


# *U.S. Ships Championed by Trump Cost 5 Times as Much as Asian Ones*

President Trump and members of Congress want to revive U.S. shipbuilding with subsidies and penalties against Chinese-built ships. But there are obstacles.

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Reporting from Philadelphia.

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President Trump and some members of Congress want to revive a depleted American shipbuilding industry to compete with China, the world's biggest maker of ships by far.

It is such a daunting goal that some shipping experts say it is destined to fail. More hopeful analysts and industry executives say the Trump administration and Congress could succeed but only if they are willing to spend billions of dollars over many years.

One of the places where Washington's maritime dreams might take shape or fall apart is a shipyard on the southern edge of Philadelphia that was bought last year by one of the world's largest shipbuilding companies, a South Korean conglomerate known as Hanwha.

"The shipbuilding industry in America is ready to step up," David Kim, the chief executive of Hanwha Philly Shipyard, said in an interview.

But to do that, he said, the yard must have a steady stream of orders for new vessels. And the federal government will need policies that subsidize American-built ships and penalize the use of foreign vessels by shipping companies that call on U.S. ports.

Last month, Mr. Trump issued an executive order aimed at revitalizing American shipbuilding. "We're going to be spending a lot of money on shipbuilding," he said when announcing the order. "We're way, way, way behind."

The Office of the United States Trade Representative set new rules in April that penalize Chinese ships and require that certain commercial vessels be built in the United States. In Congress, lawmakers from both parties are pushing a sprawling bill that contains significant subsidies to bolster American shipbuilding.

But there is much to overcome.

The Philadelphia yard won't have space for new orders until 2027, and other American shipyards are so tied up with filling orders for the Navy that they don't have the capacity to produce commercial vessels.

It takes far longer to build ships in the United States than in Asia, and costs nearly five times as much. The Philadelphia yard makes roughly a ship and a half a year, compared with around a ship a week at Hanwha's larger facilities in its home country, Mr. Kim said.

But the company would bring methods, like automated welding, he added, to speed up production at the roughly 115-acre yard in Philadelphia. Mr. Kim declined to say how much the company intended to invest in its U.S. shipyard, which it bought for \$100 million.

Colin Grabow, an associate director at the Cato Institute, a research organization that favors fewer government regulations of business and the economy, said the shipbuilding push gave him an uneasy sense of déjà vu.

Previous government efforts to encourage domestic shipbuilding largely failed, including an effort to produce more commercial vessels in Philadelphia after the closing of the naval base in the city in 1995. “We’ve been down this road before,” Mr. Grabow said.

In addition to China, ships that transport goods to or from the United States are built in Japan, South Korea and other friendly countries. These vessels are typically owned and operated by global shipping companies, many of them based in Europe and Asia.

But as Chinese commercial vessel production soared in recent years, lawmakers in Washington became concerned that China was gaining a nearly unassailable strategic advantage.

“It’s just become a stampede,” said Michael Roberts, a senior fellow at the Hudson Institute, a conservative research group that favors government backing for American shipbuilding.

David Kim, the chief executive of the Hanwha Philly Shipyard, said that the company would bring methods like automated welding to speed up production at the site. Kriston Jae Bethel for The New York Times

In the last 10 years, Chinese shipbuilders delivered 6,765 commercial ships, nearly half of global deliveries, according to data from BRS Shipbrokers. Japan delivered 3,130, South Korea 2,405 and the United States just 37.

The few American-made vessels that shipping lines do buy usually transport cargo solely between American ports. Under the Jones Act, a more-than-100-year-old law, such voyages can be served only by U.S.-built vessels.

An order for three Jones Act-compliant container ships, struck by the previous owner of the Philadelphia shipyard, cost around \$330 million a vessel. A similar size ship built in Asia would cost about \$70 million, said James Lightbourn, founder of Cavalier Shipping, a ship financing advisory firm.

In their shipbuilding bill, Democratic and Republican lawmakers seek to address the cost difference by subsidizing shipping companies to put 250 American-made vessels operated with American crews into a "strategic commercial fleet." The secretary of defense could call on the vessels for supply missions.

Lawmakers hope that assembling such a fleet and other incentives will not only provide a steady stream of orders for American shipbuilders, but also help them grow and become more efficient.

Senator Mark Kelly, a Democrat of Arizona and a sponsor of the legislation, described it as "the most ambitious effort in a generation to revitalize the U.S. shipbuilding and commercial maritime industries, and counter China's dominance over the ocean."

Critics of the bill contend that it would provide endless subsidies to high-cost shipbuilders. A better approach to countering China's dominance, they say, would be to make up the strategic fleet with vessels made in Japan and South Korea, both U.S. allies and proven shipbuilders.

But Mr. Kim, the Hanwha executive, said many products, not just ships, cost more to make in the United States, and he added that outsourcing shipbuilding to other countries had contributed to the withering of American production.

"It's not just about business," he said. "It's about the country, it's about labor, and it's about priorities and strategic decisions."

Washington's grand designs for shipping include the tankers that carry liquefied natural gas, which are much more complex to manufacture than ships that carry containers. The Trump administration's new shipping rules require that an increasing portion of these ships be built in the United States within several years.

Hanwha has produced 200 such vessels in South Korea, and Mr. Kim said the dry docks at the Philadelphia yard were big enough to accommodate certain L.N.G. carriers.

But even if Hanwha successfully transfers its manufacturing expertise to the United States, it may struggle to find skilled workers. It is planning to double the size of its work force from 1,500 employees in less than 10 years, Kelly Whitaker, a spokeswoman for Hanwha Philly, said.

Next year it wants to double the size of its apprentice class to 240 trainees. Niecey Zlomek, who moved to Philadelphia from Baltimore eight years ago, joined Hanwha Philly as an apprentice in January and is earning \$22 an hour.

"This is probably the best job I've had since I've lived here," she said. Ms. Zlomek has so far worked on three vessels, helping to install a bow thruster, a type of propulsion system, and a conveyance system for large rocks.

Even when shipbuilders do manage to recruit workers, they have often struggle to keep them. Shipyards building naval vessels lose many of their first-year employees, Brett Seidle, an acting assistant secretary of the Navy, said at a congressional hearing in March.

The Trump administration and lawmakers favor policies aimed at training many more mariners to work on American-built vessels. The shipping bill would subsidize the cost of using more expensive U.S. crews.

Roland Rexha, secretary-treasurer of the Marine Engineers' Beneficial Association, a union for American maritime officers, said such policies were necessary. "As China subsidizes their industry completely," he said, "we have to find a way to make incentivizing cargo a centerpiece to maritime revitalization."

Mr. Rexha said being an officer on an American vessel serving international routes could be a lucrative, satisfying career. Officers make over \$200,000 a year and can retire with a pension after 20 years. Though mariners are away for three months at a time, he said, they are at home for three-month spells. "You are focused on your family. You are focused on your children."

**Peter Eavis** reports on the business of moving stuff around the world.

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