

Regulatory Impact Statement: Firearms Regulation- Maintaining Public Interest and Safety (4 of 4)

Decision sought	Cabinet decisions
Agency responsible	Ministry of Justice
Proposing Ministers	Hon Nicole McKee, Associate Minister of Justice
Date finalised	29 May 2025

This is the last in a suite of four Regulatory Impact Statements (RIS) containing proposals to strengthen the firearms regulatory system through amending the Arms Act 1983 (the Act):

- *Encouraging a culture of community safety and support (1 of 4);*
- *Enabling legitimate possession and use (2 of 4);*
- *Ensuring compliance through education and enforcement (3 of 4); and*
- *Maintaining public interest and safety (4 of 4) – this RIS.*

This RIS focuses on improving the efficiency, effectiveness and transparency of the firearms regulatory system, both in how it is delivered and the outcomes achieved for public benefit.

Maintaining public interest is encouraged by:

- *Continuous eligibility screening of licence holders:* to ensure licence holders maintain their status as “a fit and proper person to possess firearms” throughout the duration of their licence; and
- *Cost Recovery:* to ensure fees remain reasonable while balancing the costs between private and public interest.

Part A: Continuous eligibility screening of licence holders

Monitoring licence holders to ensure they remain fit and proper, and sharing information between agencies to inform this system, is an important check in the firearms regulatory regime to support ongoing public safety. The proposal in Part A of this RIS focuses on improving the transparency of this system.

Part B: Cost Recovery

The ability to undertake partial cost recovery from licence holders reflects the balance between private and public interests in the firearms regulatory system. The proposal in Part B of the RIS focuses on ensuring cost recovery settings are appropriate.

Summary: Problem definition and options

What is the policy problem?

Part A: Continuous eligibility screening of licence holders

Firearms licence holders must remain “fit and proper” to possess firearms for the duration of their licence to support personal and public safety. Currently, monitoring mechanisms rely on informal reporting from Police, health practitioners, and licence holders themselves.

The Ministry of Justice (the Ministry) has identified that, as it is not codified in legislation, this system lacks transparency, and contributes to the lack of trust and confidence the firearms community has in the regulator. There is no defined framework for the regulator to monitor ongoing eligibility and it relies on the goodwill of intelligence agencies to report relevant concerns.

In addition, the Coalition Agreement between the National Party and the ACT Party makes a commitment to transfer the regulator from Police to another government agency. The current, informal approach will not be workable when the transfer occurs.

Part B: Cost Recovery

Under the current cost recovery settings, fees are not currently recovering the actual cost incurred by the eligible regulatory activities. Under-recovery has led to the Crown bearing an estimated 95% of the costs of firearms regulatory services. There is no legislative mechanism for regular fee reviews, leading to infrequent adjustments and misalignment with best practice.

Policy Objectives

The overarching objective of the Firearms Reform Programme agreed to by Cabinet is to deliver a firearms regulatory system that:

- supports the safe possession and use of firearms and other weapons for legitimate purposes (e.g. sport, hunting, collecting and pest control), and
- imposes controls that protect individual and public safety from firearms-related harm.

Policy Options

The preferred options have each been assessed against the status quo:

PART A: Continuous eligibility screening of licence holders

- *Option 2: Create a ‘red flag’ review system.*

This would establish a statutory power for the regulator to ensure that licence holders remain fit and proper throughout the term of their licence. To support that power, it would also establish a formal system enabling intelligence and law enforcement agencies to disclose relevant information to the regulator when they become aware of matters that may affect a licence holder’s fitness.

PART B: Cost Recovery Settings

- *Option 2: Create a tiered cost recovery structure and new framework for reviewing cost recovery settings.*

Embedding regular reviews in legislation ensures fees remain aligned with inflation and recoverable costs over time, reducing the reliance on taxpayers to subsidise firearms regulatory services. A tiered fee structure adds an equitable dimension to the framework, addressing concerns about fairness by varying fees based on the type of regulatory service and beneficiary.

The Minister’s preferred options in the Cabinet paper are the same as the options in this RIS.

Summary of consultation

The Ministry conducted public consultation on the Act over seven weeks (from 13 January to 28 February 2025). Views were sought on what is working well in the Act and what needs change, rather than specific policy proposals. The Ministry received 8,448 submissions.

PART A: Continuous eligibility screening of licence holders

Submitters were divided—some opposed ongoing continuous eligibility screening of firearms licence holders, especially of social media or medical records, while many supported enhanced, risk-based monitoring for owners of higher-risk firearms. The Firearms Safety Authority (the FSA) noted most breaches of the fit and proper person standard occur during the licence period, highlighting the need for a formal, proportionate monitoring framework.

PART B: Cost Recovery

Consultation showed general support for keeping fees low to encourage compliance although some supported inflation adjustments and broader cost recovery. There was strong opposition to including enforcement costs. Previous fee reviews have revealed significant under-recovery.

Summary: Minister's preferred options in the Cabinet paper

Costs (Core information)

- The 'red flag' proposal codifies existing practice and can be absorbed within baseline funding.
- There are no changes proposed to fees in this analysis. Impacts are limited to regulatory agencies and absorbed within baseline funding.
- No significant distributional impacts or competition effects are expected.

Benefits (Core information)

- It is anticipated the proposals will improve cost recovery over time, supporting a more effective and sustainable firearms regulatory system.
- Benefits fall primarily to the firearms regulator and flow on to the public through improved regulatory function, compliance and public safety outcomes.
- Regulated parties benefit from clearer legislative definition of the regulator.
- No significant distributional or competition impacts are expected.

Balance of benefits and costs (Core information)

Analysis indicates that the benefits of the proposals outweigh the costs. Improvements to regulatory clarity, transparency, accountability, and financial sustainability are expected to deliver enduring public value.

Implementation

The FSA will implement the new red flag system (continuous eligibility screening) and cost recovery proposals.

Limitations and Constraints on Analysis

There were no significant limitations on the analysis. The available evidence and consultation feedback are sufficient for Cabinet to make an informed decision.

I have read the Regulatory Impact Statement, and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature:



Kathy Brightwell

General Manager, Civil and Constitutional

29 May 2025

Quality Assurance Statement

Reviewing Agency: Ministry of Justice

QA rating: Meets

Panel Comment:

A Panel within the Ministry of Justice has reviewed Regulatory Impact Statements for consistency with the quality assurance criteria. The Panel concluded that they meet the quality assurance criteria. In reaching this conclusion, the Panel noted that some criteria used to assess the options overlapped in substance and this could have affected the favourability of some options compared to the status quo. The criteria were set by Cabinet, which was noted as a constraint for all four Regulatory Impact Statements.

Introduction to Firearms Reform – Maintaining public interest and safety (4 of 4)

Introducing the Arms Act 1983 (the Act)

1. The firearms regime is a system focused on regulating people and products to protect public safety while enabling legitimate possession of firearms by safe users. A diagram setting out New Zealand's firearms regulatory regime is available in Appendix 1 of the accompanying Cabinet paper: *Firearms reform programme Phase 4: Rewrite of the Arms Act 1983 – legislative policy proposals*.
2. This Regulatory Impact Statement (RIS), *Firearms Reform – Maintaining public safety and interest (4 of 4)*, is the last of a suite of four RIS which contain proposals to strengthen these settings and reduce unnecessary compliance burdens that do not support public safety. The others are:
 - *Firearms Reform – Encouraging a culture of community safety and support (1 of 4)*;
 - *Firearms Reform – Enabling legitimate possession and use (2 of 4)*; and
 - *Firearms Reform – Ensuring compliance through education and enforcement (3 of 4)*.
3. This RIS focuses on improving the efficiency, effectiveness and transparency of the firearms regulatory regime, both in how it is delivered and the outcomes achieved for public benefit. The policy issues discussed in this RIS are:
 - PART A: Continuous eligibility screening of licence holders; and
 - PART B: Cost recovery.

What objectives are sought in relation to the policy problems?

4. The overarching objectives of the firearms reform programme agreed by Cabinet in May 2024 [CAB-24-MIN-0158 refers] are to deliver a firearms regulatory system that:
 - supports the safe possession and use of firearms and other weapons for legitimate purposes (e.g. sport, hunting, collecting and pest control); and
 - imposes controls that protect individual and public safety from firearms-related harm.
5. The policy objectives specific to continuous eligibility screening and cost recovery are:
 - ensure firearms licence holders remain fit and proper for the duration of their licence,
 - enable the regulator to receive and act on relevant information from other agencies,
 - enhance transparency in the continuous eligibility screening process among firearms licence holders,
 - ensure firearms regulatory services are recovering cost equitably and sustainably,
 - align firearms cost recovery with broader government cost recovery principles and strategic direction.

What general consultation has been undertaken?

6. The Ministry of Justice (the Ministry) conducted public consultation on the Act over seven weeks (from 13 January to 28 February 2025). Views were sought on what is working well in the Act and what needs change, rather than specific policy proposals. Submissions were received by email, post and through the Ministry's Citizen Space consultation hub. The Ministry received 8,448 submissions.
7. The Ministry directly engaged with the Minister's Arms Advisory Group, Dealers Reference Group, Te Puna Aonui Systems Working Group, Arms Engagement Group, Clubs and Ranges Group, Ministerial Advisory Group for the Victims of Retail Crime, Māori Firearms Forum, Māori Focus Group Wānanga (coordinated by the Ministry), Sporting Shooters Association of New Zealand, New Zealand Police Association, Theatrical Armourers Guild of New Zealand, and Firearms Community Advisory Forum.
8. The Ministry also engaged with other government agencies including New Zealand Police, Firearms Safety Authority (FSA), New Zealand Defence Force, Department of Conservation, Ministry for Primary Industries, New Zealand Customs Service, and Ministry of Culture and Heritage.
9. Feedback received through the consultation on specific topics is discussed in more detail in each of the policy proposal sections.

What criteria would be used to compare options to the status quo?

10. The options have been considered against the criteria set out in the policy framework for firearms reform agreed in May 2024 [CAB-24-MIN-0158 refers], to ensure the proposals:
 - *Simple*: are simple and easy to understand and apply;
 - *Necessary*: are necessary to achieve the overarching objectives;
 - *Protect individuals*: protect individual freedoms and rights and the security and privacy of personal information;
 - *Protect the public*: protect the public from firearms-related harm; and
 - *Effective and Efficient*: provide for effective and efficient delivery of service.

What scope would options be considered within?

11. The scope of policy options was influenced by the ACT Party and National Party coalition agreement to "rewrite the Arms Act 1983 to provide for greater protection of public safety and simplify regulatory requirements to improve compliance". The focus is on rewriting the Act with the opportunity to take a systematic and considered approach to the Act as a whole, modernising the legislation to deliver public safety outcomes for New Zealand, and simplifying regulatory requirements.

How would the proposals be monitored, evaluated, and reviewed?

12. The Ministry will continue to monitor the Act as part of its regulatory stewardship responsibilities. This includes developing a monitoring and evaluation plan as recommended in the Review of the Firearms Registry, and a statutory review of the operation of the Act.

PART A: Continuous eligibility screening of licence holders

Section 1: Diagnosing the Policy Problem

What is the context behind the policy problem and how is the status quo expected to develop?

14. The Firearms Safety Authority (FSA – the regulator) is a branded business unit, hosted by the New Zealand Police (Police).
15. Under the Act, only people found to be “fit and proper to be in possession of a firearm or an airgun” may be issued a firearms licence. This is an important check to maintain personal and public safety. Section 24A sets out circumstances which the regulator must assess at the time of a firearms licence application and renewal, to determine an individual’s suitability. In addition, the regulator may take into account “any other relevant matters considered appropriate” in determining whether a person is fit and proper to be in possession of a firearm.¹
16. To comply with the requirement to be fit and proper, a licence holder must have appropriate and secure storage arrangements.
17. If a person is jeopardising their fit and proper status, the regulator may:
 - issue an improvement notice to the licence holder;²
 - temporarily suspend the holder’s licence;³ and/or
 - revoke a firearms licence.⁴
18. Practically, to be informed if a person is, or is at risk of, no longer being fit and proper, the regulator relies on multiple sources of information and data, including from:
 - *the licence holder* informing the regulatory if their eligibility has changed;⁵
 - *health practitioners* may give Police medical reports if they have reason to believe a firearms licence holder is unfit to use a firearm;⁶
 - *inspections by the regulator* of the licence holder’s firearms, storage arrangements and security measures;⁷
 - *National Intelligence Application* (NIA), which holds all data from Police such as criminal history and law enforcement interactions;

¹ Section 24A(2)(c) of the Act.

² Section 24D(a) of the Act.

³ Section 24D(b) of the Act.

⁴ Section 27(2)(a) of the Act.

⁵ Section 24B(1)(e) of the Act requires the license holder to inform the regulator if their eligibility as described in the fit and proper test changes.

⁶ Section 92 of the Act.

⁷ Section 24B(1)(c) enables the regulator to verify compliance with safe storage and security arrangements.

- the *Firearms Licence Risk Review* (FLRR), which generates an overnight report of every instance a firearms licence holder appears in NIA (indicating an interaction with Police);
 - *social media and media scanning* utilising 'Open Source Intelligence' (OSINT) made up of information collected publicly through available sources (as opposed to covert or clandestine sources);
 - *national security networks* (shared with NIA); and
 - *public notifications* of concern or non-compliance.
19. The regulator relies on its access to Police data to support its initial and on-going monitoring. The Coalition Agreement between the National Party and the ACT Party committed to transferring the regulator out of Police to another government agency, such as the Department of Internal Affairs.

What is the policy problem or opportunity?

20. There is no statutory power for intelligence agencies to report concerns, nor is there a defined framework for the FSA in managing risk.
21. While section 24B provides some oversight through self-reporting and Police inspections, these measures are limited in ensuring ongoing suitability. Self-reporting relies on individual compliance, which may fail in cases where a licence holder becomes unfit but does not disclose it. Inspections focus on firearms storage and security but do not assess broader behavioural or risk factors.
22. Establishing a clear legal framework to provide continuous eligibility screening to ensure people remain fit and proper to use and possess a firearm once the FSA is transferred out of Police and no longer have direct discretionary access to NIA and Police information. Without a legislative framework the flow of information between the FSA and Police will break down.
23. In addition, the current approach is not as privacy enhancing as it could be.⁸ The NIA holds discretionary information based on frontline staff input, and it is difficult to determine which information in NIA is relevant to a licence firearms holders' eligibility without triage and assessment. This results in the FSA triaging information which may not be relevant to a licence holders' eligibility. This practice may have privacy implications for licence holders, and these implications are likely to be amplified if the FSA were to be transferred to a separate Government department.

What consultation has been undertaken on this topic?

24. Submitters expressed mixed views on the current monitoring undertaken by Police and the FSA. Several submitters suggested that the Police and FSA should refrain from monitoring social media and medical records where a licenced firearms holder had already passed the fit and proper person test at the time of their application.
25. A considerable number of submitters supported enhanced monitoring particularly in the case of people who can possess firearms which pose a greater risk if misplaced, misused, or stolen, such as pistols and restricted and prohibited firearms.
26. Consultation undertaken with the FSA revealed that the vast majority of noncompliance leading to a breach of the fit and proper person test occurs during the licence period even

⁸ The access of information and data in NIA, FLRR and OSINT is enabled because the FSA is a branded business unit of Police with direct access to Police systems. Using Police information does not constitute information sharing for the purpose of the Privacy Act 2020 because no information is being shared between agencies.

though they are compliant at the time of application. This indicates a strong necessity to ensure there is proportionate and risk-based ongoing continuous eligibility screening.

Section 2: Assessing options to address the policy problem

Scope

27. The scope of options is informed by key principles and constraints that aim to align with the FSA's regulatory role with the policy criteria of maintaining public safety and protecting individual rights and privacy.

FSA as regulator not law enforcement

28. The FSA is a regulator, not a law enforcement agency. The options should reflect the FSA's compliance function, which includes licensing, vetting, education, engagement and resolutions. Any monitoring function must support this role without overstepping into law enforcement activities, which are better carried out by Police.

Futureproofing for organisational independence from Police

29. The FSA is expected to be transferred out of the Police and into the public service. Once transferred, it will no longer have direct access to Police information systems. Options will therefore need to consider mechanisms that enable the FSA to continue to receive or access timely and relevant information from Police and other agencies to support its monitoring function, while preserving appropriate safeguards and accountability.

Aligning monitoring with the 'Fit and Proper Person' test

30. Options will be considered within the context of the fit and proper person test as defined under section 24A of the Act. This test ensures that applicants meet the criteria at the time of licence issuance or renewal, but the current legislative framework does not require continuous assessment for the duration of the licence. Therefore, options should focus on creating a system that strengthens the checks and balances to ensure licence holders remain "fit and proper" throughout the licence period.

Options

Option 1: Status Quo

31. There is no statutory requirement for ongoing monitoring of firearms licence holders. The system relies on discretionary reporting and triaging of information using Police systems and periodic renewals to assess suitability, without a legal duty on other agencies to notify the regulator of concerning behaviour during the licence period.

Option 2: Create a red flag review system

32. This option would establish a statutory power for the regulator to ensure that licence holders remain fit and proper throughout the term of their licence. To support that power, it would also establish a formal system enabling government agencies (e.g. Police, NZSIS, Customs) to disclose relevant information to the FSA when they become aware of matters that may affect a licence holder's fitness.
33. This option would be implemented through a combination of legislative, regulatory, and operational mechanisms:
 - Legislation – Enabling Provision
 - Amend the Act to insert a new provision enabling government agencies to notify the regulator if they discover information that may indicate a licence holder no longer meets the fit and proper criteria.

- The provision would set a threshold for reporting and ensure information is relevant, proportionate, and limited to what is necessary to assess fit and proper person test under section 24A of the Act.
 - A regulation making provision that supports changes to Schedule 2 of the Privacy Act 2020, to allow for information sharing agreements to be made between Police and other relevant agencies and the FSA when it is transferred.
 - An enabling provision would enhance transparency with firearms licence holders about how they are monitored for the duration of the licence period. The provision is intended to be high-level only, leaving details to be disclosed in an information sharing agreement.
- Regulations –Approved Information Sharing Agreement (AISA)
 - Develop information sharing agreement to define:
 - What constitutes a red flag event.
 - Which agencies are subject to the disclosure.
 - How and when information must be shared.
 - How the regulator should triage and act on this information.
 - Internal review and appeal mechanisms for affected licence holders.
34. The information sharing agreement would provide clear parameters around the type of information that may be shared, the threshold for disclosure (i.e. a red flag), and safeguards to protect privacy and ensure proportionality.
35. The proposed red flags are laid out below and based on the fit and proper person test as provided by section 24A of the Act:

Section of the Act	Red flag
24A(1)(a)	Convicted of or charged with any imprisonable offence (i.e. violence, drugs, or alcohol)
24A(1)(b)	Convicted of or charged with an offence under the Arms Act
24A(1)(c)	Convicted of or charged with offences against: • s231A of the Crimes Act (aggravated burglary) • Game Animal Council Act • Wildlife Act • Wild Animal Control Act
24A(1)(ca)	Subject to a firearms prohibition order
24A(1)(d)	Subject to a temporary protection order
24A(1)(e)	Has committed family violence where a protection order could be sought

24A(1)(f)	Subject to a restraining order under the Harassment Act
24A(1)(g)	Active non-compliance with: • The Arms Act • Arms regulations • Conditions of prior firearms licences, endorsements, or permits
24A(1)(h)	Mental or physical illness that may affect safe possession
24A(1)(i)	Alcohol abuse or dependency affecting judgement
24A(1)(j)	Drug use (legal or illegal) affecting judgement
24A(1)(k)	Member of or affiliated with a gang or organised criminal group
24A(1)(l)	Pattern of violence, hatred, or extremism
24A(1)(m)	Assessed as a risk to national security
24A(1)(n)	Fails to meet any additional criteria prescribed in regulations
24A(2)(a)	Lacks knowledge of firearm safety and law
24A(2)(b)	Failure to meet any other prescribed regulatory criteria
24A(2)(c)	Any other relevant matter FSA think appropriate
24A(3)-(5)	Information from any source, including confidential or intelligence-based information (subject to limits on prejudicial disclosure)

Options Analysis: Ongoing Monitoring

	Option 1: <i>Status Quo</i>	Option 2: <i>Create a red flag review system</i>
Simple: be simple and easy to understand and apply	0 Simple as it relies on existing discretionary practices.	- Complex to implement and coordinate across agencies.
Necessary: be necessary to achieve the overarching objectives	0 Does not establish a clear legal basis for ongoing monitoring.	++ Creates clear triggers for responsive oversight.
Protects individuals: protect individual freedoms and rights and the security and privacy of personal information	0 Protection of rights relies on Police practice and discretion, may be over- or under-capturing information.	+ Provides safeguards via defined criteria and due process, avoiding overreach or unfair treatment.

	Option 1: <i>Status Quo</i>	Option 2: <i>Create a red flag review system</i>
Protects public: protect the public from firearms-related harm	0 Most licence revocations are the result of ongoing monitoring.	++ Enables timely intervention in high-risk cases.
Efficient and Effective: provide for effective and efficient delivery of service.	0 Inefficient triaging of large volumes of discretionary data.	++ Targets risk, and may be more efficient resource use than status quo.
Overall assessment	Lack clear legislative framework to support ongoing monitoring.	Creates a clearer regulatory system for risk-based oversight and improves privacy protections while enabling timely intervention.

Preferred Option

36. The preferred approach is **Option 2**, enabling a red flag system for continuous eligibility scanning. This will form a framework for regulatory monitoring that ensures continuous eligibility that does not stray into full surveillance or breaching privacy.
37. The impact on firearms licence holders is expected to be minor. Most licence holders will experience no material change, while those presenting higher risk may face more engagement.
38. Key assumptions include the feasibility of data-sharing across agencies and the administrative capacity of the FSA to implement new processes. Given that the FSA already triage, resolve and take compliance action based on intelligence and information, it is reasonable to assume that they have the capacity and capability to do so under the new framework.
39. Non-monetised benefits include improved trust and confidence from the public and firearms licence holders in the firearms licensing system due to greater ability to detect emerging risk and improved transparency in how that risk is detected.
40. Unintended impacts may include increased administrative complexity or delays in implementation. There is also some risk that agencies may under-report due to legal ambiguity or resource constraints.
41. Despite these risks, the benefits and proportionality of the preferred approach outweigh the costs. The approach is scalable, proportionate, and appropriate for the FSA's regulatory mandate.
42. The Minister's preferred option in the Cabinet paper is the same as the Ministry's preferred option.

Cost and Benefits

Affected groups	Comment	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	No change.	None	High
Regulators	Receiving and triaging red flags may require administrative uplift. Training and guidance may be needed.	Absorbed within baseline	Low — operational design still to be implemented, but cost will likely be ongoing.
Others	Minor system changes for intelligence agencies to support red flag referrals.	Absorbed within baseline	Low — existing reporting channels likely to meet the requirement.
Total monetised costs	Implementation and administrative cost likely to be low.	Absorbed within baseline	Medium
Non-monetised costs	Implementation and administrative cost likely to be low.	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Licence holders benefit from enhanced confidence in the licensing system and greater transparency.	Low	Low – depends on perceived legitimacy and proportionality of the system.
Regulators	Similar or same ability to intervene in high-risk cases. Some efficiency gain in regulatory resources.	Medium	Medium
Others	Improved trust and confidence from the public in the firearms regulatory system's ability to detect emerging risk.	Low	Medium
Total monetised benefits	Minimal	Low	NA
Non-monetised benefits	Strengthens public trust in firearms system and improves legitimacy and transparency.	Medium	Low – benefits may accrue through avoided events which are difficult to estimate.

Section 3: Delivering an Option

Implementation

43. The statutory disclosure mechanism will build upon existing operational practice by establishing a legislative mandate for monitoring firearms licence holders' continued suitability under the Act.
44. Implementation will require new provisions in the Act, or new Regulations. These provisions will define, inter alia, the types of events or behaviours that constitute a red flag for firearms licence eligibility purposes. And the procedures for how and when information is to be shared with the FSA. They will also incorporate privacy and natural justice safeguards, including internal review mechanisms and rights of response for licence holders who are the subject of a red flag.
45. While the FSA currently undertakes a form of monitoring using information and intelligence it receives through Police systems and discretionary triage of data, this function is not currently directed by statute. Implementation will therefore focus on formalising and enhancing this capability, rather than creating a new function from scratch.
46. The statutory disclosure framework will be supported by the development of Memoranda of Understanding and information sharing agreements between the FSA and relevant agencies. Given that the FSA already performs a de facto monitoring role using Police systems and intelligence, implementation is expected to be relatively low-cost and low disruption.
47. Implementation will need to provide for potential transfer of the FSA out of Police. The proposed red flag framework is designed to be futureproofed against this transition by embedding the necessary authorities, responsibilities, and channels in law.

Monitoring and Evaluation

48. These provisions will be incorporated into the FSA's existing regulatory system and monitored through regular stewardship processes.
49. The FSA will continue to monitor impacts through existing data on licence revocations, suspensions, and information sharing activity. No additional review is planned, but a targeted review may be initiated if significant issues arise—such as privacy risks, or regulatory failure.

PART B: Cost Recovery Settings

Section 1: Diagnosing the Policy Problem

Status Quo

50. Firearms regulatory activities in New Zealand, such as licensing, are subject to cost recovery under the Arms Act 1983. Regulations under the Act provide the specific fees schedule and outline the cost recovery structure.
51. Under the Act, fees may relate to regulatory services including licensing, training, compliance checks, and approvals, but not to the costs of criminal investigations, prosecutions, and responses to potential offences. The fees must recover actual and reasonable costs, align with user benefits, be incurred efficiently, and clearly relate to the activity's nature and duration. Regulations may be made to enable exemptions, waivers, or refunds for fees.

Problem Definition

52. There are two inter-related problems with the current legislation:
 - **Under-recovery of costs:** fees are not currently recovering the actual cost incurred by the eligible regulatory activities. Under-recovery has led to the Crown bearing an estimated 95% of the costs of firearms regulatory services due to inflation, wage growth, and changes to regulatory services.⁹
 - **Infrequent fee reviews:** There is no legislative mechanism to regularly review and adjust fees based on changing costs over time. While a review was conducted in 2022, it is yet to be implemented.
53. Unlike other comparable sectors—such as vehicle licensing, company registrations, and immigration—there has been little structured benchmarking for firearms licence holders.¹⁰ As a result, cost recovery settings are outdated and no longer aligned with best practices.
54. The actual fees are out of scope as these will be reviewed and adjusted separately to the rewrite of the Act.
55. Infrequent fee reviews contribute to under recovery of cost; however, fee reviews do not guarantee that Ministers will implement changes. Ministerial decisions on fees remain discretionary and are influenced by broader government strategic direction and considerations. Ensuring action on fee reviews is therefore out of scope for these proposals.

Key findings from consultation

⁹ Fees have not been reviewed since 1999. In 1999, fees for firearms licences were set at \$126.50, approximately 50 per cent of the cost of issuing a firearms licence. The costs of regulatory activities have increased significantly since 1999.

¹⁰ *Benchmarking* refers to the process of comparing fee structures, cost recovery methodologies, and service delivery models against similar regulatory regimes to ensure alignment with best practices.

56. Consultation on the rewrite of the Arms Act indicated that the majority of submitters, including the Council of Licenced Firearms Owners (COLFO), supported the way fees are currently set or processed.
57. Submitters generally supported keeping fees low to encourage compliance. Others backed inflation adjustments or broader cost recovery, though there was opposition to including enforcement costs.
58. Police undertook a review of fees in 2022/23 including a public consultation process.¹¹ This review confirmed that firearms regulatory activities are significantly under-recovering costs. It calculated that the weighted public average cost recovery rates were 100% for dealer licences, 33% for standard licences, and 0% (full waiver) for museum operators.
59. The consultation indicated a broad support for an update to fees. Additional proposals included introducing a separate fee for the firearms safety course to allow payment independent of the licensing application process.
60. Officials also reviewed the approach to firearms cost recovery in Australia, the United Kingdom, and Canada. A summary of their approach is at Appendix 1.

Section 2: Assessing Options to Address the Policy Problem

Scope

61. The scope of options has been shaped by ministerial decisions, prior policy considerations, public consultation, and international comparisons. The options identified aim to address the issue of under-recovery of costs in a way that is equitable, transparent, and aligned with regulatory best practice, including the Treasury's cost recovery principles and Guidelines for setting charges in the public sector.¹²

Options

Option One: *Status Quo*

62. Cost recovery settings would remain unchanged. Fee reviews could be undertaken as required, and actual fee amounts increased as appropriate. Based on the New Zealand experience since the current fees were introduced in 1999, this would likely lead to fees being reviewed in an ad hoc manner, and infrequent increases in the fee schedules.

Option Two: *Create a tiered cost recovery structure and new framework for reviewing cost recovery settings*

63. A tiered cost recovery structure could be based on the type of service and the balance of private and public benefit. For example, individual firearms licences primarily benefit the licence holder but also serve a public interest—such as enabling hunting, which has conservation and sustenance benefits—justifying partial Crown subsidy. Dealer licences, by contrast, provide exclusive commercial benefits and should be fully or near-fully cost-recovered. Museums, which display firearms for public education and historical preservation, offer a public good and could warrant lower fees.
64. A new framework for reviewing cost recovery settings could enable more sustainable and efficient cost recovery. This would include a new legislative provision requiring a periodic

¹¹ [Consultation: Arms Regulations Review of Fees 2022 - Closed | New Zealand Police](#)

¹² [Guidelines for Setting Charges in the Public Sector | The Treasury New Zealand](#)

review of fees every five years, to consider inflation adjustments as well as a review of actual recoverable cost.

Options Analysis: Cost Recovery Settings

Criteria	Option 1: <i>Status quo</i>	Option 2: <i>Tiered cost recovery structure and framework for reviewing cost recovery settings</i>
Simple: be simple and easy to understand and apply	0 Simple to administer due to fees not changing.	0 This option introduces some complexity—such as tiered pricing and memorandum accounts—but remains manageable, especially with clear communication and implementation support.
Necessary: be necessary to achieve the overarching objectives	0 Does not support long-term alignment with actual regulatory costs.	++ Regular reviews are essential to maintain alignment with costs. While memorandum accounts and tiering are not strictly necessary, they support long-term efficiency and fairness.
Protects public: protect the public from firearms-related harm	0 Limited contribution to public safety due to under-recovery of cost.	+ Compliance and oversight functions is partially cost recoverable, therefore updated and structured fees support effective regulation, thereby contributing to reduced firearms-related harm and enhanced public safety.
Efficient and Effective: provide for effective and efficient delivery of service.	0 Inefficient with under-recovery of falling on the Crown and taxpayer.	++ Combining scheduled reviews, tracking via memorandum accounts, and a fairer distribution of costs through tiered fees supports both fiscal sustainability and equity.
Overall assessment	No longer fit for purpose; does not support actual and reasonable cost recovery.	Combining regular fee reviews, memorandum accounts, and a tiered fee structure ensures fees are better aligned with actual costs, supports financial sustainability, and improves fairness and transparency. While it introduces modest complexity, it significantly

		enhances the efficiency and equity of the cost recovery system.
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*Note: Cost recovery settings do not directly impact personal safety or rights, so the “Protects individuals” criterion has not been used in this assessment.

Preferred Option

65. The preferred approach is to implement all of **Option 2**. By embedding regular reviews in legislation, this option ensures fees remain aligned with inflation and recoverable costs over time, reducing the reliance on taxpayers to subsidise firearms regulatory services. The creation of memorandum accounts will support financial transparency around distinct regulatory activities, supporting future fees reviews.
66. A tiered fee structure adds an equitable dimension to the framework, addressing concerns about fairness by varying fees based on the type of regulatory service and beneficiary. This promotes equity and ensures that regulatory services that confer greater private benefits recover a proportionately higher share of costs.
67. Compared to the status quo, Option 2 improves firearms cost recovery and revenue. Currently, taxpayers bear a disproportionate financial burden due to a lack of mechanisms to review and adjust fees.
68. Although the preferred option is likely to increase the frequency of fees reviews and provide a more transparent and equitable approach, it does not provide any assurance that Cabinet will implement subsequent fee schedules.
69. The Minister’s preferred option in the Cabinet paper is the same as the Ministry’s preferred option.

Cost and Benefits: Option 2

Affected groups	Comment.	Impact	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups	Increases in compliance costs for regulated groups as they may need to adjust to potential periodic fee increases from regular reviews. These costs are ongoing. Risks include non-renewal if changes are perceived as unfair.	Low	Low – cost will depend on actual fee value which is undetermined.
Regulators	Administrative costs for implementing periodic reviews, setting up and maintaining memorandum accounts, and transitioning to a tiered fee structure. These costs are one-off (set-up) and ongoing (review and account maintenance).	Minimal – absorbed within baseline	High – FSA are well equipped to make administrative changes to their fee recovery systems, with some uncertainty around specific transition costs.
Others	Some administrative oversight costs for Ministry of Justice supporting the regulatory process.	Minimal – absorbed within baseline	High – assumption based on work being carried out from baseline.

Total monetised costs	Primarily borne by regulated groups.	Low	Low
Non-monetised costs	Primarily borne by regulators and administrators.	Baseline	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Regulated groups will benefit marginally from greater transparency in cost recovery (via memorandum accounts) and equitable fees based on a tiered structure. These benefits are ongoing.	Medium	Medium
Regulators	Improved cost recovery to allocate resources efficiently. Enhanced fiscal sustainability and reduced financial risk of under-recovery. These benefits are ongoing.	Medium	Medium
Others	Wider government benefits from reduced fiscal risk and burden on taxpayers due to improved cost recovery mechanisms. Public perception of fairness in cost recovery may also improve. These benefits are ongoing.	Medium	Medium
Total monetised benefits	Medium – primarily benefitting the regulator and taxpayer.	Medium	Medium
Non-monetised benefits	Low	Medium	Medium

Section 3: Delivering an Option

Implementation

70. The cost recovery proposals will be implemented through a combination of legislative changes for regular fee review mechanism and tiered fee structure, and operational changes for memorandum accounts.
71. The FSA will need require some additional administrative resourcing and systems to produce regular memorandum accounts.

Monitoring and Evaluation

72. Monitoring and evaluation of the cost recovery proposals will be integrated into the broader regulatory stewardship for the firearms regulatory regime.
73. The regular fee review mechanism will provide a formal process to evaluate and adjust fees over time, ensuring they remain proportionate, efficient, and fair. This mechanism will be informed by updated costings, system performance data, and stakeholder input.

Appendix 1: International comparisons on firearms cost recovery

Australia

1. Australia's cost recovery settings for firearms licensing fees follow an all-of-government policy—*Australian Government Cost Recovery Policy* (the Cost Recovery Policy)—that ensures fees reflect actual service costs through structured, transparent processes.
2. Comparison with Australian equivalent fees reveals that the Australian fees are greater than the New Zealand fees. This is true even when New Zealand fees are adjusted to recover 50% of the actual cost.
3. **Regular Fee Reviews:** according to the Cost Recovery Policy, Agencies must review all cost recovery charges at least every five years, ensuring fees remain aligned with actual costs and government objectives.
4. **Financial Accountability:** while Australia does not use memorandum accounts, its framework emphasises transparency, requiring agencies to document cost methodologies and report on financial performance.
5. **Tiered Fee Structures:** the Cost Recovery Policy allows for flexible fee structures, enabling tiered pricing based on service complexity and regulatory impact to maintain fairness and efficiency.
6. **Key findings:** compared to New Zealand, Australia's framework ensures more frequent fee adjustments, greater transparency, and better alignment between fees and service costs, contributing to sustainable cost recovery.

United Kingdom

7. The United Kingdom implemented full cost recovery for firearms licensing fees in 2015, with the aim of aligning fees with the actual costs of processing applications and maintaining public safety. In November 2024, the government committed to increasing further to reflect increased cost from inflation and wages.
8. **Regular Fee Reviews:** the UK plans to conduct more regular reviews of firearms licensing fees to ensure they keep pace with the actual costs of policing and licensing services. This will maintain alignment between the fees charged and the cost of service delivery, ensuring the sustainability of the cost recovery model.
9. **Financial Accountability:** The UK cost recovery settings require detailed documentation of cost methodologies and regular reporting on financial performance. This ensures that the public and license holders can access information about how fees are determined, which promotes trust and accountability in the system.
10. **Key findings:** The United Kingdom's approach to firearms licensing fees, implemented in 2015, includes regular reviews, financial transparency, and a clear commitment to full cost recovery.

Canada

11. In Canada, firearms licensing fees are established under the Firearms Fees Regulations. These regulations outline the fees associated with various firearms licenses and authorisations, aiming to recover the costs of administering the Canadian Firearms Program.
12. Canada's approach to firearms licensing fees aims to recover the costs associated with administering the Canadian Firearms Program, though it does not explicitly mandate full cost recovery.
13. **Regular Fee Reviews:** The Royal Canadian Mounted Police typically adjusts firearms service fees annually to reflect inflation, with changes typically implemented on March 31

each year. This annual review process helps ensure that fees remain aligned with the actual costs of administering the firearms program.

14. **Financial Accountability:** while The Royal Canadian Mounted Police publishes annual reports detailing fee revenues and adjustments, promoting transparency and accountability in the management of firearms licensing fees.
15. **Key findings:** Canada's structured and transparent approach to fee setting and regular reviews ensures that Canada's firearms licensing fees are equitable and aligned with the costs of service delivery.