



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 30/11/2018

Proposal No: A157
Date Published: 18/03/2019

Proposal Title: Protecting the Environment – Tougher Penalties for Offences

Cluster: Planning and Environment

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	4,706	4,824	4,944	14,474
Net Operating Balance:	-	4,706	4,824	4,944	14,474

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	4,706	4,824	4,944	14,474
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Total State Sector Impacts

Net Lending/(Borrowing):	-	4,706	4,824	4,944	14,474
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Notes and costing assumptions

The policy is to increase the penalty units for all offences outlined in the *Protection of the Environment Operations (General) Regulation 2009* (the Regulation) by 100 per cent, from July 2019. The additional revenue that this policy is expected to generate is \$14.5 million over the forward estimates.

Penalty unit values and penalty notice offences

While a maximum penalty for certain offences under the *Protection of the Environment Operations Act 1997* (the Act) is calculated based on penalty unit values, the actual fine amount imposed can be less due to a decision from the Court. Advice from the Environmental Protection Agency is that a change in the penalty unit level would change the maximum level of fine that can be imposed. However, these maximum penalties are for the consideration of, and imposed by, the Courts, so increasing the value of a penalty unit does not necessarily result in an increase in revenue.

The Regulation includes Penalty Notice Offences which sets a dollar value fine amount for each offence. This is not based on penalty units. This costing estimates the additional revenue from increasing these fines by 100 percent. Penalty notices under the Regulation are issued by both state government agencies and local government. Local governments retain penalty notice revenue in accordance with the *Local Government Act 1993* and this has been excluded from the revenue estimate in this costing.

Notes and costing assumptions continued:

Costing methodology

- The average penalty notice revenue based on the number of notices issued by state government agencies over the last three financial years is \$4.6 million. This figure has been used to calculate the estimated baseline revenue for the forward estimate years.
- An increase of 100 per cent has been applied to the baseline amounts above to determine the total estimated revenue under this policy.
- The estimated additional revenue of \$14.5 million is the difference between the total estimated revenue and the baseline amount.

Key assumptions

- Annual revenues are escalated at 2.5% per annum across the forward estimates in accordance with the forecast and projected growth in gross state product in each year.
- The necessary regulatory and administrative amendments are made to the Regulation to enact this policy by 1 July 2019.
- No changes are made to the Regulation to expand or reduce the scope of offences for which a penalty notice can be issued.
- The number of state government agencies that can issue penalty notice offences remains the same.
- No behavioural change has been assumed in this costing based on the increase of the penalty amounts.
- No additional administrative expenses have been included as the policy only relates to increasing the penalty.