FEDERAL
CHAMBER OF
AUTOMOTIVE
INDUSTRIES

16 May 2025

Mr Warwick Davis
Frontier Economics Pty Ltd
Ground Floor
395 Collins Street
Melbourne VIC 3000

via email: warwick.davis@frontier-economics.com.au

CONFIDENTIAL

Dear Mr Davis,

Objection to MIRRAT Proposed Price Increase – July 2025

The FCAI is the peak industry body for the Australian importers and distributors of passenger motor vehicles, sports utility vehicles, light commercial vehicles, motorcycles and off highway vehicles. FCAI members supply about 98% of new vehicles to the Australian market each year.

FCAI members are listed at https://www.fcai.com.au/about-fcai/member-manufacturers/.

Proposed MIRRAT 2025/26 tariff

By notice dated 30 April 2025, Head of Commercial and Stakeholder Management at MIRRAT, Mr Jed Smith, notified the FCAI of the proposed 2025/26 tariff to apply to the Melbourne International RoRo and Auto Terminal. The tariff schedule indicated the following:

Wharf Demurrage Fees

Cargo Type	*Tariff (AUD)*
Wheeled Vehicles < 20 CBM	*$62.78 per unit*
Wheeled Vehicles 20 - 50 CBM	*$89.93 per unit*
Wheeled Vehicles > 50 CBM	*$2.25 per cbm*

A note to the above 2025-26 table of proposed demurrage charges states:

> *Charges are payable on all cargo* ***(including all Quarantine and Customs held cargo)*** *left undelivered after 96 hours for imported cargo.* (our emphasis added)

The FCAI has noted the reasons listed as supporting the proposed price increase in the MIRRAT correspondence, and requests a review of the proposed increases to demurrage fees (including the increases that will result from the abovementioned note).

FCAI's objection to proposed 2025/26 tariff on behalf of its members

The FCAI objects to the 2025/26 demurrage charges proposed by MIRRAT on the following bases:

- the proposed demurrage charges represent a 7.0% – 7.14% increase to the 2024/25 demurrage charges, well above the average increase of 4.1% sought by MIRRAT in relation to terminal operations, and well above the 2.4% annual CPI increase to end of March 2025[1]; and

- the note to the proposed charges indicating that from 1 July 2025 demurrage will apply to held cargo is effectively a price increase (in addition to the 7% increase) that is unreasonable given the management of held cargo is effectively controlled by the terminal operator.

Increase in demurrage charges

The proposed 2025/26 MIRRAT tariff schedule outlines the following percentage increases to demurrage fees:

Cargo Type	Proposed 2025/26 Tariff (AUD)	% increase over 2024/25 demurrage charges
Wheeled Vehicles < 20 CBM	$62.78 per unit	7.01
Wheeled Vehicles 20 - 50 CBM	$89.93 per unit	7.00
Wheeled Vehicles > 50 CBM	$2.25 per cbm	7.14

The reasons outlined by MIRRAT for the increased demurrage fees are as follows:

> *Inbound volumes of passenger vehicles over the past 12 months have trended above the 5-year historical average, driven by consumer demand and OEMs/vehicle importers strategically positioning stock ahead of impending regulatory changes. While volumes have been relatively strong historically, this financial year, we have experienced a decline in inbound cargo being processed through the terminal compared to last year.*
>
> *The outlook for FY26 will continue with this same theme of softening volumes. MIRRAT forecasts a decline in inbound cargo through FY26 driven by weakening market conditions. Economic pressures such as high interest rates and inflation are expected to dampen consumer spending, reducing demand for new vehicles. Additionally, the new automotive market is experiencing increased saturation, with several new OEMs/imports set to enter the market over the next 12 months, leading to consumers holding onto their current cars longer.*

The FCAI does not agree with the MIRRAT analysis which appears to be at odds with industry expectations, actual import volumes and expert forecasts. The past two years have seen record inbound volumes of new passenger vehicles.

Annual new vehicle volumes for the period since 2020 are listed below.[2]

Year	Number of New Vehicles (Australia)	Number of New Vehicles (Victoria)
2025 (YTD 30 April 2025)	373,438	99,203
2024	1,185,563	318,724
2023	1,165,055	313,127
2022	1,034,070	274,326
2021	1,006,510	261,067
2020	882,401	217,111

1 CPI was 3.8% in the 12 months to end of June 2024.
2 VFACTS data (including EVC data for 2024-25)

While the FCAI recognises that record volumes of new vehicles into Australia cannot continue to occur year on year, forecast new vehicle sales (as per S&P Global Mobility) are listed below. The data shows continuing strong new vehicles volumes in out years. Like other industry commentators, the FCAI does not anticipate that new vehicle volumes will fall below one million vehicles per annum in the near future.

Year	Forecast Number of New Vehicles[3]
2025	1,076,890
2026	1,061,327
2027	1,060,188

The FCAI also disputes the analysis offered by MIRRAT in regard to dampening consumer demand. The past few years of high inflation, rising interest rates and cost of living concerns has not resulted in any material reduction in consumer demand for new motor vehicles. The FCAI understands that household consumption growth has started to recover and underlying inflation is expected to ease further in coming quarters.[4] The addition of (predominantly Chinese) brands into Australia gives new vehicle consumers more choice in their selection of models and is not expected to lead to consumers holding onto their current vehicles longer. For example, BYD first entered the Australian market in 2023 and sold more that 20,000 units in 2024. Within 24 months, BYD has become a top 20 brand by volume in a market that has more than 50 distinct brands available.

Further, the FCAI notes that new vehicle import volumes is not the only way in which MIRRAT recovers its costs. In recent years Wallenius Wilhelmsen (specifically MIRRAT) has maintained and increased EBITDA through activities including washing and demurrage.

> *Terminal volumes decreased 4 percent year over year. However, EBITDA for FY 2023 was USD 98 million compared to USD 63 million in 2022. The EBITDA growth was mainly attributable to extensive de-seeding activity in Australia, including washing and demurrage.*[5]

Similarly, in its 2024 annual report, Wallenius Wilhelmsen reported in respect of its entire terminal operations:

> *Terminal revenue was USD 283 million, a 4 percent increase from 2023. EBITDA for 2024 was USD 102 million compared to USD 98 million in 2023.*[6]
>
> *For logistics services, adjusted EBITDA increased 13 percent, as revenue increases exceed the increase in costs resulting in a higher average margin.*[7]
>
> *Auto revenue for the full year ended at USD 566 million, an 11 percent increase from 2023. Auto EBITDA for the full year ended at USD 82 million, a 30 percent increase from 2023, thanks to 11 percent revenue growth and operational efficiencies.*[8]

In summary, the FCAI contends the proposed increases of 7.00%, 7.01% and 7.14% for demurrage for wheeled vehicles < 20CBM, 20-50 CBM and > 50 CBM respectively are not justified by reference to:

- the annual CPI of 3.8% up to end of June 2024 and 2.4% in the 12 months to end of March 2025;

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[3] S&P Global Mobility, SBPT Forecast, March 2025.
[4] Reserve Bank of Australia - Statement on Monetary Policy – February 2025, https://www.rba.gov.au/publications/smp/2025/feb/outlook.html
[5] https://www.walleniuswilhelmsen.com/storage/images/WWAnnualReport2023.pdf, page 33.
[6] https://www.walleniuswilhelmsen.com/storage/images/Investor-relations/WAWI_2024-Annual-report.pdf, page 28.
[7] https://www.walleniuswilhelmsen.com/storage/images/Investor-relations/WAWI_2024-Annual-report.pdf, page 22.
[8] https://www.walleniuswilhelmsen.com/storage/images/Investor-relations/WAWI_2024-Annual-report.pdf, page 28.

- the past and anticipated volumes of new motor vehicles expected to be processed through the terminal which are not anticipated to see significant downward movement, particularly given population growth;
- the lack of evidence offered by MIRRAT for its assertion that consumers will hold their current vehicles for longer; and
- the lack of reference by MIRRAT to its associated sources of revenue (including demurrage and cleaning services) when considering a reasonable rate of return.

Note to demurrage charges

The note to the proposed demurrage charges adds an important and contentious condition to the proposed charges in that they allow for the imposition of demurrage fees on held cargo. Currently if cargo is held for quarantine and directed for treatment by MIRRAT a demurrage fee is not applied.

The FCAI notes that MIRRAT's previous attempt to impose a demurrage fee on held vehicles was rejected by the Independent Pricing Expert.[9]

The FCAI believes that permitting the terminal operator to impose a demurrage fee on a vehicle in circumstances where the terminal operator manages, schedules and controls the cleaning process is fundamentally flawed. The FCAI is aware that earlier his year some FCAI members were informed cleaning of their vehicles could not commence for periods of up to two-three weeks. Had the proposed MIRRAT demurrage on held vehicles regime been in place, this would have imposed a significant and unjustified expense on car importers. The FCAI believes that it is not reasonable for the terminal operator to impose demurrage on held vehicles given the terminal operator effectively controls the amount of time the held cargo remains in demurrage before being directed to the cleaning process.

The ability for FCAI members to move vehicles off the terminal for cleaning is extremely limited and time consuming. It is challenging for FCAI members to seek alternative quarantine services outside of the terminal for the following reasons:

- vehicles subject to the quarantine services have to be transported from the terminal to a very limited number (one) of alternative providers. To do so, the vehicles have to be transported in enclosed carriers and so are transported 2-3 vehicles per load. There are a very limited number of fully enclosed carriers in Melbourne;
- the movement of the vehicles off the terminal would also be subject to the time constraints applicable at the port. The FCAI understands that the MIRRAT booking system limits the volume that can be moved;
- MIRRAT will impose demurrage charges on vehicles that are not subject to MIRRAT quarantine services immediately following the expiration of the 96 free hours. A port discharge could easily consist of 1,000 units. At 2-3 vehicles per truck, transporting the vehicles off the terminal will necessarily take some days and so it is generally not possible to move all vehicles from the port in covered vehicles within the 96 hour time frame.

The FCAI contends that the imposition of demurrage charges on held cargo is not justified given:

- the condition effectively imposes an additional charge that has not been justified by MIRRAT in any way;
- a similar charge was rejected by the IPE in June 2023; and
- the amount of time a vehicle remains in demurrage prior to being cleaned by the terminal operator is within the effective control of the terminal operator.

Summary

In summary, the FCAI requests that the IPE:

[9] Dr John Fallon, *Melbourne International RoRo & Auto Terminal Pty Ltd Independent Price Expert Determination*, 19 June 2023, page 3.

- review the proposal by MIRRAT to increase the demurrage fees at the terminal for wheeled vehicles by 7.0% - 7.14%;
- reject the inclusion of the new condition that MIRRAT proposes in relation to demurrage charges that would permit demurrage be charged on held cargo.

I hope the above information is of assistance to you. The FCAI would be pleased to provide any further information that the IPE may require.

Yours sincerely

Dianne O'Hara

Dianne O'Hara
Director Industry Operations