



**Parliament of Australia**  
**Parliamentary Budget Office**

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Parliamentary Budget Officer

Senator Christine Milne  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Semi-automatic handguns: Ban & Buyback Scheme* (letter of 20 August 2013).

The response to this request will be released on the PBO website ([www.aph.gov.au/pbo](http://www.aph.gov.au/pbo)).

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

26 August 2013



## COSTING – ELECTION CARETAKER PERIOD

<b>Name of proposal to be costed:</b>	<b>Semi-automatic handguns: Ban and Buyback Scheme</b>
Summary of proposal:	<p>The proposal would ban the importation, ownership, possession and use of semi-automatic handguns with exemptions for government owned guns. The proposal would also create a 12 month amnesty and compensation scheme, commencing 1 July 2014, for newly prohibited handguns. Already prohibited firearms would also be able to be surrendered during this period, but would not be eligible for compensation.</p> <p>These policies would be supported by a national public education campaign and the compensation of firearms dealers for the loss of business of the newly prohibited firearms.</p> <p>The proposal would have effect from 1 January 2014 to allow for preliminary work to be done prior to the ban and amnesty period beginning on 1 July 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	20 August 2013
Date costing completed:	26 August 2013
Date of public release of policy	14 August 2013
Agencies from which information was obtained:	CrimTrac

### Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by \$412.0 million over the 2013-14 Budget forward estimates period. This is entirely due to an increase in expenses. While the ban on semi-automatic handguns would be ongoing, funding for this program would terminate by 30 June 2016.

Departmental costs of \$3.0 million over the forward estimates have been included in this costing and would fund nine Full Time Equivalent (FTE) positions in 2013-14 and 2014-15, reducing to six FTE positions in 2015-16.

The financial impact of this proposal includes a number of components and a detailed breakdown of the costing has been included at [Attachment A](#).

This costing is considered to be of medium reliability as assumptions have been made regarding the compensation to firearm owners and dealers and the number of weapons surrendered.

## POLICY COSTING – ELECTION CARETAKER PERIOD

The estimates in this costing differ from those presented in the applicant's costing request because the PBO revised their methodology since the original costing.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	-2.3	-395.6	-14.1	-
Fiscal balance (\$m)	-2.3	-395.6	-14.1	-

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses in cash terms.

### Key assumptions

The PBO has made the following assumptions:

- Based on the ratio of registered semi-automatic handguns to illegal semi-automatic handguns, 95 per cent of all handguns would be surrendered.
- The average cost of a handgun is approximately \$1,400 in 2014-15 dollars. This is based on a sample of prices for semi-automatic handguns from online retailers.
- Compensation to business and funding for the public education campaign would be in line with that provided for similar activities during the 1996-97 buyback, adjusted for inflation. This would include loss of future business and costs of cancelling current purchase contracts.
- Nine FTE positions would be required in both 2013-14 and 2014-15 for policy and legislative development and Commonwealth implementation during the year of the buyback. After the completion of the buyback this would reduce to six FTE positions in 2015-16 to manage the continuing work associated with the buyback and the finalisation of the program. This is broadly in line with the funding provided to the Attorney-General's Department in the year prior to the 2003-04 Handgun Buyback Scheme adjusted for inflation.
- Based on the quantum of firearms estimated to be surrendered, and that the amnesty would also apply to firearms already outlawed, the cost of funding the administration of the buyback by the states and territories would be 50 per cent of similar costs from the 1996-97 buyback, adjusted for inflation.

### Methodology

The number of semi-automatic handguns was estimated by adding data provided by CrimTrac on the number of registered firearms (approximately 200,000) with research in the public domain on the number of illegal handguns (approximately 10,000). This excludes firearms registered to law enforcement agencies.

The data on the number of registered firearms was provided by CrimTrac with the following caveats:

- This information was drawn from the National Firearm and Licensing Registration System (NFLRS) on 21 August 2013. The NFLRS is a point in time reference system that relies on up-to-date data from each of the state and territorial jurisdictions in Australia. It is not a comprehensive firearm record management system and does not hold historical data.
- The criteria used to inform this data varies between jurisdictions.

## POLICY COSTING – ELECTION CARETAKER PERIOD

The total cost of this proposal (see breakdown of costs at [Attachment A](#)) was calculated by adding the following cost components:

- the cost of compensation to gun owners was derived by multiplying the average price of a handgun by the total number of guns assumed to be surrendered
- compensation to businesses was derived through extrapolating interim data from the 1996-97 buyback and analysing it in conjunction with other data from the 1996-97 buyback and then indexing those amounts
- costs for the public education campaign and state and territory implementation, were derived by indexing the amounts allocated for similar functions during the 1996-97 Gun Buyback Scheme, and
- Departmental costs were derived by multiplying the number of staff by average salary levels, accounting for differences in staff levels, inflation, the efficiency dividend and a part year effect in the first year.

### Data sources

Australian National Audit Office, *The Gun Buy-Back Scheme*, December 1997, [http://www.anao.gov.au/uploads/documents/1997-98\\_Audit\\_Report\\_25.pdf](http://www.anao.gov.au/uploads/documents/1997-98_Audit_Report_25.pdf)

Budget Paper No. 2, 2003-04 Budget, <http://www.budget.gov.au/2003-04/bp2/download/expense.pdf>

Samantha Bricknell, 2008. Criminal use of handguns in Australia. Trends and Issues in Crime and Criminal Justice, no. 361. Canberra: Australian Institute of Criminology, <http://www.aic.gov.au/publications/current%20series/tandi/361-380/tandi361.html>

Illicit Firearms Factsheet, Australian Crime Commission, 2013, <http://www.crimecommission.gov.au/publications/crime-profile-series/illicit-firearms>

Simon Chapman, 1998, *Over Our Dead Bodies: Port Arthur and Australia's Fight for Gun Control*.

Questions on Notice, National Gun Buyback Scheme, Question No. 2343, Saturday 6 December 1997, [http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=\(Dataset%3Aweblastweek,hansardr,noticer,webthisweek,dailyp,votes,journals,orderofbusiness,hansards,notices,websds\)%20ParliamentNumber%3A%2238%22%20Responder\\_Phrase%3A%22mr%20williams%22;rec=0](http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=(Dataset%3Aweblastweek,hansardr,noticer,webthisweek,dailyp,votes,journals,orderofbusiness,hansards,notices,websds)%20ParliamentNumber%3A%2238%22%20Responder_Phrase%3A%22mr%20williams%22;rec=0)

**POLICY COSTING – ELECTION CARETAKER PERIOD**

**ATTACHMENT A: BREAKDOWN OF COSTS**

**Table A1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on underlying cash and fiscal balance	2013-14	2014-15	2015-16	2016-17
Policy Development and Commonwealth Implementation	-0.7	-1.4	-0.8	-
Public Education Campaign	-1.6	-3.2	-1.6	-
State and Territory Implementation	-	-34.0	-11.6	-
Compensation to Gun Owners	-	-284.6	-	-
Compensation to Businesses	-	-72.4	-	-
<b>Total</b>	<b>-2.3</b>	<b>-395.6</b>	<b>-14.1</b>	<b>-</b>

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses or net capital investment in cash terms.