Editorial: Preparing for a Survey, Revisited – Feature: Tariffs and Foreign Flagging

From the Masthead

Preparing for a Survey, Revisited



Two years ago, I penned an editorial entitled “Preparing for a Survey”, in which I shared tips for streamlining this process, while expressing some degree of frustration with sellers and the brokers who represent them.

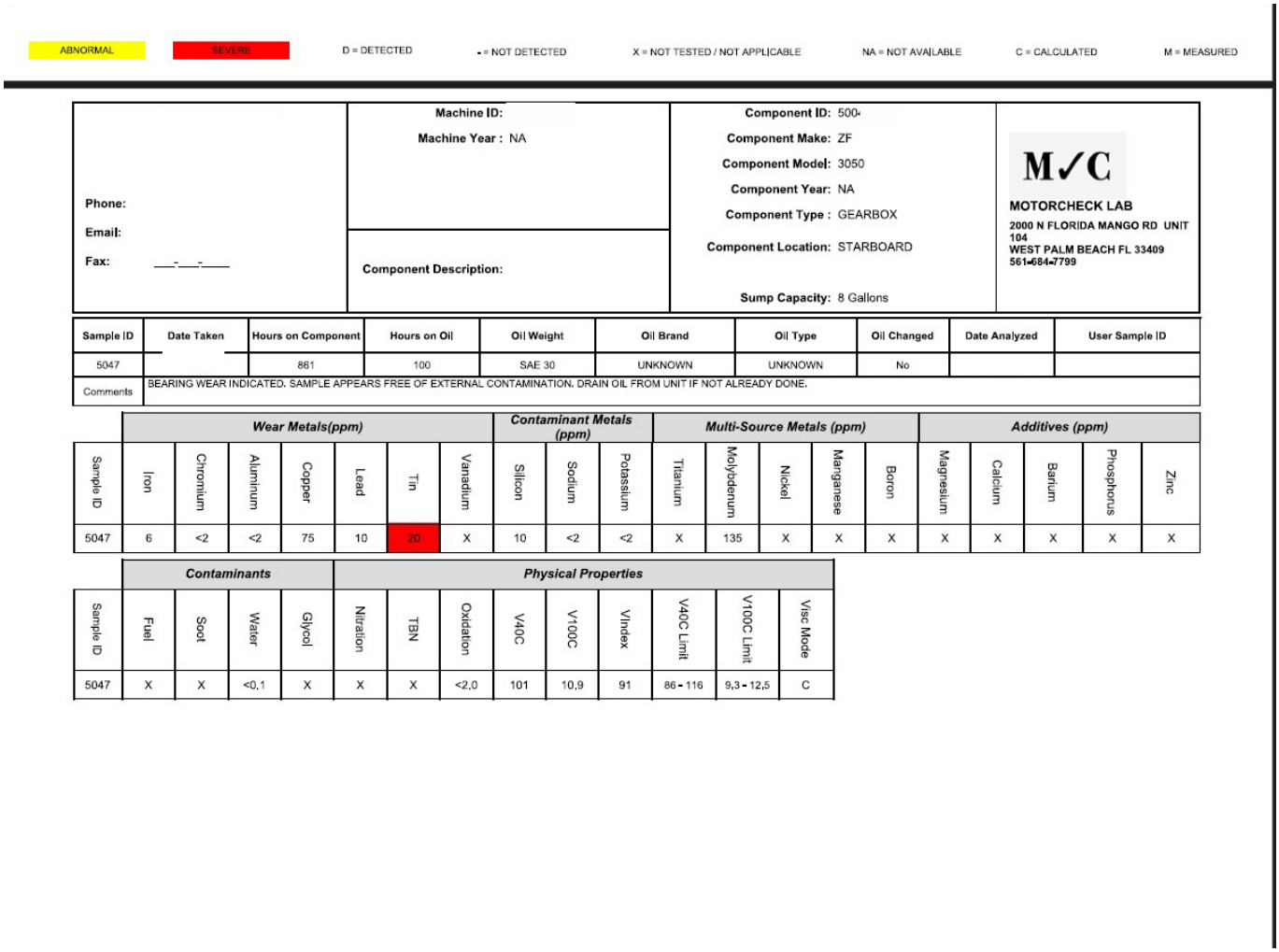
That frustration recently reached the level of exasperation. Over the past few months, I’ve carried out several Pre-Purchase Inspections, during which I exposed a host of issues, which ranged from nuisance to potentially life-threatening. That in and of itself is not remarkable, however, what is remarkable, and again exasperating, is the volume of observations that could have been easily resolved *before the survey.*

During one sea trial, an audible clunking could be heard while the vessel was underway. I eventually tracked it down to the

steering system… one of the rams was loose and shifting, as was the tiller arm to rudder stock interface, every time the autopilot made a course correction.

In another case a genset repeatedly shut down. It was determined this was because it was overheating.

In the case of one vessel, the fluid analysis for one transmission came back with a high level of tin, indicating a potentially worn bearing.



ABNORMAL | SEVERE | D = DETECTED | - = NOT DETECTED | X = NOT TESTED / NOT APPLICABLE | NA = NOT AVAILABLE | C = CALCULATED | M = MEASURED

Phone:
Email:
Fax: ___-___-____

Machine ID:
Machine Year : NA

Component Description:

Component ID: 500
Component Make: ZF
Component Model: 3050
Component Year: NA
Component Type : GEARBOX
Component Location: STARBOARD
Sump Capacity: 8 Gallons

M✓C
MOTORCHECK LAB
2000 N FLORIDA MANGO RD UNIT 104
WEST PALM BEACH FL 33409
561-684-7799

Sample ID	Date Taken	Hours on Component	Hours on Oil	Oil Weight	Oil Brand	Oil Type	Oil Changed	Date Analyzed	User Sample ID
5047		861	100	SAE 30	UNKNOWN	UNKNOWN	No		
Comments	BEARING WEAR INDICATED. SAMPLE APPEARS FREE OF EXTERNAL CONTAMINATION. DRAIN OIL FROM UNIT IF NOT ALREADY DONE.								

	Wear Metals(ppm)							Contaminant Metals (ppm)			Multi-Source Metals (ppm)					Additives (ppm)				
Sample ID	Iron	Chromium	Aluminum	Copper	Lead	Tin	Vanadium	Silicon	Sodium	Potassium	Titanium	Molybdenum	Nickel	Manganese	Boron	Magnesium	Calcium	Barium	Phosphorus	Zinc
5047	6	<2	<2	75	10	20	X	10	<2	<2	X	135	X	X	X	X	X	X	X	X

	Contaminants				Physical Properties								
Sample ID	Fuel	Soot	Water	Glycol	Nitration	TBN	Oxidation	V40C	V100C	VIndex	V40C Limit	V100C Limit	Visc Mode
5047	X	X	<0,1	X	X	X	<2,0	101	10,9	91	86 - 116	9,3 - 12,5	C

A preemptive fluid analysis will often reveal potential, and otherwise asymptomatic problems, before the survey.

In yet another case, a wing engine stuffing box dislodged from its hose and began to rotate with the shaft; the only thing that retained it was its bonding wire. I could go on, the list is a very long one, and again all avoidable issues.

All but one of these vessels had one or more leaking fluids, crankcase or gear oil, hydraulic fluid, or coolant, in the bilges.

In two cases the volume of issues squelched the deal all together, while in the remaining cases, where the sale proceeded, the myriad problems resulted in a lower negotiated price.

In short, if you are a seller, your goals, and the goals of your broker, should be to sell your vessel for the highest price that can be reasonably expected in a given market, and to do so without having to re-negotiate the vessel price due to findings that require repairs. The buyer has a team looking for issues, it should be obvious that your priority is to find these first, and fix them, to preserve the value agreed to by contract. If you wish to achieve these goals, consider taking the following steps.

- Price your vessel realistically. Over-pricing a vessel simply draws out the process, during which time you are paying insurance, dockage, and upkeep (hopefully). Yes, you might think, 'what do I have to lose, it's possible I'll get that one- in- a- million buyer who is willing to pay any price for the privilege of owning my boat?'. In my experience, those buyers are very rare. If you price your vessel in the highest bracket for make, model and year, it assumes she is near-perfect.
- Make sure the listing is accurate and truthful, and not simply copied from a previous listing, carrying forward previous errors (unfortunately this is all too common). Ask the broker to share the listing draft with you, and proof read it carefully to make certain it is correct in every respect, including anything that does *not* convey with the vessel. If the vessel did not actually receive a 'full refit', i.e. *every* major system fully overhauled or rebuilt, or if it isn't 'fully detailed' or 'immaculate' (that means *every* space is spotless), or if

no expense *wasn't* spared, then don't use these phrases.

- Be forthcoming, if there is gear that doesn't work, if the vessel sank or flooded significantly (did water damage critical gear like engines, gensets, batteries etc.), if it was deemed a total loss by an insurer, or if it had a fire, by all rights you should disclose this early on in the sale process. Generally, the industry standard dictates that it is reasonable to expect that all equipment aboard a vessel, from auto-pilot and air-compressor to windlass and wing engine, are fully functional unless otherwise disclosed.
- Test everything. Do a thorough walk-through before the vessel is placed on the market, look for anything that is damaged, broken, corroded, leaking or otherwise not right. If you don't trust yourself to do this, because you are too close to the vessel and the sale process, hire a professional. Sea trial the vessel to make sure all major systems are operational, ensure engines reach rated RPM, make certain engines and gensets don't overheat at full load, make certain the bottom is clean, ensure windlass, autopilots, steering, and cranes function properly, and especially HVAC work in both heat and cool modes. More on sea trials here. Make certain fire extinguishers, flares, liferafts, EPIRBs and hydrostatic release mechanisms aren't expired.
- If you aren't already doing so regularly (you should be, and it's a good sales tool), conduct a full fluid analysis, crankcase and gear oil, hydraulic fluid, and coolant. The last thing you want is to pass a survey with flying colors, only to have the sale grind to a halt because of red X on a fluid analysis report. More on that here.

https://stevedmarineconsulting.com/wp-content/uploads/2025/06/Steering-Ram-1.mp4

The noise made by this loose steering ram was impossible to ignore, it would have been obvious if the vessel had been sea

trialed before the survey.

When the survey and sea trial days arrive, if you plan to be present, do everything in your power to accommodate the buyer and his or her team, make it a welcoming experience. While it may be unpleasant to have strangers crawling through, and figuratively tearing your boat apart, try not to be unnerved by this, recognizing that if you were on the other end of the deal, you'd want as much scrutiny as possible as well. Having said that, the survey crew should be respectful and professional.

On one of the vessels I inspected, the owner was present, however, he was grumpy, and borderline rude to the survey team; when apprised of serious defects, he was defensive and even accused those who brought the issues to his attention of causing the problems. The sale fell through because of the vessel's broad array of deferred maintenance; however, the owner's attitude didn't help.

Finally, as a seller, if you have neglected a vessel's required predicative and preventive maintenance, if you haven't spent the necessary time/money on upkeep every year, if you've made, or approved, substandard or jury-rigged repairs, you should not expect to profit from this "savings" at the time of sale.

You can review additional recommendations I made in the previous column on this subject here.

This month's Marine Systems Excellence eMagazine feature covers the subject of tariffs and flagging. I hope you find it both useful and interesting.

The Tariff, and Foreign Flagging, Conundrum



The Republic of the Marshall Islands is a common recreational vessel registry “destination”.

As I mentioned in last month's editorial column, to say the word 'tariff' has been used a lot lately, everywhere, and in the world of boat building and importation, would be an understatement.

This can be a complex, nuanced subject, if in doubt consult with an attorney who specializes in this type of law, and while I'm no attorney, or even an expert on tariffs, I'll try to define some terms, explain some of the many details and bust myths along the way.

Import duty for all countries, including China, is 1.5%, plus fees amounting to about 0.3%.

Duty, tariff, and tax are all distinct from each other.

Duties and tariffs are often used interchangeably, and both are taxes exacted by the government for the privilege of permanently importing your yacht into the U.S. 'Duty' generally refers to an across- the- board tax designed to raise revenue. For many years the standard duty on U.S. imports has been 1.5% of value. 'Tariffs' refer to taxes that are aimed at particular goods, or goods from particular countries, to advance U.S. interests, or to penalize other countries or markets.

Sales tax is yet another cost consideration, which is driven by, among other things, the state where the vessel is registered, or where the transaction is completed, or whether or not the vessel is registered within an LLC etc., and this is also subject to various guidelines, including how long the vessel remains in that location.

New and brokerage vessels *(see note below)* are subject to duty and tariff if it was never paid, or if the vessel was subsequently registered outside the US, and imported into another country, which voids the duty, and the tariff if applicable.

Just because a vessel is USCG documented, does not guarantee that the duty/tariff was paid.

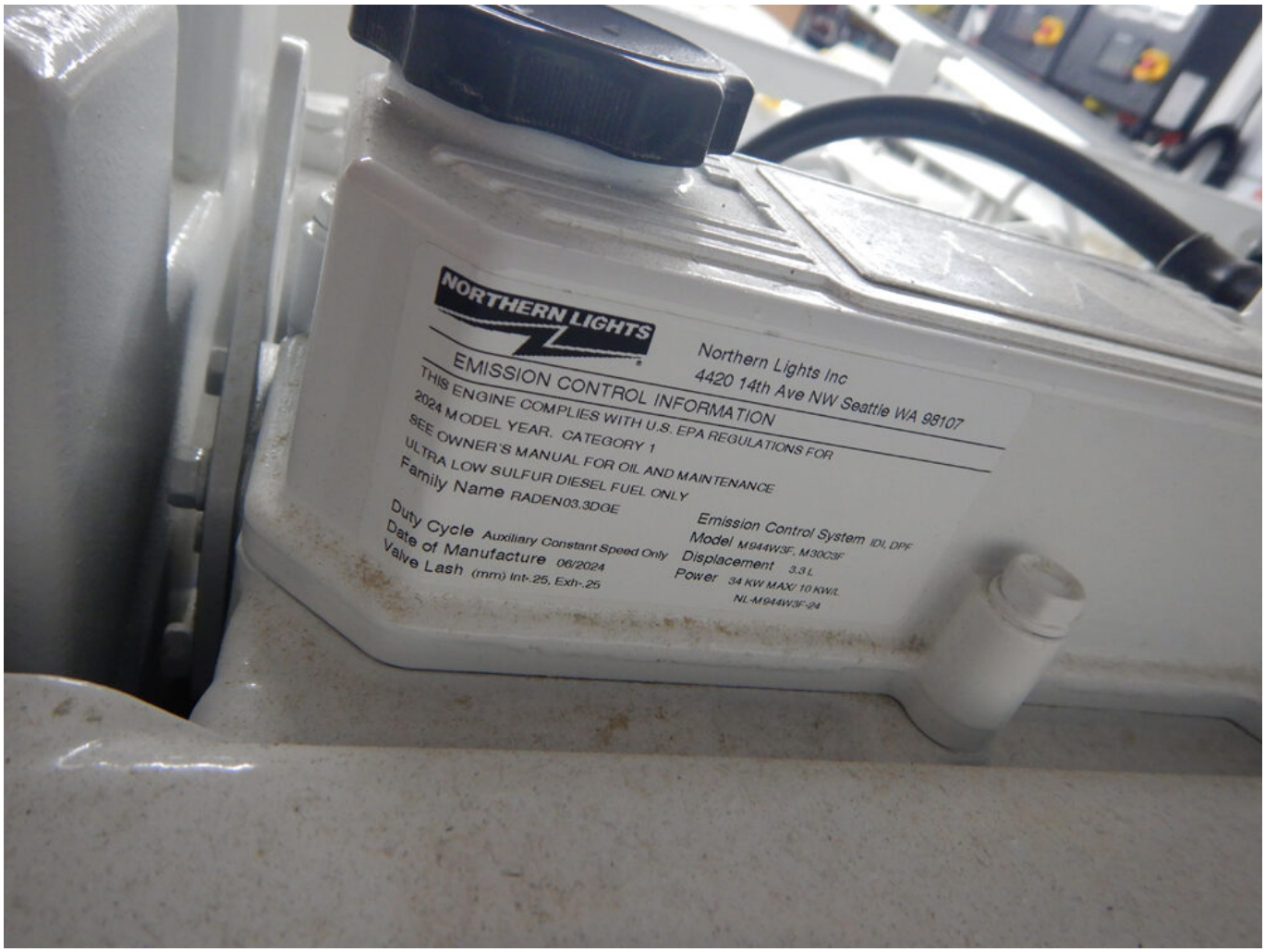
Proof the duty (and tariff if applicable) was paid when the vessel was first registered in the US, should be part of any brokerage purchase of a vessel built in China or elsewhere overseas. The original entry summary is the key document. This would have been issued when the vessel was originally imported into the US, and the name of the form, called a Consumption Entry, is CBP-7501.

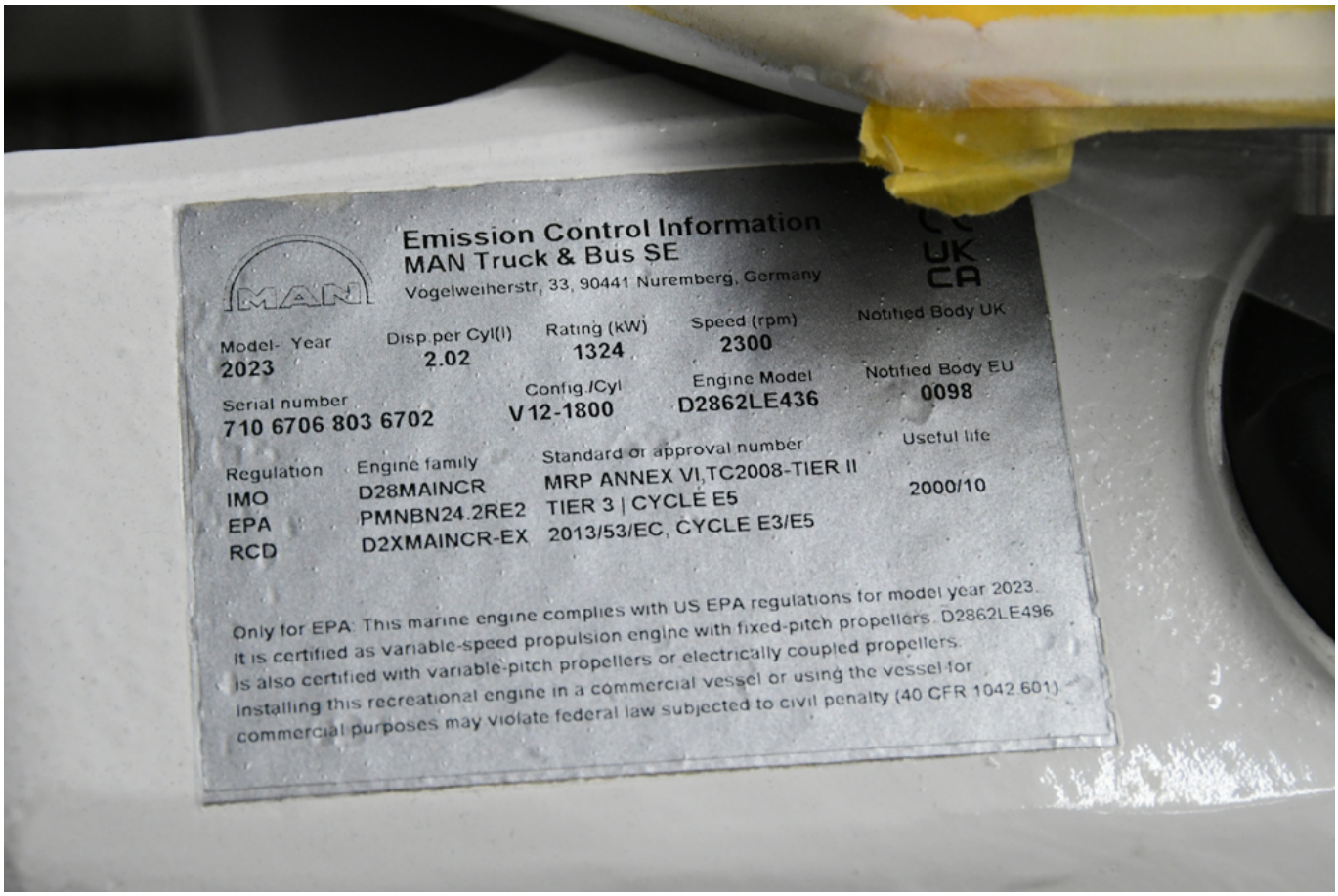
If you cannot provide or obtain this, and Customs and Border Protection (CBP) decides to enforce it, there is a possibility that the full current tariff is applicable, and duty could be imposed on the current market value of the vessel. This is true irrespective of whatever may be going on with the China tariff fluctuation at the moment. Some builders will retain this CBP document, or you may be able to obtain if from the original import customs broker when it arrived in the US, so you may be able to go back to them to obtain the proof that duty and tariffs were paid at the time of the first US entry/importation.

It's worth noting, *at least for new vessels*, the tariff is not, or should not be, imposed on the sale price of the vessel, it is imposed on the Chinese/foreign portion, i.e., Chinese/foreign labor and materials (if there are other materials in the vessel that are from a country that is subject to a tariff, those too may be included). *It varies from builder to builder;* however, the tariff may apply to *roughly* half the sale price of the vessel. Some builders retain specialists to independently calculate and certify this ratio.

When you purchase a new vessel, imported into the US, i.e. for US flag registry, you absolutely should get a copy of the aforementioned CBP document, and you should also confirm the engines and generators include the necessary emissions decal

affixed to the engine(s), and associated documentation that goes along with it, US EPA Form 3520.





Vessels imported into the US must be emissions compliant. This can be confirmed by ensuring the engine's emissions decal is present and matches the model year.

Finally, there is the Lacey Act; as of December 2024, to import a vessel into the U.S., you will be required to produce a signed declaration from the builder describing the amount, species, and source of all wood used in the vessel's construction, as well as needing to show that wood was properly sourced; for example, teak from Myanmar is sanctioned. Here's a potential challenge, you have a 2012 foreign flagged vessel, whose owner decides he wants to import the boat into the US. He doesn't have those declarations, and it's highly unlikely he will be able to get them from the builder. The vessel is, therefore, essentially un-importable, and his only option is to continue to foreign flag. It is highly recommended that any buyer of a foreign-flagged brokerage vessel, who intends to import it to the US, ask about Lacey Act declarations, and buyers of new foreign flag

vessels should get those declarations on delivery, so they, or a future buyer, can import it at a later date if they choose to do so.

Finally, if you go the foreign flag route, you must be conversant with all of the rules and regulations that are part and parcel of operating your vessel in what amounts to a foreign country, including an inspection by a representative of the flag nation, obtaining cruising permits, and the requirement that calls for periodically exiting the US and visiting another country like Canada, Mexico or the Bahamas. Make certain you understand and adhere to these rules, to the proverbial letter, lest your flag status be called into question, with the potential for considerable financial penalties.

Again, if there if you have any doubt, consult with a maritime attorney who specializes in vessel registration, flagging, duty, and tariffs.

<u>NOTE</u>: To my knowledge, a brokerage transaction in itself doesn't trigger or set in motion any review of the "duty/tariff paid" status of the vessel. Confirming that the duty/tariff has indeed been paid is just good workmanship on the part of brokers and buyers, to prevent trouble later if somehow there is a challenge.