

Delays on Port Projects... Causes and Remedies

**Suren Vakil,
MD, BMT Consultants India
Ahmedabad
27 November 2014**





In India, there is an acceptance that delays are an inevitable part of projects...



I looked at 62
projects from
2006 to 2014



How long should a port project take ?



Most common causes of delays...

- Is your schedule unrealistic to start with?
- Poor project preparation by developers/government
- Bureaucracy
- Environmental clearance
- Land acquisition
- Insufficient cash flows
- Construction delays

Case study 1 – Greenfield Power Plant & Port

- No guidance by Ministry on EC matters
- Serious land acquisition issues because barren land was designated as “reserve forest”
- Developer lost overseas equity partner because of delays
- Cash flow problems so progress slows down
- Status – Advanced stage of procurement for power plant and port, project stalled because fresh EC required. They have resubmitted the TOR. Future uncertain after 6 years.

Case study 2 – Container terminal at major port

- Delays in years for handover of port land by the Port Trust
- Delays and global financial situation makes overseas equity investor pull out
- Lack of rail connectivity is a major constraint
- Unreasonable constraints placed by Ministry of Defence who have a nearby naval base
- Cashflow on project in complete disarray
- Banks restructure loan, then refuse to restructure again
- Construction of most assets complete, project in limbo

Case study 3 – Bulk terminal at major port

- Concession awarded and developer starts project
- Objections from residents in the port neighbourhood
- Port Trust was to gain Environmental Clearance, failed to do so.
- Unilateral cancellation of project by Port Trust because project is stalled by PCB and since they have awarded an adjacent berth to a competitor
- Developer takes legal action against Port Trust
- Project Status – DPR complete, project in limbo until legal wrangle is resolved

Case study 4 – Greenfield Bulk Port

- Developer wins concession for greenfield port
- Difficulties with land acquisition because of forest land and private land in vicinity of port
- Developer's overall business in financial difficulties
- Competitor overtakes him and completes adjacent terminal
- Developer loses enthusiasm for the project
- Current status, developer looking for a buyer, DPR and engineering etc complete, clearances in place

Case study 5 – Liquid Terminal

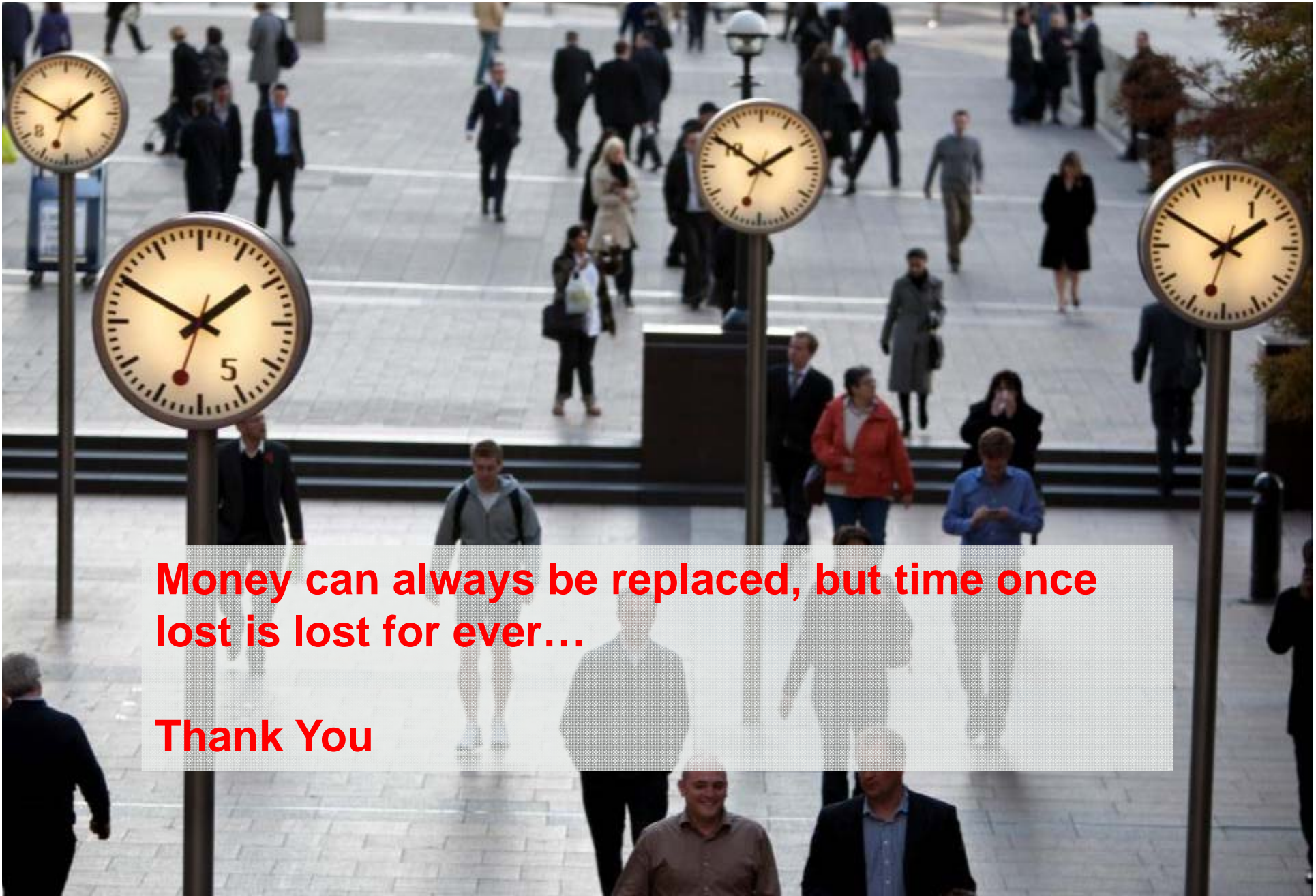
- Insufficient studies cause major cost escalation on the contract and project start delayed
- Developer's business case suffers a major setback and a lot of time spent in restructuring and finding new customers
- DPR and all reports completed
- Environmental clearance gained
- Current status, project delayed by about two years, developer seeking equity partner, new cash inflow streams and project continues to drag on whilst interest payments build up.

Lessons Learnt...

- PPP projects need to be properly prepared before being bid out to avoid delays later
- The criteria for selecting bidders needs to take account of the financial strength of the bidders
- More accountability for delays is needed from both Govt officials as well as private promoters
- Single window clearance for infrastructure projects has been talked about for years but it still a pipe dream
- Foreign investors do not have much patience, they will pull out if the delays extend beyond a point

Lessons Learnt...

- Ports should be seen together with their connectivity, they are after all points where you change mode of transport
- Developers should be forced to use independent construction contractors
- Overall project management needs to be a lot more professional
- Country needs to change its attitude from looking for ways to stop projects to facilitating and helping progress
- Major ports need to hold up their end of the bargain and should be held accountable for delays



Money can always be replaced, but time once lost is lost for ever...

Thank You