

January 6, 2025

Will the Traffic for the Proposed Great Nicobar Port Justify its Rs 36,000-crore Cost?

By: Vaishnavi Rathore

The distance of the proposed port in the Andaman and Nicobar Islands from the Indian mainland and competition from the Colombo and Singapore ports will be major challenges to its economic viability.

The largest nesting site of giant leatherback turtles in Southeast Asia could soon become one of India's first transshipment ports. Eleven companies, including the Adani Group, have expressed an interest in building the port at Galathea Bay on the Great Nicobar island, which the Modi government estimates could cost Rs 36,000 crore. The government has argued that by enabling large container ships to dock in Indian waters, the port will help India wean away lucrative cargo business currently going to Sri Lanka and Singapore. But shipping experts who spoke to *Scroll.in* expressed doubts about the feasibility of the proposed port. Built on a remote island, far away from the Indian mainland, it might not be able to attract significant cargo business, they argued.

On the one hand, the location of the proposed port is an advantage – it lies on a busy trade route and so can tap into revenue from the east-west trade corridor that connects places such as Japan, South Korea, Hong Kong, Malaysia and Singapore in the east to West Asia. The island is just 40 nautical miles from the Malacca Strait shipping channel, through which 35% of annual global sea trade passes.

At the same time, the fact that the island is more than 1,600 km away from India's east coast means that significant costs will have to be incurred in transporting cargo between the island and the Indian mainland through smaller feeder vessels. “Singapore and Colombo ports are connected to their mainlands, but Nicobar is not,” noted an experienced mariner who now works with a major Indian multinational company. “That is a disadvantage.”

Also a disadvantage is the expense of constructing a port on Great Nicobar island. The project's pre-feasibility report notes that “quarry material” and “other construction material” will have to be transported to the island from the mainland through one or more ports along the east coast, which it describes as “a major time consuming activity”.

This could raise the costs of the port “three to four times” the present estimate, said Commodore Venugopal Vengalil, a former officer of the Indian Navy who after his retirement has worked with a shipping company in Oman. “You need floating cranes, movement of equipment, to develop a port. We are talking about the islands. It's not like Bombay or Chennai. It will be a huge task and a huge expenditure.”

Reliance on other ports

A transshipment port is one where large container ships can dock. Goods can then be transferred from one container ship to another, or to smaller ships, from which they can be transported to ports that do not have the capacity to accommodate container ships. To accommodate container ships, ports must have a natural depth of at least 20 metres. Currently, none of India's ports have this.

|| The new port is likely to face stiff competition from existing ports in the region, such as those of Singapore and Colombo, which have been in operation for decades.

While the first such hub is being developed on Kerala's coast in Vizhinjam by Adani Ports and Special Economic Zone, for now India relies primarily on ports in other countries to handle its transshipment cargo. Seventy five percent of this cargo is handled abroad, of which 45% is handled in Colombo and 40% between Singapore and Malaysia. From these ports, smaller ships then transport the cargo to the eastern coast of India. The government aims to close this gap in India's shipping infrastructure with the planned port in Galathea Bay, which has a natural depth of more than 20 metres. It estimates that routing Indian cargo through this port could save between \$200 million and \$220 million dollars each year.

In March 2023, 11 firms filed expressions of interest to develop and run the port at Galathea Bay. These included Adani Ports and Special Economic Zone, Essar Ports and JSW Infrastructure. As of August, news reports [noted](#) that the government was in the process

of finalising the detailed project report for the port.

Competition from existing ports

The new port is likely to face stiff competition from existing ports in the region, such as those of Singapore and Colombo, which have been in operation for decades.

One of the indicators of a port's performance is the “turnaround time”, or the time between a ship's entry into the port and its departure. Longer turnaround times lead to higher costs for ships, since they have to pay for docking, for cranes to load and unload cargo, and other services. Colombo port has a turnaround time of under **24 hours**. Singapore port is an even better performer, with a turnaround time of **less than 12 hours**. While Great Nicobar's turnaround time will only be calculated once it starts operating, the average turnaround time for major Indian ports is **48 hours** or double that of Colombo's.

|| **If the volume of trade that Nicobar port is able to attract is small, then it will not be economically viable.**

“Transshipment port involves coordination of multiple operations,” said Vengalil. These include bringing cargo in, unloading it, clearing it by road, rail or feeder vessels, and loading fresh cargo. “Nicobar's turnaround time will be dependent on how well it merges these operations in the ecosystem,” he said. “However, in all likelihood it will be more than the normal vessel operations in any port in India.”

Other ports in the region also handle far higher volumes freight than are planned for the Nicobar port. In 2023, Singapore handled **39 million TEU**, or twenty-foot equivalent unit, of cargo. TEU is the standard unit used for cargo volume . One unit refers to one standard sized metal container that is 20 feet in length. Colombo, meanwhile, handled almost **7 million TEU** that year and Sri Lanka is planning to boost its capacity to 8.5 million TEU. In comparison, the planned Great Nicobar port will be handling much less freight, at least at first. According to a 2023 press release, in its first phase, it will have a “handling capacity of ~ 4 Million TEU increasing to 16 Million TEUs in the ultimate stage of development”.

Given the efficiency of Singapore's port, India's most realistic ambition would be to become “at least as efficient as the Colombo port”, said a retired army officer who has also worked closely on supply chains on air, land and sea routes. He requested anonymity since his current organisation had not authorised him to speak to the media. However, some experts argued that the Great Nicobar port was well positioned to take advantage of problems that the Singapore port could face in the future. “Singapore is getting very crowded,” said the mariner. “In another five-ten years, there might be long waiting lines for container ships to bunk at the port.” This, he said, could make the Great Nicobar port an attractive alternative for ships on the route.

But for some, the question of whether the port will be commercially successful is less important than its strategic importance. “With this port coming up, we would not be dependent on choke points like Malacca where if it shuts down, Indian goods would suffer,” said the retired army officer. “So, even if the port does not give profit, think of it as an investment into strategic sovereignty.”

Vizhinjam: competing or complementary?

Some experts also raised concerns that the upcoming Vizhinjam port, which will be India's first transshipment hub, could have some advantages over the Great Nicobar port. It was developed with a similar rationale – to take a “slice of transshipment business currently going to Dubai, Sri Lanka and Singapore”, **one official said**.

|| **India's fleet of feeder vessels is insufficient to meet the demand that will arise from the Nicobar port.**

Currently, the Vizhinjam port is partially operational. Its first phase is expected to be completed by the **end of this year**. Though the state in 2022 saw massive protests by fisherfolk over threats that the port presented to the environment and local livelihoods, the Kerala government pressed on with it. In July, the port welcomed the arrival of its first container ship, which offloaded about **1,900** containers.. Vengalil argued that the Vizhinjam port could be an attractive alternative for ships that currently rely on Colombo's port. “Vizhinjam will definitely take off a lot of share of Colombo to start with,” he said. Thus, he added, “there won't be a necessity for another transshipment port at Nicobar”.

In fact, the Vizhinjam port has sought to draw shipping companies by setting substantially lower fees, known as “vessel related charges”, than those of Colombo's port. For example, to dock for 24 hours, a ship with a 30,000 deadweight tonnage – a measure of

the total weight it can carry – pays \$21,000 towards vessel-related charges in Colombo, but only \$10,000 in Vizhinjam.

Vizhinjam could also have an edge over the Nicobar port because of its location on India’s west coast, Vengalil noted. The ports of this coast, which include the Mundra Port and Mumbai’s Jawaharlal Nehru port, have historically managed more container cargo than the east coast. In 2023, for instance, ports on the west coast accounted for 60% of India’s total cargo in general, and dealt with a “[higher share of container traffic](#)” in particular, according to one [report](#).

Vizhinjam’s location on the same coast as these ports make it appear more attractive to vessels than Nicobar, Vengalil noted, since from there, cargo “can either go by feeder vessels to other Indian ports or by road and rail to Indian cities”.

Others believe that the Nicobar and Vizhinjam ports could possibly have a complementary relationship, with Vizhinjam catering to the western coast, and Nicobar to the eastern coast and countries along the Bay of Bengal, such as Bangladesh and Myanmar. As the former mariner explained, if cargo from central India has to be sent eastwards, such as towards Japan, it would “definitely be cheaper” for goods to travel by road to ports in Chennai or Vishakhapatnam, and then via feeder ships to Nicobar, rather than for them to travel to Vizhinjam on the west coast, and then eastwards. However, he admitted that whether the former route will, in fact, be more cost-effective will depend on the volume of the trade of the east coast. “For a transshipment port, everything depends on volume,” he said. If the volume of trade that Nicobar port is able to attract is small, then “it will not be economically viable”, he added.

Feeder vessels

The success of Nicobar port will also depend heavily on the service of smaller ships, called feeder vessels, which will have to ply regularly between the island and India’s east coast. Experts noted that at the moment, India’s fleet of feeder vessels is insufficient to meet the demand that will arise from the Nicobar port. “Feeders are there but not to that extent,” said the mariner. He added that currently, the east coast has a higher number of feeders, which transport cargo from mines in eastern states to power plants in southern states.

|| **Should another major quake take place, the entire public investment on infrastructure would be at risk.**

The western coast, on the other hand, sees greater traffic of larger ships that handle high levels of overseas cargo. “For the terminal to operate, feeder service will be the backbone,” he said, adding that more companies would have to start operating feeder vessels to meet the demand.

By contrast, not only are the ports of Singapore and Colombo on the mainland of their countries, they also have “enough shipping lines operating feeder vessels to take the cargo to Indian coasts”, said Vengalil. Additionally, Singapore even has “good land and air connectivity, as well as sea connectivity to nearby ports”, he added. No such infrastructure is currently available on Great Nicobar. The government has also acknowledged this problem – an [older](#) document that invited expressions of interest by July 2019 notes that the Great Nicobar port’s “hinterland is limited to the boundary of the Andaman and Nicobar islands” and suggests that developing the port with a special economic zone will help it cater to the east coast of India and other neighbouring countries.

Rough weather

Experts noted that Nicobar’s weather conditions will also pose a challenge for the port’s construction.

Cyclones have disrupted life on the island group in the past. In 2014, India’s east coast was hit by cyclone Hud Hud, which [originated](#) in the Andaman Sea. It triggered landslides in the Andaman and Nicobar islands and collapsed communications on them before moving northwest. In 2016, Cyclone Vardah left many tourists stranded in the Andamans.

The islands are also vulnerable to earthquakes and tsunamis. In 2023, disaster management researchers and professors from the Tata Institute of Social Sciences conducted an analysis of seismic activity on the island and noted that the site of the proposed port experiences 44 earthquakes a year. “Should another major quake take place, the entire public investment on infrastructure would be at risk,” they [wrote](#).

Vaishnavi Rathore is a climate and land reporter with Scroll.in.

The article was first published in [Scroll.in](#) and is being republished here with permission.