

Hanjin cargo idled until cargo handlers get paid

JOC Staff | Aug 31, 2016 4:20PM ED

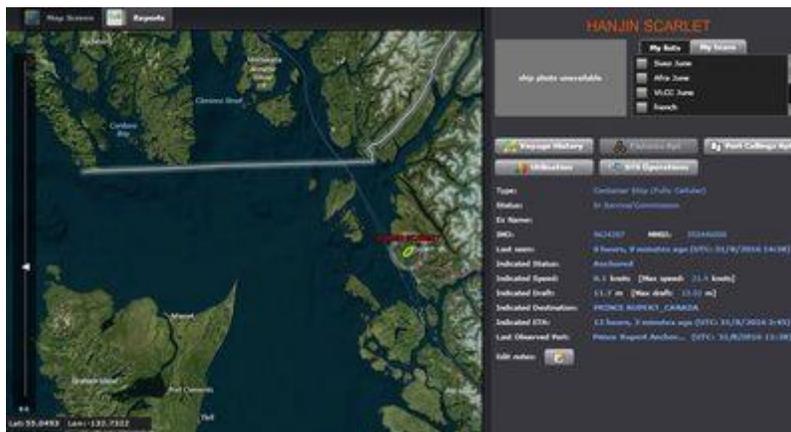


Ports around the world have refused to work Hanjin Shipping vessels for fear they will not be compensated.

US shipper customers of Hanjin Shipping are facing the unpleasant reality that terminals and other operators will not work or release their cargo until they get paid by a [container line that is entering bankruptcy](#) and possible liquidation.

“Any operator, be it a terminal, railhead, trucker, railroad, that is handling freight for a company in receivership, or going into receivership, and that is performing service in advance of being paid, is likely to be reluctant to release that freight in lieu of payment,” Dean Tracy, managing director of logistics consulting firm Global Integrated Services LLC, told JOC.com.

In a stark example of the phenomenon, the DP World terminal at Prince Rupert on Wednesday was refusing to work a Hanjin ship that has arrived there from Asia carrying its own cargo and that of its alliance partners Cosco, “K” Line, Yang Ming Line, and Evergreen Line, according to two sources close to the matter. The Prince Rupert Port Authority couldn’t be reached for comment.



[The Hanjin Scarlet outside the DP World Terminal in Prince Rupert.](#)

The Georgia Ports Authority has also blocked a Hanjin ship from calling at the Garden City container complex at Savannah, a Hanjin spokesperson [told Reuters](#). The GPA wasn't available for comment.

The Port of Virginia said it wouldn't accept Hanjin containerized exports but would receive empty containers.

Global Container Terminals' Deltaport and Vanterm facilities at the Port of Vancouver, British Columbia, will no longer receive Hanjin ships. The terminal operator said its Bayonne facility stopped receiving Hanjin calls months ago.

"The carrier is unable to confirm payment arrangements for forthcoming vessels," said GCT spokeswoman Louanne Wong. "Until this is resolved, we are no longer receiving Hanjin cargo."

Maher Terminals, the largest terminal at the Port of New York and New Jersey, told customers that Hanjin import deliveries must be pre-paid and that Hanjin exports won't be accepted. The terminal operator added that the main Maher terminal and Columbia Container Services' yard for off-dock depot of empty containers would no longer accept Hanjin empty containers, either.

Fearing that future cargo will be similarly and perhaps indefinitely idled, China Cosco Shipping and Evergreen Line are telling customers they [won't load cargo](#) for their ailing fellow CYKHE Alliance partner, nor will they place their customers' freight onto Hanjin ships.

It's unlikely that US marine terminals and ports will seize Hanjin ships because an expected Chapter 15 filing would force their release. Chapter 15 grants foreign companies trapped in insolvency access to the US court system, at which point they would receive the many of protections typically associated with bankruptcy in the United States.

Once Chapter 15 is complete, port and marine terminals would have to file their pre-insolvency claims in the Korean bankruptcy proceeding, and be forbidden from arresting Hanjin ships and property.

After filing the Chapter 15 petition, Hanjin can take the "wise step" of orderly reorganizing or winding down the company without interference from creditors because of the protection afforded to foreign debtors, said James Power, a partner at Holland and Knight who has been lead US counsel in at least seven Chapter 15 cases for foreign debtors in shipping-related bankruptcies including, Korea Line. The bulk carriers filed for receivership in 2011.

"This step has been taken in support of Korean insolvency proceedings including for Korea Line with great success resulting in the release of numerous vessels that has been attached in the US and abroad prior to the filing of the Korean proceeding," Power told JOC.com

As a result, the only leverage marine terminals, railheads, railroads and truckers have is to control cargo until someone steps up and agrees to pay for it to be released.

Tracy, the former logistics director for the home improvement chain Lowe's, said he recalls the 1986 bankruptcy of United States Lines, then the largest container line bankruptcy, where cargo holds lasted for months. "In US Lines (bankruptcy), it was a tough days, tough weeks, tough months, because cargo was held to satisfy the needs of the creditors."

He said among the most exposed shippers are those importing under free-on-board terms because in those situations freight generally is not paid until the cargo has been released, meaning there are many parties waiting to be paid who will in turn be reluctant to release freight against an unpaid bill from the steamship line.

"Most of the time in international logistics, the move is effected before payment is made, especially under FOB terms," Tracy said. Under those terms, freight services — ranging from transloading to drayage — are performed before the freight is paid and the service provider will be reluctant to release the importer's freight until the service provider has been paid for their services.

"That means you are at the mercy of the organization that is handling your freight," he said.

At Charleston, the port is preparing for Hanjin containers moving through its terminals, said South Carolina Ports Authority CEO James I. Newsome III. "Fortunately in this case, we only have cargo aboard other CKYHE ships," Newsome said. "So we are going to ask for money in advance on future imports."

"As for what we have on the terminal, we are going to be very flexible and let the cargo go," he added. "We do not want to hurt the truckers. We will also take empties in so they do not get stuck with them. Sometimes, you just have to do the right thing with a viewpoint greater than just your own little world."