

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS  
ATTORNEY-GENERAL'S DEPARTMENT

**Output 2.1**

**Question No. 41**

**Senator Ludwig asked the following questions at the hearing on Wednesday 23 May 2007:**

Compensation for unviable businesses due to the 2003 handgun reforms:

- a) If you are able to do so, please provide details of compensation paid.
- b) If compensation was paid, how was it assessed and on what date was it paid?
- c) What was the criterion used to assess whether compensation should be paid?
- d) Was information provided to the 11 gun dealers about how long the process would take, given that it cut off in April 2006?

**The answer to the honourable senator's question is as follows:**

- a) Of the 11 claims received under the scheme, three were determined as ineligible. Four claims have been finalised and four are still being assessed. For privacy reasons, the amount of compensation paid to each dealer cannot be provided. However, approximately \$2.9 million has been paid to the handgun dealers compensated under the scheme.
- b) The compensation was assessed using the 'capitalisation of future maintainable earnings' method. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and the stream of income it generates. In addition, compensation was paid for extraordinary expenses that occurred as a direct result of the reforms. To date, compensation has been paid between September and December 2007.
- c) A business must have become unviable as a consequence of the handgun reforms. A business is deemed to have become unviable if the valuation shows that immediately prior to the Reforms the business had positive goodwill, but after the Reforms the business has negative goodwill that can be directly attributed to the Reforms.
- d) The 11 affected gun dealers were provided with detailed information about the process which would be followed to determine eligibility for compensation and calculation of compensation. The length of time to process each individual claim has varied depending on the complexity of the business, the time taken by the business to provide required supporting information and documentation and the need to arrange independent valuations in support of each claim.