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Ocean Carriers Raise New Concerns About Steep U.S. Fees for Chinese Ships

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On Monday, the Office of the U.S. Trade Representative held its first hearings on a plan to charge the owners of Chinese ships an additional fee for every port call in the U.S., ranging up to $3.5 million for each instance. If enacted as described, the fee structure would increase shipping costs, critics say - and the list of concerns continues to grow.

The proposed fee structure is steep, and the USTR's notice contains several policy alternatives. Each U.S. port call for any vessel operated by Chinese interests will be subject to a fee of up to $1 million; each U.S. port call for each vessel built in China will be subject to a fee of up to another $1 million, depending on the proportion of Chinese-built ships in that operator's fleet; and operators with newbuilds on order in China will face additional fees of up to another $1 million per port call. To support the American merchant fleet, the proposal contains discounts for operators who also have U.S.-built tonnage, and it has minimum-volume requirements that mandate the use of increasing amounts of U.S.-flagged and U.S.-built tonnage for American exporters.

Critics of the plan have previously raised many concerns, including the forced shutdown of a few American-based shipping lines that use Chinese-built ships; the increased export costs for U.S. ag and energy commodities, which will make American exporters less competitive compared to foreign alternatives; a possible reduction in growth for U.S. oil and gas production; and a reordering of liner trades to favor a handful of calls in major U.S. ports, increasing congestion at the main gateways while reducing business for secondary seaports.

Two new issues emerged Monday. The CEO of NYK Line, the Japanese shipowner that co-owns carrier ONE, told Reuters that Japanese and Korean shipyards are not in a position to expand the production of non-Chinese ships until at least 2028. Since there are few other competitors on the global market for oceangoing merchant vessels, this would mean that expanding the orderbook for no-fee tonnage would be delayed for at least another three years - even though the USTR's proposal would take effect on a much shorter timeline.

The World Shipping Council (WSC), which represents ocean carriers, added another concern: the possibility of litigation. Since USTR has said that it is partly motivated by a desire to grow the U.S. shipbuilding industry, WSC suggested that the proposed port call fees might not be legal.

"Generating demand for domestic products and raising government revenue – whether to support a domestic industry or for other purposes – are not permissible bases for actions under Section 301," said WSC CEO Joe Kramek in a statement, referring to the U.S. Trade Act of 1974.

As a practical matter, Kramek noted that the U.S. shipbuilding sector is already backlogged with U.S. Navy production and maintenance needs, and that "labor shortages constrain the ability of U.S. shipyards to take on additional orders."

"The Administration should work with Congress on a forward-looking strategy that is constructively designed to revitalize the U.S. maritime industry," Kramek said.