



6 September 2016

Hanjin Receivership-Advice for Shippers

Hanjin, the world's seventh largest shipping line announced on 31 August 2016 that it had filed for rehabilitation and the appointment of a receiver in the Seoul District Court, putting into effect insolvency proceedings. Hanjin has subsequently files for bankruptcy protection in various countries, including the United States under Chapter 15.

1. Securing access to containers and Cargo

Securing access to cargo and containers to ensure delivery will be the main concern of shippers globally as they seek to mitigate delays in deliver and additional costs incurred through re-delivery and handling costs at terminals etc. Shippers are likely to experience liens from terminal operators for unrecovered handling costs and from haulage companies and rail operators for not receiving payment of haulage debts.

Laws relating to liens are likely to differ internationally. But in general, common law liens are likely to apply in most jurisdictions relating to recovery of freight charges and other related costs. In most jurisdictions terminals and haulage companies cannot apply blanket cargo/container liens on vessels, but can apply liens for specific shipments. These liens, however, must be related to costs for specific services such as discharge of containers, reshipment, demurrage and other cargo handling costs etc. Terminals may also seek advance payment for recovery of the container, as terminals may be liable to the receiver for the return of the container and outstanding debts relating to the container, particularly to owners of containers leased to Hanjin. Over 50% of containers are owned by independent container lessors in the shipping market.

However, the law related to liens is complex and it is impossible to give a definitive answer due to the actual contracts and standard terms and conditions applied by terminal operators and other parties. Each individual case could therefore be different, hence GSF's advice that shippers should take legal advice relating to their specific shipments.

2. Legal Advice

Shippers are advised to notify their in-house legal department or make contact with external maritime lawyers to take advice on recovery of containers and other actions to secure their rights. For shippers who have paid freight in advance they will need to make contact with the Receiver to pursue claims for recovery of their freight costs.

3. Marine Insurance

Shippers should notify their marine insurers of potential problems relating to delays, the consequences of non-delivery and the likelihood of greater exposure to damage to goods arising from redelivery. This is especially pertinent to LCL and groupage shipments. Standard marine



insurance contracts are unlikely to cover for delay, additional costs resulting from redelivery or loss or damage to goods results from the consequences of insolvency. Shippers are therefore advised to contact insurers to ensure their risks are fully covered. This will be particularly important for high value shipments.

4. Shipments made through Freight Forwarders

Shippers who have made shipments through freight forwarders, particularly where the forwarder has acted as a principal, should take legal advice as they may wish to pursue claims for damages/non delivery. Many forwarders may be vulnerable as they have booked containers with Hanjin and paid freight and hire in advance.

5. Cargo Booked with Hanjin Alliance and VSA Partners

Many shippers may have unwittingly got caught up with delays and delivery problems due to a Hanjin alliance/VSA partner booking cargo on a Hanjin vessel. The alliance/VSA partner may have paid slot and freight costs to Hanjin and may be looking to recover those costs. Shippers will need to contact their carrier to ensure they are taking steps to secure the cargo from Hanjin and are taking steps to ensure onward shipment. Shippers are again advised to take legal advice regarding delays and additional costs related to redelivery.

6. Notifying your Customers

Shippers/consignors are advised to contact their customers to notify them of potential delays to delivery and of any cost implications, depending on the terms of the sales contact. Shippers/consignors may also need to ensure that they are in a position to fully comply with the terms of their sales contract.

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