



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Resources
<b>Title of Cabinet paper</b>	Amendments to regulations under the Crown Minerals Act 1991 to set fees for a new Tier 3 permit	<b>Date to be published</b>	31 July 2025

### List of documents that have been proactively released

Date	Title	Author
20 March 2025	Amendments to regulations under the Crown Minerals Act 1991 to set fees for a new Tier 3 permit	Office of Minister for Resources
20 March 2025	Stage 2 Cost Recovery Impact Statement: Setting fees for the new Tier 3 permit for small-scale non-commercial gold mining operations	MBIE
25 March 2025	Amendments to regulations under the Crown Minerals Act 1991 to set fees for a new Tier 3 permit EXP-25-MIN-0017 Minute	Cabinet Office

### Information redacted

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

- Confidential advice to Government
- Free and frank opinions

# Stage 2 Cost Recovery Impact Statement

## Setting fees for the new Tier 3 permit for small-scale non-commercial gold mining operations

### Agency Disclosure Statement

This Cost Recovery Impact Statement (**CRIS**) has been prepared by the Ministry of Business, Innovation & Employment (**MBIE**).

It provides an analysis of the cost recovery model and proposed fees for the new Tier 3 permit for small-scale non-commercial gold mining operations (so called '**hobby mining**'). which are currently regulated as Tier 2 permits<sup>1</sup>.

A number of assumptions have been made in this analysis:

- A significant proportion of existing hobby operations that are currently regulated under Tier 2 and meet the requirements for Tier 3 will want to transition to the new Tier 3 permits to take advantage of the less onerous requirements and other benefits. However, some hobby miners will want to stay as Tier 2, particularly if their permit areas are larger.
- However, the overall number of applications related to hobby mining operations will be largely consistent with previous levels for this activity given the small pool of regulated parties. The numbers of active hobby mining permits will also not increase significantly, largely because most of the available and suitable land has already been permitted.

There are also some constraints, caveats or uncertainties concerning the analysis:

- The fees for applications for changes to the new permits have been calculated using proportions. We have estimated the cost of assessing new Tier 3 applications to be 48 per cent of the current Tier 2 fee and used this same proportion to recalibrate the fees for changes to Tier 3 permits. This was because of the limited data we have on these types of applications.
- We only did targeted engagement with relevant stakeholders on the proposed fees, as we consider there is limited interest in the fees outside of hobby miners. We did not present options for the new fees, as we have calculated the actual expected costs.

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<sup>1</sup> Petroleum and minerals permits are currently separated into Tier 1 and Tier 2 categories. Tier 1 generally covers higher-return, higher-risk projects, whilst Tier 2 permits are generally for lower-return industrial, small business, and non-commercial gold mineral mining operations that are more appropriately regulated using a simpler, more pragmatic regime.

- It is difficult to predict the future behaviours of the regulated parties and therefore forecast future demand. This will depend largely on perceptions of the benefits of the new tier in terms of reduced compliance requirements and the other incentives to move to Tier 3.



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## Executive summary

Tier 3 permits will regulate small-scale non-commercial gold mining operations. They will be created by the 2024 Crown Minerals Amendment Bill (**Amendment Bill**). The relevant provisions will come into effect after the Bill is passed in mid-2025.

We propose the following fees (all GST exclusive) for the new Tier 3 permit for small-scale non-commercial gold mining operations (so called '**hobby mining**'), which are currently regulated as Tier 2 permits:

- a) **\$2,420** for an application for a new permit
- b) **\$1,452** for an application to change the duration or land area of the permit
- c) **\$1,064** for an application to change the interest, operator or control of the permit
- d) **\$1,000** for the annual fee.

The new fees will be given effect by amending the *Crown Minerals (Minerals Fees) Regulations 2016*.

The proposed application fee for a new Tier 3 permit was developed based on the time and resources currently required for assessing applications for hobby or recreational mining permits (about half of what is now charged for Tier 2 permits). The same proportion was used to calculate the fees for changes to Tier 3 permits. The proposed annual fee for Tier 3 is the same as the lowest rate for a Tier 2 permit.

The proposed Tier 3 cost recovery model and fees are preferable to the status quo of charging Tier 2 fees for hobby operations as the processes are appropriate, proportionate and only actual and reasonable costs will be charged to users.

We conducted a targeted engagement with relevant mining sector stakeholders and received four submissions on the proposals. All submitters were generally supportive of the proposed fees, but some wanted them to be even lower, including for the annual fee to be "proportionally differentiated" (i.e. to also be around half of the Tier 2 annual fee). The lower fees suggested by submitters do not account for all the costs (e.g. overheads, quality assurance etc.) and we do not propose to make any changes to the proposals based on these submissions.

Current hobby operations that meet the requirements for Tier 3 will be encouraged, and offered assistance, but not compelled to transition to the new tier. We expect that most eligible Tier 2 permit holders will make the tier change over time. The costs for doing this will be covered from MBIE baselines, as we do not intend to charge for transitions.

## Status quo

### The Crown recovers the cost of administering the Crown minerals estate

The Crown owns all petroleum, gold, silver and uranium existing in its natural condition in land under New Zealand jurisdiction as per section 10 of the *Crown Minerals Act 1991* (**CMA**). The Crown also owns other minerals reserved to the Crown under section 11 of the CMA.

All activity to develop Crown-owned minerals requires a permit from the government under the CMA. CMA section 8(2) sets out some minor exceptions to this rule. MBIE awards and administers permits for the prospecting, exploration and mining of Crown minerals.

MBIE recovers the costs of assessing permit applications and ongoing permit maintenance under the CMA. This is managed through a memorandum account<sup>2</sup>. These permit fees are provided for in the *Crown Minerals (Minerals Fees) Regulations 2016* and the *Crown Minerals (Petroleum Fees) Regulations 2016*.

MBIE charges an application fee for all petroleum and minerals permits and an annual fee to all permit holders. The annual fee contributes to the costs of managing the permit regime including monitoring (e.g. compliance checks), awareness raising and regulatory stewardship activities (e.g. updating regulations). We also charge for applications to make changes to permits (for example, to fund MBIE's assessment of an application for a change of operator). Fees may be a flat rate, or on a per square kilometre basis. The current permit fees for onshore minerals are set out in **Appendix One**.

Fees are separate to, and independent from the royalty regime. The royalty regime seeks to ensure a fair financial return to the Crown from the development of its mineral estate. Royalties are not within the scope of this analysis.

### Introducing a Tier 3 minerals mining permit

The Crown Minerals Amendment Bill 2024 (the **Amendment Bill**) will establish a new tier of minerals permit that could make it easier for people to undertake small-scale non-commercial gold mining activity across the country. Sometimes referred to as 'hobby' or 'recreational' mining, this differs from gold fossicking, which can be done by anyone in designated areas using only hand tools.

The operations generally involve two people working with a small suction dredge in a river, one in scuba gear operating the hose that sucks up riverbed materials ('alluvial mining'), or using hand tools on a beach. They produce modest amounts of gold, which can provide a reasonable supplementary income with an average annual return of about NZ\$10,000, with some hobby miners obtaining returns of over NZ\$60,000<sup>3</sup> per annum.

These hobby gold mining operations are currently regulated in the same manner as higher-risk larger commercial gold mining under Tier 2 which may utilise larger and more powerful suction dredges, earthmoving equipment and processing plants. They also pay the same level of fees as all Tier 2 applicants and permit holders. This imposes compliance costs on the miners and administrative costs for MBIE as the regulator that are considered disproportionate to the value and risks of the activity and higher than is reasonable.

The proposal for the new permit tier seeks to improve regulatory efficiency and oversight for these hobby operations. It will do this primarily by streamlining the processes by having:

- a) *Application processes that are simpler and quicker* – applicants will only have to demonstrate that they can comply with the conditions and obligations under the Act and regulations, pay the fees, and meet reporting requirements.
- b) *Reporting that will be much less onerous* - set to ensure that we get some information on the resource being taken and if royalties are due. The permit holder will only have to provide information on where they have mined, for how many days, and how much gold was recovered.

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<sup>2</sup> The Crown Minerals Estate Memorandum Account.

<sup>3</sup> See full RIS for further details: <https://www.regulation.govt.nz/our-work/regulatory-impact-statements/regulatory-impact-statement-amendments-to-the-crown-minerals-act-1991-relating-to-small-scale-non-commercial-gold-mining/>

A full Regulatory Impact Statement (RIS) has been done on these policy proposals to establish Tier 3<sup>4</sup> and an exemption was granted for the Stage 1 CRIS on the basis that the policy rationale for charging permit fees has already been agreed.

### Setting fees for the new Tier 3 permit

Cabinet agreed on 27 May 2024 that the new tier would be subject to fees, to be set in regulations [ECO-24-MIN-0077]. The fees must be confirmed and ready to be implemented after passage of the Amendment Bill so that MBIE can charge for the new Tier 3 permits that will be issued. If the fees are not in place, MBIE will not be able to cost recover for the regulatory work that it does on Tier 3 permits and will lose revenue.

The authority to charge applicants and permit holders these fees comes from the empowering provisions in the CMA, section 105(1)(i)&(j):

(i) prescribing matters in respect of which fees are to be payable under this Act, the amount of the fees, the time and manner of their payment, and the persons liable to pay them, and providing for charges for late payment of fees:

(j) authorising the refund or remission of any fees payable under this Act:

These provisions are quite broad and non-prescriptive in nature, allowing flexibility for the design of the cost recovery model for Tier 3.

### Cost Recovery Principles and Objectives

The Tier 3 permit regime provides a proportionate and risk appropriate approach to hobby gold mining operations. The primary objective is to improve MBIE's administrative efficiency so it can focus on higher value, higher risk mining operations by spending less time and resources on the low risk/low value hobby operations. This improved efficiency should, in turn, contribute to the secondary objective of reducing the regulatory burden and costs imposed on Tier 3 applicants and permit holders.

These general objectives for Tier 3 are aligned with the purpose of the CMA in section 1A, which provides for:

- (a) the efficient allocation of rights to prospect for, explore for, and mine Crown owned minerals;
- (b) the effective management and regulation of the exercise of those rights;

Using these objectives as the basis, the proposed principles for cost recovery for the new Tier 3 permit fees that will be used as criteria for assessing the proposals are:

- **Administrative efficiency** – MBIE resources can be allocated appropriately for all its functions, including monitoring and enforcement of the permitting regime, reducing its administrative burden and improving processing times.
- **User pays**: Users pay for the benefits that they receive from the permitting system.

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<sup>4</sup> See <https://www.regulation.govt.nz/our-work/regulatory-impact-statements/regulatory-impact-statement-amendments-to-the-crown-minerals-act-1991-relating-to-small-scale-non-commercial-gold-mining/>

- **Reasonableness and accessibility:** Costs to users should be reasonable and not act as an inappropriate barrier to entry.
- **Simplicity:** Touch points for applicants are minimised and the charges are easy to understand.

The cost recovery model for Tier 3 is critical for meeting the general objectives of the policy proposal as the fee levels will significantly influence the incentives for users. To be successful, the new permit tier primarily needs to entice holders of current Tier 2 permits that could meet the new definition and requirements to take up the new Tier 3 permit. It also needs to be attractive to any new entrants to the small-scale gold mining market who might apply for previously unpermitted land, or purchase or acquire in other ways (e.g. applying for them when they expire) existing permits from incumbents.

## Policy Rationale: Why a user charge? And what type is most appropriate?

Permits grant exclusive rights to look for minerals owned by the Crown (prospecting), explore for mineral deposits and evaluate the feasibility of mining (exploration) and to mine Crown owned minerals once a discovery has been made (mining). Permits are 'rivalrous' in the sense that if one person is granted rights in relation to certain Crown-owned minerals within a given permit area this prevents any other person from having those rights.

There are no direct financial benefits to MBIE or the Crown in permitting hobby mining operations, as they do not reach the threshold for royalties, nor do they provide any material knowledge about the Crown's resources (e.g. geoscience information and data). The hobby permits therefore only provide a 'private benefit' for the hobby miners.

Fees can be imposed on a specific individual or organisation for a good, service or regulation directly provided to (or directly benefiting) that individual or organisation<sup>5</sup>. Fees are therefore clearly appropriate in relation to the permit system.

There are currently just over 200 Tier 2 mining permits for 'hobby' or 'recreation' operations<sup>6</sup>, effectively the small, non-commercial operators our proposals will be targeting. They are all in the South Island, mostly on the West Coast and in Otago (see **Appendix 2** for a map of the locations of the hobby operations). The permit holders are often individuals, but they can also be held by other legal entities such as family trusts or companies set up for these purposes.

As there is no public benefit from the activity carried out under the permits, there is a compelling case for recovering the full costs of the private good (the permit and application assessment processes) from those who benefit from it (permit applicants and holders).

We need to set fees for new applications for Tier 3 permits and for permit holders to be able to apply to make changes to the conditions of the permits and interests in them. We also need to set an annual fee for Tier 3 permit holders. The details of the proposed new Tier 3 cost recovery model and fees for hobby operations are set out below in the *The level of the proposed fee and its cost components (cost recovery model)* section.

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<sup>5</sup> See the Treasury [Guidelines for Setting Charges in the Public Sector](#), page 9.



## How does the proposal compare to the status quo?

Criteria	<i>Status Quo – Charging Tier 2 Fees for hobby operations</i>	<b>Proposed new Tier 3 cost recovery and fees for hobby operations</b>
<b>Administrative efficiency</b>	<p>The Tier 2 processes and tests are used by default for hobby mining operations but are unsuitable. The solutions to address this problem are inefficient. Hobby miners are also having to produce documents that are not necessary (e.g. work programmes).</p> <p>0</p>	<p>Setting a lower flat rate for Tier 3 applications that estimates actual average costs (with no way of recovering any additional costs incurred) encourages the most efficient approaches. This efficiency will be supported by the appropriate tests and processes designed for Tier 3. Hobby miners are only being asked for information that is necessary (e.g. the amount of gold recovered under the permit).</p> <p>++</p>
<b>User pays</b>	<p>Applicants are paying for all the benefits/services associated with Tier 2 permits but are not receiving all of those benefits/services. For example, they are paying the same for extension of duration applications as Tier 2, but Tier 2 applications require consideration of much more detailed data (e.g. demonstrating a mineable resource) and information than is needed for hobby operations (which it is accepted naturally replenish).</p> <p>0</p>	<p>Applicants are only paying for the actual services and benefits that they receive under Tier 3.</p> <p>+</p>
<b>Reasonableness and accessibility</b>	<p>Applicants are being overcharged for services (i.e. more than the actual costs), which is not reasonable. The high upfront costs of new permit applications may also be a barrier to entry for hobby mining.</p> <p>0</p>	<p>It is reasonable for permit applicants and holders to pay for services that they use that are delivered as efficiently as possible. Significantly reducing the fee for new Tier 3 applications should minimise the financial barriers to hobby mining, while still ensuring the appropriate checks have been made.</p> <p>+</p>
<b>Simplicity</b>	<p>Charging flat fees for the permits is a simple approach that provides certainty for users and stakeholders.</p> <p>0</p>	<p>The same applies for the Tier 3 fees.</p> <p>0</p>
<b>Overall Assessment</b>	<p>The Tier 3 cost recovery model and fees clearly better meet the criteria than the status quo as the processes are appropriate, proportionate and only actual and reasonable costs will be charged to users.</p>	

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
--	much worse than doing nothing/the status quo/counterfactual



## The level of the proposed fee and its cost components (cost recovery model)

We propose the following fees for Tier 3 permits (all GST exclusive):

- e) **\$2,420** for an application for a new permit
- f) **\$1,452** for an application to change the duration or land area of the permit
- g) **\$1,064** for an application to change the interest, operator or control of the permit
- h) **\$1,000** for the annual fee.

For all but the annual fee, these are effectively half of the fees that are currently charged for hobby operations under Tier 2 (see **Figure 1** below).

Type of Fee	Proposed Tier 3 Fees	Current Tier 2 Fees	\$ Difference	% Difference
Mining permit application	\$2,420.00	\$5,000.00	-\$2,580	48%
Application for change of conditions under section 36	\$1,452	\$3,025.00	-\$1,573	48%
Application for change of interest under sections 41, 41AC, 41A, 41B, 41C	\$1,064	\$2,200.00	-\$1,136	48%
Annual fees for onshore minerals mining permits	\$1,000.00 (as always under 1 km <sup>2</sup> )	\$1,000 (under 1 km <sup>2</sup> ) \$1,790.00 (per km <sup>2</sup> )	\$0 (under 1 km <sup>2</sup> )	0% (under 1 km <sup>2</sup> )

**Figure 1:** How the proposed Tier 3 fees compare with the current Tier 2 permit fees

## Costing the application fee

This proposed application fee was developed based on the time and resources currently required for assessing applications for hobby or recreational mining permits (currently through Tier 2 permits). We adjusted the expected costs based on the different requirements of Tier 3 permits.



**Figure 2:** Tier 3 Indicative Costs by Output and Process

The direct costs of the Tier 3 application are anticipated to be \$1,856 as shown in **Figure 2** above. Direct costs account for staff processing time and recover staff salary costs including external consultation.

Salary costs are driven by processing time. Processing time has been estimated using the time taken to complete the current Tier 2 permit 'hobby or recreational mining' applications, adjusted down to allow for the effects of the more streamlined Tier 3 permits requirements. Processing time is split based on the seniority (or salary band) of the staff completing the work.

The estimated time required to complete Tier 3 applications also makes an allowance for application outcome, that is, some applications will be declined, and these applications require additional processing time. The total processing time is therefore a weighted average time assuming 90 per cent of applications are granted and 10 per cent are declined. This decline rate is based on rates of decline historically seen for 'hobby or recreational mining' applications.

Having worked out the hours required for each salary band for each process, we calculated the average cost for the process, based on:

- a) The mid-point annual salary for the respective salary band.
- b) The number of hours staff are assumed to be available for chargeable activity. Chargeable hours accounts for time not in the office (due to leave and statutory holidays) as well as hours spent undertaking support activities, the cost of which is recoverable (for example supervision, training, administration, travel). The number of chargeable hours was calculated as 1,339 hours per staff member per year.
- c) Dividing the salary in a) by the available hours b) to determine an average hourly cost for the respective salary band work.
- d) The individual process cost is then derived by multiplying each salary band's average hourly cost by the hours required for that role and adding up all roles within that process. For example, in **Figure 2** the total process cost for 'Reviewing and Accepting' an application is \$354.

**Figure 2** also shows that each application:

- incurs \$437 of costs for external consultation. This is based on the salary costs for providing this process, divided by the total number of applications undergoing consultation over the year (A total of 335 applications in the 12 months to 30 June 2024).
- is allocated \$564 to recover allocated overhead. This covers a portion of the recoverable overhead cost allocated to the Resources Branch from MBIE. It is approximately 30 per cent of the direct salary costs equating to the recoverable overhead total as a percentage of total recoverable Resources Branch direct and indirect costs.

## Costing fees for changes of conditions and interests

Tier 3 permit holders will be able to apply to make some changes to the conditions of their permits and interests in them, specifically:

- a) an extension to the 'land' area of their permit (within the restriction of a maximum continuous permit area of 50 hectares)

- b) an extension to the 'duration' of their permit
- c) transfer of interest (e.g. through sale)
- d) changes to the permit operator
- e) changes of control.

The application fee for a new Tier 2 minerals permit is currently \$5,000 (GST exclusive). The fees for changes in conditions (for a) & b) above) for Tier 2 permits are \$3,025 (GST exclusive) and for changes in interests (for c), d) & e) above) are \$2,200 (GST exclusive). As a proportion of this application fee, the fees to apply for these changes to conditions and interests are 60 per cent and 44 per cent respectively.

We are proposing to use the same proportions for adjustments to the fees for changes to Tier 3 permits. Taking the proposed application fee for a new Tier 3 permit of \$2,420 (GST exclusive) as the starting point and then applying these proportions gives you the application fees for changes to Tier 3 permits of \$1,452 for changes to conditions and \$1,064 for changes to interests.

### Costing the annual fee

We propose that the annual fee should be the same as the lowest rate for a Tier 2 permit, \$1,000 (GST exclusive).

Tier 2 permit fees charge the greater of an area per square kilometre or a flat fee of \$1,000. As Tier 3 permits cannot exceed 50 hectares (which is only 0.5 square kilometres), they would always attract the flat fee.

Because the Tier 2 annual fees already allow for the area covered by the mining permit, we consider that the recoverable costs and overheads to regulate a Tier 3 permit equates to the lowest fee for Tier 2.

In contrast, the average annual fee paid for Tier 2 permits for alluvial gold mined from riverbeds and streams is around \$2,700 (GST exclusive).

### Forecast revenue from the new fees

The numbers of active permitted hobby operations and applications associated with them have been relatively consistent over the last three years (see **Figure 3** below).

Hobby operation numbers	2022	2023	2024	Average
Active permit holders	214	207	216	212
New applications (approved or declined)	13	13	16	14
Section 36 changes of conditions	26	36	28	30
Section 41 changes of interest	28	25	28	27

**Figure 3:** Hobby operation numbers 2022 to 2024 and averages



We are confident that these numbers will be stable over time and have therefore based our forecast revenue for Tier 3 fees from the averages of these historical numbers (see **Figure 4** below).

Tier 3 Fee Types	Proposed Fee	No. of Applications/ Permits (per annum)	Revenue (per annum)
New applications	\$2,420	14	\$33,880
Section 36 changes of conditions	\$1,452	30	\$43,560
Section 41 changes of interest	\$1,064	27	\$28,728
Annual fees	\$1,000	212	\$212,000
<b>Total</b>			<b>\$318,168</b>

**Figure 4:** Forecast fee revenue for Tier 3 based on historical averages

These numbers assume that all hobby operations will transition to Tier 3 over time. There will be no fees charged to permit holders for making the transition (and therefore no additional revenue for the regulator) and the costs to the regulator will be met from within baselines. A significant proportion of the eligible permit holders are expected to transition within a few years, but not all, and it is hard to predict what the rate will be and when it will happen.

A few of our other assumptions may prove not to be accurate. Contrary to predictions, there could be a significant surge in interest in hobby mining and many new applications may be submitted. This is more likely if the gold price continues to rise, but there will always be limitations on the area of new land that can be permitted and the number of existing permits available to acquire. A spike like this, particularly if it happened over a short period of time, would put pressure on the regulator's limited resources and could lead to delays in processing times. We may also find that, despite the reduced requirements and system improvements made, the expected efficiencies are not realised. If this is the case, the Tier 3 applications will end up costing the regulator more than has been estimated. It will therefore not recover its full costs for Tier 3 and this could contribute to a growing deficit.

## Impact analysis

The proposed fees for Tier 3 will almost exclusively impact on new applicants and current and future Tier 3 permit holders. As discussed above, this is a relatively small group of regulated parties (currently numbering 212).

The changes will effectively halve both the upfront costs for new applicants and for permit holders for future changes to the permits. As these applications are simpler, it is also less likely that applicants will have to pay for the services of agents to help complete them, further reducing the compliance burden. The annual fees will stay the same but are set at the lowest rate for all the permit tiers. If a permit holder makes the average annual return of about NZ\$10,000 from their permit, the NZ\$1,000 for annual fees would only represent around 10 per cent of their earnings.

This should mean that it is easier and cheaper for people to start hobby mining and maintain their operations.

It is not anticipated that there will be any additional costs for other stakeholders in the system as a result of the lower fees (e.g. local government will follow their own processes and procedures for consents for the Tier 3 permits, which will not be changed under the proposals, so they won't incur any additional costs).

The impacts on the regulator should be minor and the risks low. Some minor changes will be required to its processes and systems to implement the new fees. These set up costs will be met out of baseline funding. The costs of processing applications should be covered in full.

There is a risk that the expected efficiencies and reductions in time and effort to assess applications do not come to fruition. If so, the fees can be adjusted accordingly when they are reviewed (see the below 'Review' section). If there is a large surge in applications, this will have to be managed and may put some pressure on the regulator's resources for a limited time, but this should be a one-off scenario.

As noted above, we are anticipating that application levels will be consistent with past demand and relatively stable. There should therefore be limited effects on the demand for the services of the regulator in assessing the applications.

Only the actual costs attributable to the services have been included in the costings. These initial fees will also be reviewed in the next 3-5 years to ensure they are fit for purpose and continue to represent actual costs.

## Consultation

We conducted a targeted engagement and not a public consultation on the basis that there is very limited interest in permit fee setting outside of the mining sector. We prepared a discussion document that we sent directly to relevant stakeholders, which were the industry bodies <sup>Free and frank opinions</sup> and Minerals West Coast and agents who have experience with hobby mining operations. We did not send the material to any iwi and hapū as we did not consider that they would have an interest in the setting of the new fees, but they were consulted earlier on the creation of the new tier as hobby mining occurs within some of their rohe.

The discussion document set out the proposed fees and the methodology for calculating them. It also provided background on how the Crown recovers the cost of administering the Crown minerals estate. It did not include any options for the fees, as the rationale for the proposals were clear and we did not see any value in suggesting alternatives.

We received four submissions on the proposals, three from agents and one from Minerals West Coast. <sup>Free and frank opinions</sup>

There was general support for the fees but predictably some wanted to see them lowered. One submitter had calculated alternative fees for the application assessment services if they were delivered by the private sector (of \$340 for a new permit application/change of conditions and \$280 for a change of interest application, and these figures were repeated by Minerals West Coast). Another argued that the annual fee for Tier 3 permits should be "proportionally differentiated" and lower, essentially as Tier 3 permit holders will not use all of the services provided to Tiers 1 and 2 and therefore cost the regulator less (e.g. annual reports do not need to be reviewed and annual review meetings are not necessary).

Several submissions suggested that MBIE overheads should not be included in the application fee calculations and Minerals West Coast argued the same for iwi consultation on the basis that this arises from the Crown's obligations to Māori (rather than a permit applicant's obligations).



Two submitters indicated that they did not have enough information about the calculations (e.g. the hourly rates/number of hours for the applications and details for the annual fees).

We do not propose to make any changes to the proposals based on these submissions. The alternative fees suggested by submitters do not account for all the costs associated with applications, including correcting permit plotting and quality assurance. Similarly, the application fees do need to include a reasonable proportion of MBIE's overheads so that they represent the actual cost of assessing these applications. In relation to the annual fees, a range of services covered by these fees are provided to Tier 3 permit holders (e.g. awareness raising and compliance checks) and they are only paying the very minimum fee. Finally, we did not include all the information requested as some of it may have raised privacy concerns (e.g. hourly rates).

Two suggestions were made:

- 1) Fast-track like applications for permits - with higher fees but faster timeframes
- 2) Discounted rates for bundled change applications – to encourage permit holders to make changes at the same time.

These ideas are not as relevant for Tier 3 as they might be for the other permit tiers as we are expecting to assess Tier 3 applications quickly and only a limited range of changes can be made to them (i.e. work programmes are set in the legislation). These suggestions could, however, be considered as part of a wider fees review.

## Conclusions and recommendations

We recommend proceeding with the proposed fees for Tier 3 permits (all GST exclusive) of:

- a) \$2,420 for an application for a new permit
- b) \$1,452 for an application to change the duration or land area of the permit
- c) \$1,064 for an application to change the interest, operator or control of the permit
- d) \$1,000 for the annual fee.

These fees are appropriate and proportionate and ensure that the actual and reasonable costs for assessing Tier 3 applications and managing the permits will be charged to users.

## Implementation plan

The new fees will be given effect through amendments to the *Crown Minerals (Minerals Fees) Regulations 2016*. It is intended that the Tier 3 permit regulations and these new fees will come into force after the passage of the Amendment Bill in mid-2025.

## Transitional arrangement

Current hobby operations that meet the requirements for Tier 3 will be encouraged but not compelled to move to the new tier. MBIE will have a communications plan to provide these eligible permit holders with all the information that they need to make the decision to move to Tier 3. This will include tailored letters sent directly to permit holders about their permits, general advice on our website and through other industry channels (e.g. to industry bodies for circulation to their members and in MBIE's newsletters) and online and/or in-person sessions in the main centres in the South Island where most of the permit holders live. They will not be charged a fee for transitioning and MBIE will support them in other ways (e.g. offering to facilitate any land surrenders required to reduce permit sizes and to replot permit areas). It is hoped that a significant proportion of these hobby operations will transition and start paying the new fees. If there is any difference in the annual fees that these transitioning permit holders have already paid, most likely having paid more, then refunds will be offered.

## Enforcement strategy

In terms of enforcement, a standard and consistent strategy will be taken to the Tier 3 fees, but this will have some unique features. The approach to application fees is simple – applications will be rejected unless the applicant can produce evidence that the fee has been paid. Following the rejection, in most cases, the applicant can resubmit a new application. Annual fees are invoiced for all permits on 1 July of every calendar year, with the fees due at the end of the month.

There is a staged and protracted process to recover late annual fees that can ultimately result in a Tier 3 permit being revoked. An automated letter is sent out ten days after the due date for all late payments. Historically hobby miners have been overrepresented in late payment numbers. Some new entrants may not be aware of their annual obligations and others may have changed contact details and not received correspondence. The regulator sometimes makes personal reminder calls to permit holders and is generally more likely to do this for hobby miners. A final reminder is sent to the permit holder in September before a revocation process can begin in late October, but most hobby miners pay the fees at this point.

To progress further with the revocation, documents must be served on the permit holder. This can be difficult for hobby miners as the address for service is often a rural property where they live. These properties often cannot be serviced by couriers, so professional document servers are required. A further 40 working days from service of the intention to revoke notice then has to expire.

If at this stage the fees remain outstanding, the permit holder is issued with a notice that their permit has been revoked and they are given 20 days to appeal the decision. If no appeal is lodged, the permit is revoked. The debt is then passed on to debt collectors. As annual fees for Tier 3 permits will be quite low, the debt may sometimes be written off by the regulator.


## Monitoring and evaluation

The regulator plans to do a full review of all permit fees in 2025/26. Time sheeting for all staff will be done from March 2025 as part of this review. This time sheeting will provide valuable data on the actual processing times and resources used for Tier 3 applications, which could be used to test the estimates and other assumptions used to calculate the Tier 3 fees.

We will also monitor the Memorandum Account and its balances over time to see if the regulator is recovering its costs and the balances are stable or trending back towards zero. This has been in deficit for several years and was at the end of the 2023/24 financial year, with a -\$3.009 million balance, down from -\$2.903 million in the previous financial year.

## Review

Confidential advice to Government

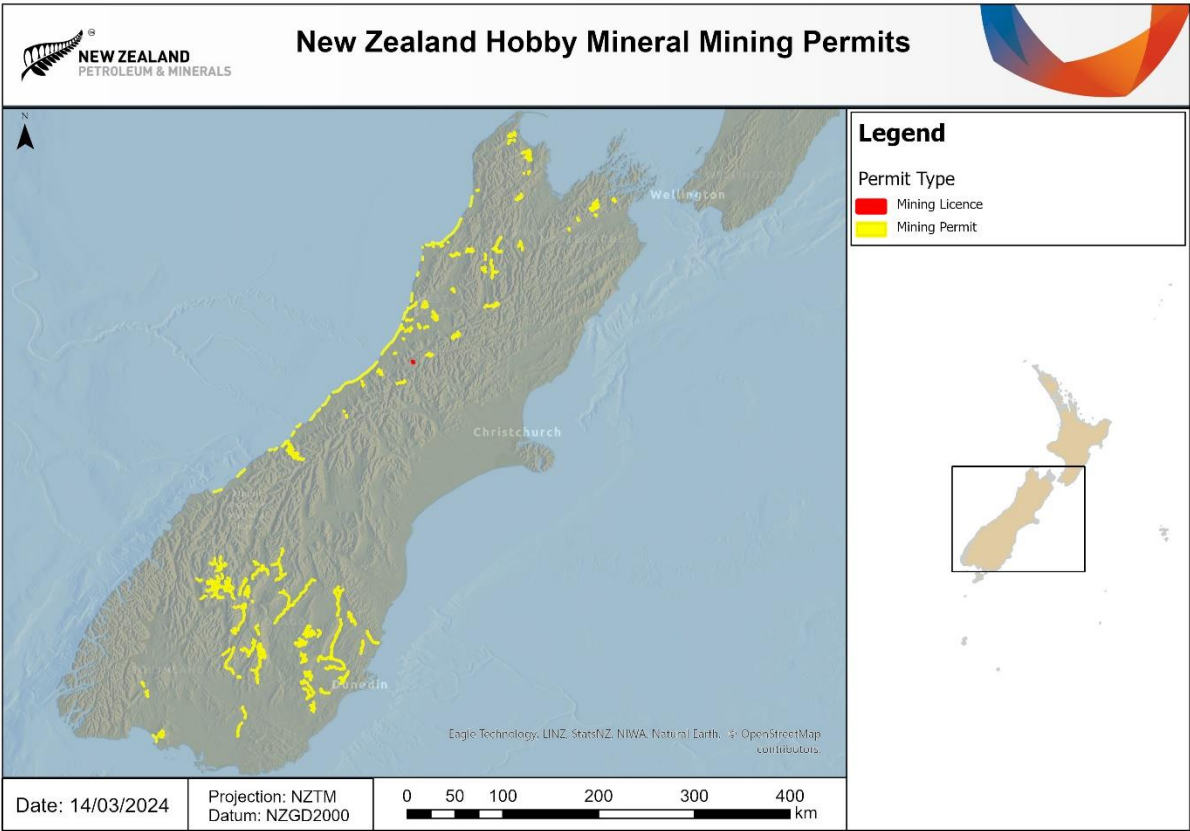


We will subsequently include the Tier 3 fees in any later periodic reviews of permit fees, which is intended to be undertaken every 3-5 years.

## Appendix One: Current onshore mineral permit fees (GST exclusive)

<i>Onshore mineral permit fees</i>	Flat or minimum fee (GST exclusive)	Area rate per km <sup>2</sup>
<b>New permit applications</b>		
Prospecting permit application	\$3,000.00	N/A
Exploration permit application	\$3,000.00	N/A
Mining permit application – Tier 1	\$14,500.00	N/A
Mining permit application – Tier 2	\$5,000.00	N/A
<b>Change applications</b>		
Extension of duration of exploration permit under section 35A	\$3,850.00	N/A
Change of conditions under section 36 for Tiers 1 & 2	\$3,025.00	N/A
Change under sections 41, 41AC, 41A, 41B, 41C for Tiers 1 & 2	\$2,200.00	N/A
<b>Annual fees – onshore permits*</b>		
Prospecting permit	\$1,400.00	\$54.80
Exploration permit	\$1,400.00	\$311.30
Exploration permit with extension of duration	\$1,400.00	\$311.30
Mining permit – Tier 1	\$1,400.00	\$1,790.00
Mining permit – Tier 2	\$1,000.00	\$1,790.00

# Appendix Two: Map of locations<sup>7</sup> of current ‘hobby’ mining permit areas



<sup>7</sup> There are no permits for hobby or recreational mining operations in the North Island.