https://morningconsult.com/opinions/americas-global-trade-interests-depend-on-countering-chinas-plan-to-control-the-seas/.

U.S. Congress. Merchant Marine Act, 1920. 66th sess. (Jun 5, 1920).

Kestenbaum, David and Zoe Chace. Episode 524: Mr. Jones' Act. Anonymous 2016. NPR.

Kilpatrick, William A. The Big Tax Lie Simon & Schuster, 1986.

Klein, Aaron. "Decline in U.S. Shipbuilding Industry: A Cautionary Tale of Foreign Subsidies Destroying U.S. Jobs." Accessed Jan 14, 2020. https://www.enotrans.org/article/decline-u-s-shipbuilding-industry-cautionary-tale-foreign-subsidies-destroying-u-s-jobs/.

Larter, David. "The Sealift Gap is Getting Worse." Accessed Dec 17, 2019. https://www.defensenews.com/naval/the-drift/2019/03/14/the-sealift-gap-is-getting-worse-the-drift-vol-xxi/.

Larter, David. "US Military Triggers ‘Turbo Activation’ of Wartime Sealift Ships." Accessed Nov 22, 2019. https://www.defensenews.com/naval/2019/09/17/the-us-military-has-triggered-a-massive-surge-of-its-wartime-sealift-ships/.

Larter, David B. "The US Military Ran the Largest Stress Test of its Sealift Fleet in Years. It’s in Big Trouble." Accessed Jan 5, 2020. https://www.defensenews.com/naval/2019/12/31/the-us-military-ran-the-largest-stress-test-of-its-sealift-fleet-in-years-its-in-big-trouble/.

Larter, David. "White House Poised to Blow Up US Navy’s Plans to Recapitalize Aging Sealift Ships." . Accessed Jan 19, 2020. https://www.defensenews.com/naval/2019/12/24/white-house-poised-to-blow-up-us-navys-plans-to-recapitalize-its-aging-sealift-ships/.

Maritime Executive. "MSC: Sealift Activation Drill showed Merchant Marine's Strength." Accessed Dec 7, 2019. https://www.maritime-executive.com/article/msc-sealift-activation-drill-showed-merchant-marine-s-strength.

Martin, Bradley and Roland J. Yardley. RAND: Approaches to Strategic Sealift Readiness: RAND Corporation, 2019.

State of the United States’ Merchant Fleet in Foreign Commerce. Sep 29, 201. https://www.transportation.gov/testimony/state-united-states%E2%80%99-merchant-fleet-foreign-commerce-0.

Matthews, James K. and Cora J. Holt. So Many, so Much, so Far, so Fast: Strategic Deployment for Operation Desert Sheild / Desert Storm: U.S. Transportation Command, 1995.

McCown, John. "Commentary: Cato’s Jones Act Numbers Wrong." Accessed Nov 22, 2019. https://www.freightwaves.com/news/commentary-catos-jones-act-numbers-wrong.

Sealift: The Evolution of American Military Sea Strategy. YouTube. Directed by Mercogliano, Salvatore. U.S. Naval Academy, 2019.

Mercogliano, Salvatore R. Fourth Arm of Defense, Sealift and Maritime Logistics in the Vietnam. Washington Navy Yard, DC: Naval History and Heritage Command, 2017. http://public1.nhhcaws.local/research/publications/publications-by-subject/Fourth-Arm-of-Defense.html.

Mercogliano, Salvatore R. "Suppose there was a War and the Merchant Marine Didn’t Come?" Proceedings 146/1/1,403, (Jan, 2020). https://www.usni.org/magazines/proceedings/2020/january/suppose-there-was-war-and-merchant-marine-didnt-come.

Mercogliano, Salvatore R. "Why the United States Needs a Merchant Marine - A Historical Basis." Accessed Jan 11, 2020. https://gcaptain.com/why-the-united-states-needs-a-merchant-marine-a-historical-basis/.

Mitchell, C. Bradford. We'Ll Deliver: Early History of the United States Merchant Marine Academy, 1938-1956 1977.

Modly, Thomas B. Secnav Vector 6 2020.

Naval Reserve Officers Training Corps. "Strategic Sealift Midshipman Program (SSMP)." Accessed Jan 13, 2020. https://www.nrotc.navy.mil/ssmp.html.

N42. OPNAV Instruction 1534.1E. OPNAV Instruction 1534.1E. Washington, D.C.: Office of the Chief of Naval Operations, 2017.

Philly Shipyard. Philly Shipyard ASA Q2 2019 and Half-Year 2019 Results, 2019.

Research and Markets. "China's Shipbuilding Industry 2018-2022: Increasing Global Investment in Oil & Gas Development." Accessed Jan 11, 2020. https://www.prnewswire.com/news-releases/chinas-shipbuilding-industry-2018-2022-increasing-global-investment-in-oil--gas-development-300689204.html.

Roland, Alex, W. Jeffrey Bolster, and Alexander Keyssar. The Way of the Ship: America's Maritime History Reenvisoned, 1600-2000 John Wiley & Sons, 2008.

Rossetti, Philip. "There is no National Security Benefit to Rejecting a Jones Act Waiver for Natural Gas." Accessed Nov 24, 2019. https://www.americanactionforum.org/insight/there-is-no-national-security-benefit-to-rejecting-a-jones-act-waiver-for-natural-gas/.

Schuler, Mike. "OSG Sees Reflagging Tanker Newbuilds Under U.S. Ship Registry." Accessed Nov 22, 2019. https://gcaptain.com/osg-anticipates-reflagging-tanker-newbuilds-under-u-s-registry/.

Slack, Darienne. "Merchant Marine Admiral Lauds IMX19, Maritime Security Efforts." Accessed Nov 23, 2019. https://www.dvidshub.net/news/351505/merchant-marine-admiral-lauds-imx19-maritime-security-efforts.

Smith, Vincent. *The Jones Act Doesn'T Support US Military Shipbuilders*. American Enterprise Institute - AEI. 2019.

State of Washington Department of Commerce. *Proposed Strategic Plan for Washington State: Maritime Sector 2017-2019*, 2016.

The Maritime Executive. "Matson Fires Back at Anti-Jones Act Proposals." Accessed Jan 5, 2020. https://www.maritime-executive.com/article/matson-fires-back-at-anti-jones-act-proposals.

The Maritime Executive. "Matson Sues to Remove MSP Subsidies for APL's Guam Service." Accessed Jan 10, 2020. https://www.maritime-executive.com/article/matson-sues-to-remove-msp-subsidies-for-apl-s-guam-service.

The Maritime Executive. "U.S. Navy Opposes Congressional Efforts to Repeal the Jones Act." Accessed Nov 24, 2019. https://www.maritime-executive.com/article/us-navy-opposes-congressional-efforts-repeal-jones-act.

Thompson, Loren. "Trump Industrial Policy Likely to Target U.S. Commercial Shipbuilding & Merchant Fleet for Revival." Accessed Jan 14, 2020. https://www.forbes.com/sites/lorenthompson/2018/06/05/trump-industrial-policy-likely-to-target-u-s-commercial-shipbuilding-merchant-fleet-for-revival/.

Thompson, Loren. "With Construction of Big Merchant Ships Near Death in U.S., Navy could Throw A Lifeline." Accessed Jan 17, 2020. https://www.forbes.com/sites/lorenthompson/2019/06/05/philly-shipyards-struggle-signals-jones-act-isnt-enough-to-secure-u-s-sealift/.

United States. *National Security Strategy of the United States of America*. Dec 2017. President of the United States.

U.S. Congress. *Merchant Marine Act, 1920*. 66th sess. (Jun 5, 1920).

U.S. Department of Transportation. *Maritime Workforce Working Group Report*: Office of Maritime Education and Training, 2017.

U.S. Department of Transportation. "Number and Size of the U.S. Flag Merchant Fleet and its Share of the World Fleet." https://www.bts.gov/content/number-and-size-us-flag-merchant-fleet-and-its-share-world-fleet.

U.S. Government Accountability Office. *National Maritime Strategy DOT is Taking Steps to Obtain Interagency Input and Finalize Strategy*. Washington, D.D.: U.S. Government Accountability Office, 2020.

U.S. Government Accountability Office. *Navy Readiness: Actions Needed to Maintain Viable Surge Sealift and Combat Logistics Fleets*. Washington, D.C., 2017.

U.S. Navy. *Military Sealift Command 2018 in Review*: Military Sealift Command, 2018.

U.S. Transportation Command J37. *Comprehensive Report for TURBO ACTIVATION 19-PLUS*. Washington, D.C., 2019.

Wakim, Elee. "Sealift is America's Achilles Heel in the Age of Great Power Competition." Accessed Nov 23, 2019. https://warontherocks.com/2019/01/sealift-is-americas-achilles-heel-in-the-age-of-great-power-competition/.

Wright, Brendan H. "America Anchored: An Analysis on the Jones Act and Maritime Legislation Affecting the U.S. Merchant Fleet."U.S. Merchant Marine Academy.

Yearwood, Don. "DOT to Issue Long-Awaited National Maritime Strategy." Accessed Jan 17, 2020. https://www.freightwaves.com/news/dot-to-issue-long-awaited-national-maritime-strategy.