of the section 90 safety arrangements to enhance their efficiency in any way possible. I commend the Bill to the
House, and for the information of members I table an associated explanatory memorandum.

[See paper No 892.]

Debate adjourned, on motion by Mr Cunningham.

ACTS AMENDMENT (FRANCHISE FEES) BILL

Second Reading

MR BARNETT (Cottesloe - Leader of the House) [10.31 am]: I move -

That the Bill be now read a second time.

This Bill is the second of the two Bills necessary to complete the legislative requirements arising in Western Australia
from the High Court of Australia decision on state franchise fees. The Bill includes amendments to the Liquor
Licensing Act, Business Franchise (Tobacco) Act, Transport Coordination Act and a number of other Acts where
the High Court decision has had flow-on consequences.

As I indicated in my introduction to the Fuel Suppliers Licensing and Diesel Subsidies Bill, an increase in the federal
sales tax on liquor has replaced the state franchise fees on liquor. Revenue replacement grants equivalent to the
additional sales tax revenues raised by the Federal Government are being shared between the States.

The increase in the federal sales tax on liquor is 15 percentage points, which is equivalent to a franchise fee rate of
about 12 per cent. This is significantly higher than the previous state franchise fee rate on low alcohol products of
7 per cent, and slightly higher than the previous franchise fee rate of 11 per cent on full strength liquor. Furthermore,
the sales tax increase applies to cellar door wine sales which were previously exempt from state franchise fees.
Accordingly, the Government is paying a subsidy to liquor merchants on low alcohol products, equivalent to the
difference between the sales tax increase and the concessional state franchise fee rate. It is also paying wine
producers a subsidy equivalent to the full amount of the sales tax increase.

At this point I wish to emphasise that the Government recognises concerns expressed by the wine industry about the
use of the term "subsidy" to describe the payments to wine producers. Again, this merely reflects the advice of the
parliamentary draftsperson; it does not imply any lack of commitment by the Government to ensuring that the benefit
provided to wine producers, or to other subsidy recipients, continues.

As in the case of diesel fuel, subsidy payments have already commenced under the interim authority of the
Appropriation (Consolidated Fund) Act (No 4), and individual contracts between the Government and recipients.
The appropriation Act provided sufficient funding for about six months.

The proposed amendments to the Liquor Licensing Act in this Bill make provision for the permanent subsidy
arrangements for both low alcohol liquor and cellar door wine, including standing appropriations. The passage of
the proposed amendments will remove the need for individual contracts with subsidy recipients and thereby reduce
administration and compliance costs. However, members will note that much of the detail of the liquor subsidy
schemes, including the conditions that apply to the cellar door wine subsidy, are to be specified in the regulations
to the Liquor Licensing Act, rather than in the Act itself.

This will give the Government maximum flexibility to make any policy adjustments over time to the subsidy schemes,
including those as a consequence of any changes arising from commonwealth-state reviews of the overall safety net
arrangements. In this regard, a difference between the liquor subsidies and the diesel fuel subsidies is that there is
no prior experience with any similar arrangements. In the case of diesel fuel, the subsidy arrangements largely mirror
a longstanding exemption certificate arrangement that applied under the fuel franchise fee system.

It is intended that the regulations will also be tabled before the end of 1997. For the information of members, the
cellar door wine subsidy will apply to traditional cellar door sales, tastings, on-site restaurant sales, mail order sales,
promotional wine and donations. This should ensure that the regional tourism and employment objectives of the
original exemption scheme continue to be met. Nevertheless, a few conditions will apply to balance the legitimate
concerns of liquor retailers about potentially unfair competition.

In particular, the Government proposes to restrict the subsidy to wine produced by the producer in Western Australia,
and sold from the producer's licensed premises. In effect, mail order sales solicited off the producer's licensed
premises to the general public will be excluded, as these sales compete most directly with liquor retailers. Also
proposed is a 45 litre volume limit on individual cellar door sales, and a requirement that no charge is made by the
producer for any tastings or promotional stock, if a subsidy is to be claimed. Both of these conditions also apply in
New South Wales.
The cost of the liquor subsidy schemes is estimated to be $8m per annum in the case of low alcohol liquor, and $3m per annum in the case of cellar door wine. Up to 300 merchants and wine producers will benefit. As in the case of fuel, these costs and the loss of the liquor franchise fee are expected to be fully offset by the revenue replacement grants received from the Federal Government.

The small amount of surplus revenue from the net tax increase on high alcohol products, together with the additional full year revenues from what amounts to a net tax increase on tobacco will be applied to the revenue shortfall from petrol and other costs of the safety net arrangements. Overall, apart from some one-off transitional losses in 1997-98, the safety net arrangements are expected to be revenue neutral.

The amendments to the Liquor Licensing Act also provide for a prescribed fee to replace the ad valorem franchise fees on liquor retailers. The proposed fee is $105 per annum, which will be a contribution towards the cost of administration of the liquor industry by the licensing authority.

The amendments to the Business Franchise (Tobacco) Act maintain the existing tobacco licensing arrangements, such that a person who wholesales or retails tobacco in this State is required to hold a licence unless the tobacco that person sells has been purchased previously from a person who holds a licence. However, the previous monthly licensing arrangement has been replaced with an annual licensing regime. A flat annual fee is payable, which equates to $100 per month for a wholesale licence and $50 per month for a retail licence. These fees are set at an amount which is sufficient to cover the administrative costs involved in the licensing arrangements.

Provision has also been made to allow the commissioner to request details of tobacco sales by the issue of a notice. It is intended that relevant details of tobacco sales will be requested on a monthly basis, which will assist in monitoring the safety net arrangements. Failure to provide the information will be an offence and could result in the cancellation of the person's licence. The existing arrangements have also been simplified by the removal of the group tobacco licence category. This is no longer required in the absence of an ad valorem licence fee.

The other amendments in this Bill are of a relatively minor nature, providing for the removal of redundant provisions, and making changes of a tidying-up nature. In this regard, I refer members to the explanatory memorandum, which explains the effect of each of the amendments. However, I draw the attention of members particularly to some of the amendments to the Transport Coordination Act and the Tobacco Control Act.

The amendments to the Transport Coordination Act provide for continued appropriations to the transport trust fund for road related purposes. Accordingly, no reduction in road funding in future years is expected as a result of the High Court decision. The safety net arrangements are designed to raise sufficient revenue to allow the appropriation of $244.6m in 1998-99, $250.3m in 1999-2000 and $256.2m in 2000-01. Similarly, the amendments to the Tobacco Control Act provide for the continued appropriation of certain funds, previously paid out of tobacco franchise fees, to the health promotion fund. Again, no reduction in funding in future years is expected as a result of the High Court decision. I commend the Bill to the House, and for the information of members, table an associated explanatory memorandum.

[See paper No 893.]

Debate adjourned, on motion by Mr Cunningham.

COMMERCIAL ARBITRATION AMENDMENT BILL

Receipt and First Reading

Bill received from the Council; and, on motion by Mr Prince (Minister for Health), read a first time.

Second Reading

MR PRINCE (Albany - Minister for Health) [10.40 am]: I move -

That the Bill be now read a second time.

In 1984 the Standing Committee of Attorneys General adopted a uniform Bill on commercial arbitration, with the following aims -

(i) to provide a modern framework for the conduct of arbitration;

(ii) to recognise party autonomy in choosing a tribunal and procedure suitable for the resolution of their dispute; and

(iii) to achieve national uniformity in the law of commercial arbitration.