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## **Bipartisan Congressional Task Force on Economic Growth in Puerto Rico**

To the task force members and staff:

I write to you on behalf of **ANTAD** (Asociación Nacional de Tiendas de Autoservicio y Departamentales) and in respond to task force's request for comments on how to strengthen Puerto Rico's economy. We represent Supermarkets, Specialized and Department Stores in Mexico.

As the task force is aware of, most of the world trade is done by ocean transportation and thus competitive transportation prices are a principal necessity for any economy and even more so for an Island. Unfortunately, in the case of Puerto Rico, maritime transportation is not open to competition because of the Jones Act of 1920 which forces the use of the US owned, manned, built and registered ships. It is well documented that the US merchant marine is among the most expensive in the world but the problem is not only its direct costs but the indirect costs that are usually not considered. Most of all the market concentration it has created, which combined with an unexplainable lack of regulation, has resulted in abuses of market power against the people of Puerto Rico.

Puerto Rico relies heavily on food manufactured or grown on the continental United States and transported to the island by barge and ship meaning that its economic problems affect US companies and farmers. Puerto Rico is also the only U.S. territory that must fully comply with the Jones Act. As a result, only two carriers now control over 80% of the US-PR market. It now costs over \$3,000, on average, to ship a container of food and commercial goods from the U.S. mainland to Puerto Rico, while it costs nearly 50% less for the same shipment to go to neighboring islands that are exempt from the Jones Act. Meanwhile, non-US manufactured products may be shipped from other countries at much lower costs, putting U.S. companies at a competitive disadvantage.

This lack of competition and the regulatory stranglehold raises the cost of food on an island where the poverty rate exceeds 46 percent and the population is experiencing a serious decline.

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For example, in the case of food items, the Cost-of-Living Index prepared by the Council for Community and Economic Research (C2ER) among 325 urban and rural areas in the US concluded that prices at the supermarkets in Puerto Rico are 23% more expensive than the average in the US.

We understand the value of the Jones Act in preserving America's merchant fleet. However, given the dire economic situation in Puerto Rico, we submit that Congress should seriously consider one or more of four narrow options, in the following order:

- 1) Exclude Puerto Rico from the Jones Act as the rest of the US territories;
- 2) Partial repeal of the U.S.-built requirement, to apply only to goods bound for Puerto Rican ports. Carriers would still have to operate U.S.-owned and U.S.-crewed vessels;
- 3) A temporary waiver to allow foreign-built ships to enter the Puerto Rico market, and thus provide competition and increased service. This was proposed by the Federal Reserve Bank of New York in 2013; and
- 4) Consider returning Jones Act regulation to the Federal Maritime Commission, where it existed prior to 1996, adding specific oversight responsibility and authority to create competition. Currently, the Surface Transportation Board is responsible for administering the Jones Act, and unfortunately, oversight and regulation have been almost non-existent.

We deeply appreciate congressional leadership on this issue and share your goal to restore economic growth and opportunity the island of Puerto Rico.

Sincerely,