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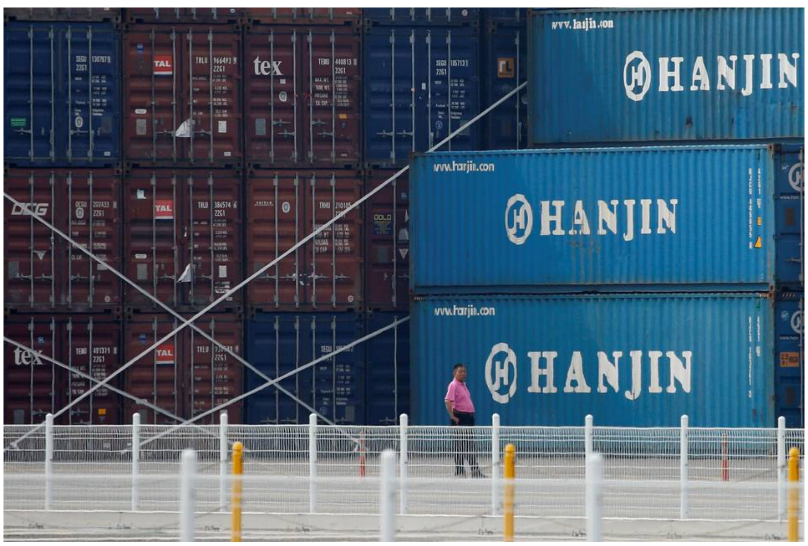
BUSINESS

Hanjin Shipping's Troubles Leave $14 Billion in Cargo Stranded at Sea

Owners strive to recover their goods and get them to customers in wake of Hanjin Shipping bankruptcy filings



A man stood in front of shipping containers at the Hanjin Shipping container terminal at South Korea's Incheon New Port on Sept. 7. *PHOTO: REUTERS*

By **COSTAS PARIS** and **ERICA E. PHILLIPS**

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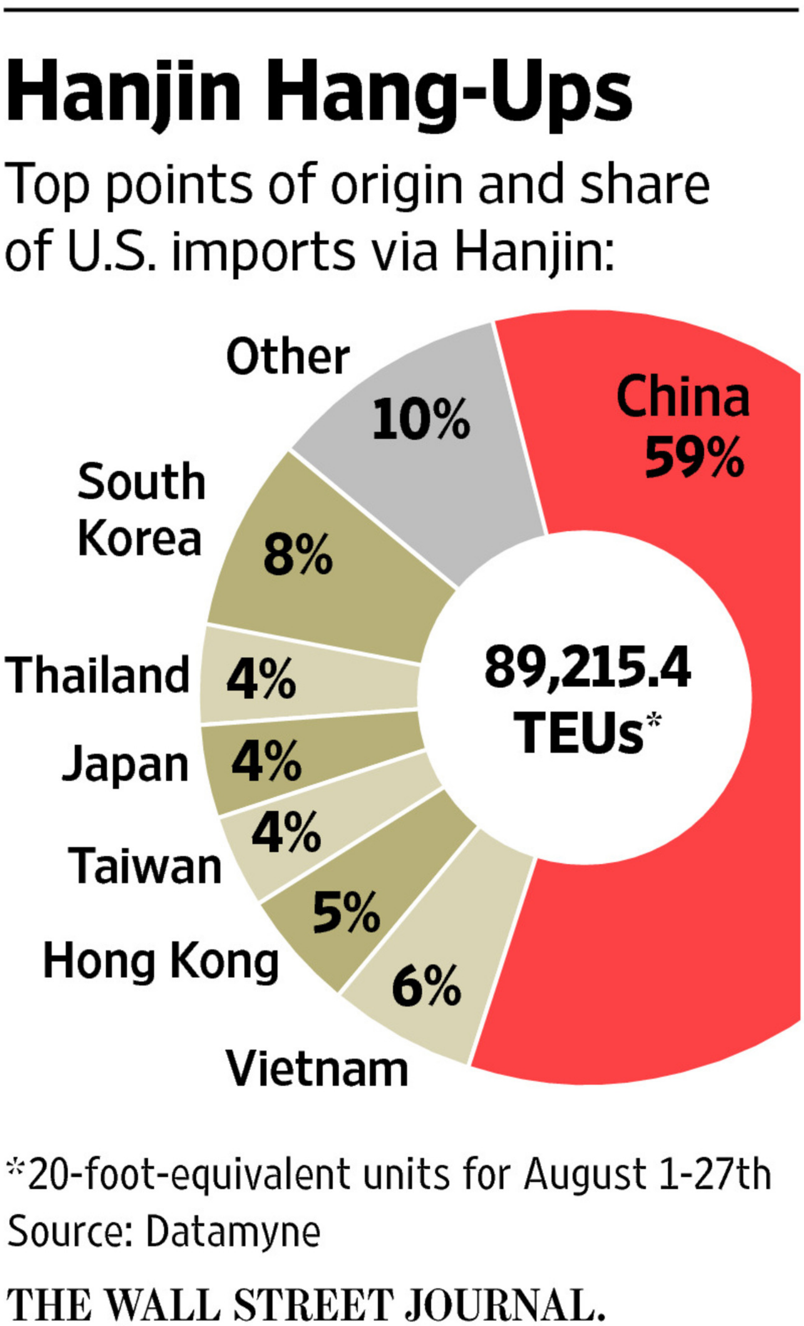
The financial woes of one of the world's biggest shipping lines have left as much as $14 billion worth of cargo stranded at sea, sending its owners scurrying to try to recover their goods and get them to customers, according to industry executives, brokers and cargo owners.

Since Hanjin Shipping Co. of South Korea filed for bankruptcy protection there last week, dozens of ships carrying more than half a million cargo containers have been denied access to ports around the world because of uncertainty about who would pay docking fees, container-storage and unloading bills. Some of those ships have been seized by the company's creditors.

Samsung Electronics Co., which makes the Galaxy smartphone and other devices, said it has cargo valued at about $38 million stranded on Hanjin ships in international waters.

"We're passengers on a bus, and we're being told we can't get off," Evan Jones, a lawyer for the company, said Tuesday.



Samsung said it is considering chartering 16 cargo planes to fulfill its shipment contracts, mostly to the U.S.

About 95% of the world's manufactured goods—from dresses to televisions—are transported in shipping containers. Though Hanjin accounts for only about 3.2% of global container capacity, the disruption, which comes as retailers prepare to stock their shelves for the holiday season, is expected to be costly, as companies scramble to book their goods on other carriers.

Analysts don't expect the snarl to leave U.S. retailers with inventory shortfalls for the holidays, but the longer the logjam drags on, the greater the risk.

"This is not impacting store shelves now," said Nate Herman, a senior vice president for the American Apparel & Footwear Association. "It will impact store shelves if the situation isn't resolved."

On Tuesday, the association, which represents manufacturers and retailers, held a conference call with 150 members. “People are still trying to figure out how to get their boxes off the boat and move them,” Mr. Herman said.

While Hanjin was granted protection by bankruptcy courts in Korea and the U.S., conditions are “bordering chaos,” said Lars Jensen, chief executive of SeaIntelligence Consulting in Copenhagen. “With so many Hanjin ships barred from entering ports, shippers have no idea when their cargo will be unloaded.”

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The courts’ protection permits Hanjin ships to move in and out of certain terminals in those countries without fear of asset seizures. But shippers and brokers say the rulings don’t solve the shipping line’s problems in the U.S., as it is unclear whether Hanjin will be able to afford to have the ships unloaded once they dock. Moreover, the courts’ rulings don’t necessarily apply to ports in Asia and Europe.

Mr. Jensen said 43 Hanjin ships are en route to scheduled destinations with no guarantees that they will be allowed to unload. An additional 39 are circling or anchored outside ports. Eight ships have been seized by creditors.

As Hanjin ships drift at sea, their crews face increasing uncertainties and diminishing supplies.

“We usually have food and water for about two weeks,” said the captain of a Hanjin-operated ship speaking by satellite phone from the South China Sea. But, after 12 days at sea, “everything is getting tight—food, water and fuel,” he said.

The captain added that he is rationing water and cutting back air conditioning to save energy.

“The heat is driving the crew crazy,” he said.

His ship was carrying lubricants and home appliances from South Asia to a Chinese port, but last Thursday, he was told to stop, as the ship could be seized at its destination.

Adding to the confusion, shippers and brokers said the Korean government has designated only three so-called base ports—Los Angeles, Singapore and Hamburg—

where Hanjin vessels can unload shipments without risk of being seized by creditors.

“Even in those ports, we don’t know who is going to be paying unloading and docking fees,” a broker in Singapore said. “Korea says it will be Hanjin, but Hanjin is telling us it has no money. It’s a total mess.”

The Korean Shippers Council, which represents more than 60,000 trading companies, said Wednesday its members “have not been able to figure out the whereabouts of their freight.”

Brokers said the problems extend to carriers with vessel-sharing deals with Hanjin. They include China’s Cosco Group, Japan’s Kawasaki Kisen Kaisha Ltd., and Taiwan’s Evergreen Marine Corp. and Yang Ming Marine Transport Corp., which typically move thousands of Hanjin containers daily.

Sanne Manders, chief operating officer at California-based freight forwarder Flexport Inc., said rates on Asia-U.S. cargo have risen 40% to 50% since Monday on all sea lanes—not just those operated by Hanjin.

“That amounts to easily $600 to $700 per container,“ Mr. Manders said. ”We think this period of high prices will be 30 to 45 days,″ through the initial peak for Thanksgiving-season shipping, he said.

Freightos, an online marketplace for booking freight shipments, said the average price per container on Asia-U. S. routes rose 56% to $4,423 on Tuesday from $2,835 a week earlier.

Executives with freight-booking platform Shippabo warned that companies should expect delays as many cargo containers have been rerouted on different vessels.

“For the top 25 importers, this is a blip,” said Frank Layo, a retail strategist at consulting firm Kurt Salmon. “They’re diversified, they’re not shipping it all on one line.” But for smaller retailers with less sophistication, “this could be devastating,” he said.

The Hong Kong Shippers’ Council said local terminals are charging shippers a special fee of $1,260 per container to allow them off Hanjin ships. Cargo owners said at least 10 other European and Asian ports are charging similar fees.

—Tom Corrigan and Paul Ziobro contributed to this article.

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