

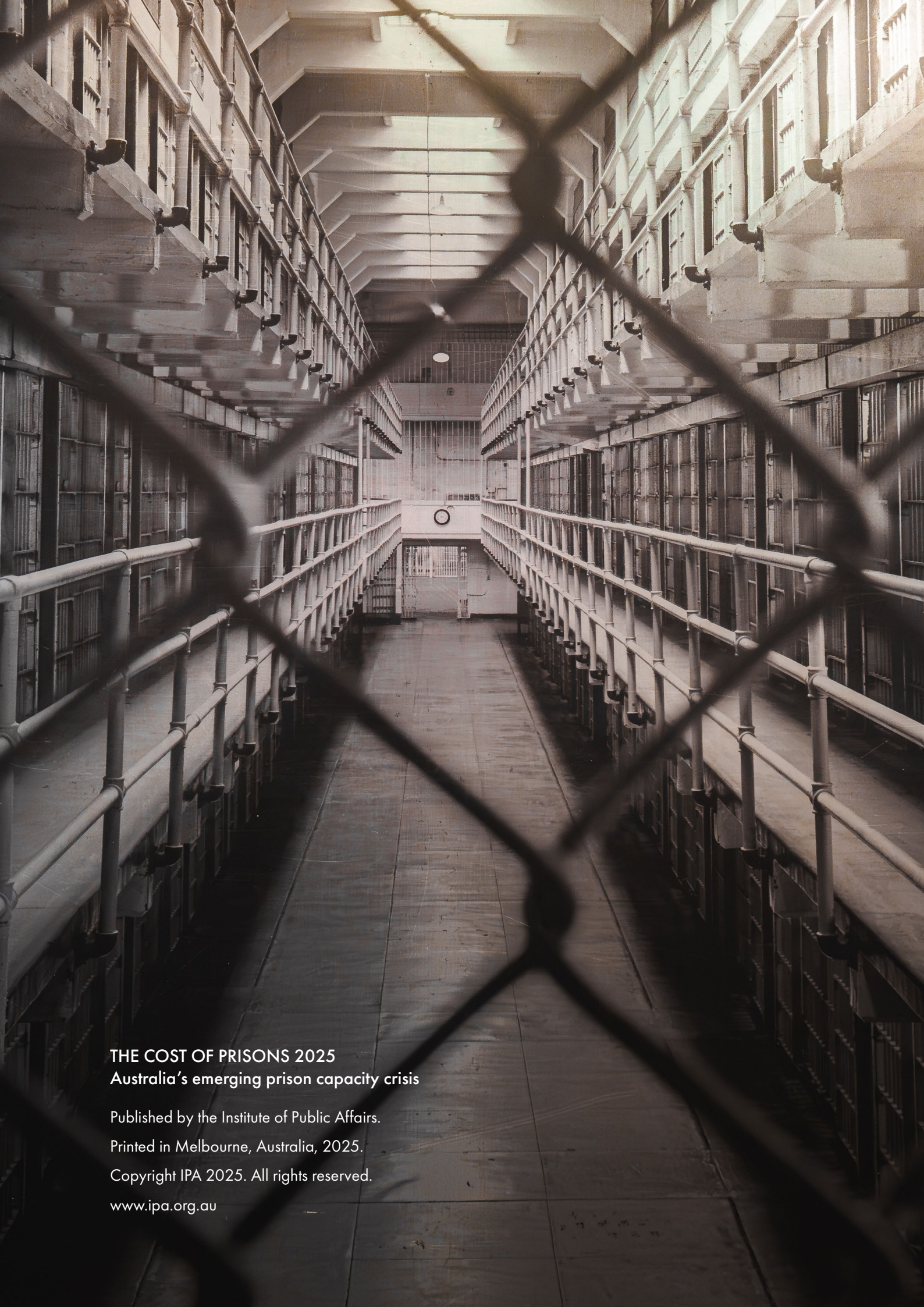
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THE COST OF PRISONS 2025

Australia's emerging prison capacity crisis

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Key findings

- State and federal governments are now spending \$6.8 billion each year on prisons, with spending having increased by 50 per cent in just 10 years once adjusted for inflation.
- Incarceration costs Australian taxpayers \$436 per prisoner per day, or \$159,510 per prisoner per year.
- With 37 per cent of offenders incarcerated for non-violent offences, governments spend up to \$2.6 billion on imprisoning offenders who pose minimal risk to community safety.
- The reliance on incarcerating non-violent offenders is straining prison capacity. Projections out to 2040 indicate that, at current incarceration rates, prisons are expected to reach their current designed capacity by:
 - October 2025 in Queensland;
 - August 2028 in South Australia;
 - November 2028 in Tasmania;
 - July 2029 in Western Australia; and
 - December 2036 in New South Wales.
- Victoria's prisons are not expected to reach their designed capacity by 2040. If Victoria leased out 20 per cent of their current design prison capacity at cost, it could generate \$289.8 million in revenue for the Victorian government.
- In the longer term, prison capacity concerns can only be resolved by adding new capacity—at significant taxpayer expense—or by sentencing reform that uses alternatives to prison for non-violent, low-risk offenders.
- Sentencing non-violent offenders to alternatives to incarceration would reduce taxpayer expenses and improve community safety by reallocating resources to crime prevention.

Introduction

The primary purpose of the criminal justice system is to protect the community and ensure that those who break the law face appropriate consequences. Prisons are an essential component of this system by isolating violent and dangerous offenders from society in order to uphold public safety. However, Australia’s reliance on incarceration as the default punishment for a wide range of offences has come at a significant financial cost to taxpayers whilst failing to improve community safety.

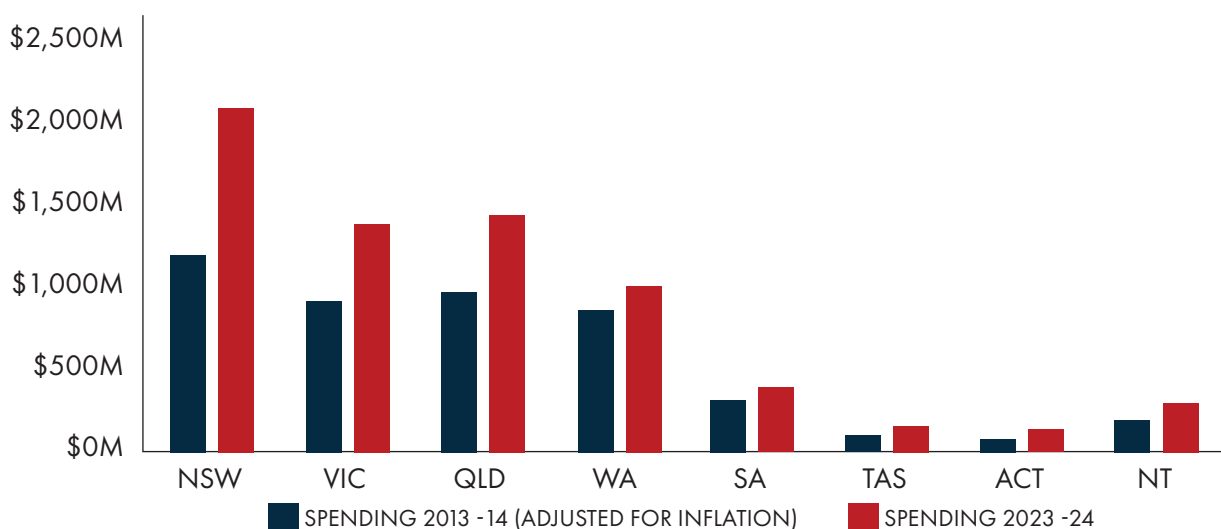
As prisons approach capacity, government will need to expand existing prisons or construct new prisons at a significant additional cost to taxpayers, or to engage in practical criminal justice reform to ease the burden on the current system. For serious and violent criminals, prison remains the only suitable response. However, for non-violent, low-risk offenders, alternative sentencing options including offender-employment programs, electronic monitoring, home detention, and financial penalties can reduce recidivism, ease the burden on taxpayers, and provide better justice for victims of crime.

The cost of prisons

In 2023-24 the state and commonwealth governments spent approximately \$6.85 billion on the construction and operation of prisons.¹ This figure includes the combined total of net operating expenditure and capital costs. This represents a 50 per cent growth in just 10 years once adjusted for inflation.² Over the last financial year, New South Wales spent the most of all states and territories, spending \$2.09

billion on prisons, with Queensland, Victoria, and Western Australia following close behind, each spending \$1.43 billion, \$1.37 billion, and \$997 million respectively on prisons.³ Recurrent government expenditure on prisons increased by more than 50 per cent between 2013-14 and 2023-24 in New South Wales, Victoria, Tasmania, the Australian Capital Territory (ACT), and the Northern Territory.

Figure 1: Recurrent government expenditure on prisons in 2013-14 and 2023-24



Source: Productivity Commission

1 Productivity Commission, *Report on Government Services* (4 February 2025) Volume C Section 8 Table 8A.1.
 2 Productivity Commission, *Report on Government Services* (2015) Volume C Section 8 Table 8A.6.
 3 Productivity Commission, *Report on Government Services* (4 February 2025) Volume C Section 8 Table 8A.1.

Table 1: Recurrent government expenditure on prisons

	RECURRENT EXPENDITURE ON PRISONS (2013-14) (ADJUSTED FOR INFLATION)	RECURRENT EXPENDITURE ON PRISONS (2023-24)	EXPENDITURE INCREASE
NSW	\$1,199m	\$2,094m	75%
VIC	\$911m	\$1,371m	51%
QLD	\$966m	\$1,427m	48%
SA	\$307m	\$392m	28%
WA	\$847m	\$997m	18%
TAS	\$89m	\$168m	89%
NT	\$187m	\$283m	51%
ACT	\$65m	\$114m	75%
AUS	\$4,572m	\$6,845m	50%

Source: Productivity Commission

On average in Australia, it costs about \$436 to incarcerate one prisoner for one day, or about \$159,510 per year.⁴ The per prisoner costs are highest in the ACT at \$805 per prisoner per day (\$294,568 per year).

In contrast, it costs the least to house a prisoner in South Australia, at \$337 per prisoner per day, or \$123,353 per year.

Table 2: Recurrent expenditure on prisons, 2023-24

	RECURRENT EXPENDITURE ON PRISONS (2023-24)	RECURRENT EXPENDITURE PER PRISONER PER DAY	ANNUAL COST PER PRISONER
NSW	\$2,094m	\$460	\$168,375
VIC	\$1,371m	\$599	\$219,333
QLD	\$1,427m	\$369	\$135,113
SA	\$392m	\$337	\$123,353
WA	\$997m	\$382	\$139,852
TAS	\$168m	\$599	\$219,267
NT	\$283m	\$350	\$127,987
ACT	\$114m	\$805	\$294,568
AUS	\$6,845m	\$436	\$159,510

Source: Productivity Commission

⁴ Ibid Table 8A.20.

It should be noted that one extra prisoner will not increase costs to government by \$159,510. Adding more prisoners will, to a point, reduce the average costs of incarceration because the fixed costs (such as a prison) would be averaged across a larger number of prisoners. However, a rise in prison numbers creates the risk of prisons reaching their maximum capacity which means more prisons need to be built, or existing ones expanded. This comes at considerable expense to taxpayers.

The costs of detaining a prisoner would not necessarily fall unless incarceration numbers were reduced to the extent that prisons could be closed, or larger prisons could be replaced by smaller prisons requiring lower operational costs.

TRENDS IN INCARCERATION

In 2023-24, the average daily number of adults held in Australian prisons was 43,001.⁵ This equates to an incarceration rate of 202.9 per 100,000 of the adult population. Over the past decade the incarceration rate has grown by 12.5 per cent and the total number of adult prisoners has grown by 32 per cent.

Concerningly, Queensland, Tasmania, Western Australia, South Australia and the Northern Territory have all seen dramatic increases in their incarceration rates over the past decade, particularly in Tasmania where the incarceration rate has grown by 41 per cent.

The only jurisdictions to see a decline in their incarceration rate were the ACT and Victoria, where the rates decreased by 5 per cent and 10 per cent over the past 10 years, respectively.

WITHOUT REFORM, PRISONS IN AUSTRALIA WILL REACH THEIR DESIGNED CAPACITY

Prisons in Queensland, South Australia, Western Australia and the Northern Territory are at over 90 per cent of their designed capacity.⁶ Prisons in the other states and territories are being utilised at between 70 per cent (Victoria) and 88 per cent (the ACT) of their designed capacity.

Applying projected incarceration rates to population projections from the Australian Bureau of Statistics can generate estimates of when prisons are due to reach maximum capacity in each state and territory.⁷ The projected incarceration rates have been calculated by taking the average annual incarceration rate change over the last ten years and applying this average annual change in future years for each state and territory.

Table 3: Incarceration rate by state per 100,000 adults

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUS
Adult incarceration rate (2013-14)	181	128	184	183	255	118	838	111	180
Adult incarceration rate (2023-24)	188	115	246	214	314	167	1,150	105	203
Growth	4%	-10%	34%	17%	23%	41%	37%	-5%	12%

Source: Productivity Commission

5 Ibid Table 8A.5.

6 Ibid Table 8A.15.

7 Australian Bureau of Statistics, *Population Projections, Australia* (Catalogue 4512.0, 23 November 2023).

It should be noted that these projections are utilising the assumption that the incarceration rate will change in line with the average annual incarceration rate over the last ten years. However, for some states such as Queensland, Western Australia and Tasmania, the incarceration rate has increased significantly over the last financial year at a pace far higher than the decadal average. In Western Australian for example, the average annual incarceration rate increased in the last decade by 2.22 per 100,000 adults, however from 2022-23 to 2023-24 the incarceration rate increased by 7.95 per 100,000 adults. Therefore, maximum capacity may be

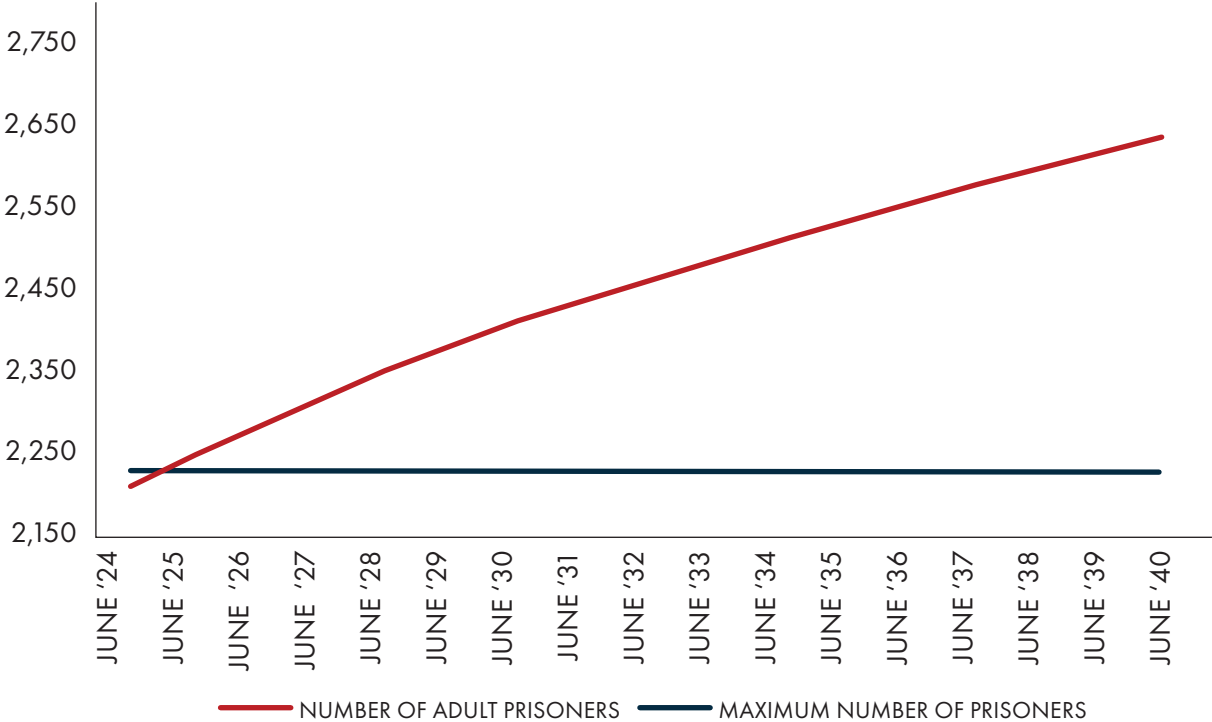
achieved earlier than projected in those states that have seen dramatic spikes in their incarceration rate over recent years.

The maximum designed capacity of prisons in each state and territory will likely increase over time as governments continue to invest in the expansion of prison facilities in response to the growing prison population. However, this approach does not resolve the underlying problem of rising prisoner numbers. Rather, it entrenches the capacity crisis by perpetuating a costly cycle of expansion, overcrowding, and further expansion.

Northern Territory

In the Northern Territory, prisons were expected to reach maximum capacity by December 2024. As no new prison places have been constructed, this means that prisons are currently either housing more prisoners than they were designed to, or fewer prisoners have been incarcerated to mitigate capacity strain.

Figure 2: Prison capacity projections in the Northern Territory

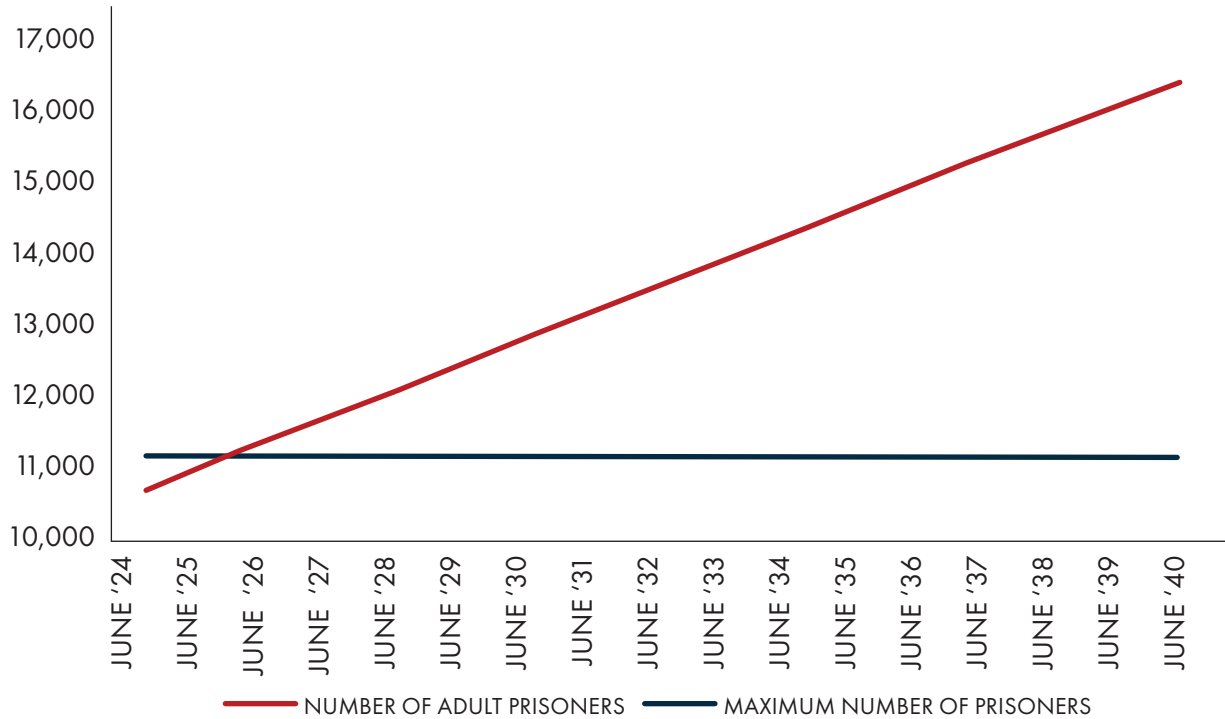


Source: Productivity Commission; IPA Calculations

Queensland

In Queensland, prisons are expected to reach maximum capacity by October 2025.

Figure 3: Prison capacity projections in Queensland

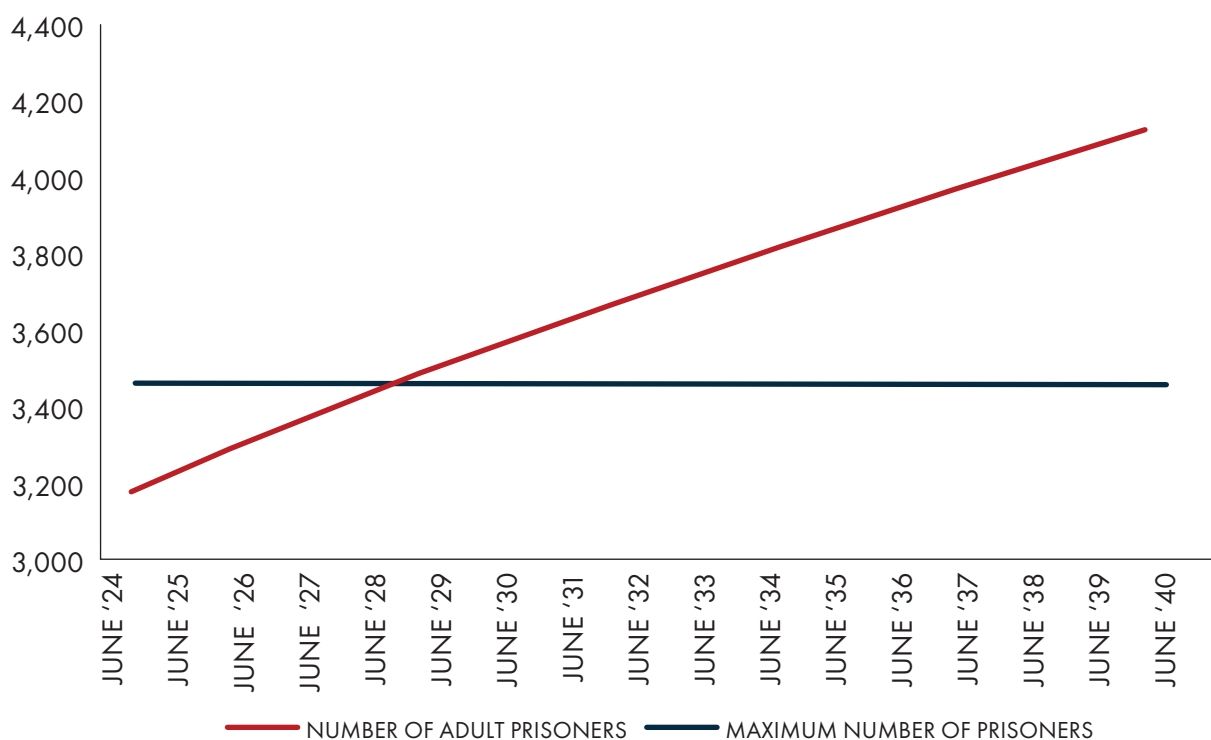


Source: Productivity Commission; IPA Calculations

South Australia

In South Australia, prisons are expected to reach maximum capacity by August 2028.

Figure 4: Prison capacity projections in South Australia

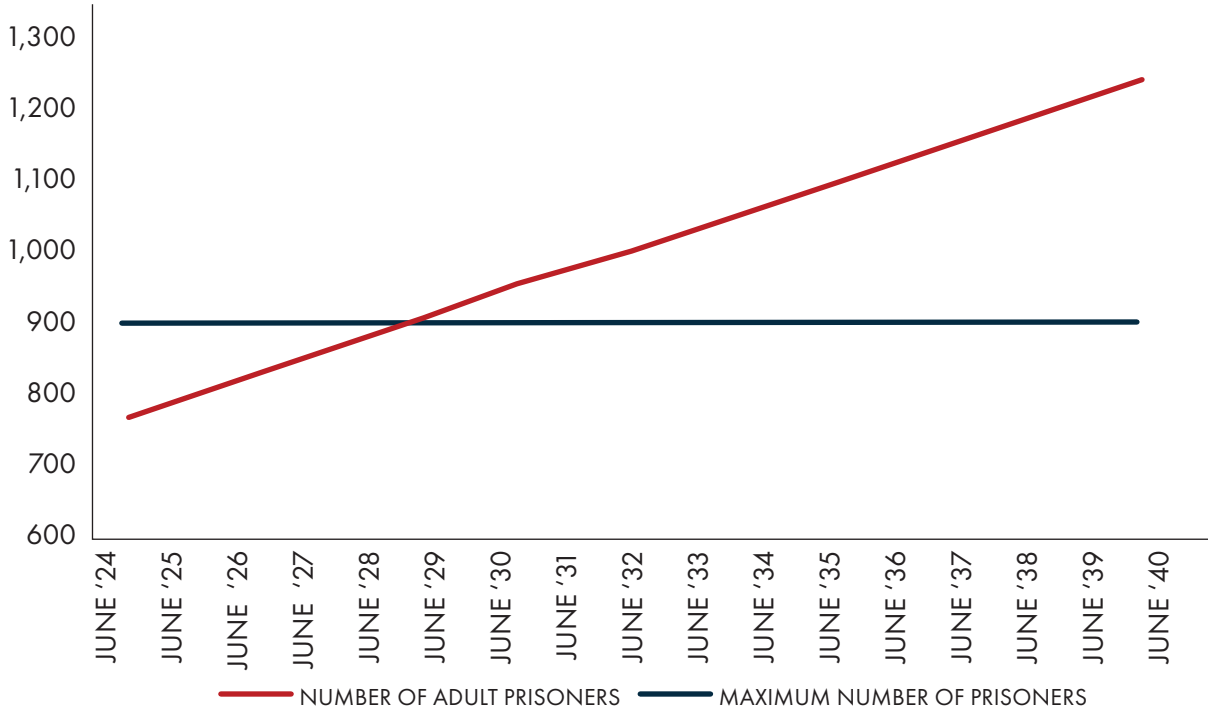


Source: Productivity Commission; IPA Calculations

Tasmania

In Tasmania, prisons are expected to reach maximum capacity by November 2028.

Figure 5: Prison capacity projections in Tasmania

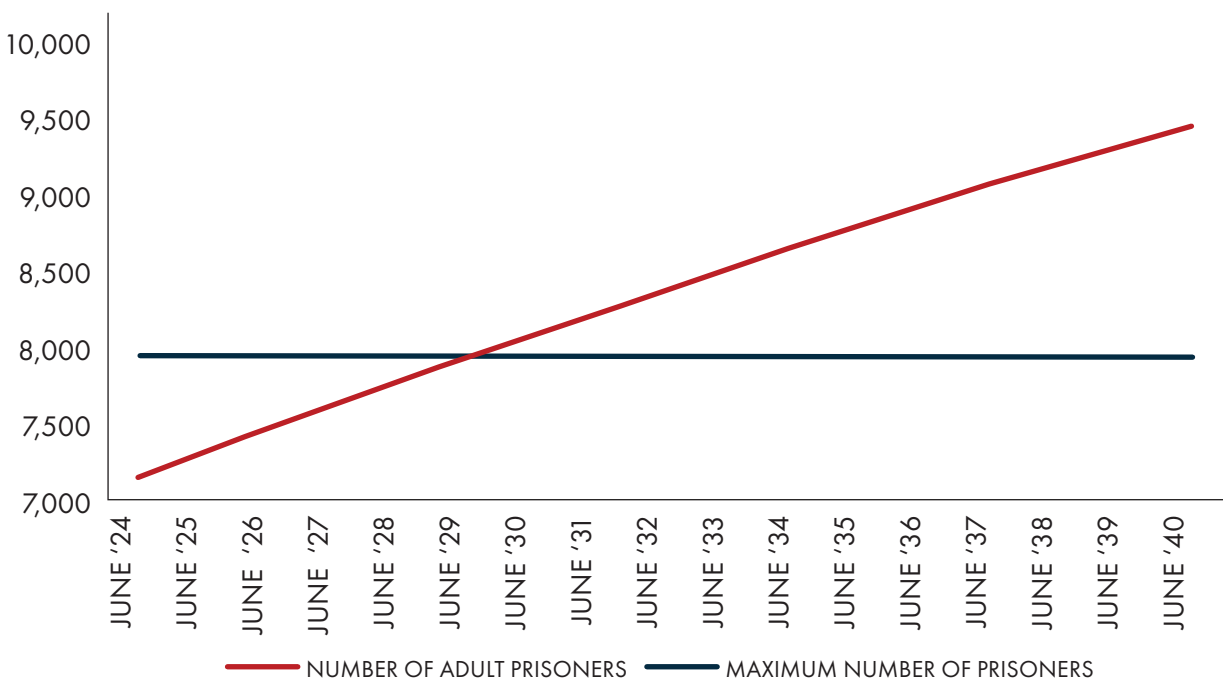


Source: Productivity Commission; IPA Calculations

Western Australia

In Western Australia, prisons are expected to reach maximum capacity by July 2029.

Figure 6: Prison capacity projections in Western Australia

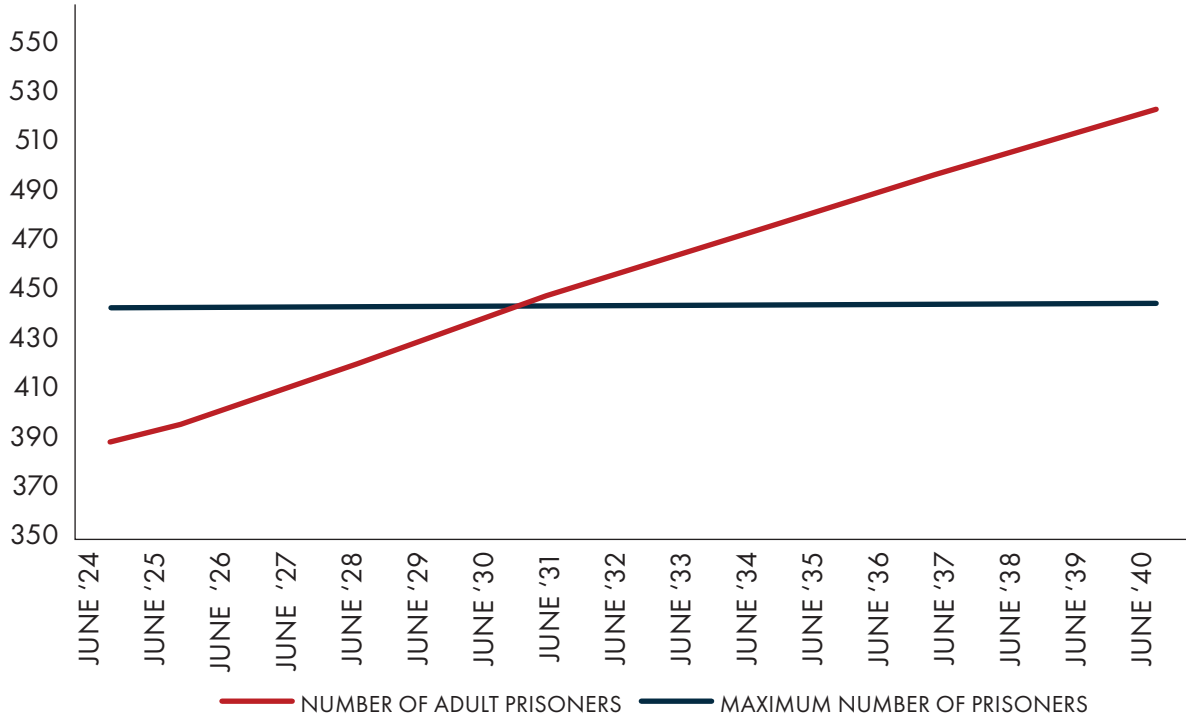


Source: Productivity Commission; IPA Calculations

Australian Capital Territory

In the ACT, prisons are expected to reach maximum capacity by October 2030.

Figure 7: Prison capacity projections in the ACT

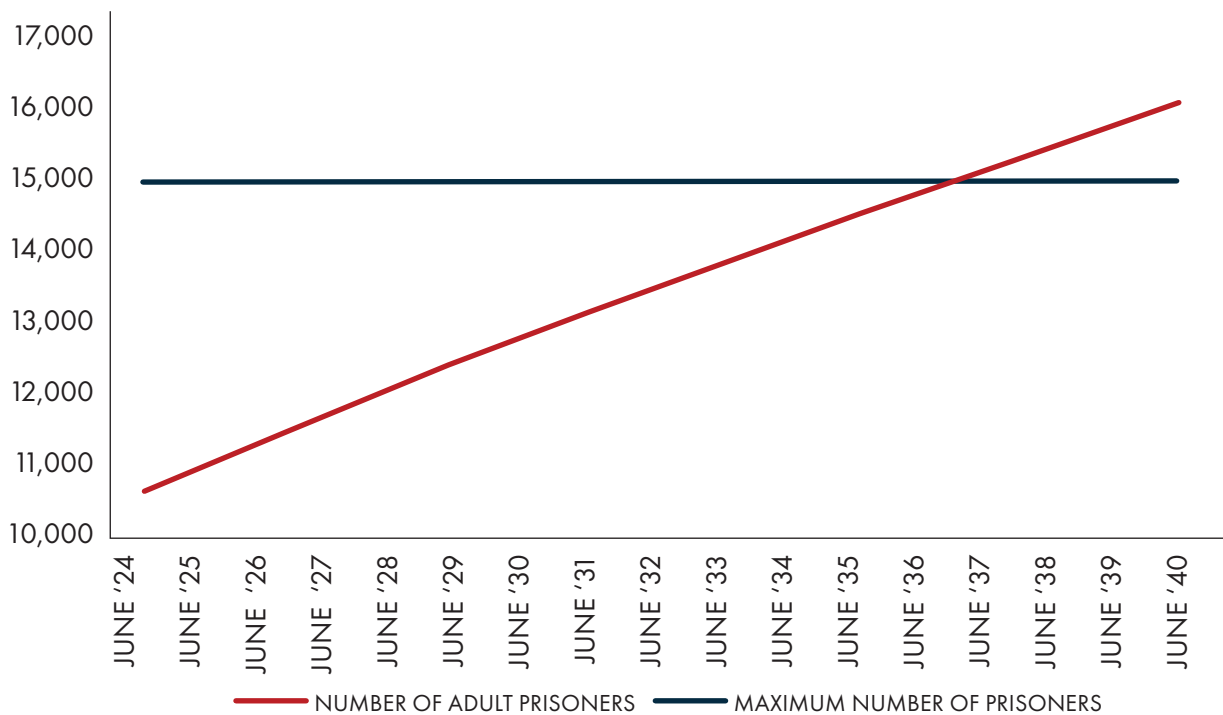


Source: Productivity Commission; IPA Calculations

New South Wales

In New South Wales, prisons are expected to reach maximum capacity by December 2036.

Figure 8: Prison capacity projections in New South Wales



Source: Productivity Commission; IPA Calculations

Victoria

Prison capacity projections in Victoria reveal a different problem from those in other jurisdictions. Over the past decade, the incarceration rate in this state has declined on average each year by 0.88 per cent. Currently, prisons in Victoria are at 70 per cent of their maximum designed capacity. If current trends continue, the number of adult prisoners in Victoria will begin to gradually decline by June 2067. By that time, the prison population is projected to be at 92.9 per cent of the system’s maximum designed capacity. This suggests that, based on current rates of decline, Victoria’s prisons are not expected to reach full capacity.

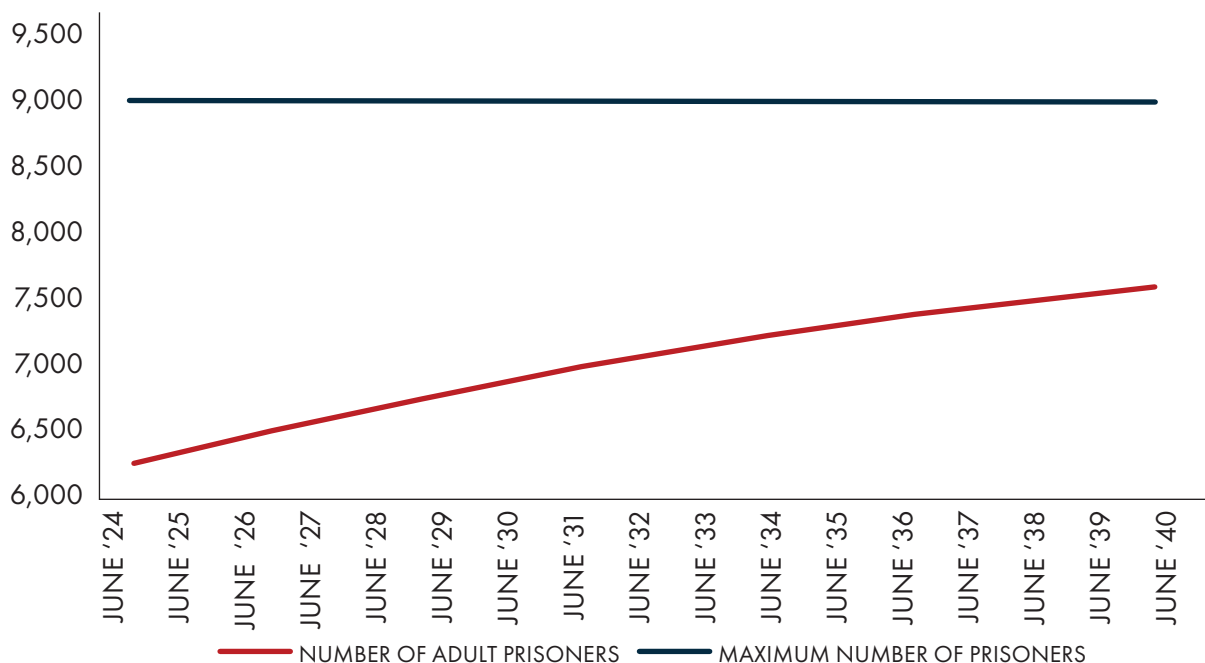
This exposes an inefficiency in Victoria’s criminal justice system. Victoria spends the third most of all Australian jurisdictions on the recurrent cost of prisons, yet many prison places remain unused. Over the 2023-24 financial year, the Victorian government spent \$1.37 billion on prisons, an increase of \$460 million over the past decade once adjusted for inflation. The Western Plains Correctional Centre cost \$1.119 billion and a total of 2 years 9 months to build.⁸ The expansion of Ravenhall Correctional Centre cost \$670 million.⁹

Despite investing billions to increase the number of prison beds, these prison places are unused. The Western Plains Correctional Centre has remained unoccupied for more than two years; however, the government has spent approximately \$36 million each year to maintain and patrol the property.¹⁰

Effective criminal justice reform must prioritise the incarceration of violent and dangerous offenders to protect community safety. Once this objective is met, any surplus prison capacity should be responsibly closed, and the resulting savings to taxpayers should be redirected toward proven crime prevention initiatives.

Whilst the privately operated Port Phillip Prison was scheduled for closure in 2025, the Victorian government announced in May 2025 that it would be investing a further \$727 million to create more prison places, undermining the opportunity to redirect resources away from prison expansion and toward crime prevention.¹¹

Figure 9: Prison capacity projections in Victoria



Source: Productivity Commission; IPA Calculations

⁸ Mia Schlicht, *Smart Justice: Lessons from the United States to address Australia’s emerging incarceration crisis* (Institute of Public Affairs, November 2024).

⁹ Ibid.

¹⁰ Jack Latimore, “Why a new \$1.1 billion prison in Victoria is sitting empty,” *The Age*, 3 May 2023 (accessed 26 February 2025).

¹¹ Premier of Victoria, ‘Tough New Bail Laws Demand More Prison Beds’ (Government of Victoria, 13 May 2025).

If Victoria is unable to close entire prisons to reduce costs, it could consider leasing out its surplus prison places to other jurisdictions facing capacity pressures. With a current operational capacity of 8,912 prisoners but an average daily population of just 6,264, Victoria's prisons have on average 2,648 empty prison places each day, or 30 per cent of total designed prison capacity in Victoria.

The state could generate substantial income by renting unused capacity to other governments. The average cost of imprisonment in Victoria is \$599.27 per prisoner per day. However, the cost of adding an extra prisoner to the system—the marginal cost—is less because much of the prison system's expenditure is fixed. The marginal cost of housing an additional prisoner in Victoria is currently \$445.43 per day or about \$162,581.95 per year. If the state leased out 20 per cent of its overall prison capacity (currently 1,782 prison places), priced at the marginal cost of adding each additional prisoner, it could generate approximately \$289.8 million annually at current prices (revenue would increase over time as marginal costs increase).

International precedent demonstrates that such measures are feasible without compromising the safe and efficient operation of prisons. In the United States, for instance, prisons in Mississippi and Oklahoma have entered into agreements to house prisoners from other jurisdictions.¹² By adopting a similar approach, Victoria could convert idle capacity into a revenue stream, reduce the cost burden on taxpayers, and assist other states in managing their prison populations without the immediate need for costly infrastructure expansion.

It is important to recognise however that this is a short-term solution to Victoria's costly but underutilised prison system. Victoria leasing out its excess prison capacity will not arrest the rising nationwide trend in incarceration. Inevitably, governments will need to address the capacity challenge by either adding new capacity, at a significant cost to the taxpayer, or reforming sentencing so that alternative punishments are used for non-violent, low-risk offenders.

INCARCERATION OF NON-VIOLENT OFFENDERS

Non-violent offences can be divided into victimless offences and property offences. Non-violent victimless offences are those committed against organisations, the government, or the community in general, rather than specific individuals, and include illicit drug offences; weapons/explosives offences; public order offences; traffic and vehicle regulatory offences; offences against justice; and miscellaneous offences. Property offences are also categorised as non-violent as they generally do not involve an offence against another person. This category includes unlawful entry with intent; theft; fraud/deception; property damage and environmental pollution.

Prisons are the most serious form of punishment that a government can inflict on offenders, and it should be reserved for people that are a danger to the community, rather than offenders the community is merely angry at. Finding alternatives to incarceration for this category of offenders would save governments a significant amount of money without compromising community safety.

Across prisons in Australia in 2023 approximately 23 per cent of prisoners had been sentenced for a non-violent crime and 15 per cent had been sentenced for a property offence.¹³ Table 4 breaks down by state the proportion of prisoners convicted of a non-violent property and non-violent victimless offence as their most serious, and the respective costs to taxpayers (based on average cost per prisoner in Table 1).

By this measure, in 2023-24 Australian governments spent approximately \$2.6 billion on the incarceration of offenders whose worst offence was a non-violent offence.

New South Wales spent the most of all Australian jurisdictions on incarcerating non-violent offenders, at \$824 million in 2024.

¹² Mina Corpuz, "Private prison OK'd to hold more ICE detainees," (Mississippi Today, 27 February 2025); Go Big Read, "Shipping inmates out of state," (University of Wisconsin–Madison, 20 April 2016).

¹³ Australian Bureau of Statistics, *Prisoners in Australia* (Catalogue 4517.0, 19 December 2024) Table 3; IPA calculations.



Table 4: Annual cost of incarceration of non-violent offenders

	COST PER PRISONER PER YEAR	NON-VIOLENT VICTIMLESS OFFENDERS (% OF TOTAL)	NON-VIOLENT PROPERTY OFFENDERS (% OF TOTAL)	ANNUAL COST OF INCARCERATING NON-VIOLENT VICTIMLESS OFFENDERS	ANNUAL COST OF INCARCERATING NON-VIOLENT PROPERTY OFFENDERS
NSW	\$168,375	28%	10%	\$614m	\$210m
VIC	\$219,333	22%	20%	\$287m	\$266m
QLD	\$135,113	20%	17%	\$290m	\$245m
SA	\$123,353	23%	17%	\$97m	\$70m
WA	\$139,852	19%	18%	\$211m	\$195m
TAS	\$219,267	25%	11%	\$44m	\$20m
NT	\$127,987	16%	5%	\$48m	\$16m
ACT	\$294,568	19%	9%	\$24m	\$11m
AUS	\$159,510	23%	15%	\$1,600m	\$1,034m

Source: IPA; Productivity Commission; ABS

Recommendations

Rather than incarcerating non-violent offenders who pose a low risk to community safety, alternative punishments can be imposed to a degree sufficient to retribute offenders and deter criminal behaviour whilst at the same time reducing taxpayer expenses.

The experience from the United States is instructive. The long running struggle with high incarceration rates and overcrowded prisons in the US is well documented. The prison population peaked in 2007, with 2.31 million offenders behind bars.¹⁴ A contributor to this surge was a range of sentencing laws driven by the flawed belief that prison should be the first and preferred penalty option for any wrongdoing.

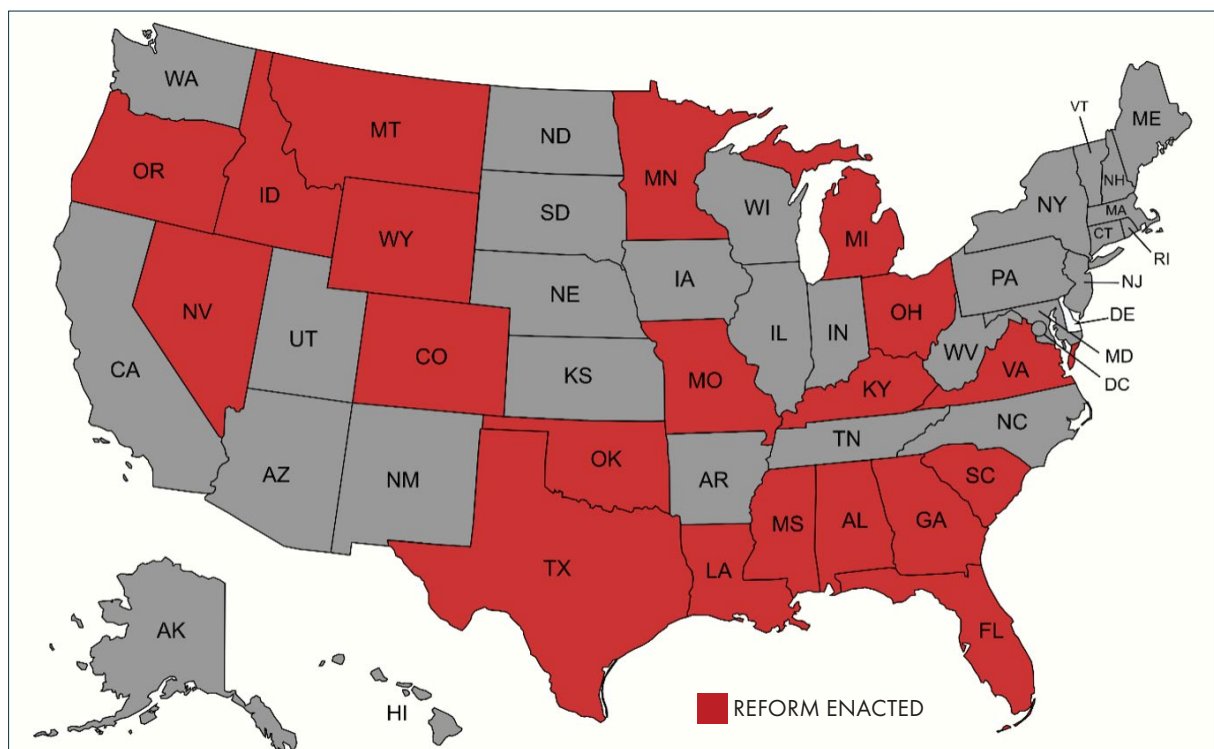
In recent years, many U.S. jurisdictions have achieved notable success in reducing their incarceration rate by reforming sentencing laws to distinguish between violent and non-violent offenders. These

jurisdictions prioritise prison places for violent and dangerous offenders, whilst punishing non-violent offenders through alternative and more constructive means. These reforms have focused on employment, accountability, restitution, and reintegration.

Diverting non-violent offenders into programs that prioritise finding work has reduced prison populations, delivered significant savings to taxpayers, and improved public safety through lower recidivism rates and better rehabilitation outcomes. These jurisdictions have demonstrated that criminal justice reform can be both fiscally responsible and socially effective.

Figure 10 highlights U.S. jurisdictions that have successfully implemented reforms that prioritise prison space for violent and dangerous offenders, while expanding the use of alternative punishments for low-risk, non-violent offenders.

Figure 10: Jurisdictions that prioritise punishing non-violent offenders through alternatives to prison



Source: Nolan Center for Justice; IPA

¹⁴ Bureau of Justice Statistics, 'Prison and Jail Incarceration Rates Decreased by More than 10% from 2007 to 2017' (Press Release, 25 April 2019).

Offender employment programs to address Australia's worker shortage

Australia should follow the lead of jurisdictions in the United States that have introduced reform that places non-violent, low-risk offenders into full-time employment rather than a term of incarceration. Instead of being a cost to the taxpayer, these offenders should be contributing to the community by working, earning award wages, paying tax, and helping to alleviate widespread labour shortages.¹⁵

Australia is currently facing a severe worker shortage that is hampering productivity and economic growth. While community service orders already provide a model for structured community work, these typically involve unpaid labour. Expanding this model to include paid, full-time employment would better utilise the potential of non-violent offenders, helping to meet workforce needs in both the private and public sectors.

Allowing offenders to earn a wage also ensures that offenders earn the means to provide restitution to the victims of their crimes.

Corrections departments would coordinate placements by matching offenders' skills with employer needs, and offenders would undergo standard job application processes. If an offender could not secure paid employment, they would instead be required to undertake volunteer work on a full-time basis.

There is strong evidence that many employers are open to hiring individuals with non-violent criminal histories and when they do employ such people they are almost invariably pleased with the outcomes.¹⁶ This reform would ensure that prison is reserved for those who pose a genuine threat to community safety, while enabling others to rehabilitate through meaningful work, contributing to society and reducing reoffending.

Financial sanctions ('offender super-taxation levy')

Many crimes are motivated by financial interests, and in those cases a financial sanction should be imposed for non-violent offenders. An offender super-taxation levy would comprise a one-off reparation order equal to the amount wrongfully obtained, paid by the offender to the victim, and an additional fine equal to double the amount wrongfully obtained by the offence.¹⁷ Where the offender does not have the financial means to satisfy the debt, they would be required to work and pay a portion of their income until the entirety of the debt is repaid, with the restitution order being paid off first. For efficiency purposes the fine should be administered through the existing taxation collection system. Not only would this reduce the burden of incarceration costs on law-abiding taxpayers, it would also see offenders held financially responsible for the harm inflicted by their crimes.

15 Mirko Bagaric and Morgan Begg, *Let Them Work: How Criminal Justice Reform Can Help Address Australia's Worker Shortage* (Research Report, Institute of Public Affairs, March 2023).

16 Ibid.

17 Mirko Bagaric and Mia Schlicht, 'A Step-Wise Approach to Less reliance on Prison: Victim Restitution and Proportionate Sanctions as the Main Focus in Sentencing Fraud Offenders' (2024) 98(1) *Australian Law Journal* 37.



Technological advancements

Technological incarceration such as electronic monitoring should be advanced as a criminal sanction.¹⁸ The advantage of this sanction is that the physical parameters and restrictions imposed on an offender can be tailored to the offence committed, so that it is proportionate and limits the ability of the offender to reengage in offending. Tamper-proof sensor equipment and visual recording equipment should be attached to offenders to monitor their movements and send an alert if they engage in any suspicious behaviour.

Reallocation of resources

The taxpayer funds saved by reducing incarceration costs should be redirected to other criminal justice resources, to prevent crime from occurring in the first place and thus reduce the number of victims suffering at the hand of offenders. When contemplating an offence, offenders factor the possibility of apprehension into their decision making.¹⁹ If the likelihood of apprehension is high, they are less likely to commit an offence. Increasing the presence of police on the streets, thereby increasing the fear of apprehension, is the best deterrent of crime and would therefore reduce the incidence of crime.

¹⁸ Mirko Bagaric, *Australia's Emerging Incarceration Crisis: Proposed Reforms of the Australian Sentencing System* (Research Report, Institute of Public Affairs, October 2022).

¹⁹ Mia Schlicht, *The Cost of Prisons in Australia: 2023* (Research Report, Institute of Public Affairs, July 2023).



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About the Author

Mia Schlicht is a Research Fellow at the Institute of Public Affairs. Mia joined the team to advance the IPA's research into criminal justice reform and energy policy.

In this role she has provided analysis to parliamentary inquiries and members of parliament, written for publications such as *The Herald Sun*, *The Age*, *The West Australian*, and *The Daily Telegraph* and has appeared in television and radio interviews.

Mia's research has been published in the *Australian Law Journal* and has been cited by judges in sentencing decisions. She was awarded Zonta International's Young Women in Public Affairs award and, outside of her research, is a competitive netball player. She holds a Bachelor of Laws (Honours) and a Bachelor of Science from Monash University.

