

Survey Regime Consultation
Australian Maritime Safety Authority
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BRADDON ACT 2612

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Dear Sir/Madam

PROPOSED CHANGES TO THE VESSEL SURVEY REGIME ARRANGEMENTS

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to provide its views on the Australian Maritime Safety Authority's (AMSA) guidance paper on the proposed changes to the survey regime for domestic commercial vessels (the survey regime). We are pleased that AMSA is consulting on this matter, given that the proposed changes would have serious consequences for national public safety, the domestic marine insurance industry and Australian economy.

The Insurance Council is concerned with AMSA's proposals to 'streamline' the existing survey regime by: expanding the non-survey category of certain commercial vessel classes (i.e. increasing the number of commercial vessels that would be exempt from the survey regime); and reducing the periodic survey requirements for certain commercial vessel classes (i.e. certain commercial vessels would need to be surveyed less frequently).

The proposals would lead to a material relaxation of the present rigorous survey regime and therefore create significant risks for public safety in Australia, as less regulatory scrutiny would be applied to ensure that commercial vessels meet Australian standards. In this regard, the proposals therefore contradict the fundamental objectives of the survey regime itself, as also pointed out in the Decision Regulation Impact Statement (RIS):

*"Vessel survey is a process whereby a qualified person confirms that a vessel is built and maintained to the required design, construction and equipment standard. A vessel that is built and maintained to the required standard is less likely to be involved in an incident and, where an incident does occur, it is less likely to result in a serious or fatal injury."*²

The Insurance Council notes that, as one key reason underpinning the proposals, the guidance paper places a high level of emphasis on reining in government costs associated with administering the survey regime. We are disappointed to see that the guidance paper appears to prioritise government administration cost reduction targets at the expense of

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. December 2017 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$44.9 billion per annum and has total assets of \$118.6 billion. The industry employs approximately 60,000 people and on average pays out about \$132 million in claims each working day.

² Decision [Regulation Impact Statement](#), Survey requirements for domestic commercial vessels, page 4.

maintaining national public safety. The guidance paper is not clear on how the proposals would reduce administration costs while maintaining overall public safety outcomes.

The Insurance Council supports the retention of the present survey regime, as it prevents vessel operators from becoming complacent in maintaining their vessel to the required Australian standards. We agree with the more specific concerns raised by other stakeholders' with the proposed changes, as detailed in the RIS³:

- Electrical problems, found during annual vessel surveys, would not be picked up.
- Reduced vessel survey requirements would result in operators (and related service providers) spending more resources to demonstrate to third parties (particularly marine insurers) that a commercial vessel continues to meet the national standard.
- If vessel survey frequency was reduced, safety equipment which expires on an annual basis (such as life rafts and fire-fighting equipment) may not be maintained.

AMSA's proposals would have a significant negative impact on the marine insurance sector (which provides critical support to the successful operation of the Australian maritime industry), and the Australian economy more broadly. The changes would operate to diminish the considerable indirect benefits to the maritime industry and the Australian economy of the present vessel survey regime, as emphasised in the RIS:

"... vessel surveys provide considerable indirect benefits to the maritime industry and the Australian economy. For example, a poor safety record or significant safety incident could reduce demand for domestic commercial vessel operations in Australia. This may affect the livelihoods of those operating or employed in the industry and impact on the efficiency and competitiveness of the broader economy."⁴

From a marine insurance perspective, the proposed changes would significantly increase the number of high insurance risk commercial vessels and unfairly expose Australian marine insurers to a material increase in insurance claims.

Marine insurers would be unnecessarily forced to seek independent surveys on any commercial vessel falling into a class which became 'non-survey', 'self-certification' or which had a less frequent survey requirement, the costs of which would ultimately need to be passed on to insurance policyholders.

This would lead to higher marine insurance premiums or reinsurance charges for Australian insurers and/or insurers becoming more selective. Marine insurance providers operating in Australia may also be forced to exit certain segments of the commercial vessel market, leading to a disruption in the supply of marine insurances and associated services. The ultimate effect of this on commercial vessel operators would be severely detrimental.

³ Decision [Regulation Impact Statement](#), Survey requirements for domestic commercial vessels, page 22.

⁴ Decision [Regulation Impact Statement](#), Survey requirements for domestic commercial vessels, page 11.

If you have any questions or comments in relation to our submission, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



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