US shippers eye Chinese-built vessel charges with concern

Fears of inflation due to the proposed charges on Chinese owned and built vessels have been voiced by US shippers who believe that these charges will ultimately either be borne by American importers or passed on to consumers

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Credit: OOCL

Global Shippers Council (GSF) director James Hookham said that during a recent meeting members had discussed the possible consequences of the levy proposed by the office of the United States Trade Representative (USTR), which could see charges of up to $1.5 million per Chinese-built ship, per port call levied.

Hookham told *Seatrade Maritime News* that US and Canadian representatives discussed the issues with “despair” at the GSF’s last council meeting, with carriers expected to pass these charges on to their customers.

“In the first instance it will cost US shippers and importers and then the costs will be passed on to consumers, either as cash flow pressures on US businesses or as price inflation. It is not going to end well for anyone,” said Hookham.

Fleet details from consultancy MDS Transmodal reveal that 26% of all ships deployed on services, during February, and calling at US ports, a total of 301 vessels, were built in China, which amounts to 20.2% of the standing capacity of the units.

One way around the charges will be for major carriers to establish US subsidiaries that operate feeder services from ports in Canada, Mexico and perhaps in the Caribbean, including Kingston, Jamaica to meet mainline vessels and tranship to the US.

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"But that won't work if the Trump administration imposes 25% tariffs on goods from Canada and Mexico," said Hookham.

The impact on the trade will be substantial even if the charges are halved to $750,000 per port call according to Dynaliners analyst Darron Wadey.

"To model the potential impact of this measure on just one port, in this case New York, over 2,200 container ships called there in 2022. If 30% of those visits were indeed by Chinese-built ships, and even if a generic tariff of just $750,000 per visit was applied, the extra costs to the US supply chain from just this one port would still be $500 million, annually," calculated Wadey.

Furthermore, Wadey explained Chinese carriers would have to cancel calls US ports in order to limit their exposure to extra charges, while Canada and Mexico may not be viable cargo alternatives.

"However, especially in a shipping alliance context, to cut back on their US services could bring their operational relevance into question. Outside of alliances, it would also impact their commercial offering," said Wadey.

One of the reasons given by the USTR to levy these charges against Chinese built vessels is to stimulate shipbuilding in the US again.

However, Wadey is sceptical, but said one silver lining of this measure could be that it cools what is an extended period of overheating in shipbuilding.

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It is unlikely that the two other experienced nations in large vessel construction , Japan and South Korea would have the yard capacity to meet the substantial switch in orders.

"The recent interest shown by carriers as Maersk, CMA CGM and MSC in India is noteworthy and part of the country's strategy to build an international presence in heavy industries. However, it has yet to demonstrate experience in building big (container) vessels in multiple series," said Wadey.

In addition, India would be in competition with more stablished shipbuilding locations, including Taiwan, a developing market in Vietnam and the Philippines a small but experienced industry, according to Wadey.

However, Wadey is adamant that shipbuilding will not return to the US at any time soon, an "answering, No, simply no, to the question.

"We are a world away from shipyards could spring up in no time at all and start rolling fleets of 'Liberty Ships' down the slipways," added Wadey, "Even if it were, the economics and experience of US yards make it difficult to justify a significant switch."

In a back of the envelope calculation Wadey said the largest US boxships, two 3,600 teu ships, delivered in 2010 cost $210 million, around the same price per ship of CMA CGM's latest order of a series of 18,000 teu units.