Which shipping sectors would be worst hit USTR port fees?

The impact of the potential port call fee on Chinese-built ships by the United States Trade Representative was a major talking point at the conference sessions during in Sea Asia on Tuesday.

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Credit: Marcus Hand

The USTR proposals are designed to penalise what the US government sees as unfair support by China for its shipbuilding sector and to help spur a resurgence of the US shipbuilding sector. However, with China today in a dominant position in shipbuilding globally the impact of port fees on Chinese-built ships would be far reaching.

Speaking at the Sea Asia Global Forum, Roar Adland, Global Head of Research for SSY, noted that Chinese yards accounted for 59% of the global newbuilding orderbook, while US yards held just 0.2%.

A service fee would cover Chinese service providers, a scaled fee for vessel operators and owners depending on the percentage of Chinese-built vessels in their fleet, and a fee for those with vessels on order at Chinese yards due to be delivered in the next 24 months.

As Adland told the audience the details of the fees per port call are still very vague but would range from $500,000 to $3.5 million.

SSY has attempted to quantify which sectors would be most and least affected based the share of US trade for the sector and available non-Chinese built fleet that could cover that trade. The sectors are classified by a green, amber, red traffic light system.

The only sector coming in as green would Capesize bulkers where only 2% of the fleet serves the US market.

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In the amber section would be Panamax and Handysize bulkers, Suezmax tankers, and LNG carriers. For these sectors Adland suggested owners might shift Chinese-built assets to another legal entity, or they could sell off some Chinese-built assets.

The sectors facing a red light where the US trade is more than the remaining non-Chinese built fleet would be able to cover would be VLCCs, Aframax, MR clean product tankers, supramax bulkers, and container vessels.

While pretty much all container ships would be affected Adland noted that the impact for large container ships would not be as great as some other sectors. If a ship is discharging 5,000 teu in a single call, the additional charge for a port call is $2 million this would equate to around $400 per teu, which he sees as being within the volatility of the trade as whole in terms of ability to absorb such an increase.

By contrast for a Supramax bulker with a 50,000 tonne cargo a $2 million additional port fee would add $40 per tonne which is doubling or tripling of the freight.

Hearings on the proposed USTR fees are taking place on Monday and Wednesday this week so the outcome is yet to be known.

However, speaking on a later shipbuilding panel Adam Kent, Managing Director of Maritime Strategies International (MSI) said, “I think the levels will be lower, but what it will do is cause people to shift what vessels are calling at US ports, if they can, and what that does for shipping is introduces more inefficiencies in the market.”