

Freight hike may wipe out 1 month of exports: Firms

DILASHA SETH & ADITI DIVEKAR

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Exporters fear cancellation of orders ahead of the holiday season due to India's inability to fulfil export orders on account of unavailability of shipping containers and an almost 60 per cent hike in freight cost since July.

Currently facing a 20-day delay in shipments, the apex exporters body has estimated that the current delays could wipe out nearly a month's worth of the country's exports in the current fiscal year. Besides, the roll-out of faceless assessment in Customs to end physical interface is causing further delay in clearance of consignments.

The shortage of containers is being attributed to a sharp fall in imports and 'extortion' by shipping companies unwilling to bring empty vessels to India for export shipments. The shortage of containers has resulted in a sharp spike in freight cost by shipping companies.

Export bodies have sought government intervention by putting in place a regulatory body.

"The main reason for shortage of containers is the drastic fall in imports. Ideally, shipping companies have to bring empty containers back," said Federation of Indian Export Organisations (FIEO) President Sharad Kumar Saraf, adding, "We are losing more than 20 days of exports worth \$25 billion for the entire year."

Imports have fallen 40 per cent in the April-September period, and exports are down 26 per cent. In September, India's outbound shipments



posted a growth after six months at 5.27 per cent, while imports were down 19.6 per cent, compared to last year.

The freight rates for 20-foot containers have shot up to over \$1,200 per vessel, up from \$400 a few months ago.

Exporters have reached out to the Directorate General of Shipping. The FIEO has suggested establishing a regulatory agency like the Real Estate Regulatory Authority.

Engineering Export Promotion Council Chairman Mahesh Desai said India's export figures could be severely impacted. "India's credibility in the export market will suffer. If we are not able to fulfil orders in time, it will be a missed opportunity," said Desai.

He added that they have taken up the issue with the commerce department and the shipping ministry. "There is no overarching regulations for shipping companies. India does not have national shipping conglomerates like the China Ocean Shipping Company," said Desai.

While freight to mainland European ports has been hiked by 60 per cent, that to Latin America and the US has been hiked by 50 per cent.

The Federation of Freight

Forwarders' Associations in India is meeting the Central Board of Indirect Taxes and Customs on Friday.

Its Chairman V Vijaykumar said it will recommend automation of the system and supervision by senior officers, along with room to raise objections.

Mark S Fernandes, director, IMC Chamber of Commerce and Industry, pointed out that after the introduction of faceless assessment, consignments getting cleared in 24-72 hours have started taking 15 days. "If one is lucky, it gets cleared in 6-7 days," he said, adding that the Ministry of Finance has also imposed a penalty of ₹10,000 per day on importers if advance noting was not filed.

Other traders said that air cargo and sea cargo, which normally take 24 hours and 72 hours, respectively, for clearance, are facing a delay of 8-10 days on average.

"This is causing havoc in trade. Manufacturers are starved of raw material, or imported components. The clearance delay has taken detention and demurrage charges through the roof. They have jumped 400-500 per cent," said a trader.