



Conclusion and Recommendations

7.1 Conclusion

With the removal of trade barriers and globalisation, the shipping industry's fortunes are driven by the growth of seaborne trade and supply of vessels. Though the Indian fleet has grown by 24 per cent during 2005-06 to 2008-09, it did not match the growth of trade during that period and the share of Indian shipping industry in the country's trade declined from 14 per cent to 8 per cent during this period. Non-existence of level playing field especially on taxation impacted the competitiveness of the Indian shipping industry in the backdrop of increased competition from the foreign shipping companies.

The Company did not pursue an ambitious acquisition policy to augment and modernise its fleet and the tonnage capacity remained almost static during the period 2005-06 to 2009-10. The Company was not adhering to their annual fleet acquisition targets and there were slippages resulting in cost overrun thereby impacting their operational efficiencies. The Company in the absence of policy guidelines on the engagement of vessels on long term and spot market rates, deployed majority of the vessels on fixtures at a charter hire rate determined by the spot market. The idle days when the ships were not earning any income but incurring cost were on the rise indicating an urgent need for closer monitoring. Frequent commencement and closure of liner services within a short duration resulted not only in financial loss to the Company but also affected their credibility as a reliable service provider.

The Management Information System was not effective and there were conflicting data on various parameters of operational efficiency. The Management needs to look into all the above critical issues and streamline its operations so as to achieve its Mission of a global player in overseas trade.

7.2 Recommendations

Based on the Audit findings discussed in the foregoing chapters, the following recommendations are made:

1. As the linkages between the development of the economy and growth of shipping industry are strong, the Government may address the concerns faced by the Industry to facilitate a strong national core fleet.

2. The Company needs to frame and implement a time bound acquisition policy for fleet growth and modernisation to face the global competition.
3. The Company should ensure that vessels are employed gainfully and avoid idling of vessels. Also, the Company needs to be aggressive in getting business from its major customers, particularly the Oil Majors.
4. The Company needs to have a system of reviewing loss making operations at regular intervals for taking remedial measure in time.
5. The Company should formulate a policy for having an optimum mix of owned and inchartered vessels in the liner segment to bring down the high incidence of inchartered costs.

The Ministry while accepting last three recommendations stated that action on first two recommendations has already been initiated/ taken.

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New Delhi
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