

The after effects of Hanjin's decision to file bankruptcy

Following Hanjin Shipping filing for receivership, Hyundai Merchant Marine will start up two new services, one between Korea and the U.S. and one between Korea and Europe.

By [Chris Dupin](#) |Thursday, September 01, 2016

(UPDATE: [Korea's Yonhap News Agency reports](#) that Korea's maritime ministry estimates Hanjin's financial problems may delay the shipment of 540,000 TEU and shipping goods may be difficult for three months.

Yonhap also says Hanjin accounts for 40 percent of Samsung Electronics shipments and 20 percent of those of LG Electronics.)

In the wake of South Korea's largest container carrier, Hanjin Shipping, filing for court receivership Wednesday, Korea's Financial Services Commission (FSC) said rival carrier Hyundai Merchant Marine (HMM) of South Korea will immediately go into emergency management to minimize disorder in cargo delivery and damage to shippers.

FSC said HMM will add two services to routes that used to be served exclusively by Hanjin Shipping.

HMM will deploy four ships in a string between the ports of Busan, Kwangyang and Los Angeles; and nine ships between Korea and Europe.

Robert Hyatt, manager of marketing for HMM (America) Inc., said the first of what he described as "extra loaders," the *Hyundai Forward*, will depart Busan Sept. 8 and arrive in Los Angeles Sept. 19. The *Hyundai Forward* has a capacity of 4,571 TEUs, according to HMM's website.

The FSC said its Chairman, Yim Jong-yong, held a meeting Sept. 1 with the Korea Development Bank (KDB) and HMM to discuss follow-up measures regarding Hanjin Shipping's filing for court receivership and asked them to "exert their utmost concerted efforts to minimize problems with cargo delivery and shippers in the aftermath of Hanjin's filing for bankruptcy protection."

The FSC said it was forming a task force since it could not completely rule out the possibility of Hanjin's liquidation. The FSC said the task force would "sort out and review Hanjin's profitable vessels, overseas sales network and key work forces, and devise a detailed plan to sell the assets to HMM."

However, *Yonhap* news agency reported Thursday that the Seoul Central District Court had approved a filing by Hanjin "to be put under a court-led restructuring, paving the way for the country's No. 1 shipping line to avert liquidation."

Yonhap said, "With the application accepted, Hanjin Shipping's assets will be frozen during a deliberation period, and new management is required to come up with a new self-restructuring plan by Nov. 25. The shipper's debts are estimated at some 6 trillion won as of the end of June."

The court was quoted as saying, "We decided quickly to begin court receivership for Hanjin Shipping, the country's leading shipper and the world's major container shipping line, given its presence in the local shipping industry and its impact on the economy as a whole." The court appointed a local accounting firm to submit a report on the shipper's status by Sept. 28, *Yonhap* said.

Shippers - both the customers of Hanjin and its alliance partners, COSCO, "K" Line, Yang Ming and Evergreen Line, are scrambling to find out what will happen to their cargo if it is on a Hanjin vessel.

Don Pisano, the president of American Coffee Corp. and chairman of the Ocean Transportation Committee of the National Industrial Transportation League, said the league is monitoring Hanjin's financial collapse, which would be the largest container line bankruptcy to date and would have a significant impact on the league's members and shippers worldwide. "With nearly 100 ships operating in 74 routes in the liner trade, along with marine terminals and bulk operations, even those that have never shipped with Hanjin may feel the

effects as services are disrupted and capacity tightened further than the already reduced deployments, which carriers have self-imposed to support higher freight rates," Piano said.

"While everyone will look to minimize their risks and financial exposures, the fact is that the cargo has to move and get delivered to its intended destination as safely and expeditiously as possible," Pisano said. "It is a bit early in the process and we are calling on all parties to work together to minimize the impact of this situation, use their available resources to protect the cargo, facilitate the movements and mitigate the costs, which will be borne by all."

Peter Friedmann, the executive director of the Agriculture Transportation Coalition (AgTC), said, "So much is at stake here. Perishable products cannot withstand delay in release of containers that inevitably follows from a bankruptcy action. And even for non-perishables, the foreign buyers have the right to get out of their commitments if the delivery is not timely. While ownership and obligations are being sorted out, who is monitoring the reefer gensets?"

"And even if the railroad or terminal will release a container, they may only do so after their receivables from Hanjin are paid, even if Hanjin has already been fully paid by the shipper," Friedmann said. "The complexity of these matters is significant, and if Hanjin goes completely out, it will be the largest bankruptcy of a container line since the beginning of containerization, making the complexity even greater, even unprecedented. We are providing as much guidance as possible to our AgTC members, including having provided early warning ahead of the bankruptcy declaration."

Jonathan Gold, vice president, supply chain and customs policy at the National Retail Federation, said, "Retailers' main concern is that there is millions of dollars worth of merchandise that needs to be on store shelves that could be impacted by this. Some of it is sitting in Asia waiting to be loaded on ships, some is already aboard ships out on the ocean and some is sitting on U.S. docks waiting to be picked up. It is understandable that port terminal operators, railroads, trucking companies and others don't want to do work for Hanjin if they are concerned they won't get paid. However, we need all parties to work together to find solutions to move this cargo so it does not have a broader impact on the economy."

Gold added, "There are more questions than answers at this point, but retailers are working to get all issues addressed. Retailers are working with all of their service providers to find ways to get their cargo moving to ensure that there is no or limited interruption in the supply of merchandise."

NRF noted the Hanjin bankruptcy comes as the Global Port Tracker report published by NRF and Hackett Associates forecasted that major U.S. retail container ports will handle 1.61 million TEUs this month, down 0.6 percent from the same month last year.

Hanjin ships and cargo have been turned away from ports around the world.

A Hanjin spokeswoman told *American Shipper* that, "It has been reported in Korean media that Hanjin vessels were declined to enter container terminals in Xiamen and Xingang, China; Prince Rupert, Canada; Valencia, Spain; Savannah, Georgia; and Busan, Korea."

On Wednesday afternoon, the Port of Virginia said it will "not be accepting any inbound Hanjin cargo (freight for export) at any of the port's marine or intermodal terminals. The port, however, will accept empty Hanjin containers at the PPCY (Pinnars Point Container Yard)"

It was not clear what would happen to Hanjin freight arriving by ship. The port added it is "developing plans for how to handle Hanjin cargo that is already on-terminal."

The Port of Prince Rupert said Wednesday morning that the container vessel *Hanjin Scarlet* is not presently being handled or worked at the port's Fairview Container Terminal, which is operated by DP World. Following the *Hanjin Scarlet's* arrival Tuesday evening, the vessel proceeded directly to an assigned anchorage, the port added.

In a statement Tuesday night, Canadian National Railway said, "All Hanjin import containers will be released for pickup. This includes Hanjin containers on ground at CN inland terminals as well as containers currently moving on the CN network to CN destination terminals. There will be no storage charges for these boxes. All Hanjin export units currently at CN inland terminals will not be loaded onto trains and can be picked up from the CN origin terminal. There will be no storage charges for these boxes."

The Hanjin spokeswoman said *Hanjin Rome* has been arrested in Singapore and that operation of a Hanjin vessel in Busan New Port was stopped.

Athens-based shipowner Danaos, which leases eight ships to Hanjin, said that it had received notice that Hanjin has filed for receivership with the Seoul Central District Court and requested that the court freeze its assets. Danaos, whose shares are listed on the New York Stock Exchange, said the time charters associated with those vessels represent approximately \$560 million of Danaos' \$2.8 billion contracted revenue backlog as of June 30, 2016. The vessels contracted to Hanjin include three 10,100-TEU vessels built in 2011, and five 3,400-TEU vessels built in 2010 and 2011.

"We are disappointed that the Korean Development Bank has failed to support an important participant in the global containership business," Danaos CEO John Coustas said. "Danaos actively supported Hanjin in its efforts to restructure its operations and we are hopeful that Hanjin will be able to achieve a restructuring of its business and emerge from court receivership as a financially stronger company," Coustas said. "We will closely monitor the process and seek to preserve the value of our assets for the benefit of our shareholders."

In U.S. District Court for the Central District of California, a complaint was filed by Hastay Marine Ltd. against Hanjin Shipping over past due charter payments for the *Hanjin New Jersey*. Hastay is the registered owner of the *Hanjin New Jersey*, while London-based Zodiac Maritime is the beneficial owner, according to the shipping database Equasis. The *Hanjin New Jersey* is not among the 41 containerships listed in the fleet list on Zodiac's website, but the *Hanjin Louisiana* is.

The complaint said, "In direct breach of the requirements of the Time Charter, and despite repeated demands, Hanjin wrongfully failed, neglected or otherwise refused to pay the charter hire in the present amount of \$1,380,375, which is past due and owing as of the date of the filing of this Verified Complaint, exclusive of interest and costs."

The complaint asked, "If Hanjin cannot be found in this District, that all of its respective property within this district up to an amount of \$1,380,375 be attached and seized pursuant to Supplemental Admiralty Rule B."

The Central District includes Los Angeles where Hanjin is a part owner of Total Terminals International and several Hanjin ships are moored.

Total Terminals International itself has posted a notice on its website that said, "Until further notice, TTI Long Beach will discontinue delivery of all Hanjin import containers. Additionally, TTI will no longer accept Hanjin export or empty containers through the gate."

Kip Louttit, executive director of the Marine Exchange of Southern California, told *American Shipper* Thursday morning there are four ships in or near the ports of Los Angeles and Long Beach.

These four ships are:

- The *Hanjin Montevideo*, which moved to anchorage Wednesday evening from TTI;
- The *Hanjin Boston*, which is scheduled to anchor in the harbor Thursday morning;
- The *Hanjin Constantza*, which is drifting offshore 40 miles north of the ports;
- And the *Hanjin Greece*, which is drifting 40 miles south of the ports.

The U.S. Federal Maritime Commission (FMC) issued a statement Thursday afternoon on what it said was initial guidance for U.S.-based shippers and cargo owners trying to determine what options they have as a result of Hanjin's action.

The FMC said:

- This is currently a non-U.S. legal matter at the moment;
- It is important that affected parties, including shippers, consult with their attorneys on what remedies are available to them;
- The Commission will be vigilant in watching for, and quick to act on, any improper behavior by other carriers and regulated parties (including marine terminal operators, NVOCCs and freight forwarders) that would constitute violations on the Shipping Act;
- The Commission has no jurisdiction when it comes to resolving bankruptcy claims and does not intercede in legal actions between third parties that will be heard by the courts;
- And, after expressing concern over the operational and competitive impacts of Hanjin's status on the shipping industry, that it will closely monitor for the foreseeable future any developments that might impact shipping markets.