

Seafarers Rehabilitation and Compensation Levy Regulations 2002

2002 No. 153

EXPLANATORY STATEMENT

Statutory Rules 2002 No. 153

Issued by the authority of the Minister for Employment and Workplace Relations

Seafarers Rehabilitation and Compensation Levy Act 1992

Seafarers Rehabilitation and Compensation Levy Regulations 2002

Subsection 7(1) of the *Seafarers Rehabilitation and Compensation Levy Act 1992* (the Levy Act) provides that the Governor-General may make regulations for the purposes of section 5 of the Act. Subsection 7(2) provides that before advising the Governor-General about the making of a regulation under subsection (1), the Minister must consult the Seafarers Safety, Rehabilitation and Compensation Authority (the Authority) on the following matters:

- (a) the need to ensure that the Fund has adequate financial reserves for the purposes of its prudential management;
- (b) reasonable estimates of the Fund's present and future liabilities under the *Seafarers Rehabilitation and Compensation Act 1992* (the Seafarers Act); and
- (c) the cost of administering the Authority in connection with the performance or exercise of the Fund's functions, powers and obligations under the Seafarers Act.

As required by subsection 7(2) of the Levy Act the Minister for Employment and Workplace Relations has consulted with the Authority on all of those matters set out in paragraphs 7(2)(a) to (c).

Section 100 of the *Seafarers Rehabilitation and Compensation Act 1992* (the Seafarers Act) provides that if the Minister has revoked the approval of a trading corporation as the Fund under section 99, then the Minister may, by notice published in the Gazette, declare that the Authority is to have the Fund's functions, powers and obligations under the Seafarers Act. This means that the Authority will take over the Fund's responsibilities.

Section 4 of the Levy Act provides that if the Minister has made a declaration under section 100 of the Seafarers Act a levy is imposed on seafarer berths on prescribed ships.

Section 5 of the Levy Act provides that the rate of levy imposed on each seafarer berth is such amount as is prescribed. Section 6 provides that the levy is payable by an employer who employs or engages seafarers on a prescribed ship.

On 17 April 2002 by notice in the Commonwealth of Australia Gazette, the Minister for Employment and Workplace Relations declared the Authority to have the functions, powers and liabilities of the Fund under the Seafarers Act (following the revocation of the approval of the trading corporation which had been the Fund).

The Fund is the safety-net provider of rehabilitation and compensation entitlements under the Seafarers Act.

The purpose of the Regulations is to provide for a rate of levy per seafarer berth on prescribed ships. The levy provides the funding resources for the Authority, now operating as the Fund, to

meet the costs of its obligations under the Seafarers Act. These obligations include the payment of workers compensation and rehabilitation costs, insurance premiums and administration costs.

The levy is payable quarterly pursuant to the *Seafarers Rehabilitation and Compensation Levy Collection Act 1992*. Corresponding Regulations under that Act have been made for matters associated with the collection of the levy.

Details of the Regulations are set out in **Attachment 1**. The Regulatory Impact Statement for the Regulations is at **Attachment 2**.

The commencement date for the Regulations is 1 July 2002.

ATTACHMENT 1

SEAFARERS REHABILITATION AND COMPENSATION LEVY REGULATIONS 2002

Regulation 1 - Name of Regulations

This is a formal provision that sets out the name of the Regulations.

Regulation 2 - Commencement

Regulation 2 provides that the Regulations commence on 1 July 2002.

Regulation 3 - Definitions

Regulation 3 provides that 'Act' for the purposes of the Regulations means the *Seafarers Rehabilitation and Compensation Levy Act 1992*.

Regulation 4 - Rate of levy

Regulation 4 provides that the rate of levy for the purposes of section 5 of the Act is \$53.00.

Regulation Impact Statement

Regulations made pursuant to the *Seafarers Rehabilitation and Compensation Levy Act 1992* and *Seafarers Rehabilitation and Compensation Levy Collection Act 1992* to impose a levy on the shipping industry to support a safety-net workers' compensation Fund and provide for collection of the levy

Background

The *Seafarers Rehabilitation and Compensation Act 1993* (the Seafarers Act) establishes a scheme of workers' compensation and rehabilitation for defined Australian seafarers (at April 2002 the scheme covered about 3,000 such seafarers employed by approximately 27 shipping companies [employers]).

The Seafarers Act establishes the Seafarers Safety Rehabilitation and Compensation Authority (the Seacare Authority) comprising an independent Chairperson, a Deputy Chairperson, two members representing employers, two members representing employees and the Chief Executive Officer of the Australian Maritime Safety Authority. The functions of the Seacare Authority are to:

- monitor the operation of the Seafarers Act;
- promote high operational standards of claims management and effective rehabilitation procedures by employers;
- co-operate with other bodies or persons with the aim of reducing the incidence of injuries to employees;
- publish material relating to the functions of the Authority;
- formulate policies and strategies relating to the occupational health and safety of employees;
- accredit occupational health and safety training courses for the purposes of section 47 of the *Occupational Health and Safety (Maritime Industry) Act 1993*;

- advise the Minister for Employment and Workplace Relations about anything relating to the Authority's functions and powers and other matters relating to the compensation and rehabilitation of employees; and
- such other functions as are conferred on the Authority by the Act or any other Act.

The Department of Employment and Workplace Relations provides secretariat, policy and administrative support to the Seacare Authority.

The Seafarers Act provides for the Minister to approve a trading corporation to be the Fund under that Act - the Fund is a safety-net employer in the event of a default event (defined as a circumstance when an employer becomes bankrupt or insolvent, is wound up or ceases to exist or no longer engages in trade or commerce in Australia). The Minister approved the Australian Maritime Industry Compensation Agency Ltd (AMICA Ltd), a corporation registered in Victoria and which operates under the umbrella of the Australian Shipowners Association (ASA), as the Fund in 1993 on commencement of the Seafarers Act.

AMICA Ltd acts as the trustee for the Australian Maritime Industry Compensation Foundation (the AMICA Foundation). The administration of the statutory obligations of the AMICA Foundation is undertaken by AMICA Ltd. AMICA Ltd is managed by a four-person board of Directors. The Deed of Settlement of the Australian Maritime Industry Compensation Foundation states that the Australian seagoing and offshore industry means the collective activities of any of the persons, firms, companies, or associations engaged in the trade of coastal or overseas shipping or in the exploration, development, operation and support of oil and gas production in which employees are engaged on ships or, attending at a seafarers engagement on a ship pursuant to the provision of the Maritime Industry Seagoing Award 1983 (or any schedule to that Award) or, as a trainee.

The Deed provides that any person, firm or corporation engaged in the Australian seagoing and off-shore industry may apply in writing to the trustee in a form approved by the trustee to be admitted to the Foundation as a participant of the Foundation.

The application for participation in the Foundation as a participant must state that upon admission the employer agrees to be bound by the provisions of the Deed and the rules. There is no application fee to join. If the applicant is accepted as a participant, the Trustee issues a Certificate of Entry.

The Trust Deed provides that every participant and affiliated body must make contributions to the Fund in such amounts and at such times as are stipulated by the Trustee in accordance with the rules.

AMICA Ltd has established its own arrangements for meeting the administration costs and liabilities of the Fund. Although the Fund acts as a safety-net for all employers covered by the Seafarers Act, AMICA Ltd is funded directly only by those industry employers who are participants (members) of the AMICA Foundation. Other employers do not contribute to the costs of the Fund, although their employees are covered by the safety-net provided by the Fund. There has been no previous Government involvement in the collection of contributions from employers towards the costs of the Fund.

Of the 27 shipping companies covered by the Seafarers Act, 15 or 56% are participants in AMICA and make voluntary levy contributions to meet the administration costs of the Fund. These 15 companies account for approximately 85% of seafarer berths in the industry. They are the larger employers.

The voluntary levy rate paid by these 15 companies to AMICA Ltd in 1999-00 was \$26 per berth per quarter. The levy rate was \$24 per berth per quarter in 2000-01. The voluntary levy has

averaged \$60 per berth per quarter for the first 3 quarters in 2001-02 because of a claim on the Fund which was paid out during 2001-02. The levy rate is calculated on the basis of budgeted expenditure to cover annual Fund administration expenses such as insurance, auditing costs, staff costs etc, and is increased to recover the costs of claims if and when these arise.

The problem

Among other requirements, the Seafarers Act provides that the Fund must on each day have a policy of insurance or indemnity from an authorised insurer for any amount of the Fund's liability under the Seafarers Act that exceeds a prescribed amount (prescribed at \$2m in 1993). In January 2002 the Fund (AMICA Ltd) advised the Minister for Employment and Workplace Relations that it was unable to secure an insurance policy from 31 January 2002 ie it could no longer comply with a key requirement of its approval under the Seafarers Act.

The Seafarers Act provides for the Minister to revoke the Fund's approval if it cannot satisfy one or more requirements under that Act. One such requirement is the obligation to maintain a policy of insurance. The Seafarers Act further provides that if the Minister revokes the approval of a trading corporation as the Fund, the Minister may declare, by notice published in the Gazette, that the Seacare Authority is to have the Fund's functions, powers and obligations under the Seafarers Act.

On 10 April 2002 the Minister revoked the approval of AMICA Ltd as the Fund and declared the Seacare Authority to be the Fund. The revocation and declaration were gazetted on 17 April 2002.

As a contingency measure, to enable the Commonwealth to collect monies for the Seacare Authority to operate the Fund in the event that the approval of the industry body as the Fund should ever be revoked, the Commonwealth enacted the *Seafarers Rehabilitation and Compensation Levy Act 1992* (Levy Act) which provides for a levy to be imposed on seafarer berths on prescribed ships. The Levy Act provides that the levy is imposed once the Minister makes a declaration that the Seacare Authority is to be the Fund and provides for regulations to be made prescribing the amount of the levy for each seafarer berth. Before such regulations are made, the Minister must consult the Seacare Authority about:

- the need to ensure that the Fund has adequate financial reserves for the purposes of its prudential management;
- reasonable estimates of the Fund's present and future liabilities under the Seafarers Act; and
- the cost of administering the Authority in connection with the performance or exercise of the Fund's functions, powers and obligations under the Seafarers Act.

The *Seafarers Rehabilitation and Compensation Levy Collection Act 1993* (Levy Collection Act) sets out the necessary requirements and procedures for the collection of the levy. It provides penalties for the non-payment of the levy, and allows for the detainment of a prescribed ship if necessary. The Levy Collection Act also provides for regulations to be made prescribing the detailed arrangements for collection of the levy.

Objectives of the regulations

The objective of the regulations is to set the rate of the levy and commence its collection from employers of seafarers on prescribed ships as soon as practicable after the Minister declares the Seacare Authority as the Fund. It is proposed that the arrangements come into operation on 1 July 2002.

The regulations under the Levy Act will specify the amount of the levy. After consultation with the Seacare Authority in accordance with Section 6 of the Levy Act and with the benefit of actuarial advice that addressed risk quantification, a preferred levy collection model has been identified.

The regulations under the Levy Collection Act will specify:

- the manner of payment of the levy;
- the repayment of overpayments;
- employer record keeping;
- employer information requirements relating to ship berths; and
- penalties and other matters required for giving effect to the Levy Collection Act.

Options

As the provisions of the Seafarers Act, the Levy Act and the Levy Collection Act establish a scheme which must be followed once the Minister revokes the approval of a trading corporation as the Fund and declares the Seacare Authority to have the functions of the Fund, there are no options available to Government in the circumstances other than for the Levy Act and the Levy Collection Act to be invoked and for regulations to be made to prescribe the rate of the levy and provide for its collection. The regulations will not however impose any obligations on employers other than those specifically required by the Levy Act and the Levy Collection Act.

These arrangements are anticipated to be for a short term only. The policy objective is that the Seacare Authority would only operate as the Fund until such time as it becomes possible for a trading corporation, with industry support, to again be approved as the Fund.

While there is no option but to impose and collect a levy, a number of models for collecting the levy have been identified by an actuary engaged by the Department of Employment and Workplace Relations (DEWR). Each of these models provides differing levy outcomes. In identifying the levy collection model DEWR sought independent actuarial advice. That advice has quantified the risk of a default event occurring at 0.4%. The actuary also estimated the contingent liability as being approximately \$21,000 per annum, requiring a reserve of approximately \$270,000. The preferred levy rate arising from the preferred model was also determined having regard to AMICA Ltd advice on current Fund administration costs. There are no current workers' compensation liabilities on the Fund.

The options are:

Option 1: Post-funded model, whereby the levy would be set at a rate necessary to collect administration costs only, while the costs of any claims would only be met by the levy if and when they arise.

Option 2: Pre-funded model, where administration costs would be met by a levy but the whole of the reserve required to meet the contingent liability is collected by a high levy rate in the first quarter.

Option 3: Hybrid model, whereby the contingent liability would be collected in equal levy instalments over the first year.

Option 4: Premium equivalent model, whereby the contingent liability is collected over a period of years (12 years is suggested).

Impact analysis (costs and benefits)

The impact of each of the models on stakeholders is analysed below.

Option 1: Post Funded Model

Under this model the levy is set to collect sufficient funds to only cover the administration costs of the Fund (estimated at \$270,000 per annum). The levy rate per berth per quarter would be \$48. This compares to the recent voluntary levy being collected by AMICA just before it was revoked as the Fund of \$60 (although prior year voluntary levies averaged approximately \$25). Should a claim be made on the Fund the claim cost would initially be met from departmental appropriations, and the levy adjusted in the next quarter to recoup the cost of the claim.

Costs to employers

This model imposes the least immediate cost on employers - except, if a claim arises the levy would need to be increased accordingly, as no reserve would be accumulated.

Benefits to employers

The benefit is that it is similar to the voluntary levy arrangements currently used by AMICA before revocation with which employers are familiar. It is also similar to the safety-net arrangements used by State schemes which are privately underwritten.

Costs to Commonwealth

The Commonwealth, through the Department of Employment and Workplace Relations, could be required to meet a short-term liability until such time as the levy can be increased and reserves accumulated to cover the liability, plus any reimbursement to the department for monies expended to meet the short-term call.

Benefit to Commonwealth

There are no benefits to the Commonwealth.

Cost to employees

The cost to employees is that there could be a perception of uncertainty about access to compensation if no reserves are in place.

Benefits to employees

There are no specific benefits to employees.

Option 2: Pre Funded Model

Under this model the levy is set to cover estimated administration costs (\$270,000) and to collect the necessary level of reserves (estimated by the actuary as \$270,000) in the first quarter. The levy rate for the first quarter would be approximately \$234 per berth per quarter, but would fall back to about \$47 per quarter thereafter.

Costs to employers

This model imposes the highest cost on employers, particularly in the first quarter when the whole of the reserve is collected. It would be unpopular with employers at a time when they are concerned about their lack of competitiveness due to cost factors such as workers' compensation premiums. There would also be concerns from the employers about the effective investment of the reserves and their disbursement in the event that the Seacare Authority is revoked at some future point in favour of AMICA or another body as the Fund.

Benefits to employers

The benefit to employers is that after the first quarter, the levy is low - only required to meet administration costs from that point.

Costs to Commonwealth

It is inefficient as it requires different levy rates (and therefore different regulations) for different quarters in the one year.

Benefit to Commonwealth

The reserve is quickly available to cover any claim on the Fund, thereby minimising any short-term call on the Commonwealth funds in the event of a liability arising.

Cost to employees

There are no apparent costs to employees.

Benefits to employees

The benefits to employees is that there is certainty about access to compensation if reserves are in place quickly.

Option 3: Hybrid Model

Under this model, the pre-funded model is modified to cover administration costs (\$270,000pa) and to collect the necessary reserves (\$270,000) over the first 12 months of operation of the Fund. In subsequent years the levy would be reduced to cover ongoing administration costs, and should there be any claims, to maintain the reserve at \$270,000. The levy rate during the first 12 months would be approximately \$94 per berth per quarter, and would fall thereafter to about \$47 per berth per quarter (plus any amount necessary to restore the reserve in the event of claims). Should a claim be made on the Fund which exceeds the reserves available, that part of the claim exceeding the reserves would be met from departmental appropriations and the levy adjusted in subsequent quarters to recoup the excess.

Costs to employers

This model imposes a high cost on employers, particularly in the first year when the whole of the reserve is collected. It would also be unpopular with employers at a time when they are concerned about their lack of competitiveness due to cost factors such as workers' compensation premiums. There would also be concerns from the employers about the effective investment of the reserves and their disbursement in the event that the Seacare Authority is revoked at some future point in favour of AMICA or another body as the Fund. The levy rate is higher in the first year than employers have recently experienced under the voluntary AMICA arrangements (\$60) and therefore likely to be of concern to employers.

Benefits to employers

The benefit to employers is that after the first year, the levy is low - only required to meet administration costs from that point. However, there is more consistency in the levy rate from quarter to quarter during the first 12 months. The reserve is built up over a longer cycle, thereby reducing the levy rate over the pre-funded model

Costs to Commonwealth

It is inefficient as it requires different levy rates in the first and second years (and therefore different regulations). The Commonwealth could still be required to meet short-term liabilities during the first 12 months while the reserve is accumulated.

Benefit to Commonwealth

The reserve is accumulated relatively quickly to cover any claim on the Fund, thereby minimising any short-term call on the Commonwealth funds in the event of an arising liability after year one.

Cost to employees

There are no apparent costs to employees.

Benefits to employees

The benefits to employees is that there is certainty about access to compensation if reserves are in place relatively quickly.

Option 4: Premium Equivalent Model

Under this model the levy would be set to cover administrative costs (\$270,000) plus an amount equal to the estimated contingent liabilities (\$21,000 annually) to accumulate over 10-12 years to an amount of approximately \$270,000 (the estimated default event cost). The levy under this model would be approximately \$53 per berth per quarter. Should a claim be made on the Fund which exceeds the reserves available, that part of the claim exceeding the reserves would be met from departmental appropriations and the levy adjusted in subsequent quarters to recoup the excess.

Costs to employers

This model imposes a modest cost on employers spread evenly over a longer time period (up to 12 years).

Benefits to employers

The benefit to employers is that the reserve is built up over a longer cycle, thereby reducing the levy rate over the pre-funded model. The levy rate is less than recently experienced by employers under the AMICA voluntary levy approach.

Costs to Commonwealth

The Commonwealth could still be required to meet short-term liabilities during the early years while the initial reserve is accumulated, but thereafter would likely to be only called on if a default event occurred within the first 12 years.

Benefit to Commonwealth

The reserve is accumulated relatively quickly to cover any claim on the Fund, thereby minimising the likelihood of any short-term call on the Commonwealth funds in the event of a liability arising. There is less difficulty in unwinding the arrangements if AMICA or another employer body is able to assume responsibility as the Fund

Cost to employees

There are no apparent costs to employees.

Benefits to employees

The benefits to employees is that there is certainty about access to compensation if reserves are in place relatively quickly.

Option 4 is the preferred model.

[**Note:** the levy calculations included in this analysis are based on ship berths data at 1 October 2001. If berths data differs at later collection periods, then the levy rate required to meet costs may need to be adjusted].

Impact analysis - preferred model

Under the preferred levy collection model, the amount of compulsory levy required to ensure the Fund has:

- adequate financial reserves for the purposes of its prudential management;
- reserves to cover present and future liabilities; and
- funds for meeting the cost of administering the Fund whilst under the management of the Seacare Authority (as required by the Levy Act),

is a modest per berth cost for the first year (\$53 per berth per quarter or \$212 per berth per annum). This levy rate is lower than the current (2001-02) voluntary levy (\$60 per berth per quarter) now imposed by AMICA on the 15 companies who are participants in the Fund, though higher than the voluntary contributions made by companies during 1999-00 and 2000-01 (\$26 and \$24 per berth per quarter respectively). For companies currently contributing the voluntary levy, the compulsory levy is a replacement levy, resulting in lower costs to participating members of AMICA in 2002-03 than in 2001-02. For companies not currently contributing a voluntary levy, the cost will be an additional \$53 per berth per quarter for each ship berth on those company's ships. Table 1 below summarises the levy rate over the period 1999-00 to 2002-03.

Table 1: Comparison of voluntary levy with proposed compulsory levy 1999-00 to 2002-03

Voluntary levy per berth per quarter (under AMICA Ltd)			Compulsory levy per berth per quarter (under Seacare Authority)
1999-00	2000-01	2001-02	2002-03
\$26	\$24	\$60	\$53

Source: AMICA and Seacare Authority

The compulsory levy will be spread across all Australian shipping companies. At present the Seafarers Act requires that the trading corporation which is approved as the Fund has as participants (shipping employers) who represent not less than 80% of the seafarer berths on all

prescribed ships under the Act. In 2000-01 AMICA Ltd obtained, on a voluntary basis, contributions from employers representing some 85% of seafarer berths, resulting in approximately 15% free-riding the scheme i.e. they are eligible to access the benefits of the Fund, but make no contribution to its administration or liability costs.

Those shipping companies currently paying a voluntary levy to AMICA Ltd to meet its administration costs for the Fund will no longer have to meet the AMICA voluntary levy cost because the compulsory levy is a substitute to existing costs of supporting the Fund. The levy will be collected according to ship berths from all employers of seafarers on prescribed ships, ensuring that its application is equitable across eligible employers - the more ships and the more berths (and consequently, the more employees) the greater will be the proportional cost for individual employers.

Given the relatively modest size of the levy it is not expected that it will be passed on to clients and consumers, noting that for a large number of employers the levy will substitute for current voluntary payments to AMICA Ltd.

Given that the voluntary levy has historically been collected from larger employers, the impact of the imposition of a compulsory level will have a stronger impact on smaller employers. It should be noted however, that the smaller employers are generally those servicing the offshore oil and gas sector who are represented by the Australian Mines and Metals Association, rather than the Australian Shipowners Association. The AMMA has not been represented on the AMICA Ltd board and ASA does not appear to have actively sought participation from smaller offshore industry shipping companies. AMMA member employers have had the benefit of the Fund in the past but have not contributed to its costs.

Table 2 below shows that the 12 additional companies that will become bound by the compulsory levy are generally small companies, with the majority employing less than 50 seafarers.

Table 2: Size of employers contributing the voluntary levy compared to payment of the compulsory levy, 2001-02

	0-50 seafarers	50-100 seafarers	100-200 seafarers	200-300 seafarers	>300 seafarers	Total seafarersemployers
Number of employers not paying any levy, by size	9	2	1	0	0	12
Number of employers paying voluntary levy, by size	5	6	3	0	1	15
Number of employers paying compulsory levy, by size	14	8	4	0	1	27

Source: AMICA and Seacare Authority

Shipping employers will be required to provide quarterly data on the number of seafarer berths. This requirement will impose a small additional imposition on employers who already provide quarterly employee and hours worked data to the Seacare Authority. The berths data reporting requirements will be integrated into the existing on-line reporting requirements which employers undertake.

Overall, the impact of the regulations on employers is considered to be minimal.

Benefits to shipping employers

The benefit to shipping employers is that the Fund (ie all employers of seafarers on prescribed ships) is responsible for meeting workers' compensation liabilities in the circumstances of a default event.

The costs of administering the Fund will be spread equitably across all relevant shipping employers, not just those who currently contribute on a voluntary basis to the costs of the Fund under its administration by AMICA Ltd.

The administrative arrangements that are being established will ensure that any reserves held by the Fund, if and when the Fund transfers back to industry control, will be returned to the trading corporation approved as the Fund.

Additionally, the certainty provided by having a financially secure Fund in place minimises the risk of industrial disputation that could occur if there was uncertainty as to employees' future workers' compensation entitlements.

Costs to employees

There are no identifiable costs to employees.

Benefits to employees

For employees and their organisations, the certainty that workers' compensation entitlements will be met provides a high degree of security.

Costs to Government

There are minimal costs to the Seacare Authority (ie to Government) as all expenditure associated with the administration of the Fund is expected to be met from income generated by the levy. It is proposed that, to maintain as much industry control of the administration of the Fund as possible, in keeping with the policy intention that the Fund be returned to an industry body as soon as practicable, that the day to day functions of the Fund be outsourced by the Seacare Authority and that the service fee for this arrangement be met from levy income.

Benefits to Government

The benefit to the Commonwealth of maintaining a Fund supported by a levy arrangement is that in the event of a default event, the workers' compensation liability will not fall to the Commonwealth.

Consultation

The Department of Employment and Workplace Relations, in concert with the Seacare Authority has consulted the Australian Mines and Metals Association (AMMA - representing companies servicing the offshore oil and gas sector) and Australian Shipowners Association (ASA - representing the trading fleet or bluewater sector). In addition both organisations made representations to the Seacare Authority, to assist the Seacare Authority in the provision of advice to the Minister under s. 7 of the Levy Act. The AMMA and ASA have given cautious acceptance to the introduction of the levy at the rate proposed. Both AMMA and ASA have qualified their acceptance by raising concerns about: (i) the apparent high cost of the scheme given estimated annual liabilities; (ii) the estimated administration costs of the Fund which the industry would have preferred to have been fully costed; and (iii) the need for longer term review of the current Fund arrangements given that the scheme was designed in an era of industry employment which no longer reflects enterprise employment practices.

The Department also consulted with the Department of Transport and Regional Services and it agrees with the proposed approach.

Department has also consulted with the directors of AMICA Ltd, who are also in agreement with the proposed approach.

The Seacare Authority met on 13 June 2002 to consider the levy rate having regard to the provisions of s. 7 of the Levy Act. It did not make a decision on 13 June to enable the AMMA and ASA to consult further with their member companies affected by the levy. On 24 June 2002, having received advice from AMMA and ASA, the Chair of the Seacare Authority advised the Minister that on the basis of industry advice and the provisions of s.7 of the Levy Act it supports a levy rate of \$53. The Seacare Authority indicated that the levy rate should be reviewed each quarter and adjusted according to actual costs of operation of the Fund. The Minister has agreed that the levy be reviewed each quarter and has communicated this view to the AMMA, ASA and Seacare Authority.

Conclusion

In the circumstances, the imposition of a levy on shipping employers who employ seafarers on prescribed ships is unavoidable.

The financial and administration costs of collecting the levy will be modest, the levy is equitably spread across all applicable employers, the levy will be equivalent to a premium and will only be imposed until an industry supported trading corporation can once again be approved as the Fund. The premium-equivalent levy rate will be reviewed each quarter with a view to adjustment to take account of actual costs of operating the Fund.

There are considerable benefits to shipping companies and employees in the industry, as well as to the Commonwealth, in imposition of a premium-equivalent levy through regulations under the Levy Act and Levy Collection Act.

The Commonwealth will keep the need for the premium-equivalent levy arrangements under review with the aim that the Fund be transferred back to a trading corporation as soon as practicable. The Seacare Authority has been requested by the Minister to review the current arrangements after 6 months operation and to advise him on the continuing applicability or otherwise of the arrangements.