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INSIGHT

Shipbuilding to Improve Domestic Supply Chains: Opportunities and Challenges

August 6, 2025

Across Administrations and during multiple Congresses, federal policymakers have increased efforts to incentivize the domestic manufacture and consumption of a wide range of goods. These efforts have served various policy goals, such as supporting energy independence, food security, and supply chain resilience, and rely on domestic supply chains to transport such U.S. goods where needed in the United States. The extent to which such goods can be transported by ship, a transportation mode capable of efficiently transporting large quantities of materials, has been an issue of congressional interest in terms of the availability of domestic shipbuilding and the requirements established for ship-based transport within the United States. The broadening of and increase in import tariffs, the safety and efficiency advantages of shipping over other modes of transportation for some types of goods, and the desire to reduce the trade deficit and re-shore U.S. manufacturing also give reason to examine the capabilities of the domestic commercial fleet.

Some Members of Congress have offered policy proposals aimed at boosting commercial shipbuilding in the United States and the U.S.-flag cargo fleet, as reflected in the SHIPS for America Act (H.R. 3151, S. 1541), Save Our Shipyards Act (H.R. 2125), and Building Ships in America Act (S. 1536). President Trump's executive order of April 9, 2025, "Restoring America's Maritime Dominance," has stimulated discussion on the topic with its direction to increase incentives for domestic shipbuilding and to grow the fleet of U.S.-built, -crewed, and -flagged vessels.

The requirements of the Jones Act, which refers to Section 27 of the Merchant Marine Act of 1920 (P.L. 66-261), reflect the long-standing goal of maintaining domestic shipbuilding capability and a commercial fleet. The Jones Act requires that vessels transporting cargo from one U.S. point to another U.S. point be U.S.-built and owned and crewed by U.S. citizens. The Jones Act seeks to maintain "a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in times of war or national emergency" by supporting a U.S.-controlled commercial fleet to supplement the military sealift fleet; a U.S. merchant marine workforce qualified to crew reserve military sealift vessels; and domestic shipbuilding and repair capacity. To some extent, the Jones Act treats the higher cost of domestic shipbuilding (compared with shipbuilding in other countries) as necessary for national security reasons.

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IN12592

The fleet of ships eligible for use under the Jones Act has been steadily shrinking since at least World War II. Since 2000, it has shrunk from 181 ships to 93 ships. Some common types of ships are missing from the U.S.-built fleet, including semisubmersible heavy transport vessels, dry-bulk ships, chemical tankers, liquefied petroleum gas (LPG) tankers, and liquefied natural gas (LNG) tankers. Other seagoing vessels, such as seagoing barges to transport oil and other products, have been developed for coastal commerce but generally have smaller capacity and slower speeds than self-propelled ships and do not meet the national security goals of the Jones Act. To the extent that Congress and the Trump Administration may contemplate incentives to spur domestic shipbuilding, targeting shipbuilding to certain types of ships missing from the domestic trading fleet could be an opportunity to advance the above policy goals.

The range of uses for different ship types missing from the domestic commercial fleet varies. Semisubmersible heavy transport vessels could be helpful in reducing the cost of mobilizing and demobilizing dredge vessels for U.S. harbor maintenance projects. They could also be useful for carrying damaged and unseaworthy naval vessels to repair yards.

Construction of oceangoing, Jones Act-eligible dry bulk ships might increase cost-effective domestic commerce of bulk commodities, such as rice, steel scrap, or potentially ore, depending on the scale shipped. Currently, importing these commodities may be less expensive than using domestic sourcing, partly because of limited transport options. For example, Puerto Rico imports rice from China rather than from domestic sources. Ports along the Atlantic Ocean export U.S. steel scrap to Europe by ship while importing steel scrap from Europe for use in U.S. steel mills or use smaller coastal barges for transport domestically. A domestic phosphate fertilizer manufacturer has found it more cost effective to bring in phosphate rock mined in Peru to supply its fertilizer manufacturing plant in Louisiana rather than shipping supplies from Florida.

Constructing sufficient Jones-Act-eligible ships would enable U.S. industries to develop the potential domestic routes that fracking and the natural gas boom have created for LPG and chemical tankers. For example, while Texas and Louisiana ports export anhydrous ammonia (nitrogen fertilizer) shipped in LPG tankers, they do not ship the product to California, which imports it. This is the case for other chemicals, such as propane, ethane, and methanol. For example, one methanol company exports its U.S. production to Asia and Europe and imports to the United States the methanol produced from its plant in Trinidad and Tobago.

Another component of a revitalized domestic commercial fleet might be a reduced risk in transport. Bulk shipment by sea of chemicals and similar commodities may be seen as safer than transport of an equivalent amount of commodity by other transportation modes. For example, an energy company is petitioning the U.S. Department of Transportation to move ethane by railroad tank cars from Philadelphia to the U.S. Gulf Coast. The state attorneys general of 13 states and the District of Columbia filed comments opposing the petition on safety grounds. The United States is the top global exporter of ethane; newly constructed, Jones Act-eligible LPG tankers could provide safety benefits by shipping such flammable gases offshore, away from population centers.

Congress may investigate whether the incentives identified in the above referenced legislation and those established in current law are sufficient to bolster domestic shipbuilding and whether these incentives would lead to construction of ships that could strengthen supply chain connectivity. Congress may also consider whether these efforts would require direct federal investment and, if so, how much and over what time frame.

Author Information

John Frittelli
Specialist in Transportation Policy

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