Issues with Vizhinjam port

What is the issue?

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CAG made observations on Vizhinjam port, Kerala.

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What are the types of ports?

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- Based on the nature of the cargo handled, ports are classified into two:
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- Gateway ports - They largely depend on its export/import cargo originating from or destined to its hinterland.
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- Transhipment ports - A transfer of cargo takes place from a mother ship to a daughter ship in theses ports.
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What are the issues with Transhipment ports?

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- Across the world transhipment ports face an uncertain future.
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- The most well established transhipment ports such as Singapore, Hong Kong, Malaysia are losing traffic volumes heavily.
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- Major Container Lines are either cancelling or postponing the delivery of ultra large container vessels already ordered.
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- This would mean less number of mother vessels in service and consequent decline in transhipment volumes.
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What is the significance of Vizhinjam port?

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- Vizhinjam is a port under construction by the Arabian Sea at Trivandrum in India.
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- There are three phases, with a view to catering to passenger, container and other clean cargo.
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- Vizhinjam is proposed to be a transhipment port.
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What are the issues with Vizhinjam port?

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- Vizhinjam is financially not viable even with a significant financial participation of the Kerala government.
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- The container transhipment terminal at Vizhinjam has high global competition.
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- Colombo which is situated just 202 nautical miles from Vizhinjam is now the 25th largest container port in the world,
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- By the time Vizhinjam becomes operational in 2019, Colombo port will be in more developed because of the Chinese investments.
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- Vizhinjam did not attract port investors mainly because of the heavy risks involved in the transhipment business.
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What are the observations made by CAG?

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- In major ports that normal concession for PPP projects is for 30 years, but

in Vizhinjam it is 40 years with an extension of 20 years.
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- There are hypothetical calculations of revenues from the project, which are based on business projections.
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- The CAG says in the investment about 67 per cent of the costs is borne by the State and only 33 per cent by Adani Ports, this is a high bill for the state.
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- In Vizhinjam, the State is building breakwaters: a very important item of port infrastructure in addition to providing road and rail connectivity, power, water supply, acquisition of land and back up area to make the port an attractive destination for investment.
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- The operations will be taken up by the private firms, which makes the delivery of public service by the ports questionable.
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Source: BusinessLine

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