

MINT, Mumbai, 15 Mar 2008

Committee admits Sethu project report made errors in calculations

Economists critical of the project say they feel vindicated by some admissions in the govt committee's report

By **Priyanka P. Narain**
priyanka.p@livemint.com

A committee that held hearings and studied the controversial Sethusamudram project concedes the government made calculation errors in its estimates of how much time, distance and fuel would be saved by ships using the channel.

In its 116-page report, the "committee of eminent persons", as the government-appointed group is known, says Rs350 crore has been spent so far and that the original expectations of the channel will have to be modified. It says some numbers mentioned in the original project report lack financial analysis.

It wrote: "The consultants in the detailed project report (DPR) have taken channel length as 152km for calculation of savings in time charters, whereas the actual channel length is 167.22km. These difference, in channel length and savings in distance, will have some impact on the savings of ships."

Further, the 10-member committee says the shallow depth of the channel will force

MINT'S SETHU SERIES

We continue our series examining the economic, political and environmental fallout of the Sethusamudram project.

The coverage so far:

VHP plans Ayodhya with Sethusamudram
22 July 2007

Will Adam's Bridge remain a bridge too far for the VHP?
1 August

Govt puts Adam's Bridge project chief on leave amid soaring costs
3 August

Silence, controversy shroud Sethu project
11 September

Project a recipe for disaster, scientists say
12 September

No one benefits from a Rs2,600 cr channel
13 September

Channelling religious sentiment into rare political opportunity
14 September

Govt on back foot withdraws affidavit
15 September

Money runs dry for Sethusamudram
25 September

Read our full coverage at <http://www.livemint.com/sethusamudram.htm>



Centre criticized for excluding key experts from Sethu panel 23 October

Alternative N-fuel mired in Sethu waters 27 October

Muslims say it's our heritage, but develop it for nation's sake 12 January 2008

Status of Sethu project remains hazy, RTI Act does not help 14 January

Congress faces crisis of faith over Sethusamudram project 16 January

I will go ahead with the Sethu project TR Baalu 6 February

Govt offers scant religious link for Sethu 1 March

Verdict on Sethu Samudram project unlikely today 5 March

Will the Sethu channel be a security risk? 13 March

Govt considered using explosives though project okay specified 'no blasting' 14 March

ships to slow more than estimated.

"As regards the comments made on the approach and assumptions adopted in the DPR, the main argument against the DPR rests on the distance that will be saved by ships that are coming from Europe, America, Africa (as they need not come to Cape Comorin for going around Sri Lanka," the committee wrote, referring to the cape at Kanyakumari, the southernmost point in India. "This observa-

tion is valid as the ships coming from Europe, America, Africa, etc., need not come to Cape Comorin for going around Sri Lanka. To that extent the savings in distance, particularly for non-coastal cargo, will be less."

In a section on environment, the committee recommends a special, low-sulphur fuel for ships navigating the biosphere reserve, to reduce the pollution.

This has steep economic implications, mariners say, be-

cause the fuel costs twice as much and will result in spiraling costs for ships using this channel.

The Sethusamudram project, which plans to create a channel by dredging the Adam's Bridge connecting India and Sri Lanka, has been mired in controversy over security, economic, environmental and social issues.

The bridge is also known as Ram Sethu, named after the mythological king Ram who is believed to have built the coral walkway.

The channel, which is expected to cut navigation times for ships travelling around India by 24 hours, is different from projects such as the Suez and Panama canals, which cut through land to save ships several days of navigation.

From the start, the government misjudged costs: When dredging companies submitted their bids, project costs had spiralled from Rs2,600 crore to Rs4,000 crore. Loan arrangers then demanded government guarantees, and then said terms of the original agreement had expired.

Members of the committee have been asked not to talk to the media and calls to shipping minister T.R. Baalu's office were not returned.

Economists who have studied the project—and been highly critical—say they feel vindicated by some admissions in the government committee's report. H.

Balakrishnan, a former naval officer, was the first to analyse that ships would be slow in the channel.

"As a mariner, it was good to see the committee admit that the channel is 15 nautical miles longer than what they said and that ships will not be able to travel at eight nautical miles in such a shallow channel," he said.

"When the draft available to them is only a couple of meters, ships cannot run their propellers because they may run aground," he added.

The low sulphur fuels that the committee recommends for ships using the channel cost about \$908 (Rs36,774) per gallon, nearly twice the price of regular fuel that ships use on high seas. According to Bunkerworld, a website that monitors fuel prices worldwide, regular heavy oil fuel that ships use on open seas costs \$480.

All these new factors make the old estimates irrelevant, observers say.

"The numbers of savings are being deliberately vague and it is hard to even make estimated calculations of savings," said Balakrishnan, who is putting together a paper on revised financials for this project. "It is time for fresh numbers, fresh estimates and real estimates that are rooted in real financial analysis."

mint special

>PART I: Security experts question the safety of a channel
 >PART II: Conflicting reports on the environmental and geological implications of dredging
 >TODAY: Will a channel designed to save money actually end up costing ships more?