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ARESTADO ANG 'Jia Li Hai': China Cosco Has Second Ship Arrested as Owners Chase Overdue Charter Fees

Submitted by Helmsman on Tue, 08/09/2011 - 22:57

China Cosco Has Second Ship Arrested as Owners Chase Overdue Charter Fees

By Kyunghee Park and Michelle Wiese Bockmann - Aug 9, 2011 3:26 PM GMT+0800

<http://www.bloomberg.com/news/2011-08-09/china-cosco-has-second-ship-arr...>

A China Cosco Holdings Co. ship was arrested in Louisiana, becoming at least the second vessel owned by China's biggest maritime company to be detained in about a month as shipowners pursue overdue payments.

The Jia Li Hai was attached as Classic Maritime Inc. seeks \$2.7 million in fees and costs from Cosco unit Cosco Bulk Carrier Co., according to filings at the U.S. District Court in the Eastern District of Louisiana. Judge Lance M. Africk issued the warrant on Aug. 3.

A Cosco ship was also held last

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month in Singapore in a case brought by Arlen Maritime Co. The shipowner was among companies in arbitration with the state-controlled Chinese line, seeking \$8.58 million, according to Singapore court documents.

Both cases concern ships chartered by Cosco on long-term contracts before a plunge in rates caused by slowing demand and rising capacity. In the Singapore case, Tianjin, China-based Cosco was paying \$87,000 a day for a capesize vessel, or about eight times current rates. Cosco was operating 222 chartered dry-bulk ships as of Dec. 31, according to its annual results.

The Classic Maritime case centers on the Bulk Denmark, which Cosco hired around Aug. 1, 2008, according to a court document. The shipping line failed to pay fees due on July 1 and Aug. 1, the filing said. Classic Maritime is controlled by DryShips Inc. (DRYS) Chief Executive Officer George Economou.

The issue is "pure business behavior," China Cosco said in an e-mailed response to Bloomberg enquiries today, without elaboration. In a separate e-mail last week, it said that it wasn't facing any business difficulties and that it was engaging in usual commercial activities with lessors. China Tax

Arlen Maritime was seeking outstanding fees totaling \$2.51 million as of July 13, according to Singapore court documents. The Cosco unit operating the Arlen vessel, Qingdao Ocean Shipping Co., said it was unable to pay charter fees as it had to withhold money owed by the shipowner to Chinese tax authorities, according to an e-mail from Cosco Qingdao's lawyers included in Arlen's Singapore court filings.

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Cosco Qingdao earlier this year requested a meeting to discuss charter terms, according to the filings. Arlen didn't agree to a reduction, the documents said.

Rental rates for capesize ships, which are too big to pass through the Panama Canal, have slumped 53 percent over the past year to \$10,032 a day, according to the Baltic Exchange in London. They reached as high as \$233,988 in June 2008.

Fleet Growth

Owners are contending with a fleet that will grow at three times the speed of demand this year, according to data from Clarkson Research Services Ltd., a unit of the world's largest shipbroker. Demand for cargoes including coal, ore and grains will swell 3.9 percent while the fleet of dry-bulk carriers will expand 13 percent, it estimates.

Arlen is in arbitration in London with Cosco, according to the filings. The other owners taking part include Onil Shipping Co., Ionian Traders Co., Elva Shipping Inc. and Erwina Shipping Ltd., the documents say.

Ionian Traders is a unit of DryShips, according to a filing made by Athens-based DryShips to the Securities & Exchange Commission.

The case is Classic Maritime Inc. v. Cosco Bulk Carrier Co., 2:11-cv-01863-SSV-ALC, U.S. District Court, Eastern District of Louisiana.

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