

**Statement of  
The Honorable James L. Oberstar  
Subcommittee on the Coast Guard and Maritime Transportation  
Hearing On  
“Rebuilding Vessels Under the Jones Act”  
June 11, 2008**

Mr. Chairman, thank you for scheduling today’s hearing to discuss vessel rebuilding under the Jones Act. I applaud you for holding this hearing to address an issue that needs to be evaluated and brought to the attention of Congress.

The Jones Act was written with the intention of supporting the American maritime industry by mandating that U.S. vessels that engage in coastwise trade be built and rebuilt in U.S. shipyards. After enactment of the Jones Act in 1920, shipping companies continued to find ways to outsource work on their vessels to foreign shipyards which is why Congress enacted the Second Proviso of the Jones Act in 1956. The Second Proviso has been amended several times over the years to close loopholes to the law. From recent court decisions, there still seem to be either loopholes in the law or loopholes in the application of the Proviso, which is what we are here to discuss today.

One of the challenges is that the Congress did not precisely define the term “rebuilt” in the Second Proviso, and left it to be defined by the Coast Guard. We are looking for consistency in the application of the regulations. Shipping companies should not be concerned that their competitors will have work done overseas at a substantially lower cost and have an economic advantage in the marketplace.

Conversely, shipowners who seek Coast Guard review of their proposed foreign work should be able to rely on the Coast Guard’s determination before they go out and spend millions of dollars on project and then have their coastwise endorsement revoked because District Courts disagree with the Coast Guard’s justification of their determination.

U.S. shipping companies should be investing their money in U.S. shipyards, providing skilled, hard working Americans with jobs. They should be able to count on not losing their jobs, as has happened to millions of other Americans, whose jobs were outsourced to another country.

I am very disappointed that Seabulk and Matson Navigation declined our invitation to testify today but chose to submit statements for the record. While I understand their concern about pending litigation, they should have been prepared to talk about nature of the work they had done on their vessels in China and the impact on their companies if their coastwise endorsements are revoked. Without that testimony, it will be very difficult for the Committee to grant a Jones Act waiver if their coastwise endorsements are revoked.

I want to thank our witnesses for being here today and look forward to your testimony. Chairman Cummings, as always, I look forward to working with you and Ranking Members Mica and LaTourette during this hearing.

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