

Lesson from Korean Shipping Company



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Container Ship

Container ships (sometimes spelled containerships) are cargo ships that carry all of their load in truck-size intermodal containers, in a technique called containerization. They are a common means of commercial intermodal freight transport and now carry most seagoing non-bulk cargo.



Container Ship

Container ship capacity is measured in twenty-foot equivalent units (TEU). Typical loads are a mix of 20-foot and 40-foot (2-TEU) ISO-standard containers, with the latter predominant.

Today, about 90% of non-bulk cargo worldwide is transported by container, and modern container ships can carry over 19,000 TEU (e.g., MSC Zoe). Container ships now rival crude oil tankers and bulk carriers as the largest commercial vessels on the ocean.

Container Ship



Tramp Trade

A boat or ship engaged in the tramp trade is one which does not have a fixed schedule or published ports of call. As opposed to freight liners, tramp ships trade on the spot market with no fixed schedule or itinerary/ports-of-call(s). A steamship engaged in the tramp trade is sometimes called a tramp steamer; the similar terms tramp freighter and tramper are also used. Chartering is done chiefly on London, New York, Singapore shipbroking exchanges. The Baltic Exchange serves as a type of stock market index for the trade.

Tramp Trade

The term tramp is derived from the British meaning of "tramp" as itinerant beggar or vagrant; in this context it is first documented in the 1880s, along with "ocean tramp" (at the time many sailing vessels engaged in irregular trade as well).



Past: Economic Crisis

- o A weakened economy since the 2008 recession
- o hurting global demand and trade
- o Steamship lines continued to build more and larger vessels - immense ships that were conceived as cost-effective when freight costs were higher several years ago.
- o The weaker trade and overcapacity has sent ocean shipping rates plunging in recent years.
- o Maersk Lines not to build new ships
- o try to grow through mergers and acquisitions, not increase the global fleet.

Hanjin Shipping



Hanjin Shipping

- o Hanjin is currently the largest shipping company in Korea
 - for decades, engines of its export-driven economy,
 - operating approximately 60 regular lines world-wide,
 - with 140 container or bulk vessels
 - It is ranked as the world's ninth largest container shipping company,
 - transporting over 100 million tons of cargo a year.
 - exceeding the 1986 collapse of United States Lines.
 - either seized by charterers, in China and Singapore
 - nearly 8 percent of trans-Pacific trade volume for the U.S. market

The Financial Struggles

- o Because of an ongoing downturn in the container shipping industry
 - the result of numerous interrelated factors
 - = weak global GDP,
 - = overcapacity on container vessels,
 - = "bloated" US retail inventories,
 - = changing consumer spending patterns,
 - = Chinese economic slowdown,
 - = muted demand for container shipping.
 - o The downturn has dented profits and crippled the financial health for the majority of the top twenty ocean carriers.
 - o created a massive ripple effect

The Financial Struggles

In April 2016, Hanjin applied to its creditors for debt restructuring, in order to avoid formal insolvency proceedings. Hanjin has been losing money for years and filed for bankruptcy protection a day after its creditors, led by a state-run bank, refused to prop it up.

Middle: Filing for bankruptcy protection

- o On August 31, 2016, Hanjin filed at the Seoul Central District Court
- o requested the court to freeze its assets, after losing support from its banks the previous day
- o By the court, whether Hanjin Shipping should remain as a going concern or be dissolved.
- o as mainly procedural and an eventual liquidation of assets

Government Loans

- o providing the carrier with about \$90.60 million of cheap loans
- o if Hanjin's parent company provided collateral.
- o not be enough to save Hanjin,
- o but be used to help Hanjin pay the fees to unload stranded cargo.
- o the fate of ships and cargo still at sea appear far less certain.

Other Shipping Lines

- o to take over some of the Hanjin traffic (pus: trans cargoes)
- o operating at high capacity because of the season.
- o 40ft container from China to the US jumped by up to 50%
- o expert expects the higher prices would last a month or two.
- o **CKYHE Alliance,**
 - members have been forced to adjust fleet schedules
 - to overcome delays caused by this disruption in their capacity-sharing arrangements.
 - for rivals, a chance to raise the rates on trans-Pacific shipping.
 - for the holiday season with cheap Asian finished goods
 - HMM will also deploy at least 13 of its ships to two routes exclusively serviced by Hanjin

After : Emergency Rescue

- o Hanjin is more than \$5 billion in debt
- o an emergency rescue plan in South Korea was rejected by creditors
- o sought Chapter 15 bankruptcy protection in the U.S.
 - be granted permission by a bankruptcy court,
 - it could soon be able to dock its ships.

Shipping Tariff

- a 40-foot container on the Busan-Los Angeles route about 55 percent, from \$1,100 to around \$1,700,
- S.Korea and the U.S. east coast via Panama about 50 percent to \$2,400, it added.
- from China to west coast ports rose from \$1,100 per container to as much as \$1,700
- the cost from China to the East Coast \$1,700 to \$2,400

Hanjin Cargo

- o Refusal of unloading
 - about 540,000 TEU of cargo already loaded
 - ports and handlers around the globe
 - nearly 8% of the trans-Pacific trade volume for the US market
 - logistical nightmare during the peak shipping period ahead of the holiday season,
 - from South Korea to China, the United States, Canada, Spain,
 - due to uncertainty about payment.
 - Berthing and unloading services, after the government promised (Korea)

Hanjin Cargo

- filed papers in U.S. Bankruptcy court in Newark, New Jersey that would allow its vessels to dock without its ships, cargo or equipment being confiscated by creditors.
- allowed to dock, discharge and load containers at the Port of Long Beach.
 - o \$14 billion worth of merchandise — everything from electronics to clothing to furniture

U.S Retailer

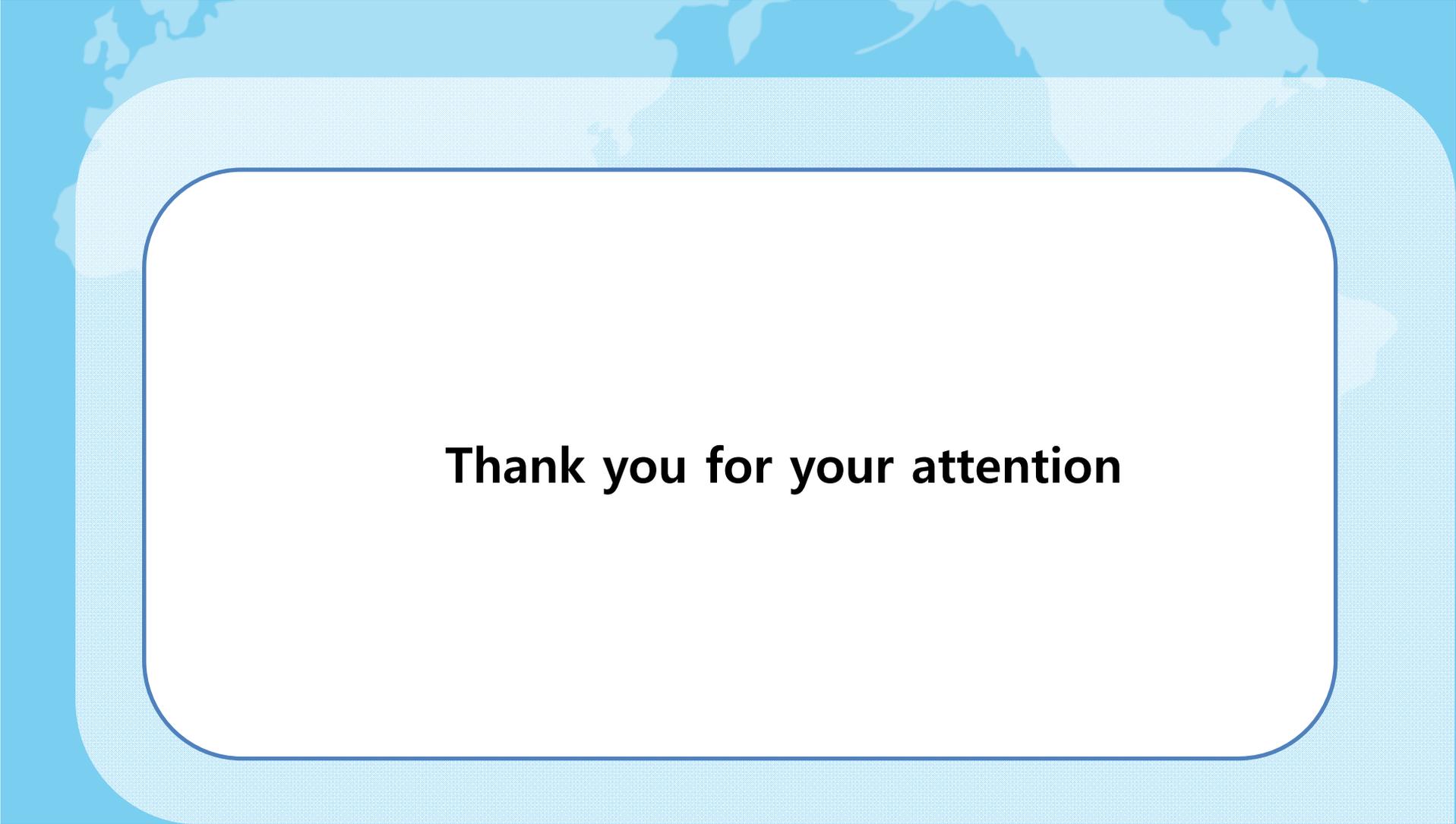
- o port terminal operators, tugboat pilots or stevedores, railroads, trucking companies and others
- o The National Retail Federation, urging the FMC to work with the South Korean government, ports and others to prevent disruption.

Current Situations

- o Massive capital to be put to release staff on global routes
- o Letter of intention by HMM, 4 more companies to bid America and Asia routes by Hanjin
- o some Government incentives to attract bidders

Lesson

"There is a loss of faith among customers.
It's very unlikely Hanjin can come back from the ashes."



Thank you for your attention