Proposed US port fees on Chinese vessels may alter intermodal shipping patterns

Business responds at US Trade Representative hearing

Monday, March 24, 2025

Fairview Container Terminal, Port of Prince Rupert, British Columbia.(Photo: Bill Stephens/Trains)

A Trump administration port fee proposal designed to boost the U.S. shipbuilding industry could scramble international intermodal traffic, shift some container business to ports in Canada and Mexico, and help Canadian National and Canadian Pacific Kansas City railroads in the process.

In February, the Office of the U.S. Trade Representative floated a plan to impose steep fees on Chinese vessels that call on U.S. ports. Vessels operated by Chinese companies would face a $1 million port call fee. Ships built in China would have to pay a $1.5 million fee per port call. And any shipping line that has placed more than 50% of its new vessel orders with Chinese shipyards would incur a $1 million port entry fee.

The White House says the fees would be used to subsidize the U.S. shipbuilding industry, which no longer produces commercial vessels in meaningful numbers. The administration says the plan also would reduce the global dominance of China's shipyards.

Ocean shipping expert John D. McCown in a LinkedIn post says the fees on a Chinese-built, Chinese-flagged ship could amount to as much as $2,100 per 40-foot container, which is just $800 below the current cost to ship a container from Shanghai to Los Angeles.

"If the intention is to drastically increase costs for U.S. importers and make U.S. exports uncompetitive, this proposal is likely to do the job," said maritime expert Lars Jensen, also on LinkedIn.

Nearly three dozen groups representing U.S. importers and exporters, manufacturers, farmers, retailers, railroads, and ports told the U.S. trade representative Monday that the proposal would hurt the overall American economy while reducing trade and worsening the trade deficit.

In a report released Monday, the groups said shipping lines would likely take steps to minimize or avoid the port entry fees. First, they would drop calls at smaller U.S. ports in favor of discharging containers at large ports like Los Angeles and Long Beach, California, and New York and New Jersey. Second, they might divert 5% of their port calls to Canadian and Mexican ports.

"Some U.S. ports, notably those on the West Coast but also the East Coast, compete with ports in Canada and Mexico. If the cost of calling a U.S. port is suddenly much higher, some carriers may feel pressure to divert U.S.-bound ships facing those higher costs to a Mexican or Canadian port instead, forcing their customers to transport their goods by truck or rail from there to U.S. destinations. The ability to do this, however, is also constrained by the infrastructure and prevailing business load at these ports," the groups' report said.

Representatives of the ports of Vancouver, British Columbia, and Halifax, Nova Scotia, told Trains News Wire that their terminals must ensure that any potential surge of U.S.-bound traffic does not slow Canadian freight.

Railroads are closely watching developments on the port call proposal.

CPKC Chief Executive Keith Creel says U.S. port fees would create an economic incentive for ocean carriers to use Canadian and Mexican ports. CPKC serves ports in Vancouver; Saint John, New Brunswick; and Lazaro Cardenas on Mexico's Pacific coast.

If enacted, the port fees could lead to significant growth at Lazaro Cardenas, Creel told an investor conference earlier this month. The container port has plenty of capacity but currently primarily handles goods bound to and from Mexico. CPKC, like Kansas City Southern before it, sees the port as a congestion-free alternative to Los Angeles and Long Beach.

Ocean carriers likely would drop service to smaller ports in favor of making just one call at a large port, executives from CSX and Union Pacific told an investor conference this month.

A cargo shift to major ports would concentrate volume at fewer locations, which is both an opportunity and challenge for the railroad, CSX Chief Financial Officer Sean Pelkey says. "We can be a part of the solution for that, but it could also result in more congestion as well, which could have significant disruptive effects and of course lead to higher inflation. So it's a watch item for us," Pelkey said.

The disruption also would affect export coal shipments handled on Chinese-built bulk ships that call at CSX-served terminals at Newport News, Virginia, and Baltimore, Pelkey says. And that could make U.S. metallurgical coal exports less competitive in global markets.

BNSF spokesman Zak Andersen says the impact of the port fees is uncertain but would hurt U.S. ports. "Anything that increases the cost of international trade will be challenging for all supply chain stakeholders," he said. "Diversion from U.S. ports has long been a concern and we hope that any proposed trade policy recognizes the likelihood of diversion and contemplates mitigation to prevent it."

BNSF is planning a $1.5 billion terminal and adjacent transload center in Barstow, California, to handle international intermodal volume.

“If this proposal is enacted as currently conceived, we could certainly see meaningful cargo diversions to Canadian ports, particularly Vancouver and Prince Rupert, although I don’t have specific figures to offer,” said Cherilyn Radbourne, a Toronto-based analyst at TD Cowen. “That said, I imagine that the U.S. ports and other interested parties will argue exactly that point during the comment period, and it’s hard to imagine that the Trump administration would want to hurt U.S. ports, which already see themselves as somewhat disadvantaged versus Canadian ports due to the Harbor Maintenance Tax.”

The lack of a harbor maintenance tax at Canadian ports is among the factors that have helped make them gateways to the U.S. Midwest via the CN and CPKC intermodal networks.

Intermodal analyst Larry Gross in a report says the proposed port fees are large enough to change shipping patterns and drive some share shift to Canadian ports. Vancouver and Prince Rupert likely would gain business currently handled at Seattle and Tacoma, Washington, he says, while Halifax and Saint John might grow at the expense of the Port of New York and New Jersey.