

Office of the Minister of Police
Cabinet Social Wellbeing Committee

Arms Regulations 1992: Proposed changes to fees - Approval to release discussion document

Proposal

- 1 I seek Cabinet's agreement to release a public discussion document on proposals to deliver greater recovery of costs from firearms licence holders for firearm related services. The proposals suggest increased fees for previously highly subsidised services, new fees for fully subsidised services, and new regulatory services resulting from the 2019 and 2020 amendments to the Arms Act 1983 (the Act).
- 2 This paper is being progressed in parallel with the Cabinet Legislation Committee (LEG) paper '*Arms (Licence Holder's Applications for New Licences) Amendment Bill – approval for introduction*'. That paper was considered by LEG on 27 October 2022.
- 3 The release of the attached discussion document will be influenced by progress on the amendment bill.

Relation to government priorities

- 4 New regulations increasing fees for firearms licences and related activities will contribute to the Government's priority to 'support healthier, safer and more connected communities'. A greater contribution from firearms licence holders will partially offset the funding that the Crown has committed for the Arms Safety and Control initiative. This initiative seeks to deliver the legislated responsibilities under the Act including the public safety objectives of the arms regulatory system.

Executive Summary

- 5 Fees for the delivery of services and activities under the Act were last set in 1999. Since then, there has been an increasing call on Crown funding with the increasing cost of implementing the regulatory system. Some services of direct private benefit to users are delivered free of charge. Additionally, recent changes to the Act have created new regulatory requirements for licence holders and the Police.
- 6 Insufficient funding has negatively impacted the timely delivery of licensing services and investment in regulatory compliance activities. This has contributed to an undermining of licence holders' confidence in Police's ability to administer the arms regulatory system. Delays to the issue of licences has

led to many licence holders considering they are not receiving value for money and first-time applicants seeking to use firearms without a licence.

- 7 Cabinet has noted that a much-increased investment in the Arms Regulatory system is needed and approved an overall investment in Arms, Safety and Control of \$208 million in the 2022 Budget package. Of this, a further drawdown of \$7.1 million from the current tagged contingency has been approved for 2022/23. Further drawdown for 2022/23 and 2023/24 is contingent on a number of conditions including the progression of a new fee schedule.
- 8 The discussion document presents the full cost of delivering all the licensing, permitting and approval services, and consults on options for 20 fee types. With the exception of proposals for applications for a firearms licence, most other fees are proposed, for consultation purposes, to be set on a full cost recovery basis. Most proposed fees are based on an average cost of delivery except where it has been identified that a fixed fee and variable charge delivers a more efficient and equitable outcome. A zero fee is proposed in two cases.
- 9 For applications for a second or subsequent firearms licence, which is a 10-year licence, three partial cost recovery options are presented for feedback. If set at full cost recovery¹ the fee would be \$920 - \$1,020.² The three partial cost recovery options are set at either 25% (\$242.50),³ or 50% (\$485), or 75% (\$727.50) of the mid-point of the estimated full cost to Police to issue a licence.
- 10 For a first-time licence application, which is for a five-year licence, the compliance costs are lower because of the shorter licence period. The three partial cost recovery options are either 25% (\$208.50) or 50% (\$417.10), or 75% (\$625.60) of the estimated full cost to Police.
- 11 A full cost recovery option for a firearms licence has not been included in the discussion document. I consider it important to balance the benefits of greater user contribution against the risks of non-compliance and the public interest in maintaining a well-functioning arms regulatory system including the successful implementation of the arms Registry⁴ in 2028.
- 12 A significant increase in the licence fee before June 2028, when the Registry is fully implemented, risks some licence holders choosing not to register some or all of their firearms. It also risks some non-licence holders relying on access to a pool of unregistered firearms. In his 1997 report to the Minister of Police on 'Review of Firearms Control in New Zealand', Justice Thorp noted that 40% of licence holders did not reapply for a licence when, in 1992, the

¹ The costs of activities are those estimated in 2021 for the Arms Safety and Control Detailed Business Case.

² Midpoint \$970. The costs exclude the cost of the firearms safety course.

³ If the fee set in 1999 had been adjusted by the CPI the current fee would be equivalent to \$217.00 as at 30 June. A proposed fee of \$242.50 should have little if any impact on demand.

⁴ The Arms Act as amended in 2020 re-instated (previously removed in 1983) the requirement for licence holders to register all firearms possessed by them. The new registry provisions come into law in 2023.

ten-year licence was introduced to replace lifetime licences. Thorp also estimated that 100,000 firearms were retained by unlicensed people.

- 13 Police powers of search and seizure are subject to legislative requirements including limitations on inspection powers. Consequently, without firm evidence that an unlicensed person possesses a firearm, Police's ability to identify and seize unlawfully retained firearms in response to increased fees is limited.
- 14 I am seeking to mitigate the impact on licence holders of delays in the processing of applications for firearms licence through an urgent amendment to the Act discussed in my LEG paper '*Arms (Licence Holders' Applications for New Licences) Amendment Bill*' and considered by Cabinet Legislation Committee on 27 October 2022.
- 15 I propose that Police releases the attached public discussion document shortly after I have been able progress the urgent amendment to the Act.
- 16 Before recommending regulations relating to a change to the fees, the Act requires that I must be satisfied that the Commissioner of Police has done everything reasonable to consult the persons or organisations that appear to be affected or who are likely to be affected by the fee or charge.

Background

Fees for firearms related services have remained static since 1999

- 17 Fees for selected services were last set in 1999 and at that time the fee for a firearms licence was set at 50% of the cost of issuing a licence.⁵ Other than adjustments made for changes in GST, the fees have not been reviewed since. Additionally, fees were not set for all of the established regulatory activities.
- 18 Since then, the costs of administering the Arms Regulatory system have increased, resulting in a much-increased level of subsidisation with the Crown contributing considerably more than 50% of the costs.

The Arms Act 1983 provides for the setting of fees and recovery of costs

- 19 The Arms Legislation Act 2020 amended the Act to explicitly provide for cost recovery of regulatory services. These amendments specify which regulatory activities are subject to cost recovery and list the criteria and methods of cost recovery. The Act also introduced new regulatory responsibilities for both licence holders and Police.
- 20 On 2 March 2022, the Cabinet Social Wellbeing Committee:

- a. noted that increased investment in the Arms Regulatory system is required to deliver on recommendations from the Royal Commission of

⁵ Cabinet made this decision based on concerns about the risk of non-compliance such as firearms not being registered or being retained without a licence.

Inquiry into the terrorist attack on Christchurch masjidain and to enable achievement of the public safety objectives of the Arms Regulatory system;

- b. endorsed a Detailed Business Case seeking an investment of \$711.452 million in the Arms Regulatory system over 11 years;
 - c. noted the amount required is based on the existing cost recovery settings, and could decrease if more is recovered through third-party revenue;
 - d. noted that Cabinet approval will be sought in April 2022 to release a consultation document, which will propose options for revised cost recovery settings for the delivery of all remaining services including licensing, endorsements, and permits [SWC-22-MIN-0021, CAB-22-MIN-0052].
- 21 At its meeting of 11 April 2022, Cabinet approved the inclusion of the Budget initiative Arms, Safety and Control for Vote Police in the 2022 Budget package. This included an overall investment in Arms, Safety and Control of \$208 million across the four-year forecast period for the delivery of legislative responsibilities under the updated Act. Of this, \$161.392 million has been set aside in the 'Implementation of the Arms Legislation Act' tagged operating and capital contingency.
- 22 Approval of Budget 2022 packages also included Cabinet approval for the drawdown of \$7.1 million from the current tagged contingency in 2022/23 [CAB-22-MIN-0129].
- 23 Further drawdowns for 2022/23 and 2023/24 will be subject to a report back to the Minister of Finance and the Minister of Police on progress to date, including development of the Registry and a timeline for the development of a new fee schedule.
- 24 That report back is required to have a detailed implementation plan that includes a timeline for the roll-out of a new schedule and revised costings by 30 November 2022. Drawdowns from 2024/25 are contingent on the implementation of a revised fee schedule [CAB-22-MIN-0129].
- 25 Fees for new services relating to the approval of shooting clubs and certification of ranges are not included in the attached public discussion document. These fees were consulted on separately in the discussion document *Proposals for new regulations under the Arms Act 1983 (Phase Two) Shooting clubs and ranges* [SWC-MIN-22-0038], and policy approved for fees to be set to reflect a 50% recovery of costs [SWC-22-MIN-0154]. The fee schedule is planned to be updated to provide for these new fees in the first-half of 2023.

Consultation is required by the Arms Act 1983

- 26 I am required under section 82 of the Act to be satisfied that the Commissioner of Police has done everything reasonable to consult with individuals and organisations (or representatives of those organisations) that appear to be affected or who are likely to be affected by the fee or charge. Therefore, I am seeking approval for release of the discussion document.

Context for setting new fees

- 27 The Arms Regulatory system currently supports around 240,000 firearms licence holders to lawfully import, manufacture, supply, sell, possess or use firearms and ammunition.
- 28 The number of licence holders (both first-time and repeat applications) has been static or slowly declining over several years.
- 29 Currently around 9% of licence holders hold a licence primarily for employment or business purposes (most of these will also hunt recreationally), 1% hold a licence for memento reasons and the balance of 90% for food gathering, recreational or sporting purposes.
- 30 Ninety-seven percent of licence holders hold a standard firearms licence only. The remaining 3% hold endorsed licences enabling them to possess potentially higher-harm arms items including pistols, prohibited firearms, and restricted weapons. Those holding a dealer's licence represent 0.2%⁶ of the licence-holding population.
- 31 There is currently no accurate information on firearms possession and use as there is no established comprehensive register of firearms. This means there is little information about the possession or movement of firearms in the community.
- 32 The fee proposals in the discussion document are guided by section 81 of the Act which requires that:
- a. fees cannot recover more than direct and indirect costs
 - b. the fee or charge is generally obtained from the users or beneficiaries of the service, as far as is practicable
 - c. costs are efficiently incurred
 - d. the relationship between the fee and the nature and duration of the activity is clear.

Overview of the proposals

- 33 The public discussion document seeks the views of licence holders and the general public on proposed fees. It sets out the estimated full cost of

⁶ As at 1 July 2022 there were 427 holders of a dealer's licence.

delivering each of the regulated services together with the estimated cost of delivering compliance oversight.

- 34 For consultation purposes, full cost recovery is estimated using a fixed average cost of delivery. Exceptions to this approach are proposed where it has been identified that a fixed fee and variable charge delivers a more efficient and equitable outcome. In two cases a zero fee is proposed. All fees presented in the discussion document are inclusive of GST.

Licence fee (Discussion document 2.1)

- 35 The current fee for a 10-year firearms licence is \$126.50 (inclusive of GST) for the combined safety course and the licence. The full fee \$241.50 is applied if application is made after the previous licence expires.
- 36 The term for a first-time applicant for a licence or someone re-applying for a licence following revocation, suspension and expiry of a previous licence has been reduced to a 5-year licence. At present these applicants pay the same as a 10-year fee.
- 37 Setting a reduced fee for a first-time licence because of the shorter 5-year term more accurately reflects the cost to Police of compliance activities during the shorter licence period.
- 38 The issue and compliance oversight of firearms licences are the greatest contributors to the cost of regulatory oversight of the Act. The estimates of the cost of issuing a licence and ongoing oversight of its use contained in the Detailed Business Case⁷ for investment in the Arms Regulatory system account for 60% of the total costs.
- 39 There is insufficient information to estimate the likely decline in the number of licence applications in response to a fee increase. However, I note that in his 1997 report '*Review of Firearms Control in New Zealand*', Justice Thorp noted that 40% of licence holders did not renew their licence when the ten-year licence was introduced to replace lifetime licences.
- 40 While licence applications are likely to fall with an increase in fees, the total amount of revenue collected may not fall. It will depend on how licence holders react to the fee increase.

Safety course fee

- 41 Successful completion of the safety training course⁸ is a pre-requisite for a first time applicant for a firearms licence. The discussion document proposes setting a separate fee on a full cost recovery basis of \$88.

⁷ The Detailed Business Case assumes the number of licence applications remains unchanged.

⁸ The safety course is a requirement for first time firearms licence applicants. On passing the course attendees have demonstrated their understanding of the obligations and their ability to safely handle firearms.

Firearms licence fee

- 42 The full cost of the delivering a 10-year firearms licence is estimated as \$970⁹ and for a 5-year firearms licence is estimated as \$834.20. Almost all the regulatory activity and cost occurs at point of licence application. The cost of compliance oversight during the term of the 5-year licence has been estimated to be half of that of the 10-year licence.
- 43 There are three options for a five or 10-year licence¹⁰ (excluding the safety training course) as follows
- a. a 25% cost recovery fee of \$242.50 (10-year licence) and \$208.50 (5-year licence) (Crown subsidy 75%);
 - b. a 50% cost recovery fee of \$485.00 (10-year licence) and \$417.00 (5-year licence) (Crown subsidy 50%); and
 - c. a 75% cost recovery fee of \$727.50 (10-year licence) and \$713.60 (5-year licence)
- 44 Submitters are also invited to provide feedback on Police examining the feasibility of developing a payment by instalment for the firearms licence fee if the fee is set at a level nearer to full cost recovery. This may lessen the impact of an increased upfront payment for a firearms licence. The discussion document notes that an instalment option would need to:
- a. be achieved through conditions applied to a licence
 - b. allow for suspension of a licence and a debt recovery system if an instalment is not paid
 - c. recognise that most of the regulatory activity is undertaken before a licence has been issued so that the first instalment would be the largest single payment
 - d. allow for a charge to recover the cost to process multiple payments.

Dealer's licence (Discussion document part 2.2)

- 45 The current annual dealer's licence fee is \$204.
- 46 Proposals for the annual dealer's licence application fee (excluding dealers who are museum curators) are limited to:
- a. an average full cost recovery fee of an estimated annual \$2,330 - \$2,570 for all applications whether first time or a subsequent

⁹ A plus or minus 5% range has been applied to most estimated fees for consultation purposes. A single fee will be set in regulations. In some cases the figure is known (such as the case of a third-party contract to supply the safety training programme) or is based on the known hourly rate to undertake the service, such as with import permits and permits to possess.

¹⁰ The 5-year licence is for first-time applications, most repeat licences are 10-year licence.

application, or

- b. a reduced fee for second or subsequent applications.

47 For second or subsequent dealer's licence application fees, there are two options:

- a. an annual average fixed fee of \$1,760 - \$1,940, or
- b. an annual average fixed fee of \$1,000 - \$1,100 and a variable fee of \$190 - \$210 per employee (up to a maximum of eight) who must hold a firearms licence for their employment.

48 A zero fee is proposed for dealer museum curators, conditional on meeting proposed criteria. (Discussion document 2.3)

Visitor licence (Discussion document 2.4)

49 The current visitor licence fee is set at \$25. It is proposed to set this at a full cost recovery fee of \$420 - \$470.

Endorsements on a dealer's licence and a dealer employee's licence (Discussion document 3.1 and 3.2)

50 Endorsements on a dealer's licence are required to enable a dealer to hold pistols, prohibited firearms, prohibited magazines, or restricted weapons.¹¹ The current annual fee is \$204 for one or more endorsement.

51 A single average full cost recovery fee of \$110 - \$130 is proposed for one or more endorsement.

52 For dealer employees, an average full cost recovery fee is proposed with a higher fee applied for a first application of \$290 - \$320. For subsequent applications, the proposed fee is \$110 - \$130.

Firearms licence endorsements (non-dealers) (Discussion document 4.1)

53 Endorsements enable a person holding a firearms licence to possess pistols, prohibited firearms, prohibited magazines, or restricted weapons.

54 The current fee for one or more of these endorsements is the same as for an endorsement on a dealer's licence (\$204), but the endorsement applies for the length of the licence (five or ten years, or 30 months for an endorsement for prohibited items if the licence holder has such an endorsement for wild animal or pest control purposes). The endorsement fee is additional to the firearms licence fee.

55 There are two fixed full cost recovery fees options proposed:

¹¹ Restricted weapons include anti-tank projectors, grenade dischargers, fully automatic firearms and airguns, and machine guns.

- a. an average for all endorsement types (\$1,370 – \$1,510); or
- b. specific fees for each type of endorsement reflecting the differences in regulatory oversight required for the type of endorsed item.

56 The proposed endorsement specific fees are:

- a. pistol¹² (\$1,350 - \$1,490)
- b. pest control (\$930 - \$1,020)
- c. memento heirloom (\$930 - \$1,020)
- d. collecting or theatrical purposes: a combination of fixed fee of \$1,230 - \$1,360 and variable fee of \$10 per major¹³ item inspected for reconciliation with the registry.

57 An additional fee (\$590 - \$650) is proposed if the application for an endorsement is not applied for at the same time as a licence.

Permit to possess an endorsed item (Discussion document 4.2)

58 A new average full cost recovery fee (\$40) is proposed for an application for a permit to possess an endorsed item.¹⁴ There is currently no fee for a permit to possess.

Miscellaneous fees permissions, consents, approvals (Discussion document part 5)

59 Several other fees are proposed on a full cost recovery basis. Some of these are new fees for established regulatory services, some are for new regulatory activities.

60 Included in these is a new proposed fee for applications through the registry, by an exempt person,¹⁵ to modify a firearm into a form which makes it a prohibited firearm or alternatively seeks permission to convert a prohibited firearm to a non-prohibited firearm.

Assessing the proposals

61 The proposals are assessed against the criteria listed in paragraph 32 above as well as the public safety and control purposes of the Act. High level analysis of the proposals against these criteria is appended to the discussion document.

The proposed fees are comparable to other regulated recreational activities

62 Appendix One (Table One) compares the Australian fees for each jurisdiction for those licences that are similar to the New Zealand firearms licence. The

¹² For members of an incorporated pistol shooting club.

¹³ Police will continue to improve these processes to ensure an effective, efficient and responsible regulator service for the firearms community, and the rest of New Zealand, to keep everyone safe.

¹⁴ Endorsed items include pistols, prohibited firearms, prohibited magazines and restricted weapons.

¹⁵ This is limited to people specified in section 4A(1A) of the Act.

regulatory framework for firearms licensing in each Australian state and territory vary significantly from each other as well as from that in New Zealand. When Australian fees are converted to ten year equivalent fees, five out of eight jurisdictions have fees very close to the New Zealand fee if set at full cost recovery fee.

- 63 There are several other recreational, sporting and food gathering activities in New Zealand to which fees apply. For example, dogs and fishing are subject to licensing regimes. Likewise, there are several regulatory regimes that apply to businesses that deal in regulated items. Appendix One (Table Three) lists a small number of these fees for comparative purposes. All ten year equivalent fees are similar to the full cost of delivering the firearms licence fee.

Immediate large increases in the firearms licence fee introduces potential risk

- 64 Significant increases to the firearms licence fee before the completion of the registry record of firearms planned for 2028 introduces a potential public safety risk. Licence holders may fail to renew their licence when it expires and retain firearms unlawfully.
- 65 There is limited information to know how licence holders will respond. In 1992, the shift from a life-time licence to a ten-year licence resulted in a 40% drop in licence holders and an estimated 100,00 firearms retained unlawfully.¹⁶
- 66 If the nominal firearms licence fee as set in 1999 had been adjusted by the Consumer Price Index and nothing else the fee would be \$217. Given this, a fee set at \$242.50 is likely to have little impact on the overall level of demand. Whereas a fee of \$485 (50% of the full cost) will impact both first time licence applicants and those seeking a renewal. Police modelling estimated that at the 50% level 57,000 will not renew their licence from FY23-FY27. It is not known what proportion of this group may retain but not register firearms.
- 67 The number of first -time licence holders who will decide to obtain and use firearms unlawfully as a result of a higher licence fee of \$208.50 (25% of cost) or \$417.10 (50% of cost), or \$625.50 (75% of cost) is also unknown. However, the introduction of the Registry and controls over the sale of ammunition will make this increasingly difficult.

Public safety risk could increase if licence holders do not register their firearms

- 68 The public safety benefit of the register depends on the completeness of the information on firearms ownership. Even before the expiry date of their licence, a current licence holder may choose to not enter any information on the register about firearms held, even though they may continue to buy and use firearms lawfully up until their current licence expires. People who use

¹⁶ When the length of licence was reduced from a lifetime to a ten-year licence, 40% did not renew their licence and an estimated 100,000 firearms were retained. (Thorp – *Review of Firearms Control in New Zealand 1997*)

firearms infrequently, older licence holders, and those on low incomes are most likely to not renew their licences.

- 69 The potential increase in public safety risk is difficult to assess. In most cases firearms retained unlawfully will be held with no criminal intent. There is already an unknown number of firearms held in the community in this way (referred to as 'grey' firearms). There is, however, a risk that at some point, often when the current owner dies, or after a theft, these firearms end up in the possession of those who do not have a licence and who intend to use them in support of criminal activity. With the completion of up-to-date registry records, the proportion of 'grey market' firearms can be expected to decline over time.

Risk of reduced pest control by recreational hunters

- 70 If there were a significant reduction in firearms licence holding, those licence holders participating solely in recreational hunting and target shooting may decline in numbers, leading to closure of some clubs and ranges used by hunters. This could lead to an increase in wild animals on public land including the conservation estate, and, in turn, require increased funding and use of professional pest control operators.

Police has limited ability to mitigate the risks arising from unlawful retention of firearms

- 71 Police powers of search and seizure are subject to legislative requirements including limitations on inspection powers. Consequently, without firm evidence that a licensed or unlicensed person possesses an unregistered firearm, Police's ability to identify and seize unlawfully retained firearms is limited.
- 72 When I report back to Cabinet following consultation, careful consideration needs to be given to setting the licence fee at a level which achieves greater contribution from users while acknowledging the public interest in a well-functioning Arms Regulatory system.
- 73 Moving other fees to a full cost recovery basis does not introduce the same potential for public safety risk as there is established recording by Police of dealers and licence holders' possession of potentially high-harm firearms. Additional funding provided for in Budget 22 has also enabled improved regulatory oversight of those items.

Engagement plan

- 74 The wider public has an interest in this consultation as sufficient funding of the Arms Regulatory system is fundamental to managing the personal and public safety risks arising from the privilege of lawfully possessing firearms.
- 75 I propose to release the public discussion document for a six-week period, commencing following Cabinet approval.
- 76 I anticipate considerable feedback. Licence holders will not welcome a large increase in fees and will want to be convinced that the fees will contribute to improved public safety outcomes. Those choosing or needing to retain a licence for business purposes, such as the farming community, will expect a much improved and timely regulatory service.
- 77 The timing of the release of the discussion document will be influenced by progress on the *Arms (Licence Holders' Applications for New Licences) Amendment Bill*. I am proposing it is released after taking steps to assist Police to better manage the number of firearms licences awaiting processing through this proposed amendment approved by the Cabinet Legislation Committee on 27 October 2022 and confirmed by Cabinet on 31 October 2022 [LEG-22-MIN-0175, CAB-22-MIN-0471].
- 78 Members of the Firearms Community Advisory Forum (FCAF), and the wider firearms community, are aware of the intention to review firearms fees. The approaches to calculating the fees have been shared with FCAF members at several of their meetings.
- 79 On 26 April 2022, FCAF members were given a presentation on the approach taken to the review of fees. This included a summary of the cost recovery provisions of the Act. The presentation also advised the estimated costs to Police of delivering the regulatory activities needed to administer the Act and the third-party provided safety training course.¹⁷ FCAF has asked to be taken through the detailed calculations once the discussion document is released.
- 80 My Arms Advisory Group has received a copy of the draft discussion document and the Police's Arms Engagement Group¹⁸ has also been made aware of the intention to review fees.
- 81 Engagement with Māori will be supported through consultation with FCAF, which includes representation from the Whakatūpato Firearms Licensing Programme. Whakatūpato blends the National Firearms Safety Course with tikanga Māori. It is specifically designed as a marae-based programme for remote and rural communities. Police also intends to engage with Māori firearms users in areas where the use of firearms for hunting is a common activity.

¹⁷ I.e. make available the third-party provided safety training course, and issue a Firearms Licence, a Dealer's Licence, a Visitor Licence, import permits, permits to possess, and approvals for a gun show or auction.

¹⁸ Comprised of representatives from the non-firearms owning community.

Implementation

- 82 Subject to the outcomes of the consultation process, a new Schedule of Fees could be drafted and notified in the first-half of 2023. I will provide an update on implementation when I seek approval for the Schedule of Fees. Depending on decisions taken following consultation, I anticipate the new fees to take effect in the first half of the 2023/24 financial year.

Financial Implications

- 83 While there are no direct financial implications arising from this paper, the balance of fee levels and associated risks will need to be considered when I report back to Cabinet. The trade-off between increased third-party revenue, and the consequential impact is not easily quantified but can be estimated. Until there is an up-to-date firearms registry, there is a greater risk of the retention of standard firearms without a licence.

Impact on demand

- 84 As noted above, there is limited information to quantify the level of fee increase that would avoid the risk of large number of licence holders not renewing their licence. The majority of licence holders accept that a fee increase is justified. Acceptance is more likely if licence applicants experience less impact on their use of firearms caused by delays in licensing processes enabled by my proposed urgent amendment to the Arms Act.

Impact of fees on timing of applications

- 85 Any large increase in fees will encourage first-time applicants to make early application for a firearms licence as the fee is paid with the application. It will also impact any repeat application for a firearms licence and any attached endorsements.
- 86 The Act as drafted does not allow Police to refuse an early application or to backdate the fee.
- 87 Some may wait to see the outcome of the discussion document before making early application. Others may act immediately when the discussion document is released. Either way early applications will impact on revenue collected.
- 88 Expected third party revenue will be more easily quantified once consultation is completed and a revised fee schedule finalised. Similarly it will be possible to better quantify the reduction in required Crown contribution consequent to the increase in third party revenue. Anticipated third party revenue and Crown contribution will be included in the report back to the Minister of Finance and Minister of Police required by 30 November 2022 [CAB-22-MIN-0129].

Legislative Implications

- 89 Following public consultation and Cabinet approval, proposals will be implemented through a new Schedule of Fees in the Arms Regulations 1992

(section 86 of the Act refers). The Schedule will also include the new fees for shooting clubs and ranges, consulted on earlier this year.

Impact Analysis

Regulatory Impact Statement

- 90 The Treasury's Regulatory Impact Analysis team has determined that the proposal to release this public discussion paper is exempt from the requirement to provide a Regulatory Impact Statement (RIS). The exemption is based on advice that the discussion document includes the key features of an interim RIS.
- 91 Police's internal Quality Assurance panel had reviewed the discussion document and confirmed that it meets these requirements.

Cost Recovery Impact Statement

- 92 A stage one Cost Recovery Impact Statement (CRIS) was prepared in 2019, when approval was sought to amend the fee setting provisions in the Act. A stage two CRIS will be completed to inform the final proposed suite of fees.

Population Implications

- 93 On 1 July 2022, there were 240,465 firearms licence holders in New Zealand. Approximately 92% of firearms licence holders are men, and 74% are currently aged 40 years or older. Of the 59% of firearms licence holders that have their ethnicity recorded by Police, 90% are Pākehā and 7% are Māori.
- 94 The increased fees will have an impact on all licence applicants; both new applicants for firearms licences and those who seek to renew their licence once their current licence expires. Those people who use firearms occasionally for recreational purposes only, such as hunting, may decide to not renew their licence once it expires.
- 95 The fee increases will have greatest impact on low-income earners and beneficiaries, who may use firearms to hunt and rely on this activity to supplement their food supplies.
- 96 The number of Māori licence holders may reduce given their greater representation in low-income groups with a greater proportion of the Māori population in rural areas, where using firearms to hunt for food, pest control, or humane slaughter of animals is more common. This could result in a disproportionate impact on Māori who need to use firearms and dissuade others from obtaining a licence. This impact is mitigated to an extent by the Act's provisions which enable a person to use a firearm without a firearms licence provided the person is under the immediate supervision of a licence holder. The annual New Zealand population-based survey conducted by the Institute of Governance and Policy Studies at Victoria University¹⁹ showed just

¹⁹ This survey replicated approach undertaken for Justice Thorp in his *Review of Firearms Control in New Zealand*, and the survey results published in *Policy Quarterly* – Vol 17, Issue 2 – May 2021 .

7.4% of the Māori population owned a gun but 13.2% lived in a gun-owning household.

- 97 The policy intent is consistent with the purpose of the Arms Act that recognises the regulatory regime established under the Act reflects the principles that “the possession and use of arms is a privilege; and that persons authorised to use arms have a responsibility to act in the interests of person and public safety”. These principles do not affect Māori differently from other groups. Māori have equal obligations in ensuring the safe use and control of firearms irrespective of where they are used, whether on Māori-owned and managed land, other private land or other public land. As a result, the proposals on fees in the discussion document do not treat Māori licence holders differently from other licence holders.

Human Rights

- 98 The proposals in the public discussion document are consistent with the Human Rights Act 1993 and the New Zealand Bill of Rights Act 1990. The Act enables the Commissioner of Police to dispense with any fee payable under regulations if necessary for human rights reasons, for instance for a disabled person for whom shooting is one of a limited number of recreational activities available to them.

Consultation

- 99 This paper and the draft discussion document have been consulted with: the Treasury; Ministry of Justice; Te Arawhiti; Te Kawa Mataaho Public Service Commission; New Zealand Customs Service; Te Puni Kōkiri; the Ministry of Foreign Affairs and Trade; the Department of Conservation; the Ministry for Primary Industries; the Ministry of Culture and Heritage; and the Department of the Prime Minister and Cabinet.
- 100 The Treasury proposed the inclusion of a licence fee option of 75% of full cost to be included in the discussion document. I have included this as it will indicate to submitters that we considered a wide range of options. Nevertheless, it is important to ensure licence holders are motivated to comply with the Registry requirements and register all the firearms they possess. This requirement takes effect in June 2023. The current set of partial cost recovery proposals in the discussion document will signal to licence holders that the Government recognises the public safety benefit of having a well-functioning arms regulatory system.

Communications

- 101 As the proposals impact all licence holders, considerable public interest is anticipated. Given there are some 9,800²⁰ applications for firearms licences awaiting processing, the timing of the release of the discussion document will be influenced by the progress on the proposed urgent amendment to the Act.

²⁰ As at 30 September 2022.

This is needed to enable applications for firearms licences to be treated as current where applications are made but cannot be processed before expiry.

- 102 A media statement will announce the release of the public discussion document and invite submissions.

Proactive Release

- 103 This paper will be proactively released by publishing it on the Police website once final policy decisions have been taken and fees finalised.

proactive release

Recommendations

The Minister of Police recommends that the Committee:

Background

- 1 **note** the Arms Act 1983 provides for regulations to be made for the cost recovery of actual and reasonable costs of services provided in accordance with the Act;
- 2 **note** the current fees have not changed since 1999, except for GST adjustments, and they remain highly subsidised by the Crown and comparatively low when compared to similar regulatory licences;
- 3 **note** on 2 March 2022, Cabinet Social Wellbeing Committee:
 - 3.1 noted that increased investment in the Arms Regulatory system is required to deliver on recommendations from the Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain and to enable achievement of the public safety objectives of the Arms Regulatory system;
 - 3.2 endorsed a Detailed Business Case requiring a much-increased investment in the Arms Regulatory system;
 - 3.3 noted the amount of investment required (\$711.452 million over 11 years, of which \$209.20 million has already been approved) is based on the existing cost recovery settings, and could decrease if more is recovered through third-party revenue;
 - 3.4 noted that Cabinet approval will be sought in April 2022 to release a consultation document which will propose options for revised cost recovery settings for the delivery of all remaining services including licensing, endorsements and permits [SWC-22-MIN-0021, CAB-22-MIN-0052];

Financial implications

- 4 **note** on 11 April 2022, Cabinet approved the Arms, Safety and Control initiative for Vote Police for inclusion in the 2022 Budget package, which included [CAB-20-MIN-015526]:
 - 4.1 approval to appropriate \$47.007 million in operating and capital funding to Vote Police in financial year 2022/23;
 - 4.2 an increase to the "Implementation of the Arms Legislation Act" tagged operating and capital contingency of \$161.392 million;
 - 4.3 a drawdown of \$7.1 million operating funding for 2022/23 for financial year from the existing tagged operating and capital contingency;

- 4.4 an agreement that any further drawdowns for 2022/23 and 23/24 will be subject to a report-back to the Minister of Finance and the Minister of Police on implementation progress to date, including development of the registry and a timeline for the development of a new fee schedule;
- 4.5 a direction to officials to report back to the Minister of Finance and the Minister of Police by 30 November 2022 with a detailed implementation plan that includes a timeline for the roll-out of a new fee schedule and revised costings (in order to better understand the amount likely to be recovered from third-party revenue);
- 4.6 an agreement that drawdown from 2024/25 is contingent on the implementation of a revised fee schedule [CAB-22-MIN-0129];
- 5 **note** the revenue collected will depend greatly on the size of fee increases which will impact both demand for firearms licences and the timing of applications;
- 6 **note** the attached public discussion document presents options which include a range of partial cost recovery options for a firearms licence and the full costs of delivery of most other regulatory services including dealer licensing (excluding dealers who are museum curators), permitting, approvals and endorsements;
- 7 **note** the issue and compliance oversight of firearms licences are the greatest contributors to cost and, if licence fees are set at full cost recovery, a number of licence holders failing to renew their licence may present a potential risk to public safety;

The timing of consultation will be influenced by progress on Arms (Licence Holders' Applications for New Licences) Amendment Bill

- 8 **note** the timing of the public release of the attached public discussion document *Arms Regulations – Review of Fees* for a six-week public consultation, will be influenced by the discussion with the House Business Committee on progressing the proposed urgent amendment to the Arms Act the *Arms (Licence Holders' Applications for New Licences) Amendment Bill*;
- 9 **authorise** the Minister of Police to delay the timing of the release the discussion document *Arms Regulations – Review of Fees* to fit with progress on the urgent amendment to the Arms Act 1983 referred to in recommendation 8;
- 10 **authorise** the Minister of Police to make any editorial or minor technical changes to the public discussion document prior to its release;
- 11 **invite** the Minister of Police to report back to Cabinet on proposals following consultation and to seek approval to issue drafting instructions to the Parliamentary Counsel Office for regulations;
- 12 **note** when the Minister of Police reports to Cabinet, Cabinet will need to consider the benefits of greater user contribution against the risks of non-

compliance, and the public interest in maintaining a well-functioning Arms Regulatory system;

- 13 **note** the proposed fees for the approval of shooting clubs and certification of shooting ranges were included in the discussion document *Proposals for new regulations under the Arms Act 1983 (Phase Two) Shooting clubs and ranges* and are not included in the *Arms Regulations – Review of Fees*.

Authorised for lodgement

Hon Chris Hipkins

Minister of Police

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