



FACT SHEET

American Shipbuilding

The Jones Act

The Jones Act is essential to American economic, national, and security interests. In addition, the U.S. Navy has made it clear: Repeal of the Jones Act would harm our nation's ability to meet strategic sealift requirements and military shipbuilding needs.

America's domestic shipping industry is responsible for nearly 500,000 jobs and more than \$100 billion in annual economic output, according to a recent study by PricewaterhouseCoopers for the Transportation Institute. Labor compensation associated with the domestic fleet exceeds \$29 billion annually with those wages spent in virtually every corner of the United States. The American domestic fleet, with more than 40,000 vessels, is the envy of the world. Every job in a domestic shipyard results in four additional jobs elsewhere in the U.S. economy.

A small number of individuals and organizations support repeal of the Jones Act, which would allow foreign-built, foreign-operated, foreign-manned, and foreign-owned vessels to operate on American waters. The result would be to take a core American industry like shipbuilding and transfer it overseas to nations like China and South Korea, which heavily subsidize their shipyards and play by their own set of rules. Additional losses would occur from the outsourcing of American shipping jobs to foreign nations. Particularly at a time of severe economic dislocation in the U.S., it makes little if any sense to send American jobs overseas and undermine an essential American industry.

The Title XI Maritime Guaranteed Loan Program

The Title XI Maritime Guaranteed Loan Program provides small- and medium-sized ship owners with affordable finance rates at reasonable terms to allow ship owners to replace and expand their fleet. Commercial shipbuilding creates and sustains good jobs in U.S. shipyards, strengthens the defense industrial base, and provides modern sealift capability for national security. The FY 2017 President's Budget (Obama Administration) requested \$3 million to maintain staff salaries and benefits for 15 full-time employees to administer the Title XI loan portfolio. The Budget proposed cancellation of \$5 million from the FY 2016 Maritime Guaranteed Loan Program (Title XI) funds to offset a number of priority initiatives within MARAD. Title XI loan guarantees for shipbuilding need to be increased as the fund has no more capacity. Currently, it is unknown how President Trump's budget will affect this program, but his proposed budget does cut Department of Transportation funding by 13 percent.

United States Naval Budget

In December 2016, the United States Navy released its most recent Force Structure Assessment (FSA), calling for an objective force of 355 – an increase of 47 ships over its 2014

FSA. The U.S House of Representatives recently passed its FY 2017 defense spending bill. In total, the bill provides \$577.9 billion, an increase of \$5.2 billion over the fiscal year 2016 enacted level and \$1.6 billion more than the Obama Administration's previous request. Specifically, the bill would provide \$21.2 billion for Navy shipbuilding programs, an increase of \$2.8 billion and three ships above the budget request:

- \$3.6 billion for the construction of three DDG-51 destroyers.
- \$1.8 billion to fully fund the procurement of LPD-17 amphibious warship.
- \$1.6 billion for advance procurement of the LHA-8 amphibious assault ship.
- \$1.5 billion for three Littoral Combat Ships.
- \$3.2 billion for Virginia class submarines.
- Advanced procurement for the polar icebreaker recapitalization project.

United States Coast Guard Budget

The Coast Guard proposed a FY 2017 budget of about \$10.3 billion — similar to its FY 2016 request but lower than the FY 2016 enacted of \$11.1 billion. The budget provided about \$704 million for surface assets, including funding for the fifth through eighth National Security Cutter (NSC). The acquisition of the NSC is vital for performing DHS missions in the far off-shore regions, including the harsh operating environment of the Pacific Ocean, Bering Sea, and Arctic. The Coast Guard budget also proposed acceleration of the acquisition of a new polar icebreaker to begin production activities in 2020.

Boilermakers' Message to Senators and Representatives:

- Oppose any effort to repeal or weaken the domestic-build requirements of the Jones Act, including rejecting efforts to exempt Puerto Rico from the Jones Act in any financial relief legislation.
- Support an FY17 authorization and appropriation of \$60 million for the Title XI Ship Loan Guarantee Program to provide financing for the construction of replacement vessels for the aging Jones Act fleet.
- Support the United States Navy's current FSA of 355 ships.
- The U.S. Senate should pass the House defense spending bill and oppose efforts to reduce Coast Guard budgets below current levels.