

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:1765
ANSWERED ON:08.03.2010
SHIPPING MODERNISATION FUND
Rao Shri Nama Nageswara

Will the Minister of SHIPPING be pleased to state:

(a) whether the association of the shipping industry has requested to the Union Government for creation of Shipping Modernisation Fund on the lines of the Technology Upgradation Fund for the textile industry; and

(b) if so, the details thereof alongwith the reaction of Union Government thereto?

Answer

MINISTER OF SHIPPING(SHRI G.K. VASAN)

(a) & (b): The prevailing global credit crunch has been effecting the vessel acquisition programme of shipping companies as raising finance for ship acquisition has become increasingly difficult. The extreme volatility in charter rates has adversely effected the margins of the Shipping companies. On one hand, the declining asset prices has made banks reluctant to accept these assets in the form of collaterals, while on the other hand, the declining prices provide an opportunity for owners to acquire these assets, prices of which had reached exorbitant levels just about one year back.

The Indian National Shipowners' Association which represents Indian Shipping Companies holding 90% of the Indian tonnage has represented for creation of Rs.10,000 crores Corpus for providing credit facilities to Indian Shipping Companies for acquisition of ships. The Finance Ministry had requested Indian banks Association (IBA) to constitute a working Group to examine the proposed funding for Ship acquisition by Indian Shipping Companies from abroad. The Working Group met and formed a small group of Executives from various banks to examine the issue. The IBA then responded that the borrowers need to have negotiations with individual banks for its funding requirements and that the IBA has no role to play in the matter.