

Rt Hon Jacinda Ardern, Prime Minister  
 Rt Hon Winston Peters, Deputy Prime Minister  
 Hon Grant Robertson, Minister of Finance  
 Hon Andrew Little, Minister of Justice  
 Hon Stuart Nash, Minister of Police  
 Hon Ron Mark, Minister of Defence

BRIEFING FOR MINISTERS WITH POWER TO ACT			
Priority	<input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Time-Sensitive <input type="checkbox"/> Routine		
Subject	Settings for the proposed buy-back scheme		
Date	2 April 2019	Ref	BR/19/34

### Executive Summary

This paper seeks approval of policy settings for the proposed buy-back scheme to support the prohibition of semi-automatic firearms under the Arms Act 1983.

The key policy decisions required to establish the buy-back are:

- the overarching purpose and objectives of the buy-back,
- what items are compensated,
- who is covered,
- approach to establishing price, and
- timing and administration.

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(on behalf of)

Mike Clement  
 Deputy Commissioner, National Operations

First contact	s 9(2)(a)	
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## **The proposed buy-back scheme**

### **Purpose**

1. This paper seeks agreement to the settings for the proposed buy-back scheme that will support amendments to the Arms Act 1983, namely the prohibition of certain types of semi-automatic firearms, parts and magazines.

### **Background**

2. On 18 March 2019, Cabinet agreed in principle to prohibit certain types of semi-automatic firearms, parts and magazines. Cabinet also agreed in principle to develop a buy-back initiative for these newly prohibited items [CAB-19-MIN-0105], and agreed to run an amnesty for all newly prohibited firearms [CAB-19-MIN-0124].
3. The Arms Amendment Bill (No 1) 2019 implements the new prohibitions and accompanying amnesty. It proposes:
  - a general prohibition on possessing semi-automatic firearms, and any magazines and parts that would result in enabling a firearm to become a prohibited firearm,
  - an exemption regime for limited categories of licensed gun owners to be able to own and use prohibited firearms, magazines and parts,
  - a range of new offences to support the prohibitions,
  - an amnesty period until 30 September 2019 for prohibited items (held legally or illegally)<sup>1</sup> to be surrendered to licensed gun dealers and Police, during which possession related offences would not apply. There is also an ongoing amnesty for any type of firearms to be surrendered to Police.
4. Cabinet gave the Prime Minister, the Deputy Prime Minister, the Ministers of Finance, Police, Justice and Defence the Power to Act to make decisions on the development of a buy-back initiative [CAB-19-MIN-0105]. Ministers agreed to develop a buy-back initiative for newly prohibited firearms on 20 March 2019 [BR/19/31].

### **New Zealand has never held a firearms buy-back but we can learn from Australian experience**

5. Following the mass shooting at Port Arthur in 1996, Australia held a 12 month national firearms buy-back. The buy-back scheme covered newly prohibited firearms and later compensated for non-conventional weapons such as submachine guns and heavy machine guns, as the original policy decisions did not anticipate their return. 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. During the buy-back 643,726 prohibited firearms were handed in at a total cost to the Government of about A\$320 million.
6. It was estimated that 73 per cent of owners of newly prohibited firearms surrendered their prohibited firearms.<sup>2</sup> This was estimated to have reduced the number of total firearms

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<sup>1</sup> [CAB-19-MIN-0135]

<sup>2</sup> The Gun Buy-Back Scheme, Australian National Audit Office, 1997.

privately owned by about 20 per cent. The Australian states have held subsequent amnesties and buy-backs following further regulatory changes.

7. We have built key lessons from the Australian amnesties and buy-backs into our analysis of the policy design as outlined in this paper, see Appendix 3.
8. Our Australian colleagues have advised it is important to be focused on the purpose of the buy-back. We consider the aim of the buy-back is to assist in restricting access to newly prohibited weapons in recognition of their potential for high harm to the community, i.e. their potential for use in mass shootings. Analysis of the effectiveness of the Australian schemes demonstrates the difficulty of establishing causal links between buy-backs and any subsequent reductions in overall rates of firearm-related crime.

**There are a number of key policy decisions in relation to a buy-back**

9. The key policy decisions required to establish the buy-back are:

- the overarching purpose and objectives of the buy-back
- what items are compensated,
- who is covered,
- approach to establishing price, and
- timing and administration.

**What is the purpose of the buy-back?**

10. Establishing the purpose of the buy-back is key to determining what will be covered. The key purpose of the Bill is to remove general access by the public to these semi-automatic firearms, in recognition of the potential for high harm to the community. In light of this, we propose the purpose of the buy-back is to get as many semi-automatic firearms and shotguns covered by the ban out of our communities, as quickly as possible, to protect public safety.
11. The buy-back will support the ban by incentivising people to hand in newly prohibited firearms. There is an unknown number of firearms in New Zealand that will be covered by the ban and buy-back scheme. Relying on enforcement alone to achieve compliance is unlikely to be effective and would certainly take too long.
12. The primary purpose is to get as many newly prohibited firearms out of communities as quickly as possible, in order to protect the public. Underlying the *primary purpose*, the scheme must also balance:
  - a fair and reasonable payment to owners of previously lawfully owned property,
  - maintaining the trust and confidence in the government and Police, and
  - administrative efficiency given the volumes of firearms expected.

13. These objectives are important because they will all have an impact on incentivising the highest participation rates in the buy-back, and ongoing public confidence in the integrity of the Police and government.

### **What is covered by the buy-back?**

#### *Decisions are required on the scope of the buy-back*

14. We propose that consideration be given to the full range of items that could potentially come within the scope of a buy-back. A lack of clarity as to scope created significant challenges for the Australian buy-back.

15. You have indicated a preference for the buy-back to cover lawfully acquired, newly banned firearms.

#### *Lawfully acquired firearms that will now be banned*

16. Individual licence-holders will be compensated for newly banned firearms covered by the buy-back. An individual licence-holder may own multiple firearms covered by the buy-back. It is difficult to estimate the number of licence-holders affected by the ban and eligible for payments under the buy-back. Of the approximately 250,000 licence holders, there are around 7,460 licence-holders that own around 14,000 registered restricted firearms or MSSAs.

17. Of the estimated 1.2 million firearms in New Zealand,<sup>3</sup> the vast majority will not fall into the group that will be included in the buy back. A low estimate is 5% and at the high end 20%. That suggests the number to be between 60,000 to 240,000. This is a wide range and volumes will not become clear until any buy-back is underway. Compensation for lawfully acquired newly banned firearms without accessories could cost between \$48 million and \$149 million.<sup>4</sup>

18. This supports the purpose of getting these firearms out of the community. It also directly supports the underlying objectives of providing fair and reasonable compensation to owners of lawfully acquired property, and maintaining public trust and confidence.

19. Decisions are required on whether the buy-back will cover:

- Lawfully acquired items:
- Other firearms<sup>5</sup>
- Newly banned parts, accessories, and magazines
- Other parts, accessories, and magazines

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<sup>3</sup> This figure was the estimated number of firearms in New Zealand in 2014. The number was estimated in 2016 using the 1997 Thorp Report methodology. The exact number of total firearms is unknown.

<sup>4</sup> This estimate relies on second-hand firearms sales prices, it assumes 100% of the estimated semi-automatic firearms and known MSSAs covered by the ban are handed in.

<sup>5</sup> It is likely Police will receive items outside of those covered by the ban. These will not be paid for under the buy-back. Firearms that are not prohibited are still able to be lawfully held by licence-holders. If owners no longer wish to retain these firearms but want to dispose of them safely, they can be handed in to Police under amnesty.

- Unlawfully acquired items:
  - Newly banned firearms
  - Other firearms
  - Newly banned parts, accessories, and magazines
  - Other parts, accessories, and magazines

*Lawfully acquired parts or accessories and magazines that will now be banned*

20. Some parts and magazines will be covered by the ban, such as major component parts that can convert a firearm to a semi-automatic.<sup>6</sup> Cabinet agreed in principle to consider these items in the development of the buy-back scheme [CAB-19-MIN-0105].
21. Compensating for banned parts and magazines could result in more being handed in to Police. This would support the objective of getting more semi-automatics out of the community, and not have them transition into the black market. Given the ease with which firearms can be modified to high capacity semi-automatics with a single part, removing as many as possible supports the overarching public safety purpose of the ban.
22. High capacity magazines in particular have potential to cause high harm to the community, due to the ease with which these can be added to a firearm and increase its firing capacity without re-loading. Cabinet's agreement in principle to ban magazines for prohibited firearms [CAB-19-MIN-0124] was in light of high capacity magazines being a high public safety risk. The proliferation of these magazines in the community is of major concern. Without a financial incentive through a buy-back, there is a risk of large scale slippage of these magazines into criminal hands.
23. Engagement with the firearms community indicates there is an expectation that there will be compensation for magazines, parts and accessories. Australian Police experts strongly recommended that New Zealand should buy back magazines for public safety.
24. Paying for banned parts or accessories and magazines would increase the cost of the buy-back and increase the complexity of operational processes and pricing. If there was a cap on the number of magazines it could cost between approximately \$2 million and \$17 million.<sup>7</sup> Parts or accessories can significantly increase the value of the firearm by around \$500 to \$2,000. Including payment for accessories on banned firearms could result in a total cost of buy-back between \$79 million and \$249 million.<sup>8</sup>
25. We propose that newly banned parts, accessories, and magazines which were lawfully acquired are paid for under the buy-back. Should a narrower approach be preferred, we recommend at a minimum the inclusion of high-capacity magazines.

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<sup>6</sup> Such as complete upper receivers with bolt group.

<sup>7</sup> This number assumes 100% of the estimated semi-automatic firearms and known MSSAs covered by the ban are handed in, with a cap of 1 high-capacity magazine per firearm.

<sup>8</sup> This estimate relies on second-hand firearms sales prices with an increase to the upper limit to account for accessories, it assumes 100% of the estimated semi-automatic firearms and known MSSAs covered by the ban are handed in.

*Other lawfully acquired parts or accessories and magazines*

26. Some common accessories are not banned and could be used on different types of firearms such as a rifle scope. These can significantly increase the value of the firearm. Paying for these may incentivise more people to hand in semi-automatic firearms, as they perceive they are getting a fair market rate for the firearm. We understand the firearms community expects the assessed value of the firearm to include accessories. However, if these parts can be used on another type of firearm, the owner is able to minimise their losses. Some will not be able to be re-used which would result in a loss for the owner.
27. Including accessories and parts would add a layer of complexity to recording and valuing the firearm. It would also increase the cost of the buy-back. Including low capacity magazines not covered by the ban is unlikely to support the objective of getting more semi-automatic firearms out of the community.
28. We propose that lawfully acquired parts or accessories, and magazines that are not newly banned are not paid for under the buy-back.

*Unlawfully acquired firearms that will now be banned*

29. There is a question of whether unlawfully acquired prohibited items should also be covered by the buy-back scheme. This may include firearms handed in by a person without a firearms licence, or identified as stolen
30. We have been advised that the buy-back in Australia did not compensate for unlawfully held firearms. To be eligible for compensation the owner was required to present their firearms licence which allowed them to own that type of firearm. Australia did, however, accept unlawfully acquired firearms under amnesty, with no questions asked, no requirement to give personal details, and no ballistics tests run to determine any involvement of the firearm in prior offending.
31. Given the loophole enabling easy conversion of a Category A semi-automatic to an MSSA, it is likely there are licence-holders in possession of an unlawfully modified MSSA style firearm, because they held no E-Category endorsement.<sup>9</sup> There will also be individuals who are unlawfully in possession of newly banned firearms through other means.
32. Compensation for these firearms will incentivise these owners to hand in their semi-automatic firearms and support the broad purpose of increasing public safety by getting these firearms out of the community. However, it is contrary to the objectives of providing fair compensation to lawful owners and maintaining public trust and confidence. There is also potential for perverse incentives such as theft of firearms, and legal issues of Police potentially receiving and government paying for, stolen property.
33. Owners of any unlawfully acquired firearms will be encouraged to hand these items in under amnesty, with immunity from prosecution for unlawful possession until the end of the buy-back period. Following that there will be an ongoing amnesty with Police discretion to prosecute. There are other ways of encouraging owners of any unlawfully

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<sup>9</sup> There is potential that those who have illegally modified a semi-automatic to an MSSA, will be able to 'de-modify' it and hand it in for compensation.



acquired firearms to participate in the amnesty, if they are ineligible for compensation. Of note, the Bill introduces new offences with more significant penalties, which may disincentivise retention of these unlawful firearms.

34. We do not propose that compensation is paid for unlawfully acquired firearms. These firearms will be accepted under amnesty where there will be no prosecution for unlawful possession of a prohibited weapon.

*Other unlawfully acquired firearms, parts and magazines*

35. During the 1996 buy-back in Australia, weapons were received which were already prohibited prior to the ban, such as fully-automatic machine guns and grenade launchers. The misuse of these types of firearms causes high harm to the community, in a similar manner to the newly banned semi-automatic firearms. These firearms can currently be received under the general amnesty.
36. Compensating for these types of firearms would support a broader objective of getting high-harm firearms out of the community. However, applying a consistent approach to newly banned firearms that were unlawfully acquired, we do not propose that compensation is paid for already restricted/unlawful firearms not covered by the new prohibition.
37. We recommend applying a consistent approach to unlawfully acquired parts, magazines, and accessories, as to unlawfully acquired firearms. Accordingly, we propose that they are not included within the scope of the buy-back scheme. We will encourage these to be handed in under amnesty.

**Who will the buy-back cover?**

*Licence-holders who are likely to apply for exemptions*

38. The Bill proposes that to possess a prohibited firearm or magazine, the licence-holder must apply for an endorsement and a permit to possess that specific firearm. This exemption is proposed for dealers, collectors, museums, film productions and professional wild animal pest controllers employed or engaged by the Department of Conservation.<sup>10</sup>
39. We propose that those licence-holders who meet the exemption criteria and successfully apply for the necessary endorsement and permit so that their firearms and magazines can be lawfully held will not be paid for those firearms. If exempt licence-holders own Category A firearms for their personal use that will be prohibited firearms, these will be eligible for payments under the buy-back.

*Business compensation*

40. Business compensation will need to be considered, but it is not yet possible to determine the appropriate level of compensation. There are a number of issues in

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<sup>10</sup> Or a person holding a concession granted by the Minister of Conservation to undertake wild animal recovery operations in accordance with a specified Act, or a person employed or engaged by a management agency and involved in the hunting or killing of wild animals or pests in accordance with the Biosecurity Act.

relation to dealers which will need to be considered, primarily relating to their possible financial losses due to the immediate impact of the legislation change.

41. There are currently 493 licensed dealers in New Zealand. Within this group, the individual impacts will be different and we would need to consult with businesses to assess these impacts. For example, some dealers might be able to return prohibited stock to suppliers. The impacts on dealers' ability to trade and export retail stock overseas, and GST and income tax implications will also need to be considered.

s 9(2)(f)(iv)

42. In Australia, individual dealers were able to apply for compensation for business losses and retail stock. These applications were audited and compensation paid on a case by case basis, depending on the specific impacts on each business.
43. We propose that you agree in principle that some compensation will be paid to businesses, and receive further advice to determine the appropriate level of that compensation. We will know more about the impact of the ban on dealers in the coming weeks, at which time we will follow up with further advice.

#### **Setting an approach to price**

44. There are a range of options for determining appropriate levels of payment. Options considered strike a different balance of benefits and risks to government and the firearms' owners.
45. What is paid for and the level of payment will directly impact the participation rates. A higher payment will incentivise more owners to hand in firearms, supporting the broad objective of collecting as many banned firearms as possible. A payment considered too low may not incentivise people to hand in firearms to Police, and these will likely remain in the community and could end up in the black market. This will result in a greater ongoing risk to public safety.
46. Two cost estimates for purchasing banned firearms have been calculated with and without accessories in the valuation (see Appendices 1 and 2).
47. Key considerations in determining buy-back pricing:
- Level of differentiation of value of individual firearms
  - Using market price for compensation, or less
  - Setting a maximum (cap)
  - Setting a minimum
  - Independent pricing panel



48. The Government has indicated that compensation will be fair and reasonable based on firearm type, average prices and the age of firearms.<sup>11</sup>

*Options for a 'fair and reasonable' payment*

49. The core elements that influence market price are the type of firearm and its age. Police has relied on three years of second-hand firearms sales data. s 9(2)(b)(ii)

[REDACTED]

50. Australian buy-back schemes have used a pricing approach where each specific firearm make and model is itemised (around 1,700 currently which included a broader range of firearms than those covered by the ban). They used two price points per firearm – a new, or pristine, firearm attracts the new price, and everything else, the average used price.

51. This approach meets the objectives of fair and reasonable payment, it is transparent and sets clear expectations for the firearms owner. It will require firearms knowledge at collection to match the firearm to the detailed price list.

52. It is possible within the Australian approach to develop different price points:

- Setting the highest price point at a second-hand price rather than new retail; this would more accurately reflect the value of older firearms but could be perceived as not market rate by owners of near new firearms.
- Setting three price points per firearm; this would more accurately reflect the age and condition of different firearms it would require a subjective assessment of the age of the firearm at the time it was handed in which could lead to more dispute by owners.

53. Both options are likely to reduce the overall cost of purchasing firearms as they are paying only second-hand prices and more firearms will be in a lower price bracket.<sup>12</sup> This needs to be balanced with setting price points that incentivise owners to hand in firearms as they are perceived to be getting market rate.

54. Whichever approach is reasonable, the detailed price list would effectively set a minimum and maximum cap for each firearm. Having minimum and maximum caps will incentivise the surrender of lower value firearms. However, it may not be seen as fair and reasonable for firearms owners with high value firearms and risks them selling the firearm on the black market if there is a significant price difference.

55. We have considered other pricing options, including:

- One fixed price per firearm; administratively simple but not likely to be viewed as fair by firearms owners as it will create significant winners and losers.

<sup>11</sup> <https://www.beehive.govt.nz/release/new-zealand-bans-military-style-semi-automatics-and-assault-rifles>.

<sup>12</sup> Note that initial costing has been done with three price categories and based on second-hand sale prices rather than new retail.

## BRIEFING FOR MINISTERS WITH POWER TO ACT

- Depreciation based on age; administratively complex to determine the age, and may not be perceived as fair and reasonable by owners of higher value firearms.
- Price ranges for broad categories of firearms; more subjective assessment of which category the firearm sits in, may not be viewed as fair by firearms owners.

56. A table attached to this paper at Appendix 5 shows various options of a pricing scheme. It gives an estimation of fairness – the perception of firearms owners as to how fair the compensation was for them and reasonable estimation considering such aspects as: administrative simplicity, operational efficiency, and overall costs to government.

57. If magazines are covered in a buy-back we advise that administrative simplicity would be essential, with a flat rate for magazines, whatever their value. The retail price range of high capacity magazines is \$200-500 for a 30 round AR15 magazine, the most common high-capacity magazines previously available for sale (see costing at Appendix 4). An unknown number of magazines are in the community, but it would be likely that there would be a high surrender rate.

58. If compensation is paid for any accessories (whether now banned or not) on a newly banned firearm, a similar approach to magazines would be logical, with a schedule of common accessories and a flat rate for each type of accessory to be added to the total value of the firearm.

### *Independent pricing panel*

59. There may be still be exceedingly high-value firearms not covered by the list. In Australia, anything outside or above the new or used values in the price list was independently valued, and they compensated for some single firearms up to A\$35,000.

60. We could take a similar approach and seek advice from an independent panel on pricing for high-value firearms outside the list. This panel could provide advice to Ministers to consider exceptions to the price list on a case by case basis.

61. There is also an option to consider setting a total cap for the whole firearms price list. Ministers could consider exceptions to the cap on advice from the independent pricing panel.

### *Independent advice to establish price points*

62. Due to the complexity of the options, and the need for public confidence in the buy-back scheme, we recommend a third party provider undertake the work on establishing a price list and price points for new and used firearms. This would enable Police to lead the operational implementation of the scheme without any perceived interest in the pricing and broader compensation settings. We will seek independent advice following Ministerial endorsement of the recommended buy-back model and propose to seek approval on a price list at the end of April or early May.

*Tax and GST implications*

63. Buy-back schemes in Australia have been tax-free as a way of incentivising surrender of firearms. Police considers that the same treatment here would incentivise more people to hand in their firearms.
64. Inland Revenue has advised that where firearms are being surrendered by individuals holding the guns in their private capacity there will be no tax or social policy implications. The gun buy-back payments will not be treated as income of the individuals.
65. Where the guns are held as business assets, the buy-back payments would be an amount received on the disposal of the business asset and the usual calculation of gain or loss on the disposal of the asset will apply. The business would also account for GST in the usual way. Inland Revenue are considering whether some of the GST documentation is necessary given the information that will already be collected by the Police. It would be administratively simpler if there is no requirement for Police to capture a GST reference number at the point of collection.
66. While the buy-back schemes in Australia have been tax free as a way of incentivising the surrender of firearms, Inland Revenue recommend that this approach is not adopted in New Zealand as it would give rise to winners and losers among businesses and would potentially increase compliance costs as the disposals of the guns would need to be treated differently from other asset disposals.
67. Inland Revenue has recommended that amounts paid under the buy-back scheme will be inclusive of GST, if any. Ministers may want to consider whether they would prefer these payments be exempt from GST to incentivise owners to hand in firearms.

**Dispute resolution**

68. In Australia, substantive disputes about compensation were referred to a panel of experts to determine appropriate compensation. However, in Australia administrative tribunals are already established to deal with these matters.
69. We propose to use the existing provision in section 63 of the Arms Act which provides for appeal to a District Court Judge in respect of compensation. Section 64 provides for the standard second appeal on points of law only to the High Court. We think these provisions will achieve the objective of public confidence in the scheme as well as natural justice.

**Timing for the buy-back**

70. We propose the buy-back would apply retrospectively to cover firearms notified to Police from 21 March 2019, the date of the government announcement. On that date an Order in Council was made to reclassify some semi-automatic firearms as MSSAs, which led to an increase in firearms owners contacting Police to arrange collection of their firearms. At the time of drafting, approximately 900 people had contacted Police online to arrange to hand in around 1,200 firearms. Some of these firearms are covered by the proposed ban and some are not but the owner no longer wants to retain possession of them.

s 6(c)

s 6(c)

74. Preparation for implementation of the buy-back scheme has commenced. On the day of the Prime Minister's announcement of the reclassification of semi-automatic firearms and the proposed buy-back scheme, Police published online information encouraging owners of these reclassified firearms to notify Police to arrange hand over of the firearms, bank account details are included in the online form.
75. Police will work in partnership with communities local iwi, rural groups, hunters and farmers to support a behaviour shift in those most affected by restricted access to semi-automatic firearms.
76. The buy-back will involve data collection collection of firearms and payment processing. Police will lead collection/handing in of firearms, transport, storage and disposal, with support from the New Zealand Defence Force (NZDF) and contract extra staff as required. Police will build systems and processes as we go to ensure the firearms collection and buy-back run as efficiently as possible. Police is currently in the data collection phase with people notifying of intention to hand in firearms.
77. You have indicated that the buy-back would run for the same time period as the full amnesty with protection from prosecution for unlawful possession, which could be until the end of September 2019.
78. Australia operated their nationwide 1996 buy-back scheme for a 12 month period. Police does not consider a 12 month amnesty is feasible or desirable, particularly as we would expect a late surge of firearms owners seeking payment at the end of 12 months.

### **Processing payments**

*Police could authorise the payments directly through Westpac*

79. Police is well-positioned to administer the payments, as we are developing a technology platform to track and facilitate payments. A prototype is currently being built and will be ready for testing in the coming weeks. Police will require a new Multi-Year-Appropriation for the buy-back scheme, this would need to be in place before payments began. Police would then authorise processing of payments through the government banking provider



(Westpac) who would deposit payments to individual firearms owners using the information collected in firearms notification forms.

80. In relation to public messaging and information sharing, it will be simpler for Police to administer both the collection of firearms and payment processing. This is consistent with the approach taken in Australia. We are likely to receive a high volume of calls regarding the status of payments and Police may have to manage money returned because the incorrect bank account details were given.

81. Police considers there is minimal difference in costs or timing between IRD or Police processing the payments.

*Another option for payment processing is through Inland Revenue*

82. We understand you have discussed payment processing through Inland Revenue. Inland Revenue has experience in making Crown payments such as the payroll subsidy and redundancy tax credits and could repurpose the system processes to make the buy-back payments. It would take Inland Revenue up to one month to set up a process for the buy-back payments, conduct testing and begin to make payments. The initial set up and testing costs would be up to \$25,000 and there would be some ongoing staff costs for the duration of the buy-back scheme.

83. This approach would require consenting to the sharing of information between Police and Inland Revenue for the purpose of making the payments and administering the buy-back scheme a requirement for receiving a payment.

84. Police's recommendation is that, given the extra complexity in transacting payment through Inland Revenue, Police takes full responsibility for the payments process.

### **Publicity**

85. The Australian buy-back schemes have been supported by extensive public education campaigns and nationwide advertising to support compliance. Our colleagues from Australia advised that marketing and communications to the community were a key success of their firearms amnesty and buy-back schemes.

86. Police is developing a national marketing and communications strategy to support the buy-back and amnesty. This will commence on 11/12 April following the Arms Amendment Bill coming into force. The advertising campaign would be an integrated campaign across a number of channels. The campaign could include digital advertising, radio, social media, print advertising (publications and community newspapers), outdoor advertising, and leveraging communication channels with key firearms stakeholders.

87. Comprehensive engagement with the firearms community around the buy-back will be important to manage expectations. Police is also developing an internal communications strategy to enable our staff to give clear messaging to the public about the amnesty and buy-back.

88. Police is currently working through planning for the campaign and the above considerations. Police will engage with the Minister of Police and Prime Minister's offices in relation to public communications.

## Financial implications

### *Administration costs*

89. The financial implications are not yet known. Delivery of the buy-back scheme would be dependent on:

- Agreed pricing structure
- Inclusions within the scheme
- Length of the scheme
- Application of GST to the process
- Firearms collection and destruction method
- Data collection systems and third party costs<sup>13</sup>
- Publicity costs

90. Further detailed costings will be provided by the end of the week to inform budget decisions.

### *Costs of purchasing firearms*

91. We have relied on second-hand firearms sales data to calculate the average prices of semi-automatic firearms covered by the buy-back.

92. It is estimated that if only newly banned firearms are compensated for, it could cost between \$48 million and \$149 million. If accessories on newly banned firearms are compensated for, it could cost between \$79 million and \$249 million.

93. Initial cost estimates are based on numbers of banned semi-automatic firearms and estimate of their market value. (See Appendices 1 and 2). The key variables in the costing are:<sup>14</sup>

- Number of known MSSAs and an estimate of total semi-automatic rifles and shotguns.
- Market value based on average second-hand retail prices.

94. If a cap of one high-capacity magazine per firearm is paid for it could cost between \$2 million and \$17 million.

## Consultation

95. The following agencies have been consulted on this paper; Department of the Prime Minister and Cabinet, The Treasury, Inland Revenue, New Zealand Defence Force and Ministry of Defence, the Ministry of Justice, the Ministry for Primary Industries, the Ministry of Foreign Affairs and Trade and the New Zealand Customs Service.

<sup>13</sup> A pricing panel, payment provider, nationwide advertising costs, Deloitte, SAP systems, IQA.

<sup>14</sup> Assumptions from estimates are; businesses excluded, magazines and parts excluded, assumes 100% of estimated firearm volumes are returned.




96. The Treasury is broadly comfortable with the proposed approach but has some concern about the options around pricing and scope. The pricing approach suggested at recommendation (h) of a top price based on new retail values is likely to result in the Government overpaying for some firearms and hence a windfall gain for the individuals concerned. We consider the better approach is to base all price categories on second-hand values, depending on the age and condition of the firearms. Further work is required to understand the cost and administrative implications of choosing between a two-tier and a three-tier pricing system, and we recommend Ministers request further advice on this. In relation to scope, the paper makes a strong case for including newly prohibited high-capacity magazines in the buy-back scheme. This is estimated to increase the cost of the scheme by between \$2 million and \$17 million. The case for including other newly prohibited parts and accessories is less clear and seems to relate mainly to the expectations of the firearms community rather than to public safety risks. Including these other parts and accessories could add significantly to the cost of the scheme (estimated up to an additional \$83 million). On the issue of business compensation, the Treasury advises against taking any decision until fuller advice can be provided.

## Recommendations

It is recommended that Ministers with Power to Act:

- a) **agree** the purpose of the buy-back is to get as many prohibited semi-automatics out of private ownership as possible Yes/No
  - b) **agree** the buy-back will pay for the following lawfully acquired property:
    - i. prohibited firearms Yes/No
    - ii. prohibited high-capacity magazines Yes/No
    - iii. prohibited parts and accessories Yes/No
  - c) **agree** the buy-back will not pay for:
    - i. unlawfully acquired property Yes/No
    - ii. firearms not covered by the proposed ban Yes/No
    - iii. parts, accessories and magazines not covered by the ban Yes/No
  - d) **agree** that those with exemptions under the proposed ban are not eligible for payments for firearms held under that exemption Yes/No
  - e) **agree in principle** that compensation will be provided for affected businesses Yes/No
  - f) **agree** that the extent of business compensation will be considered and further advice provided at a later date Yes/No
  - g) **agree** that compensation will follow the Australian approach of two price points, new and used for individual firearms make and models Yes/No
- OR
- h) **agree** that compensation will follow the Australian approach with three price categories, the highest being nearly new second-hand price Yes/No
  - i) **agree** to set a maximum cap across the total price list with exceptions approved by Ministers Yes/No
  - j) **agree** that independent advice will be obtained to develop the price list Yes/No
  - k) **note** that you will be provided a price list for approval late April/early May
  - l) **agree** that an independent pricing panel be set up to give Ministers advice on higher value firearms Yes/No
  - m) **note** that in Australia buy-back payments were GST and tax exempt to incentivise owners to hand in firearms
  - n) **agree** that the buy-back payments will be GST inclusive as per the advice of Inland Revenue Yes/No

## BRIEFING FOR MINISTERS WITH POWER TO ACT

- o) **agree** that the buy-back will run from the date of the policy announcement (21 March 2019) for 6 months until the end of the amnesty period (30 September 2019) Yes/No
- p) **note** that Police will manage the operational process of collecting the firearms
- q) s 6(c) 
- r) **agree** that the payments will be processed by Police through Westpac Yes/No
- s) **note** further detailed administration costings will be provided by the end of the week, in order to inform budget decisions
- t) **note** that funding to support the agreed settings for buy-back payments will need to be allocated
- u) **note** that Police will develop a communications campaign to support the buy-back

**Ministers' comments and signature**

**Ministers' comments and signature**

..... / / 2019

Rt Hon Jacinda Ardern  
Prime Minister

..... / / 2019

Rt Hon Winston Peters  
Deputy Prime Minister

**Ministers' comments and signature**

**Ministers' comments and signature**

..... / / 2019

Hon Grant Robertson  
Minister of Finance

..... / / 2019

Hon Andrew Little  
Minister of Justice

BRIEFING FOR MINISTERS WITH POWER TO ACT

**Ministers' comments and signature**

**Ministers' comments and signature**

..... / / 2019

Hon Stuart Nash  
Minister of Police

..... / / 2019

Hon Ron Mark  
Minister of Defence

PROACTIVE RELEASE

**Appendix 1: Estimated cost of banned firearms without accessories****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							
Est % in condition				50%	30%	20%	
Age/condition based estimated market value				\$500	\$1,000	\$1,500	
Proportion banned		100%	14,286	\$3.57m	\$4.29m	\$4.29m	\$12.14m

**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				50%	30%	20%	
Age/condition based estimated market value				\$500	\$1,000	\$1,500	
If proportion banned is		5%	37,941	\$9.49m	\$11.38m	\$11.38m	\$32.25m
If proportion banned is		10%	75,881	\$18.97m	\$22.76m	\$22.76m	\$64.50m
If proportion banned is		20%	151,762	\$37.94m	\$45.53m	\$45.53m	\$129.00m

**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	379,405						
Semi-automatic shotguns ( 5 magazine capacity):							
Est % in condition				5%	70%	25%	
Age/condition based estimated market value				\$500	\$1,000	\$1,500	
If proportion banned is		1%	3,794	\$0.09m	\$2.66m	\$1.42m	\$4.17m
If proportion banned is		2%	7,588	\$0.19m	\$5.31m	\$2.85m	\$8.35m

**Total cost range**

Best case	\$48.57m
Middle (2% Shotgun)	\$84.99m
Worst case	\$149.49m

*Assumes all banned firearms are redeemed.*

**Appendix 2: Estimates of buy back costs for firearms including accessories****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							
Est % in condition				50%	30%	20%	
Age/condition based estimated market value				\$750	\$1,250	\$3,500	
Proportion banned		100%	14,286	\$5.36m	\$5.36m	\$10.00m	<b>\$20.71m</b>

**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				50%	30%	20%	
Age/condition based estimated market value				\$750	\$1,250	\$3,500	
If proportion banned is		5%	37,941	\$14.23m	\$14.23m	\$56m	<b>\$55.01m</b>
If proportion banned is		10%	75,881	\$28.46m	\$28.46m	\$110.03m	<b>\$110.03m</b>
If proportion banned is		20%	151,762	\$56.91m	\$56.91m	\$220.06m	<b>\$220.06m</b>

**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	379,405						
Semi-automatic shotguns (>5 magazine capacity):							
Est % in condition				5%	70%	25%	
Age/condition based estimated market value				\$500	\$1,000	\$1,500	
If proportion banned is		1%	3,794	\$0.09m	\$2.66m	\$1.42m	<b>\$4.17m</b>
If proportion banned is		2%	7,588	\$0.19m	\$5.31m	\$2.85m	<b>\$8.35m</b>

**Total cost range**

Best case	\$79.90m
Middle (2% Shotgun)	\$139.09m
Worst case	\$249.12m

*Assumes all banned firearms are redeemed.*



**Appendix 3: Comparison of Australian and New Zealand buy-back settings**

Buy-back settings	Australia	Proposed New Zealand settings
High-level purpose	To get as many firearms off the streets as possible	To get as many newly banned firearms out of communities as possible
Prohibited firearms	Compensated under buy-back	Compensated under buy-back
Already prohibited firearms	Unintentionally compensated	No compensation – collected under amnesty
Non-prohibited firearms	Compensated under buy-back as they were not excluded in original policy decisions	No compensation – collected under amnesty
Unlawfully acquired property	Not compensated under buy-back but accepted under amnesty	No compensation – collected under amnesty
Parts	Compensated under buy-back	Options for yes or no
Ammunition	Compensated under buy-back	Not prohibited under current Bill
Magazines	Compensated under buy-back	Recommend compensation
Accessories	Compensated under buy-back	Options for yes or no
Individual licence-holders	Compensated under buy-back	Compensated under buy-back
Business compensation	Compensated under buy back, included loss of business and dealer's stock	Propose dealt with under a separate paper
Approach to compensation	Specific make/model prices for new and used, generous on the side of the owner, firearms over a cap independently valued	Options for different approaches, taking into account type of firearm, age, options for setting a cap
Appeal rights	Appeal rights to a panel of experts if firearm not listed on the schedule or dispute about price	Standard review and complaint provisions, options to set up a separate mechanism for review
Tax implications	Tax and GST free	Payments inclusive of GST, if any
Timing	National 12 months, subsequent 3 months	Options for 3, 6, 12 months
Collection process	Via dealers, mobile collections and vacant government space	To be designed
Payments	Police + private payment provider, cheque on the spot when firearms handed in	Police
Publicity	Public relations and advertising campaign	National communications campaign – details TBC
Funds	One-off medicare levy	Under consideration

**Appendix 4 Estimate of buy-back magazine costs cap of 1 per firearm**

<i>Estimate \$m per magazine</i>	<i>Number</i>	<i>\$50</i>	<i>\$75</i>	<i>\$100</i>
<i>Low estimate</i>	<b>56,021</b>	\$2.80m	\$4.20m	\$5.60m
<i>Middle estimate</i>	<b>97,755</b>	\$4.89m	\$7.33m	\$9.78m
<i>High estimate</i>	<b>173,636</b>	\$8.68m	\$13.02m	\$17.36m

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## Appendix 5 – pricing approaches

	Benefits	Risks
<b>Single price</b> One, universal price  Fair: <b>Low</b> Reasonable: <b>High</b>	<ul style="list-style-type: none"> <li>Administratively simple</li> <li>No firearms specialists needed for verification/assessment</li> <li>Minimises storage costs as no delays for destruction</li> <li>Minimises payment delays to owners</li> </ul>	<ul style="list-style-type: none"> <li>Unfairness across firearms owners</li> <li>Marked under- compensation for high value firearms</li> <li>Over-compensation for low value firearms</li> <li>High likelihood that system is not respected, with negative sentiment by firearms owners</li> </ul>
<b>Depreciated price by group</b> Broad groupings of firearm type, with depreciation factor  Fair: <b>Moderate</b> Reasonable: <b>Moderate</b>	<ul style="list-style-type: none"> <li>Administration is manageable in complexity</li> <li>Considerable level of fairness</li> <li>Minimises discontent of firearms owners</li> </ul>	<ul style="list-style-type: none"> <li>Some level of firearms knowledge required at collection</li> <li>Additional information on age of firearm is required</li> <li>No immediate payment to owners</li> </ul>
<b>Depreciated price by group with cap</b> Broad groupings of firearm type, with depreciation factor – with maximum set  Fair: <b>Low-Moderate</b> Reasonable: <b>Moderate</b>	<ul style="list-style-type: none"> <li>Administration is manageable in complexity</li> <li>Considerable level of fairness</li> <li>Minimises discontent of most firearms owners</li> <li>Manages fiscal risk of high value firearms</li> </ul>	<ul style="list-style-type: none"> <li>Some level of firearms knowledge required at collection</li> <li>Additional information on age of firearm is required</li> <li>No immediate payment to owners</li> <li>Push back by owners of high value firearms, with appeals sought</li> </ul>
<b>Individualised pricing – new or used</b> Bespoke pricing of individual make and model, with either new or used price  Fair: <b>Moderate</b> Reasonable: <b>Moderate</b>	<ul style="list-style-type: none"> <li>Considerable level of fairness</li> <li>Minimises discontent of most firearms owners</li> <li>Straight-forward assessment of new and used.</li> </ul>	<ul style="list-style-type: none"> <li>Administration is complex</li> <li>Firearms knowledge required at collection, or validation of firearm model process step required</li> <li>No immediate payment to owners</li> </ul>
<b>Individualised depreciated pricing</b> Bespoke pricing of individual make and model, with depreciation factor  Fair: <b>High</b> Reasonable: <b>Moderate</b>	<ul style="list-style-type: none"> <li>Great level of fairness</li> <li>Minimises discontent of most firearms owners</li> </ul>	<ul style="list-style-type: none"> <li>Administration is complex</li> <li>Additional information on age of firearm is required</li> <li>Firearms knowledge required at collection, or validation of firearm model process step required</li> <li>No immediate payment to owners</li> </ul>