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Chinese Shipbuilders Feel "Big Relief" After US Softens Port Fee Plan

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The revised, less stringent terms of the U.S. Trade Representative's fee plan for Chinese-built ships are an encouragement for China's shipbuilders, multiple shipping sources have told SCMP this week. Though the USTR's initial proposal dampened foreign owners' interest in buying Chinese-made tonnage in the first quarter, the recalibrated financial penalties and the full exclusion of many vessels in the new version gives China's shipbuilding yards reason for optimism - especially as the White House is now signaling its willingness to negotiate down its demands on trade.

The new, more detailed version of the USTR's proposed rule covers much less of the world fleet than the first version. Most importantly, it now exempts most non-Chinese vessels from the fee structure. Before, an owner with Chinese ships anywhere in its fleet would get billed for every U.S. port call, even if using its non-Chinese ships to call in the United States. Under the revised USTR plan, the owner can separate out its Chinese-built ships for use in overseas trade, use all its other ships for port calls in the U.S. market, and avoid any of the fees - while still buying and using Chinese tonnage.

The revision also contains broad exemptions. Most vessels arriving in ballast will not be charged, and all vessels smaller than a Panamax (55,000 dwt, 4,000 TEU for a boxship, or 80,000 dwt for a bulker) are fully exempt.

For Chinese ships that do get billed, the fees are also less onerous: they are now assessed once per visit to the U.S., not for each port call in a string, and only up to five times per ship per year. The charges are also calibrated by vessel size now, removing a disproportionate impact on smaller vessels.

"[It] is a big relief for Chinese shipbuilders, as it significantly alleviates clients' concerns about placing orders," a senior analyst at a Chinese state shipping firm told SCMP, estimating that about 60 percent of China's current orderbook would not be subject to tariffs.

The relief comes just in time for China's yards, notably in the dry bulk segment. Bulker orders dropped by more than 90 percent in the first two months of the year, according to BIMCO. Top shipbroker Howe Robinson reports just 39 newbuild bulker contracts signed in the first quarter anywhere in the world, down from 213 the year before. Chinese yards received just 13 of these orders, according to Xinde.

The day after the USTR's revised plan was released, specialist yard China Merchants Industry Group announced plans to start building general-purpose bulk carriers and boxships through the purchase of an existing shipyard, Qingdao Yangfan Shipbuilding Co.