



WStreet Market Commentary

GULF HELP HELD UP BECAUSE OF UNIONS?

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This BP situation keeps getting more interesting. Within two weeks of the spill, no less than thirteen nations offered assistance. They have all been turned down. This is nuts and more than hypocritical considering criticism aimed at President Bush for not accepting aid from Cuba after Hurricane Katrina. We are talking about help being offered by our closest allies and nations with vast expertise in deepwater disasters: Canada, Croatia, France, Germany, Ireland, Mexico, the Netherlands, Norway, Romania, Korea, Spain, Sweden, and the U.K. (the UN offered help, too). According to Foreign Policy magazine, Belgians say they could clean the mess up in four months or less.

So what gives? The Jones Act, which isn't named after Van Jones but could have been. The Jones Act is in section 27 of the Merchant Marine Act of 1920. The act states all goods transported between U.S. ports must carry a U.S. flag, be constructed in the United States, owned by U.S. citizens, and have a U.S. crew who are permanent residents. The act also says these ships must have union crews. *The act has already devastated the US. shipbuilding industry, which has been saddled with higher costs and limited opportunities. As a consequence, only 1% of the world's shipbuilding occurs in the United States.*

It seems certain President Obama hasn't waived the Act because of his obligations to unions. By the way, President Bush waived the Act after Katrina, and help came in from many nations. As culpable as BP is for this, their partners in crime seem more and more to be the Administration, which appears to take its marching orders, even on environmental disasters, from environmentalists and unions. This is shocking stuff especially as the White House is looking to break more contract law and dictate the actions of an independent business. I don't know if BP is going to fold on the dividend; if there is a hint they couldn't pay for the cleanup they should.

If, however, the company is going to be forced to pay for political decisions by the Administration, but otherwise could meet new obligations, then it should stand for shareholders and capitalism. In the meantime, there is close to \$3.0 billion in the Oil Spill fund and it grows by \$667,360 a day; we should be using that money to help the people in the Gulf. It's not, and it never will go to help those people because the fund and the new hike is nothing more than a way to punish oil companies in lull of a windfall profit tax so eagerly sought for a long time.