

**MONTHLY REPORT for ICS**

**March 2025**

**NOTE TO THE READER:** Reference to the Federal Register may be found at <http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=FR>.

References to legislation may be found at <https://www.congress.gov> at the center of the page.

**USTR Petition Section 301 – Proposal and Request for Comments**

The USTR held a two day hearing on March 24 and 26 to receive testimony on its proposal to impose port fees on Chinese registered and Chinese built ships. Our observations and perspectives on this hearing are found below. The docket for this issue can be viewed at <https://comments.ustr.gov/s/docket?docketNumber=USTR-2025-0002> We, of course, will provide updates and new information on this issue as it becomes available.

- 14 panels with 5 witnesses each over 2 days (70 witnesses) including testimony by ICS, World Shipping Council, and the Chamber of Shipping of America.
- Congressional testimony via Zoom (6 members of Congress) all supporting port fees.
- 520 written comments filed to the docket.
- Hearing was conducted by the USTR 301 committee with representatives from Executive Branch agencies – DOT (chair), USTR, Ag, DHS, Energy, Small Business Administration, Commerce, and others.
- Expected timeline (subject to change) as contained in USTR petition process (all petitions, not just this one) is that USTR has one year from start of petition to issue findings (April 17 2025) with an implementation hearing to be held approximately 30 days after the findings/regulations are issued (Mid-May 2025). White House has up to 180 days to implement (November 2025).
- Order of proceedings – all 5 witnesses testify for 5 minutes each followed by questions from the USTR 301 committee.
- No real “tells” from the committee as to which way they are leaning although questions to shipping industry representatives and goods/commodities manufacturers suggest that they were not really

aware of the significant impact on the supply chain, especially as relates to smaller US shipping companies and US agricultural exporters.

- Post hearing, we have fielded additional questions from three of the committee members seeking more information on aspects of our testimony as well as sources of additional trade data e.g., Clarksons, Lloyds List.
- The vast majority of the witnesses testified in opposition to the port fees, in all or in part.
- CSA (and others) have been widely quoted in the press starting with Reuters feed which was picked up by general media outlets including the Wall Street Journal, Washington Post, Maritime Executive, Tradewinds.
- CSA quote was "Rebuilding the US shipbuilding industry is not like flipping a light switch as it will take time and a well-managed transition period. (If the USTR decides on immediate application of port fees), penalizing China and the US marine transportation system is not an acceptable result."

#### GENERAL COMMENTS ON USTR PROPOSAL

- The proposals if adopted would severely disrupt the maritime supply chain in US ports as a large number of Chinese built vessels service US ports. According to Linerlytica, about 17% of the container vessels calling US ports are Chinese built representing 1.29 million of the total 28.2 million TEUs imported by the US (2024 statistic). We have no statistics on percentage of Chinese flagged vessels in the dry and liquid bulk market serving US ports.
- Port fees/levies if imposed on any class or registry of vessel would significantly increase transportation costs for vessels trading to the US with the added cost being passed along to US importers/exporters, charter party rates (for bulk shipments), higher freight rates, all of which would ultimately be borne by the US consumer.
- Port fees/levies should not be imposed on a Chinese built vessel under non-Chinese flag and owner/operator already in operation or contracted for in a Chinese shipyard which will be flagged under a non-Chinese registry and owned/operated by a non-Chinese entity before the date of the final decision on the petition remedy.
- (Fall back on Chinese built vessels) If port fees/levies were to be imposed on Chinese built vessels which are or will be flagged under a non-Chinese registry and owned/operated by a non-Chinese entity, equity suggests that this requirement should be imposed after a date certain in the future beyond the dates for current shipyard contract deliveries.
- The target for these remedies/penalties (port fees) is on China and its shipping fleet and shipbuilding facilities. Assessing port fees/levies on non-Chinese entities with no nexus with China should not be supported.

CSA POSITIONS AS INCLUDED IN OUR COMMENTS AND TESTIMONY

- Service fee on Chinese Maritime Transport Operations – neither support nor oppose; if implemented it should be at a lower port fee than proposed.
- Service Fee on Maritime Transport Operators with Fleets Comprised of Chinese Built Vessels/Service Fee on Maritime Transport Operators with Prospective Orders for Chinese Vessels – strongly oppose; if implemented, should include grandfathering clause which exempts existing vessels in operation and vessels for which shipbuilding contract has been agreed providing vessels are/will be non-Chinese flag and non-Chinese owner/operator.
- Service Fee Remission for Maritime Transport via US built Vessels – support in concept but dependent on decisions taken on two bullets above.
- Restrictions on Services to Promote the Transport of US goods on US vessels - support in concept but note that timeline of increasing percentages of US exports to be carried on US flag and US flag/US built vessels is likely to be insufficient to assure adequate US flag tonnage is available (container, dry and liquid bulk).

**CSA Comments on USCG Final Rule Cybersecurity in the MTS**

[USCG's Cybersecurity in the Marine Transportation System final rule](#) was released in the Federal Register on January 17th.

The rule is final however, USCG provided an opportunity for public comment on a 2 to 5 year delay for the implementation period for U.S. flagged vessels (Details on FR page 159, Section VII and Table 1 on p13). Note, there is no delay in the requirement to report all reportable cyber incidents to the NRC which your vessels have been doing since February 2024 in accordance with Executive Order 14116.

CSA's comments are posted to the Federal Docket and were sent to all members. We have also included some text from our comments in italics below. The public only had the opportunity to comment on the implementation period, the other sections of the final rule are not open for comment. As with CSA's initial comments on this NPRM, all CSA members we heard from indicated they prefer the maximum amount of time to implement this regulation due to operational complexities.

*CSA strongly supports a 5-year delay in the implementation of the new requirements set forth in this final rule. It is well understood this delay does*

*not pertain to the immediate reporting of reportable cyber incidents to the NRC as has been done since the issuance of Executive Order 14116 on February 21, 2024. Vessel owners and operators must go further than simply meet the requirements of this rule. They must tailor the technical processes and training for these regulations to the specific intricacies of each vessel and shoreside based on vessel type, trade, operations, and cargo. This takes thoughtful evaluation and time to properly achieve. A sprint, solely to comply with regulations, lacks the necessary systematic approach and does not meet the goal of this regulation which is to thoroughly address current and emerging cybersecurity threats, detect risks and respond to and recover from cybersecurity incidents in the marine transportation system. Additionally, the cost of this rule to the commercial shipping sector is significant. This is especially true for smaller vessel owners and operators in an economic environment that has tight margins and substantial risk. The ability to spread this cost over an appropriate implementation period ensures the most effective and comprehensive outcome for USCG, national security and vessel owners and operators. These are just a few brief examples of the considerable time and cost that would be mitigated with delayed implementation:*

- In order to comply with the technical requirements, many operators must seek assistance from cybersecurity experts who are expensive and in high demand.*
- USCG cybersecurity review and approval of both initial plans and amendments to those plans must have efficiency and timeline reliability. USCG approval for each change to cybersecurity procedures will result in a time consuming administrative burden on both the industry and USCG, considering the potential number of changes in a very fluid cyber security landscape. As written, the Captain of the Port (COTP) must ensure the technical expertise, consistency and timeline required for these plan approvals is met. It has been well publicized the USCG is currently facing a major workforce shortage of at least ten percent. That shortfall increases when considering the recruitment and retention of those with cybersecurity expertise and training. A delay in implementation provides the USCG with a more staggered approach to Cybersecurity Plan and amendment approval.*
- This final rule requires significant company and seafarer training. At rule implementation, this creates a coordination nightmare for operators and consumes additional seafarer time and cost which are already overloaded with required training. A process must be in place demanding additional resources to accomplish and comply. The longer ramp up period to efficiently train seafarers and professional staff, the more successful and thorough it will be.*
- The drills twice per year will add significant cost to meet the comprehensive intent of this requirement which is greater than those reflected in the financial impact study.*
- Operators will incur significant costs and time to recruit or re-allocate and train colleagues for the roles of Cybersecurity Officer (CySO) and alternate CySO. The requirements and duties of the CySO preclude it from being given simply as a collateral duty to an existing colleague.*

*Additionally, CSA supports a total revaluation of this final rule or an opportunity to comment on additional aspects of this final rule. Vessel owners and/or operators need a risk-based approach rather than a prescriptive regulation. USCG should strive to keep this regulation consistent with other Federal Agencies that touch our industry, such as CISA, and align as much as possible with IMO requirements. It should have the flexibility to match the dynamic cyber threat landscape.*

**Federal Maritime Commission – Order of Investigation into Transit Constraints at International Maritime Chokepoints**

**FR March 14, 2025 – pgs 12158-12161**

**(text available at**

**<https://www.federalregister.gov/documents/2025/03/14/2025-04042/order-of-investigation-into-transit-constraints-at-international-maritime-chokepoints> )**

**COMMENTS DUE: May 13, 2025**

The Federal Maritime Commission (FMC) has announced its intent to initiate a nonadjudicatory investigation into transit constraints at international maritime chokepoints which will also include an evaluation of the laws, regulations or practices of foreign governments and owners/operators of foreign-flag vessels, on shipping conditions in these chokepoints. The identified chokepoints include the English Channel, Malacca Strait, Northern Sea Passage, Singapore Strait, Panama Canal, Strait of Gibraltar, Suez Canal, and other areas if later identified as potential chokepoints. The FMC has statutory authority to conduct this investigation, evaluate whether conditions exist which would adversely affect shipping in US foreign trade and prescribe regulations to “adjust or meet general or special conditions unfavorable to shipping in foreign trade when those conditions are the result of a foreign country’s laws or regulations or the competitive methods, pricing practices or other practices used by the owners, operators, or agents of vessels of a foreign country.

It should be noted that this process will be in two phases. The first step is the investigatory stage and once completed, if findings of the investigation support, the second step will commence which will review what, if anything, the US could/should do to remedy these conditions.

At this first stage, comments are requested on the following questions:

- 1) What are the causes, nature, and effects, including financial and environmental effects, of constraints on one or more of the maritime chokepoints described above?



- 2) To what extent are constraints caused by or attributable to the laws, regulations, practices, actions, or inactions of one or more foreign governments?
- 3) To what extent are constraints caused by or attributable to the practices, actions, or inactions of owners or operators of foreign flag vessels?
- 4) What will likely be the causes, nature, and effects, including financial and environmental effects, of any continued transit constraints during the rest of 2025?
- 5) What are the best steps the Commission might take, over the short term and long term, to alleviate transit constraints and their effects?
- 6) What are the obstacles to implementing measures that would alleviate the above transit constraints and their effects, and how can these be addressed?

#### CSA COMMENTS AND OBSERVATIONS

- FMC's mission is to ensure a competitive and reliable international ocean transportation supply system that supports the US economy and protects the public from unfair and deceptive practices.
- The FMC is composed of five Commissioners appointed by the President and is a bi-partisan group with no more than 3 commissioners from the same political party.
- Historically the FMC has focused on relevant issues mandated by Congress and implements regulations as required typically applying to the container trades which include reviewing and monitoring agreements among ocean common carriers and marine terminal operators serving the US foreign ocean borne trades.
- FMC has a statutory mandate to monitor and evaluate conditions affecting shipping in US foreign trade (46 USC 42101) and empowers FMC to "prescribe regulations...to adjust or meet general or special conditions unfavorable to shipping in foreign trade," when those conditions are the result of a foreign country's laws or regulations or the competitive methods, pricing practices, or other practices used by the owners, operators, or agents of vessels in a foreign country.
- After consultation with several experts in US trade law and FMC jurisdiction, it is agreed that the statutory remit in the bullet above could be applied to all vessel types (not just common carriers e.g., containerships) engaged in US foreign trade.
- The most troublesome portion of this document is the potential focus of not only on foreign country's laws or regulations, but also the owners, operators, or agents of vessels in a foreign country, presumably defined as those vessels registered in a foreign country and engaged in international trade to the US.
- CSA's opinion at this point in time is that this investigation is focused on chokepoints which could impact US national security interests and may

be yet another way to address the issue of US concerns relative to control of the Panama Canal obviously embedded in the investigation of other global chokepoints.

#### CSA RECOMMENDATIONS

- Impacted entities (the entire global shipping community) should provide comments to FMC with a focus on the six questions listed above.
- Support the intent of this investigation with a view to presenting findings at relevant international bodies e.g., IMO, UN
- While recognizing the statutory mandate which includes regulations relative to “owners, operators, or agents of vessels in a foreign country,” strongly oppose any regulations which would be applied to vessels of a certain flag.
- Note that transit constraints/chokepoints are a result of a number of factors including weather, traffic density, national or regional requirements and not the result of a particular vessel(s) unless the transit constraint is the result of an accident e.g., grounding, collision.
- The best solutions to transit constraints are via discussions and negotiations between nations at the bi-lateral, regional, or international level with due regard to international law.
- Consider situations where a country or region has imposed regulations either contrary to international law and/or impose more stringent requirements than those included in UN/IMO instruments.

#### PRELIMINARY CONSIDERATIONS IN RESPONDING TO QUESTIONS POSED

- What are the causes, nature, and effects, including financial and environmental effects, of constraints on one or more of the maritime chokepoints described above? WEATHER, TRAFFIC DENSITY, PIRACY, GEOPOLITICAL INSTABILITY (RUSSIAN/UKRAINE, ISRAEL/HAMAS)
- To what extent are constraints caused by or attributable to the laws, regulations, practices, actions, or inactions of one or more foreign governments? FAILURE TO ENFORCE EXISTING INTERNATIONAL REQUIREMENTS (IMO), IMPOSITION OF MORE STRINGENT REQUIREMENTS THAN PROVIDED FOR IN INTERNATIONAL REQUIREMENTS (IMO)
- To what extent are constraints caused by or attributable to the practices, actions, or inactions of owners or operators of foreign flag vessels? ONLY WHERE ACCIDENT OCCURS E.G. COLLISION, GROUNDING
- What will likely be the causes, nature, and effects, including financial and environmental effects, of any continued transit constraints during the rest of 2025? NO DATA TO PREDICT THIS AS DEPENDANT PRIMARILY ON RESOLUTION OF EXISTING AND FUTURE GEOPOLITICAL ISSUES

- What are the best steps the Commission might take, over the short term and long term, to alleviate transit constraints and their effects? BI-LATERAL, REGIONAL/MULTI-LATERAL, INTERNATIONAL DISCUSSIONS AND RESOLUTIONS
- What are the obstacles to implementing measures that would alleviate the above transit constraints and their effects, and how can these be addressed? POLITICAL WILL, NEED TO DEVELOP CONSENSUS AT THE INTERNATIONAL LEVEL

### **HR 2390 – Maritime Supply Chain Security Act**

Introduced on March 26, 2025 by Rep. Rouzer, this bill was referred to the House Committee on Transportation and Infrastructure. The bill was passed out of committee on April 2, 2025 and now awaits action on the House floor.

The bill focuses on new US port infrastructure development programs and requires any port development programs to upgrade or replace port cranes or parts of port cranes (including hardware and software) to replace those that were installed, provided, maintained or controlled by the People's Republic of China or a Chinese related entity with equipment from a non-Chinese source.

### **HR 2035 – American Cargo for American Ships Act**

Introduced on March 11, 2025 by Rep. Carbajal, this bill was referred to the House Committee on Transportation and Infrastructure. The bill was passed out of committee on April 2, 2025 and now awaits action on the House floor.

The bill would require 100% (increased from the current 50%) of US government cargoes to be carried on US flagged vessels to the extent US flag vessels are available at fair and reasonable rates.

### **HR 252 – Secure our Ports Act of 2025**

Introduced on January 9, 2025 by Rep. Calvert, this bill was referred to the House Committee on Transportation and Infrastructure. The bill was passed out of committee on April 2, 2025 and now awaits action on the House floor.

The bill would prohibit any US port for which an Area Maritime Transportation Security Plan from entering into a contract for ownership, leasing or operation within the facility with Chinese, Russian, North Korean or Iranian state-owned companies or any company for which any percentage is owned by China, Russia, North Korea or Iran.