

# 45,000 Indian containers stuck; export costs increase fivefold

Exporters stare at either a diversion in routes, or a U-turn to India

**SHINE JACOB & DHRUVAKSH SAHA**

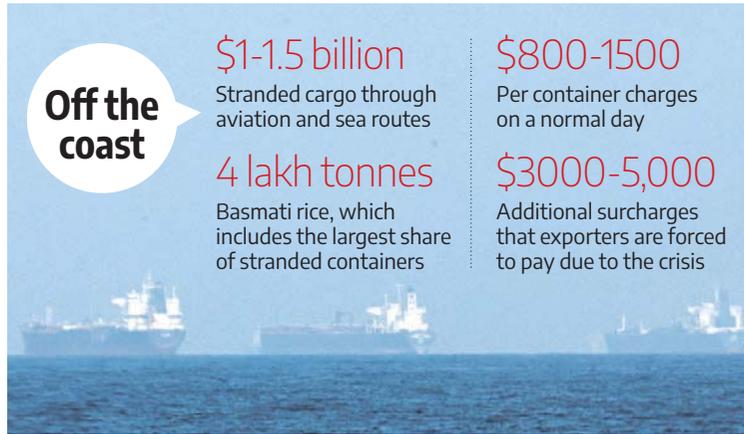
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The West Asian war is taking a toll on Indian exporters. According to firms involved in the logistics sector, around 40,000-45,000 Indian containers are currently stranded, either in transit, or at international ports, and the future of export cargo worth around \$1-1.5 billion is already under clouds, staring at either a diversion in routes, or a U-turn to India, leading to cost escalation.

Adding to this, several contingency surcharges by shipping liners are causing an additional three- to five-fold increase in per container cost, say industry experts. All these together are leading to cascading cost, a possible container crisis, and for perishable goods exporters, there may even be hefty losses. According to sources, a good share of these stuck consignments are basmati rice, which is 4 lakh tonnes.

“Around 40,000-45,000 containers with Indian exports are stuck and nearly 80 per cent of them are already in waters. Based on rough estimates, cargo worth around \$1-1.5 billion is stranded, in both air and sea routes,” said Jitendra Srivastava, chief executive officer, Triton Logistics & Maritime, an end-to-end logistics and supply chain services firm.

For those exporting perishable goods, this means total loss. In addition, war-risk surcharges — including emergency cost recovery charges (ECRC), contingency charges and peak season charges, among others — are wiping out the margins of exporters, say sources. Srivastava said a lot of exporters are considering applying for back-to-town



**Tankers seen off the coast of the UAE's Fujairah following the start of Iran war earlier this month**

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(BTT) options, a customs procedure allowing exporters to withdraw cargo from a port and bring it back into the domestic market, after it has already entered the export stream.

“These numbers appear to be correct. However, exporters are suffering also due to the additional \$3,000-5,000 per container surcharge they have to pay. This is coming because of the higher risk cost. Floating in the Arabian Sea also is a risk now,” echoed trade-policy analyst S Chandrasekaran. This is in addition to an existing average freight cost of \$800-1,500 per container on the same route on a normal day.

The emergency surcharge was applied by French Shipping giant CMA CGM a day after tensions escalated in the Strait of Hormuz, which levied a \$2,000-4,000 surcharge on cargo. Later,

most major shipping lines introduced the surcharges. According to a freight forwarder, the cancellation of war risk cover by insurers has also become a problem for the industry.

“There are containers that are either at sea or around the neighbouring ports. It is a kind of force majeure situation and if they are not having the possibility of discharging at the Gulf, they might discharge at ports like Salalah or return back to India,” said Sunil Vaswani of the Container Shipping Lines Association (CSLA). He added that the number of containers stuck may be slightly less at around 35,000.

Shipping lines are moving to rerouting across transport modes to ensure cargo gets through timely. DP World, one of the biggest global terminal operators, has communicated such an arrange-

ment to customers, said an industry source. Under this arrangement, customers may discharge import containers at Khorfakkan Port or Fujairah Port. DP World, in coordination with shipping lines and the relevant authorities, will arrange for the containers to be moved under bonded road transit to Jebel Ali Port for final clearance.

Experts highlight that a lot of the containers stuck may not be Indian, as they include a lot of Non-Vessel Operating Common Carrier (NVOCC) operators who are operating in the Persian Gulf region. NVOCCs may not own ships, but they own these containers, said one industry source.

“The surcharges vary from line to line. These surcharges are part of the operating costs that we are suffering. There are exceptional circumstances, and hence we cannot have normal charges. The freight rates have already come down by 70-80 per cent in the last five years,” Vaswani added.

A Sakthivel, chairman, Apparel Export Promotion Council, said his industry is not facing any surcharge issue at this point. “Containers will have to take a round route now, and hence freight rates for us have increased by 40 per cent from around ₹200 per kilogram to ₹280 per kilogram,” he added.

Meanwhile, India's shipping ministry is keeping close tabs on the build up of cargo at ports across the country. Sources in the know suggested that around 20,000 containers are currently stranded or awaiting evacuation at state-owned ports in India.

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