

PROACTIVE INFORMATION	
Firearms buy-back cost estimation	
Deadline: NA	Date of Response: 20 March 2019

Purpose

1. This briefing informs you of the initial approach taken to estimate the costs to the government of purchasing banned semi-automatic firearms.

A buy-back initiative for banned items would compensate owners of lawfully acquired property

2. Cabinet agreed in principle to develop a buy-back initiative [CAB-19-MIN-0105]. It was agreed that Cabinet would consider any further funding decisions as proposals are developed further, and following discussions between the Minister of Finance and yourself.
3. It is difficult to forecast the cost of a buy-back as there is no data on the number of semi-automatic firearms in New Zealand. However Police considers that the cost of a buy-back would be significant.

Costs are based on estimations of firearms numbers and market value

4. We have undertaken an initial costing estimate exercise, assuming that the ban will exempt semi-automatic A Category rimfire 0.22 calibre or less rifles with a maximum 10-round magazine and semi-automatic and pump action shotguns with a non-detachable, tubular magazine with a maximum of 5 rounds.
5. This estimate only covers the cost of purchasing the firearms. It does not cover the administrative costs or publicity. These cost estimates assume that businesses (retail stock and loss of business) are excluded from the compensation scheme, as are accessories, parts and ammunition. Earlier estimates provided included accessories and parts. As a consequence, current estimates are considerably lower.
6. The key variables in the calculation are an estimate of the numbers of banned semi-automatic firearms subject to a ban and an estimate of their market value.
 - 6.1. The numbers of semi-automatic firearms is based on the known number of MSSAs (13,471), and various percentages of the 2016 estimate of the number of all types of rifles (758,881) and shotguns (379,405) to estimate the proportion of these which would be covered by the ban.
 - 6.2. Market value has been based on estimates for second-hand firearms, set out using a range of low, medium and high values.
7. These very indicative costs have been estimated to be between \$55 million and \$170 million. The table attached to this briefing shows the breakdown of the range of costs.

8. We have not taken into account the likelihood that some people will either surrender their semi-automatic firearms and not participate in the buy-back, or will evade the law change and retain their semi-automatic firearms. In Australia's buy-back scheme in 1996/97 it was estimated that 73 per cent of owners of prohibited firearms surrendered their prohibited firearms.

A similar Australia buy-back cost about A\$320 million

9. The buy-back scheme in Australia operated over 12 months for newly prohibited firearms (self-loading rifles, self-loading and pump-action shotguns) and later non-conventional weapons such as submachine guns and heavy machine guns. Arrangements were also made to compensate firearms dealers for loss of business related to prohibited firearms. An expert committee developed a price list for types of firearms to be used by all the states. During the buy-back 643,726 prohibited firearms were handed in at a total cost to Government of about A\$320 million.

Further detailed work will test these estimates

10. We are exploring what information may be available to give a stronger basis for the estimates of the numbers of semi-automatics to be covered by the ban. Retailers are required under law to produce sales information on request from Police. Following a public announcement, Police intends to gather five years of sales information from key retailers. Analysis of this information will provide a more accurate picture of the numbers of semi-automatic firearms in the community.
11. This process will improve the assumptions on which a more informed estimate of the market value of the firearms captured by the buy-back scheme can be established. However, given the absence of ownership data on semi-automatic firearms, our best estimates will still have some considerable margin of error.

Further work

12. The administration of any potential buy-back scheme would need to be explored further, including the role of Police, the proposed role for the New Zealand Defence Force and the likely role of other agencies in accepting surrendered firearms and making compensation payments.
13. A buy-back scheme will have some considerable costs to Police and other agencies involved.

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Estimates of buy back costs

MSSAs

	<i>Total stock</i>	<i>Est % banned</i>	<i>Est # banned</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
Number in private ownership at end November 2018	13,175						
Est % in condition				50%	25%	25%	
Age/condition based estimated market value				\$ 500	\$ 1,000	\$ 1,500	
Proportion banned		100%	13,175	\$ 3,293,750	\$ 3,293,750	\$ 4,940,625	\$ 11,528,125

RIFLES

	<i>Total stock</i>	<i>Est % banned</i>	<i>Est # banned</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
All rifles	758,811						
Semi-automatic rifles:							
Est % in condition				33%	33%	33%	
Age/condition based estimated market value				\$ 500	\$ 1,000	\$ 1,500	
If proportion banned is		5%	37,941	\$ 6,323,425	\$ 12,646,850	\$ 18,970,275	\$ 37,940,550
If proportion banned is		10%	75,881	\$ 12,646,850	\$ 25,293,700	\$ 37,940,550	\$ 75,881,100
If proportion banned is		20%	151,762	\$ 25,293,700	\$ 50,587,400	\$ 75,881,100	\$ 151,762,200

SHOTGUNS

	<i>Total stock</i>	<i>Est % banned</i>	<i>Est # banned</i>	<i>Low</i>	<i>Medium</i>	<i>High</i>	<i>Total</i>
All shotguns	379,05						
Semi-automatic shotguns (>5 magazine capacity):							
Est % in condition				33%	33%	33%	
Age/condition based estimate market value				\$ 500	\$ 1,000	\$ 1,500	
If proportion banned is		1%	3,794	\$ 632,342	\$ 1,264,683	\$ 1,897,025	\$ 3,794,050
If proportion banned is		2%	7,588	\$ 1,264,683	\$ 2,529,367	\$ 3,794,050	\$ 7,588,100

Total cost range

Best case	\$ 53,262,725
Middle (1% Shotgun assumed)	\$ 94,997,325
Worst case	\$ 170,878,425

Assumes all banned firearms are redeemed.