



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Coalition **Proposal No:** C1386
Date Referred: 14/02/2023 **Date Published:** 20/03/2023
Proposal Title: Rewarding safe drivers
Cluster: Cross-cluster

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)					-
Depreciation					-
Less: Offsets		1,900	1,900	2,000	5,800
Revenue		(10,810)	(10,818)	(10,797)	(32,425)
Net Operating Balance:	-	(8,910)	(8,918)	(8,797)	(26,625)

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

Net Lending/(Borrowing):	-	(8,910)	(8,918)	(8,797)	(26,625)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(8,910)	(8,918)	(8,797)	(26,625)
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Notes and costing assumptions:

This policy seeks to incentivise safe driving and reward those with good driving records by amending the Clear Driving Record (CDR) Cautions Scheme. The changes will allow customers with a 3-year clear driving record to be eligible for a caution for minor driving offences. The policy states additional administration and system costs are to be absorbed by delivering agencies.

Working with Revenue NSW and Transport for NSW, the PBO has estimated the cost of this policy will be \$26.6 million over the forward estimates, including \$32.4 million in forgone revenue, offset by \$5.8 million in provisions in the Half-Yearly Review (HYR) for moving to a 5-year CDR scheme.

Background

A long-standing scheme allows drivers with minor driving offences to apply for a caution rather than a fine, if they have a 10-year clear driving record¹.

¹ Revenue NSW, *Request a review of your fine*, <https://www.nsw.gov.au/money-and-taxes/fines-and-fees/fines/request-a-review>.

Notes and costing assumptions continued:

The PBO consulted NSW Treasury in preparing this costing, who noted that in the 2022-23 Half-Yearly Review (HYR), an allowance was made for revising the criterion for eligibility for a caution rather than a fine from 10 to 5-years:

'Revise cautions for minor driving offences

This program will allow drivers who have had a clear driving record for at least 5 years (this was previously a 10-year clear driving record) to request a caution to be issued instead of a fine. This will replace the Fair Go for Safe Drivers Scheme from 1 July 2023. This is expected to decrease revenue by \$1.9 million in 2023-24, and by \$5.8 million over the three years to 2025-26.²

This policy seeks to further expand the eligibility for cautions to drivers who have had a clear driving record for 3 years. The policy intends for demerit points to still apply when a caution is issued.

The PBO assumes the policy in this costing would replace the one announced in the 2022-23 Half-Yearly Review, and come into effect from the same date, 1 July 2023.

Costs overview

The PBO consulted with Transport for NSW and Revenue NSW, both advised on costs to implement the policy (Table 1), as well as estimates of forgone revenue (Table 2). These costs are explained in the sections to follow.

Agency costs

Table 1. Estimated costs to implement the policy that agencies will be required to absorb

Agency	Costs	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	Total \$'000
Transport NSW	Employee related	200	700	700	700	2,300
	IT costs	400	800			1,200
	<i>Subtotal</i>	<i>600</i>	<i>1,500</i>	<i>700</i>	<i>700</i>	<i>3,500</i>
Revenue NSW	Employee related	518	1,044	1,024	983	3,570
	Other	99	576	191	184	1,049
	<i>Subtotal</i>	<i>618</i>	<i>1,620</i>	<i>1,215</i>	<i>1,167</i>	<i>4,619</i>
<i>Agency costs</i>	<i>Total</i>	<i>1,218</i>	<i>3,120</i>	<i>1,915</i>	<i>1,867</i>	<i>8,119</i>

Transport for NSW and Revenue NSW have advised that there are staff costs to implement the systems, decommission existing systems, respond to increased customer queries, and administer the schemes, of around \$3.5 million and \$4.6 million respectively (Table 1). The policy states that these costs are to be absorbed by delivering agencies. The PBO considers this would be feasible only with a reallocation of resources which would mean a reduction of outputs delivered in other programs.

Foregone revenue

Revenue NSW estimated that this policy will result in \$32.4 million in lost revenue, offset by \$5.8 million provided for the change to the 5-year CDR in the Half-early Review, resulting in a total budget impact of \$26.6 million (Table 2).

Table 2. Estimated foregone NSW Government revenue

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	Total \$'000
Forgone revenue – 3 year CDR ^a	-	10,758	10,844	10,824	32,426
Offset - HYR provision for 5-year CDR	-	- 1,900	- 1,900	- 2,000	-5,800
Total cost	-	8,858	8,944	8,824	26,626

^a See Table 3 below for calculation of forgone revenue

² NSW Government, 2022-23 Half-Yearly Review, p 30.

Notes and costing assumptions continued:

Revenue NSW advised on the following assumptions used to estimate costs of implementing the policy.

- An average take-up rate of 15% has been used to calculate the forgone revenue, as used in the 5-year CDR forecasts, and based on historical take up rates.
- The Government announcement of the expanded, 3-year CDR scheme on 18 January 2023 explained low range speeding as well as traffic offences would be eligible for cautions, extended eligibility to include 328 offence codes³. Revenue NSW advised this is a key difference with the previous modelling for the 5-year CDR, which comprised 63 offence codes, limited to low range speeding only.
- Revenue NSW advised school zone, heavy vehicle, red light, mobile phone, and speeding offences >10KM have been assumed not be eligible, as per the media announcement.

Based on the assumptions above, Revenue NSW estimated 165,274 cautions would be issued over the forward estimates, at a total cost of \$32 million in forgone revenue (Table 3).

Table 3. Calculation of number of cautions likely to be issued and foregone revenue under the policy

	2022-23	2023-24	2024-25	2025-26	Total
Fines eligible for the CDR 3 Year		375,830	367,829	358,169	
Assumed take up rate		15%	15%	15%	
Number of cautions		56,375	55,174	53,725	165,274
Average fine dollar value		\$ 185.27	\$ 190.82	\$ 196.07	
Sydney CPI forecast		3.50%	2.75%	2.50%	
Foregone revenue (\$'000)		10,810	10,818	10,797	32,425

Caveats

Revenue NSW notes that if active promotion or advertising of the scheme is undertaken, take up rates might be higher than the 15% assumed in costing this policy and increase the cost of the scheme.

Transport for NSW notes that the application of demerits points for caution offences will require changes to the *Road Transport Act 2013* and the *Fines Act 1996*, as well as any consequential amendments to other Acts identified by Parliamentary Counsel's Office.

Transport for NSW further observed that any fines waived for camera detected offences will be forfeited revenue from the Community Road Safety Fund which may result in a reduction in the delivery of road safety projects and programs.

³ James O'Doherty and Lachlan Leeming, 'Minor fines waived for safe drivers under Premier's election pledge' *Daily Telegraph*, 18 January 2023

<https://www.dailytelegraph.com.au/news/nsw/minor-fines-waived-for-safe-drivers-under-premiers-election-pledge/news-story/394c45aeef22f69a326e3700cbaf17fe>