

# Overview

After recording growth of 10% in 1994/95 the Territory economy grew by an estimated 8% in 1995/96. The prime contributors to growth were private consumption expenditure (up 9%) and private capital expenditure (up 18%). Forecasts for 1996/97 indicate that strong growth will continue, but at a lower and more sustainable rate.

The high rate of economic growth over the last two years was accompanied by an increase in the Territory's population of 2.7%, the Territory's highest rate of growth in a decade and higher than any other state or territory.

The Territory's unemployment rate and level of employment were largely unchanged during 1995/96 after a very large increase in employment in 1994/95. The Territory continues to have the lowest unemployment rate of any state or territory, which is an indication of the strength of the Territory economy and labour market.

Wages growth in the Territory has been subdued compared to nationally, as Territory wage levels are adjusting to a more sustainable level. After increasing in 1995, price inflation has moderated in 1996, both nationally and in the Territory. Official interest rates remain high although a fall in housing interest rates has occurred in mid-1996. This reduction in housing interest rates should provide a stimulus to the Territory housing industry where activity is generally down a little on the very high level recorded in 1994/95. The defence force build-up in the Territory continues to provide a boost to development, particularly in the housing industry.

The Territory's most important private sector industries continue to be tourism, rural industries and mining.

The total number of visitors to the Territory increased by 23.9% during 1994/95 to 1.2 million. These visitors spent over \$650 million during their visit, an annual increase of 9.3%. Visits to the Territory's many world-class national parks, which display the Territory's unique flora, fauna and natural beauty, recorded further significant increases during 1995. In response to growing demand the industry was further stimulated during 1995/96 by the provision of additional domestic and international airline services. Construction commenced on a number of new commercial accommodation developments.

The Territory's rural industries continued to consolidate their strong position during 1995, taking advantage of the Territory's unique climate and location which enable Territory producers to supply early season or out of season produce to interstate and South East Asian markets.

Leading the way was the live cattle export industry. During 1995 almost 300 000 live cattle were exported, including exports of interstate cattle through Territory ports, an increase of 73% on 1994's very high levels. Exports to Indonesia and the Philippines accounted for over 90% of total live cattle exports.

The horticulture industry had another successful year in 1995. Although the mango season was poorer than expected due to unfavourable weather conditions, production increased and strong prices resulted in an increase of 22.9% in the value of production. The mining industry continued to make the single largest contribution to the Territory economy, accounting for about one-fifth of GSP. Combined mineral and energy production increased for the first time in a number of years in 1995/96. A slowdown in the decline in off shore oil production was more than offset by growth in mineral production including production at the large McArthur River mine. This increase was supported by improved world commodity prices with further price increases expected in the near future as the world economy recovers from recession.

The outlook for the mining industry is particularly promising with the development of new gold mines at Brocks Creek and the Tanami Mine Joint Venture, new Timor Sea oil fields and the Jabiluka No.2 uranium ore body expected over the next few years.

The Territory is fortunate to be strategically located on the rim of the East Asian region, the worlds fastest growing region over the last decade. Economic growth in the region was again strong during 1995 and further strong growth is anticipated over the next few years. These countries are also the Territory's major trading partners and this augurs well for the export of a wide range of Territory goods and services to the region.

Construction of the Territory's new port at East Arm continued in 1995/96, with completion of Stage I scheduled for December 1997. The port will play a crucial role in the Territory's continuing emergence as an exporter of goods to Asia and as a transport hub between Australia and Asia. The Territory Government is continuing to aggressively develop plans for the completion of the Alice Springs to Darwin railway, which will further enhance Darwin's role as an efficient and effective transport link between south-east Australia and Asia.

# Population

The Territory occupies approximately 18% of Australia's landmass but its population is only 1% of the national total. The Territory has a population density of only 0.1 persons per square km, which is lower than any other state or territory, well below the national density of 2.4 persons per square km. It is also considerably lower than the population density for the Territory's closest neighbours, the ASEAN (Association of South East Asian Nations) density of 123 persons per square km.

## Population Growth

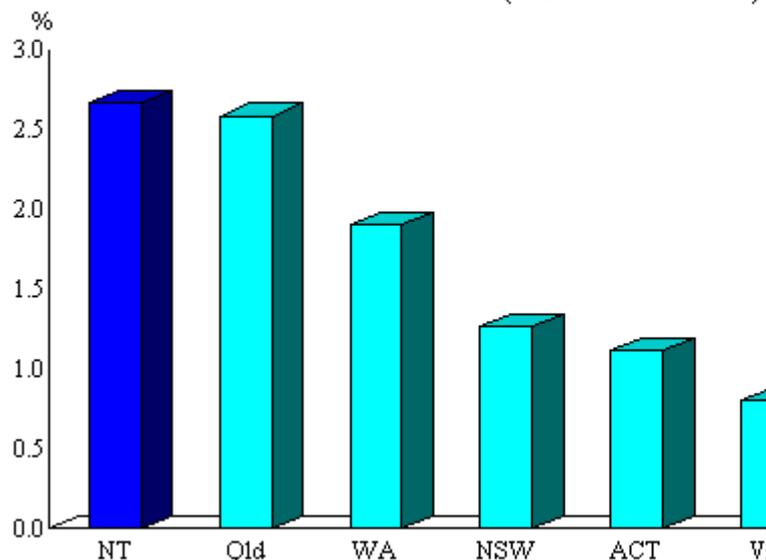
Over the year to 31 December 1995 the Territory population is estimated to have increased by 2.7% to 176 678, compared with the national population increase of 1.4% (to 18 174 000) over the same period. The Territory's annual population growth rate for 1995 was the highest of any jurisdiction. Population growth in the Territory during 1995 was comparable to the high rates of growth experienced in the years following the granting of self government to the Territory.

**Table 1.1**

	Population (December 1995)	
	Persons 000	/km squared
New South Wales	6 155	7.7
Victoria	4 522	19.9
Queensland	3 316	1.9
Western Australia	1 747	0.7
South Australia	1 476	1.5
Tasmania	473	7.0
Australian Capital Territory	305	127.1
<b>Northern Territory</b>	<b>177</b>	<b>0.1</b>
<b>Australia</b>	<b>18 174</b>	<b>2.4</b>

**Figure 1.1**

**State and Territory Population Growth** (Year to December 1995) Source: ABS Cat. No. 3101.0



Source: ABS Cat No. 3101.0

## Components of Growth

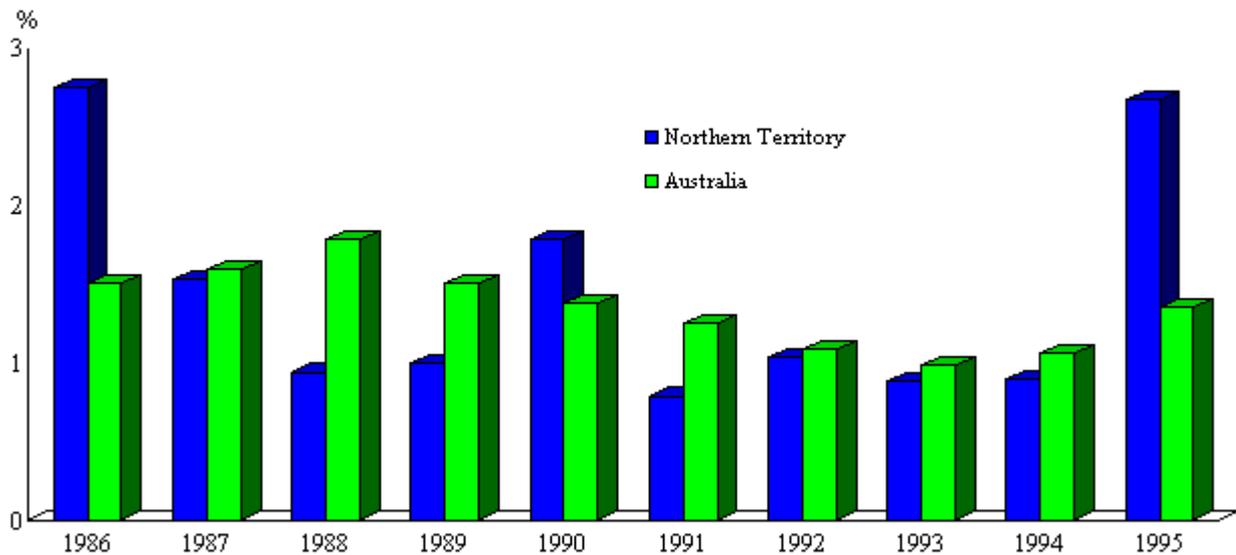
Population growth comprises two components, natural increase (births over deaths) and net migration (interstate migration plus overseas migration). In 1995, natural increase was once again the major contributor to the overall population increase in the Territory. While net overseas migration increased slightly from 1994, the Territory recorded a net gain in interstate migration for the first time since 1985.

The Territory's younger age profile and large Aboriginal population contribute to a low death rate and a high birth rate, with a consequential high rate of natural increase. In 1995, natural increase in the Territory was 2 926, providing a population growth rate of 1.7%. This natural increase was the highest of any jurisdiction, and more than double the national rate of 0.8%.

In June 1994 the ABS began adjusting the Territory's population estimates for a 1 045 person underenumeration of the Aboriginal population at the 1991 Census.

**Figure 1.2**

**Population Growth Rates**



Source: ABS Cat No. 3101.0

The Commonwealth Government reduced Australia's migrant intake in the early 1990's when Australia was in recession. As a consequence, net overseas migration to the Territory was only 77 in 1992. Since then, net overseas migration gain has increased for three consecutive years. Nationally, net overseas migration gain also recorded an increase during 1995 and is estimated to have reached the pre-recession level of around 100 000 per annum.

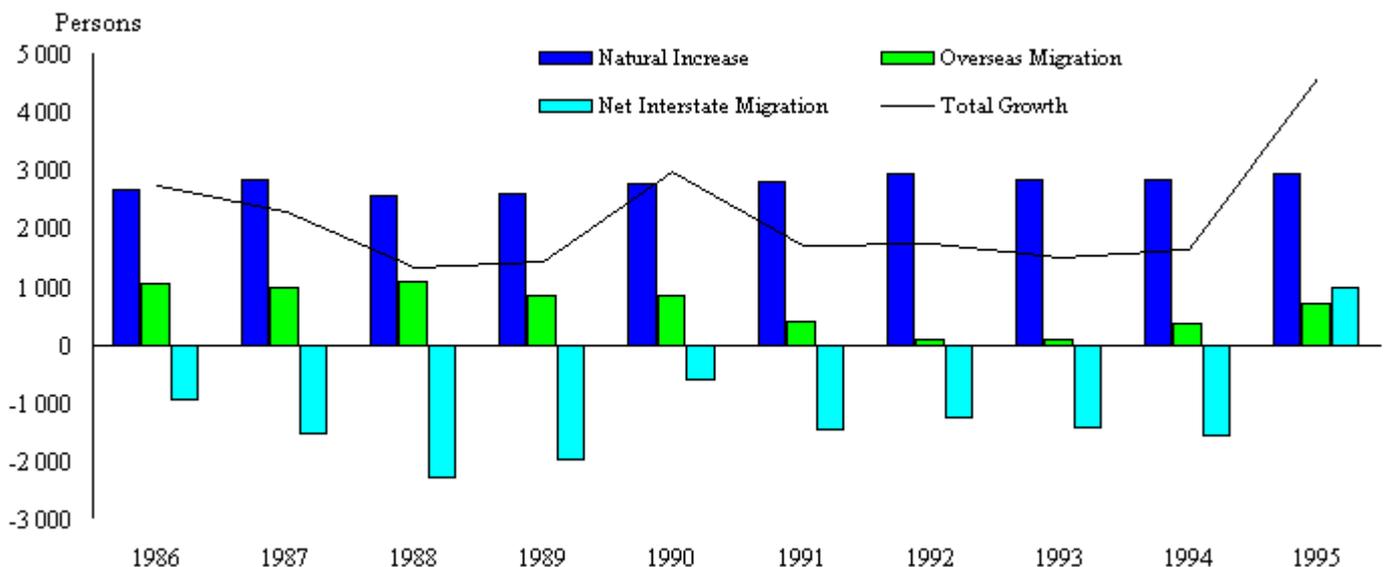
Interstate migration is the most volatile component of the Territory's population growth because of its dependence on a variety of economic factors and the acknowledged difficulties ABS has in estimating interstate migration for the Territory. In 1995, the Territory is estimated to have gained 977 persons due to net interstate migration, the first gain since 1985. Queensland and Western Australia have been the only two states to generally experience net interstate migration gains over the past decade.

**Population Distribution**

The Territory's population is mainly located in the few urban centres. As of 30 June 1995, the combined total population of Darwin City, Litchfield Shire and Palmerston accounted for 52.5% of the total Territory population, Alice Springs accounted for 14.4% and other major centres accounted for 9.0%.

**Figure 1.3**

**Population Growth**



Source: ABS Cat No. 3101.0

All major centres except Nhulunbuy and Tennant Creek increased population over the twelve months to 30 June 1995. Palmerston and Litchfield Shire, which are both adjacent to Darwin, were the fastest growing centres at 9.2% and 4.9% respectively. Palmerston has had the highest annual population growth rate of any Local Government Area in Australia since 1991. Darwin City's population remained unchanged. Katherine and Alice Springs both recorded modest population growth over the year.

## Cultural Diversity

The Territory has a very high proportion of Aboriginal and Torres Strait Islanders (approximately 25%) and overseas born (approximately 20%) population. Of the overseas born, a considerable proportion come from non-English speaking backgrounds, including Asian countries.

## Gender Profile

In contrast to the national gender ratio of 99.2 males for every 100 females, the Territory has more males than females, with a ratio of 105.8 males per 100 females in December 1995. In recent years, the ratio has been falling. In the year to December 1995, the female population grew by 3.1% compared with 2.3% growth in the male population.

## Age Distribution

The Territory has a relatively young population compared to the rest of the nation, as can be seen from Figure 1.5. With a median age of 28.3 years (June 1995), the Territory population profile continues to be the youngest of any jurisdiction. However, the Territory population is ageing further, with a median age now some three years higher than a decade ago.

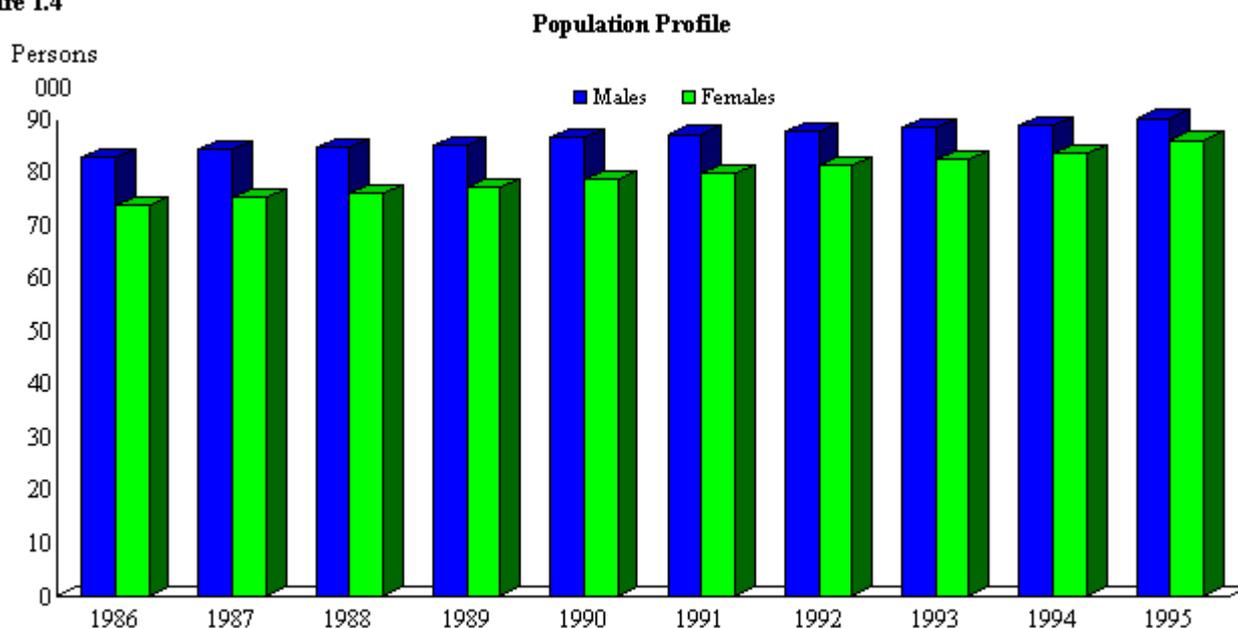
**Table 1.2**

**Population Distribution**  
(as at June 1995)

		% Annual Change	% of Total
Darwin City	66 843	0.0	38.4
Palmerston	12 237	9.2	7.0
Litchfield	12 195	4.9	7.0
Katherine	8 800	0.8	5.1
Nhulunbuy	3 822	-0.6	2.2
Tennant Creek	3 030	-2.2	1.7
Alice Springs	25 090	1.0	14.4
Rest of Territory	41 861	2.4	24.1
<b>Total</b>	<b>173 878</b>	<b>1.6</b>	<b>100</b>

Source: ABS Cat. No. 3207.7

**Figure 1.4**



Source: ABS Cat No. 3101.0

The relative ageing of the Territory population has important implications for the provision of Government services. While there is relatively less need for services for younger people there is a greater need for costly health services for the elderly. There are also implications for the labour force, with more people in the working age group and also a greater demand for housing.

## Population Outlook

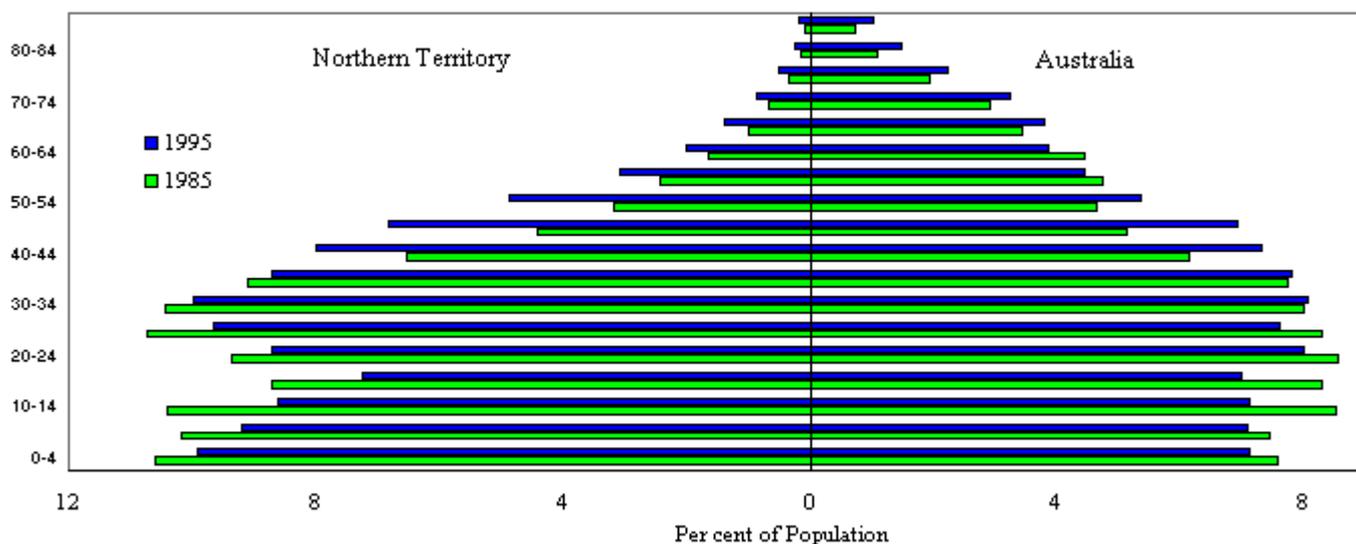
While the Territory population is ageing, natural increase is expected to continue to form the basis of Territory population growth over the next decade. This is due to the Territory's relatively young population and the high proportion of Aboriginal and Torres Strait Islanders.

An increasing contribution to population growth from overseas migration can be expected as links with Asia continue to develop and Australia's migrant intake increases after the cut-back associated with the 1990/91 recession.

With the Territory expected to grow steadily over the next decade, population gains due to interstate migration can be expected.

**Figure 1.5**

**Age Distribution of Population**



Source: ABS Cat No. 3101.0

In November 1994 ABS published four sets of population projections for the states and territories. By the year 2005 the population of the Territory was projected to be between 197 100 and 207 500. This implies an average annual population growth rate of between 1.3% and 1.8%.

The continued influx of defence force personnel from the Army Presence in the North (APIN) program is having a positive impact on the Territory's interstate migration gain which, together with the consistent high rate of natural increase, should see the Territory's population continue to grow at rates well above the national average.

# Economic Growth

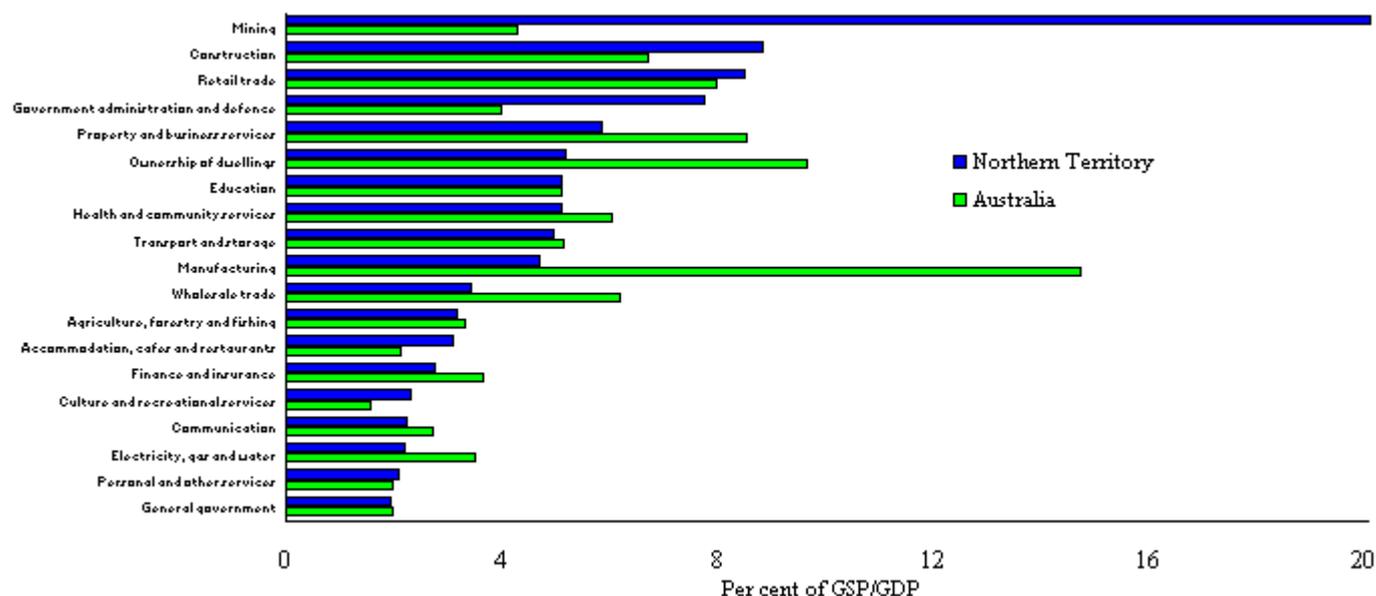
Economic activity in the Northern Territory has grown rapidly in the past two years and at a rate far in excess of that nationally. After strong growth in capital expenditure in 1993/94 and strong consumption expenditure in 1994/95, growth in the Territory economy was comparable with levels experienced in the newly industrialised countries of South East Asia. Nationally, economic growth has slowed in the past 18 months following a rise in official interest rates late in 1994. The rise in interest rates dampened growth in an economy that was beginning to show signs of overheating. This slowdown in economic activity is consistent with slower levels of growth in the United States, Japan and Europe.

Economic growth in the Territory was largely unaffected by the slower national and international business climate. In real terms the economy grew by 10.0% during 1994/95, significantly stronger than any other jurisdiction and more than twice the rate of the national economy.

The structure of the Northern Territory economy is significantly different to that of the national economy (see Figure 2.1). Economic activity in the Territory is centred around a highly capital intensive mining industry. The industry's contribution to Gross State Product in 1993/94, the latest year for which an industry breakdown is available, was 20.1%. This was more than four times the national average.

**Figure 2.1**

**Gross State Product by Industry**



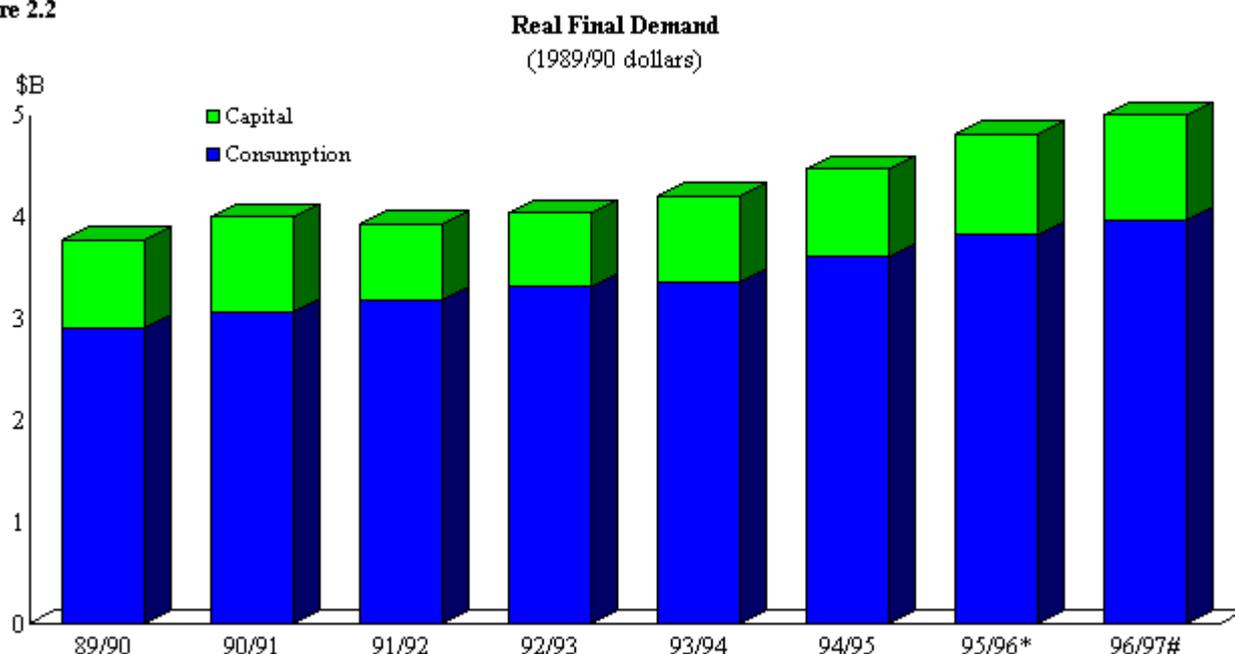
Source: ABS Cat. No. 5220.0, 1993/94

The early stage of economic development in the Territory has meant that a lot of the gains from the mining industry, in terms of downstream industries, are yet to be realised. The majority of mineral and energy reserves extracted are exported, either interstate or overseas, for sale or further processing. This is a feature of the Territory economy in general. Excluding the conversion of bauxite to alumina, value-added or manufacturing industries are in their infancy. Only 4.7% of Territory Gross State Product is attributable to manufacturing, compared to a national rate of 14.8%.

Government administration and defence has always been considerably higher in its contribution to economic activity in the Territory than nationally. After a period of declining influence, government administration and defence has begun to increase its contribution to GSP since 1992/93. This coincides with the Defence Force Structure Review which recommended the movement of defence force personnel and equipment to the north. The Army Presence in the North is expected to add a further 1 600 army

personnel between 1996 and 2001.

**Figure 2.2**



Source: ABS Cat. No. 5220.0

\* NT Treasury estimate, # forecast

Two growth sectors of the Territory economy are tourism and live cattle exports. Tourist activity in the Territory has been increasing each year with visitor numbers increasing to over a million people in 1994/95. Live cattle exports are driven by strong demand from Asian markets, in particular the Philippines and Indonesia. In 1995 live cattle exports through Darwin Port grew 73% to just over 295 000 head.

The Territory's onshore economy (Gross State Product excluding off shore oil production), measured by State Final Demand grew 6.3% in 1994/95. Continued strong growth in private consumption and capital expenditure should maintain the Territory's relatively high growth rates through 1995/96. Combined with a positive contribution from the export sector, total economic activity is expected to grow by 8.0% in 1995/96.

**Table 2.1**

**Real Final Demand**  
(percentage point contribution to annual change)

	1993/94	1994/95	1995/96	1996/97
<i>Consumption Expenditure</i>				
Private Consumption	0.5	4.5	4.6	2.8
Public Consumption	0.8	1.1	0.4	0.1
<b>Total Consumption</b>	<b>1.3</b>	<b>5.6</b>	<b>5.0</b>	<b>3.0</b>
<i>Capital Expenditure</i>				
Private Capital	3.1	-0.7	2.3	1.1
Public Capital	-0.4	1.4	0.3	0.1
<b>Total Capital</b>	<b>2.8</b>	<b>0.7</b>	<b>2.7</b>	<b>1.3</b>
<b>Final Demand</b>	<b>4.1</b>	<b>6.3</b>	<b>7.7</b>	<b>4.2</b>

Source: ABS Cat. No. 5242.0, \* NT Treasury estimates, # forecast. Totals may not add due to rounding.

The major stimuli for growth in consumption expenditure during 1995/96 were a rapidly growing population and a continuing healthy labour market. Private capital expenditure is expected to rebound strongly from 1994/95 with significant gains anticipated in equipment and non-dwelling construction expenditure. Both sectors will benefit from long term construction projects currently underway in Darwin and Palmerston, while the lead up to the commencement of mining operations at Brocks Creek and the Tanami Mine Joint Venture will see significant investment in plant and equipment.

Growth in government consumption expenditure is expected to be relatively modest in 1995/96 following a commitment by the Territory Government to maintain real current expenditure on a per capita basis at its current level. Government capital expenditure on the other hand will grow strongly in real terms as construction on Darwin's new East Arm port continues and a

carry over from 1994/95 of Commonwealth funding for the Australia Land Transport Development fund and Aboriginal strategic

**Table 2.2**

<b>Real Economic Growth</b> (annual % change)			
Components of Gross State Product	1994/95	1995/96	1996/97
<i>Final Consumption Expenditure</i>			
Private	9.0	9.0	5.5
Government	3.8	1.5	0.5
<i>Gross Fixed Capital Expenditure</i>			
Private	5.1	18.0	8.0
Government	25.1	5.0	2.0
<b>State Final Demand</b>	<b>6.3</b>	<b>7.7</b>	<b>4.2</b>
<b>Gross State Product</b>	<b>10.0</b>	<b>8.0</b>	<b>5.2</b>

roads is utilised in 1995/96. Source: ABS Cat. No. 5242.0, \* NT Treasury estimates, # forecast.

Exports of Territory goods are expected to show a moderate rise in 1995/96, a turnaround from a small decline the previous year. Increased levels of mineral exports are expected to account for the majority of this increase. Import growth was exceptionally high in 1994/95. While import growth is expected to moderate in 1995/96, imports will remain high due to rising demand for machinery and transport equipment associated with the mining industry.

## Forecasts

Following two years of high growth, economic activity in the Northern Territory is forecast to grow at 5.2% in 1996/97. The decline in the level of economic growth from 8.0% the previous year is a transition from a peak to a more sustainable level of activity.

Many of the factors that lead to the extremely strong levels of growth in 1995/96 will be present again in 1996/97, although their impact on economic activity will be more subdued. Both private consumption and capital expenditure will again contribute strongly to growth in the economy (see Table 2.1).

## Economic Outlook

Healthier national and international economic climates, combined with strong population growth in the Territory will continue to stimulate consumption expenditure, although at a much lower rate than in the two previous years.

Much of the capital expenditure associated with the development of McArthur River, Brocks Creek and the Tanami Joint Venture mines will have filtered out by 1996/97, only to be replaced by expenditure associated with the development of the Elang and Laminaria oil fields. Growth in non-residential building activity is also expected to add to private capital expenditure. The sector will benefit from major tourism and retail projects, some of which are currently underway.

A more favourable world economic outlook, especially in the United States and Japan will see demand for mineral and energy exports rise in 1996/97. The Australian Bureau of Agriculture and Resource Economics is forecasting higher world prices for lead, zinc and gold. Territory mining production will increase significantly over the coming years as the new mines reach full production. Slightly offsetting these increases will be declining levels of oil exports as the Challis, Jabiru and Skua wells reach the end of their productive lives.

The Northern Territory's major Asian trading partners are all forecast to experience strong growth in 1996/97. A healthy regional business climate is extremely important to the development of the Territory economy given the limited size of the domestic market. Strong economic growth and rising standards of living amongst the member countries of ASEAN and the Three Dragons will stimulate demand for Territory mineral and energy commodities as well as primary products, in particular live cattle.

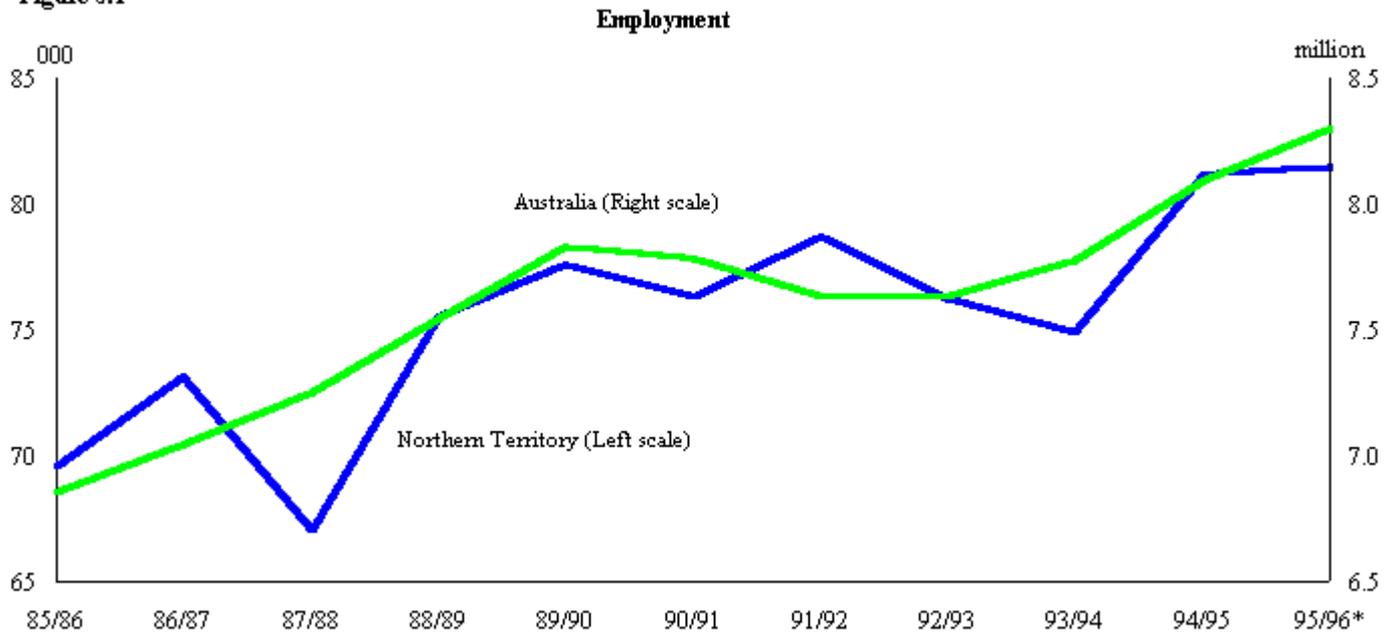
# Labour Market

The Territory labour market remained stable during 1995/96 following a year of very strong employment growth. The Territory's traditionally high participation rate declined slightly while the unemployment rate was unchanged, remaining the lowest of any state or territory. Nationally, the labour market continued to improve with a moderate increase in employment and a slight decline in unemployment.

## Employment

Employment levels in the Territory, while apparently volatile, have generally been increasing between 1985/86 and 1995/96. Nationally, employment has been rising since the beginning of 1993, after a period of decline during recession.

**Figure 3.1**



Source: ABS Cat. No. 6202.0

\* NT Treasury estimate

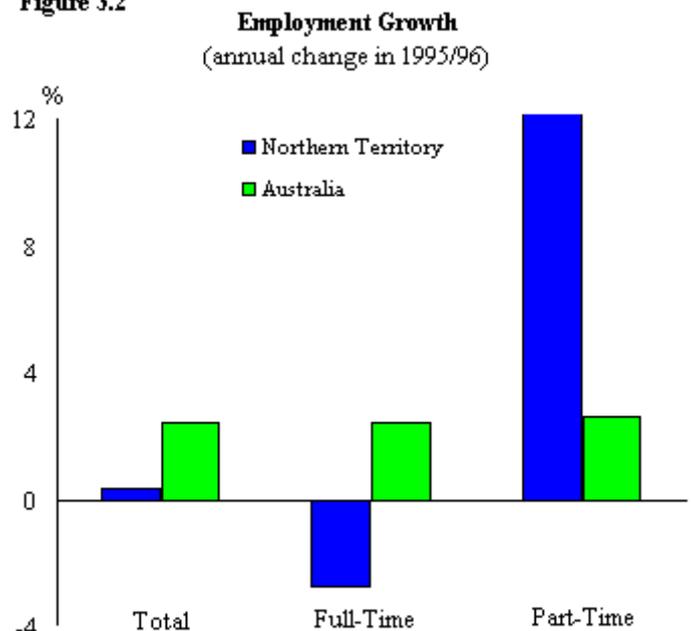
In 1995/96 employment in the Territory increased 0.3%, following an increase of 8.4% in the previous year. Full-time employment in the Territory decreased 2.8% (to 63 300 persons) in 1995/96, more than offset by strong growth (13%) in part-time employment. Nationally, full-time employment increased by 2.4% while part-time employment was up 2.6%.

The employment estimates for the Territory exclude members of the permanent defence forces and therefore do not encompass the continued expansion of the defence force presence. In 1996, there were 3 025 permanent defence force personnel based in the Territory, representing an increase of 1 164 since June 1989 or a 7.2% average annual increase over the past seven years.

Consistent with the general slow down in employment growth experienced in 1995, overtime hours worked and the proportion of employees working overtime declined in both the Territory and nationally. An encouraging sign for the coming years has been the increase in skilled job vacancies (up 29.1%) in the Territory.

Community Services, Mining, and Public Administration and Defence account for proportionately more people employed in the Territory, while manufacturing accounts for a significantly smaller proportion of Territory employment.

**Figure 3.2**



Source: ABS Cat. No. 6202.0, NT Treasury estimate

## Unemployment

The average Territory unemployment rate for 1995/96 remained unchanged from the previous fiscal year at 7.3%, while the national unemployment rate decreased slightly from 9.0% to 8.5% over the same period. The Territory continues to have the lowest unemployment rate of any jurisdiction.

The unemployment rate in the Territory for the twelve months to March 1996 averaged 7.6% for males and 6.4% for females. Nationally, the rates were 8.8% and 7.9% respectively.

Prior to 1991, the national unemployment rate for females had been consistently higher than males, but the trend has since reversed. A similar pattern emerged in the Territory two years earlier.

## Labour Force

In 1995/96, the Territory labour force contracted 0.2% to 87 500 persons after the large increase of 8.5% in 1994/95. Nationally, the labour force is estimated to have increased by 1.9% after an increase of 2.2% the previous year.

At the national level, the size of the labour force has increased rapidly each year since 1993/94 after a period of slow growth during the recent recession.

Labour force participation rates are typically higher in the Territory than elsewhere in Australia (see Figure 3.4). This reflects a greater proportion of working age persons in the Territory population. The average participation rate in the Territory over the twelve months to March 1996 remained unchanged at 70.7%. Nationally, the average participation rate increased slightly to 63.7% over the same period.

The Territory's higher rate of participation is primarily due to higher female involvement in the Territory labour market. The average participation rate in the Territory for females for the twelve months to March 1996 was 63.2%, a decrease of 1.3 percentage points from the previous year and 9.3 percentage points greater than the national average for females at 53.9%. For Territory males, the average participation rate for the same period increased, rising 1.4 percentage points to 77.9%, while

**Table 3.1**

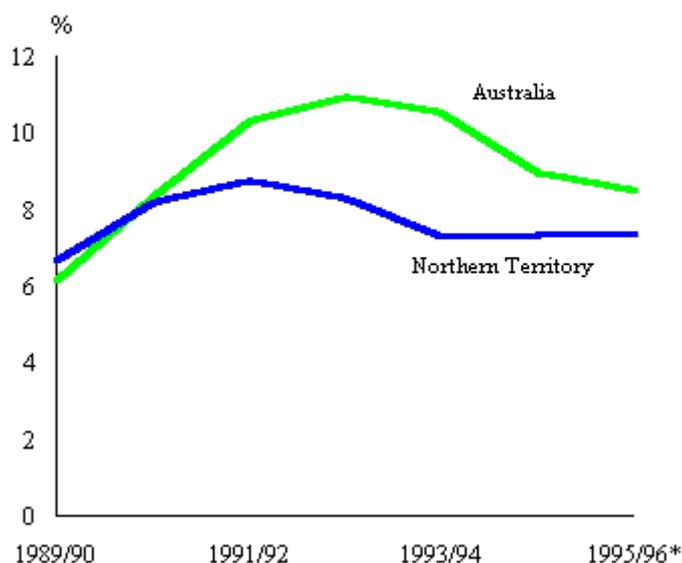
### Employed Wage and Salary Earners

Industry	NT %	Aust %
Community Services	30.8	25.0
Wholesale and Retail	19.3	20.0
Recreation and Other	11.9	8.2
Public Admin. and Defence	11.5	5.6
Finance	8.3	13.1
Transport and Communication	5.8	6.6
Construction	5.0	4.3
Manufacturing	3.2	14.9
Mining	2.7	1.1
Utilities	1.6	1.3

Source: ABS Cat. No. 6248.0

**Figure 3.3**

### Unemployment Rates (annual average)



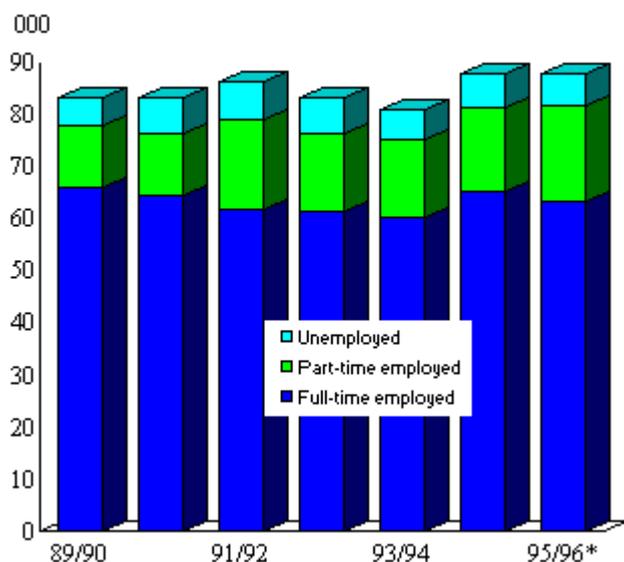
Source: ABS Cat. No. 6202.0

\* NT Treasury estimate

the national average was 73.9%.

**Figure 3.4**

### Labour Force (annual average)



Source: ABS Cat. No. 6202.0

\* NT Treasury estimate

## Labour Market Outlook

Commonwealth forecasts indicate that national employment growth is expected to be at a slower pace than in recent years, despite the strength of the economy. Employment growth in recent years was inflated by the recovery of employment lost during the recession.

The national labour force is expected to continue to expand due to steady economic growth and increasing consumer confidence. The unemployment rate should stabilize as a result of the parallel growth in employment and the labour force.

With the rapid economic growth of 1995/96 expected to continue into 1996/97, albeit at somewhat more moderate levels, the Territory should experience solid employment growth over the next year. The continued growth of the tourism, mining and rural industries, combined with a continuation of the defence buildup in the Territory, should provide the basis for employment growth in 1996/97.

The Territory unemployment rate should remain below the national average and continue to decline due to growth in employment and a relatively stable labour market.

# Prices and Wages

Price movements in the Territory are more responsive to national than to local factors. In contrast wage outcomes in the Territory tend to show a greater degree of independence. Historically, Territory wages have been higher than the national average, although the recent round of national wage increases have seen Territory wages come more into line with those paid nationally.

## Prices

As the Australian economy recovered from the 1991 recession there was a gradual rise in inflationary pressure. In response to the rapid growth in the economy the Reserve Bank of Australia (RBA) increased official interest rates in late 1994, which in turn increased the measured rate of inflation by way of higher mortgage interest charges. It has taken until the first quarter of 1996 for the effect of this increase to work its way through the national economy. Over the same period average weekly earnings (AWE) have been rising at a steadily increasing rate, a rate considered too fast by the RBA.

Quarterly inflation figures released for the March quarter 1996 indicate that inflation has peaked and is beginning to moderate. The quarterly increase of 0.4% was the smallest increase for two years and saw the annual inflation rate fall to 3.7%, its lowest point since December 1994. However, the apparent turnaround in inflation is unlikely to have an immediate impact on official interest rates.

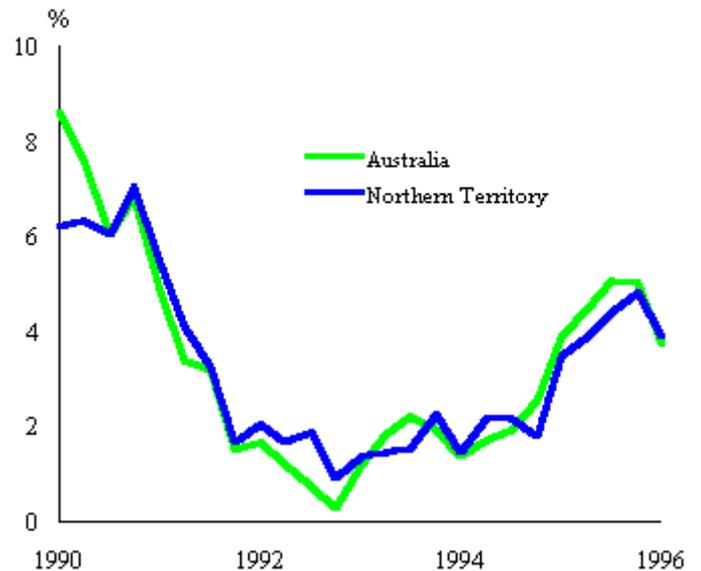
While the fall in the inflation rate to 3.7% is welcome (after annual inflation of 5.1% in the December quarter 1995), it is still higher than the upper limit of the RBA's stated ideal range of 2-3%.

Figure 4.1 indicates that inflation in Darwin rarely differs significantly from the national average which suggests most prices increases in Darwin are linked to forces which are national in origin. Through 1995 both the Territory and national inflation rates climbed in response to higher interest rates and rising Commonwealth excise on tobacco and alcohol products.

Darwin's annual inflation rate of 3.9% is currently slightly higher than the national rate, as interest rate movements have yet to completely filter through the Territory economy. The tobacco and alcohol category contributed the most to the annual increase in Darwin following rises in Commonwealth excise tax and increases in Territory tobacco licence fees. Higher mortgage interest charges were the major factor underpinning the significant contribution made by housing costs. It is evident from Figure 4.2 that

Figure 4.1

### Consumer Price Inflation (annual change)

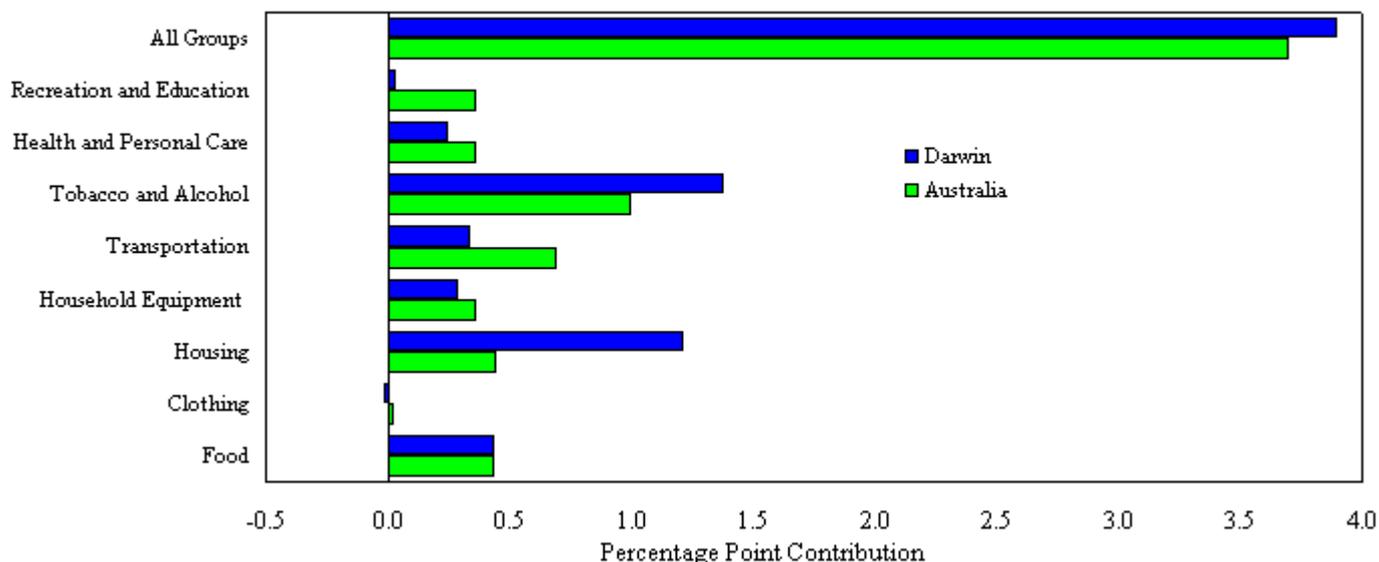


Source: ABS Cat. No. 6401.0

higher mortgage interest charges had a significantly greater impact in Darwin than nationally.

**Figure 4.2**

**Contribution to Change in CPI**



Source: ABS Cat. No. 6401.0 (Year to March 1996)

The annual underlying rate of inflation, (a measure developed by Commonwealth Treasury that excludes the effects of interest rates and other items subject to seasonal and policy fluctuations), peaked in the first quarter of 1996 at 3.3%. The quarterly increase of 0.4% in the March quarter 1996 was the lowest quarterly increase since March 1995.

Annual inflation rates for all capital cities have declined significantly following the peak in December quarter.

**Wages**

The average weekly full-time earnings of Territory adult employees have consistently been higher than the national average. In February 1996 the average weekly full-time earnings of adult employees in the Territory at \$708.40 was slightly higher than the national average (\$707.10).

Since May 1993 the growth in annual national AWE has been consistently higher than that in the Territory. AWE in the year to February 1996 grew nationally by 4.0% but only at a quarter of that rate in the Territory. Figure 4.3 shows the Territory's AWE have come more into line with national earnings since the national economy moved out of recession in 1992.

The lower rate of growth in Territory earnings reflects public sector wage restraint and the expansion of jobs in lower paying industries, including the hospitality industry.

Growth in real average weekly ordinary time earnings, which exclude overtime and therefore provide a truer indication of the price of labour, has generally been lower in the Territory since mid-1993.

**Table 4.1**

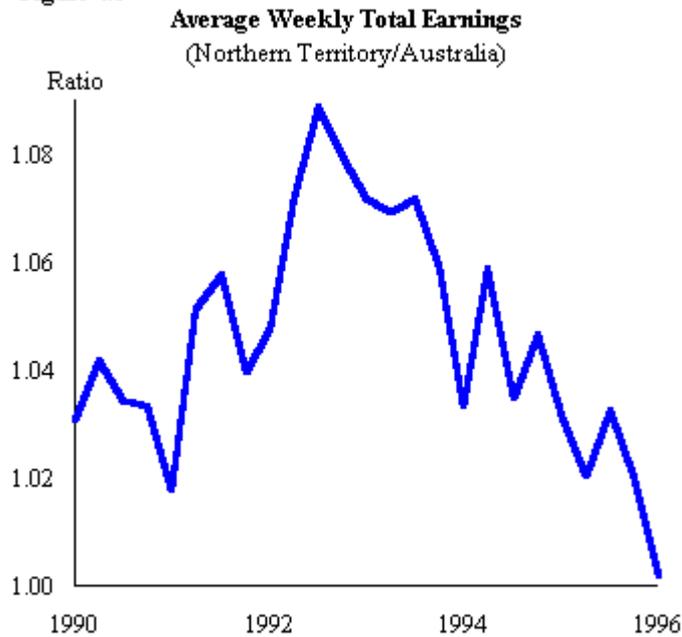
**Inflation in 1996**

City	% Change
Sydney	4.7
Canberra	3.9
<b>Darwin</b>	<b>3.9</b>
Perth	3.6
Hobart	3.4
Brisbane	3.3
Adelaide	3.2
Melbourne	2.9
<b>8 Capitals (weighted)</b>	<b>3.7</b>

Source: ABS Cat. No. 6401.0. Year to March.

## Prices and Wages Outlook

**Figure 4.3**



Source: ABS Cat. No. 6302.0

Future inflation and wage outcomes in the Territory will largely be determined by national wage outcomes and how the Reserve Bank responds to wages growth.

Wages and salaries are currently growing at 4% per annum, above labour productivity improvements. However, concerns about inflationary pressures have abated following the release of the March quarter headline inflation rate. The fall in the annual rate from 5.1% in December to 3.7% in March should lower prospect of a rise in official interest rates and assist in bringing about lower wage growth.

*National Fiscal Outlook* parameters published by Commonwealth Treasury project a national inflation rate for 1995/96 of 4.75 per cent, falling to 3% in 1996/97. Wages growth in 1995/96 is forecast at 4%, rising to 4.5% in 1996/97.

# Business Conditions

Economic indicators such as commercial office vacancy rates, new business registrations, commercial and lease finance commitments and bankruptcies can be used to gauge business conditions in the Territory.

During 1995, the Territory experienced its fastest rate of growth in commercial finance commitments since 1986; new business registrations increased substantially; commercial vacancy rates continued to fall; and the number of bankruptcies increased slightly. Nationally, while commercial finance commitments continued to increase, the number of bankruptcies also increased considerably. These indicate business activity is generally expanding in the Territory, while nationally showing mixed signs.

## Business Finance

The level of business finance commitments reflects the prevailing and anticipated economic conditions and the confidence held by the business community. Commercial and lease finance includes the majority of finance commitments entered into by business to facilitate the acquisition of goods and capital items and to smooth cash flow fluctuations.

Figure 5.1 shows growth in commercial finance (new fixed loans less refinancing plus new and increased credit) in the Territory and nationally. Demand for commercial finance in the Territory has been growing faster than nationally for the past six years.

During 1995, growth in demand for finance in the Territory occurred across a broad range of categories. The most pronounced increases arose from non-residential building (up 81.8%), refinancing (up 77%), motor vehicles (up 60%) and the purchase of real property (up 21.4%).

Strong market competition for mortgage lending is expected to see refinancing continue to increase both in the Territory and nationally.

Lease finance which comprises a small proportion of total business finance in the Territory declined 2.7% during 1995.

## Commercial Office Vacancy Rates

The Australian Valuation Office (Darwin) publish quarterly commercial office accommodation data for major centres throughout the Territory, namely Darwin CBD, Casuarina, Darwin suburbs, Palmerston, Katherine and Alice Springs.

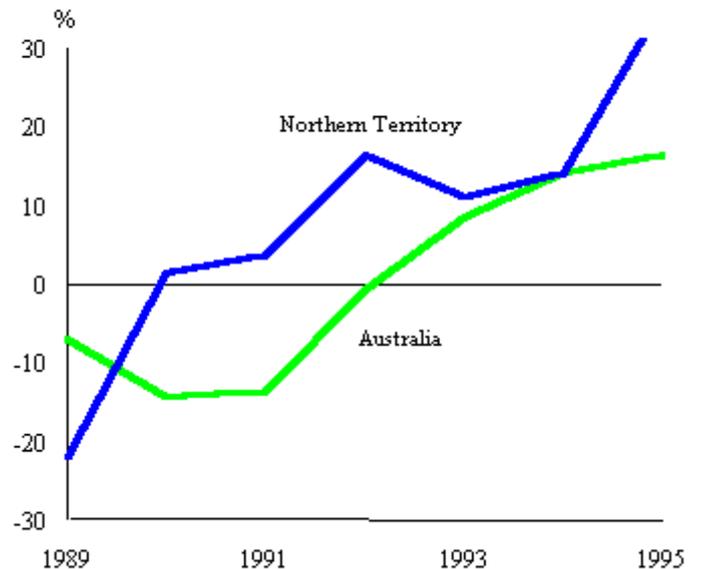
**Table 5.1**

**Commercial Office Vacancy Rates**

	1995	1996
	%	%
Alice Springs	8.2	6.8
Casuarina	0.7	2.6
Darwin	12.4	9.0
Darwin Suburbs	42.9	29.0
Katherine	11.5	10.7
Palmerston	4.7	5.1
Weighted Average	11.6	9.1

Source: Australian Valuation Office

**Figure 5.1**  
**Commercial Finance Commitments**  
(annual change)



Source: ABS Cat. No. 5643.0

As shown in Table 5.1, the weighted average vacancy rate declined from 11.6% to 9.1% between 1995 and 1996. Declines in vacancy rates were recorded in all centres except Casuarina and Palmerston, which already have the lowest vacancy rates. Darwin suburbs continue to have the highest office vacancy rate at 29.0%.

Total gross lettable area in the Territory expanded 2.7% over the twelve months to February 1996. Gross lettable area in Darwin suburbs and Darwin CBD increased considerably, while Casuarina decreased slightly. Palmerston, Katherine and Alice Springs recorded little change. The Darwin CBD accounted for 68.0% of gross lettable area in the Territory, followed by Alice Springs (11%), Casuarina (8%), Katherine (5%), Darwin suburbs (5%) and Palmerston (4%).

## Business Registrations

Data on the registration of new business names are compiled by the Northern Territory Office of Business Affairs. Growth in the registration of business names is generally associated with periods of increasing economic activity, improving business confidence and an expectation that demand will remain buoyant for some time. From July 1995 to January 1996, the number of new business names registered in the Territory was 2 462 compared to 1 848 for the same period a year earlier.

## Bankruptcies

Figure 5.2 shows movements in bankruptcies from 1991 to 1995 for the Territory and Australia.

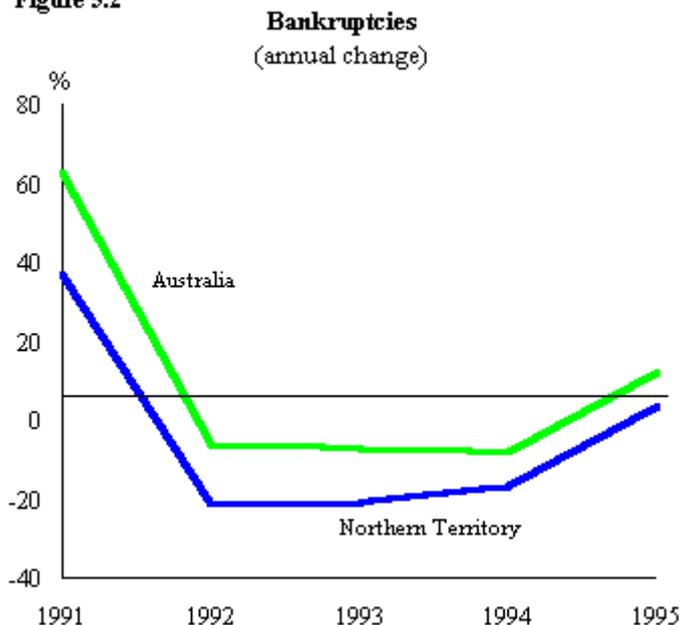
In 1995, the total number of bankruptcies increased by 3.7% to 56 in the Territory and 12.2% to 15 326 nationally. This follows three years of declining levels of bankruptcies both in the Territory and nationally.

## Business Conditions Outlook

With expanding business activity, increasing domestic demand, good prospects for tourism and primary produce exports, business conditions in the Territory are expected to remain favourable through 1996/97.

Nationally, inflation and interest rates are expected to remain low due to the strengthening of the Australian dollar and low world inflation. The moderate recovery in the manufacturing sector and the strong rebound by the farm sector, together with the high commodity prices will underpin output growth and the overall economic outlook remains positive for the remaining fiscal year 1995/96. Demand for goods and services is expected to continue to grow solidly. Recent national business surveys show that business investment intentions still point to a further rise, although at a more moderate pace than in 1994/95.

Figure 5.2



Source: Insolvency and Trustee Service Australia

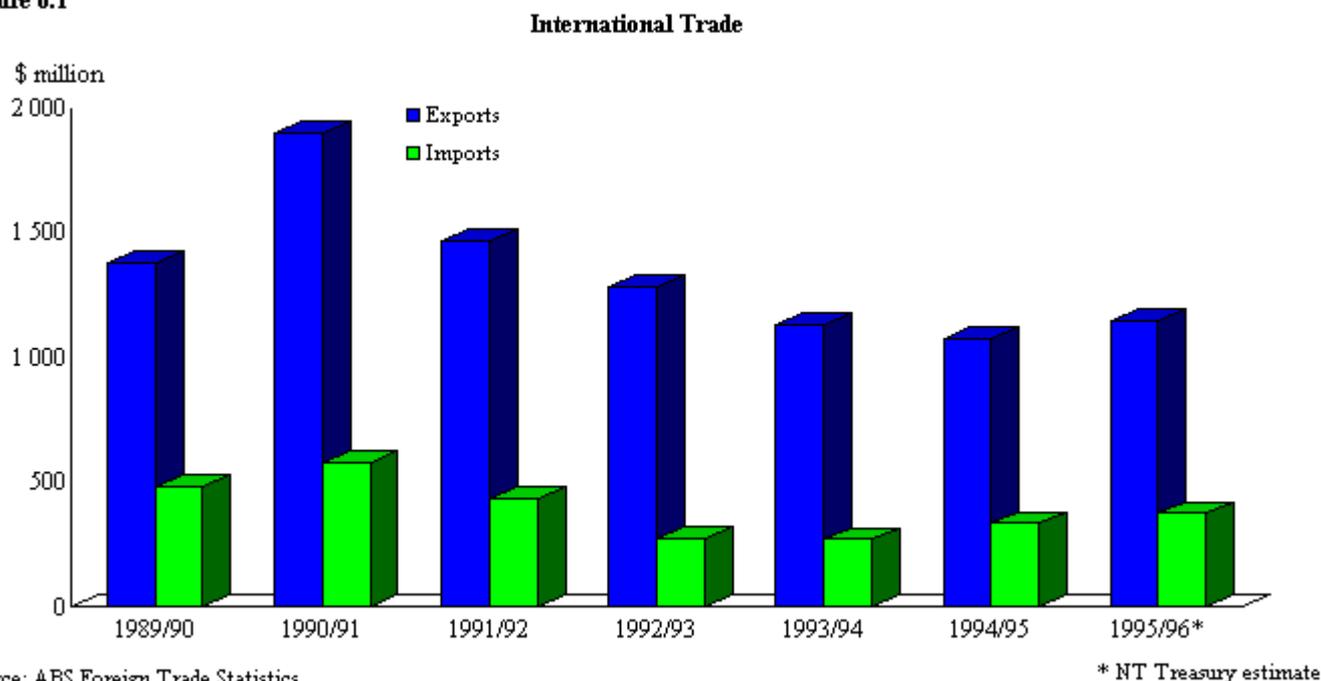
# International Trade

The Territory is a substantial net exporter with an estimated merchandise trade surplus of \$768 million in 1995/96 or 15.2% of GSP. Australia by contrast has an estimated trade deficit of \$3.6 billion or 0.8% of GDP.

It is estimated that, for the Territory, imports as a percentage of exports increased from 30.9% to 32.6% between 1994/95 and 1995/96, the result of an increase in exports more than offset by the increase in imports during this period. While Territory exports as a percentage of Australian exports remained relatively stable at 1.6% in 1995/96, exports per capita at \$6 432 were significantly higher than the national average of \$4 031.

In 1995/96, the Territory recorded an increase in exports for the first time since 1990/91 when the price and volume of oil exports rose rapidly due to the Gulf War. The subsequent decline in oil production and weaker prices were the major contributors to the fall in Territory exports over the last four years. The increase in exports in 1995/96 is due mainly to an increase in live cattle exports and relatively stable oil prices. Territory imports also increased considerably, primarily in machinery and transport equipment.

Figure 6.1



Total merchandise exports for Australia during 1995 increased 10.8% to \$71.0 billion, principally due to the higher commodity prices and a farm sector rebounding from a lengthy drought in the eastern states. However, imports also grew considerably (up 12.0% to \$76.9 billion) and as a result the merchandise trade deficit increased to \$5.9 billion in 1995 from \$4.5 billion in 1994.

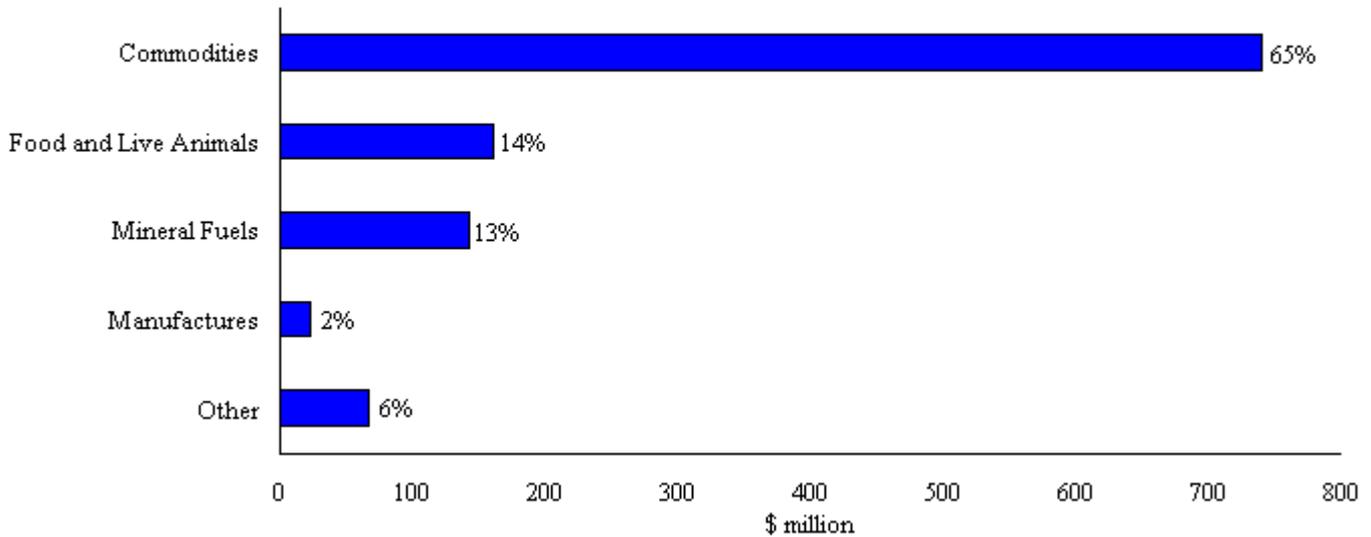
Figure 6.2 shows Territory imports and exports by major traded good. The mining industry produces the vast majority of Territory exports, with mineral fuels and commodities (especially alumina, bauxite, manganese and uranium) accounting for 77.6% of merchandise exports. It is estimated that the value of Territory exports increased 6.2% to \$1.1 billion in 1995/96. While exports of commodities and mineral fuels decreased marginally to \$885.8 million compared to \$898.6 million in 1994/95, exports of food and live animals increased significantly by 23.6% to \$162.5 million.

## Exports

Approximately 67% of Territory exports were to Asia during 1995/96, with China being the single largest destination accounting for 22% of the Territory exports. For the first six months of 1995/96, the Territory exported \$145 million worth of manganese, bauxite and alumina into China compared with \$90 million for the same period a year earlier. As shown in Figure 6.3, China and Japan are the dominant markets within Asia, both being heavy consumers of Territory mineral and energy resources. Increased demand from ASEAN countries for food and live cattle has resulted in a shift in the Territory's export profile. Food and live animals increased to 14.2% of Territory exports up from 12.3% a year earlier. Growing consumer demand for beef within ASEAN countries is expected to continue, particularly in Indonesia, further increasing live cattle exports from the Territory.

Figure 6.2a

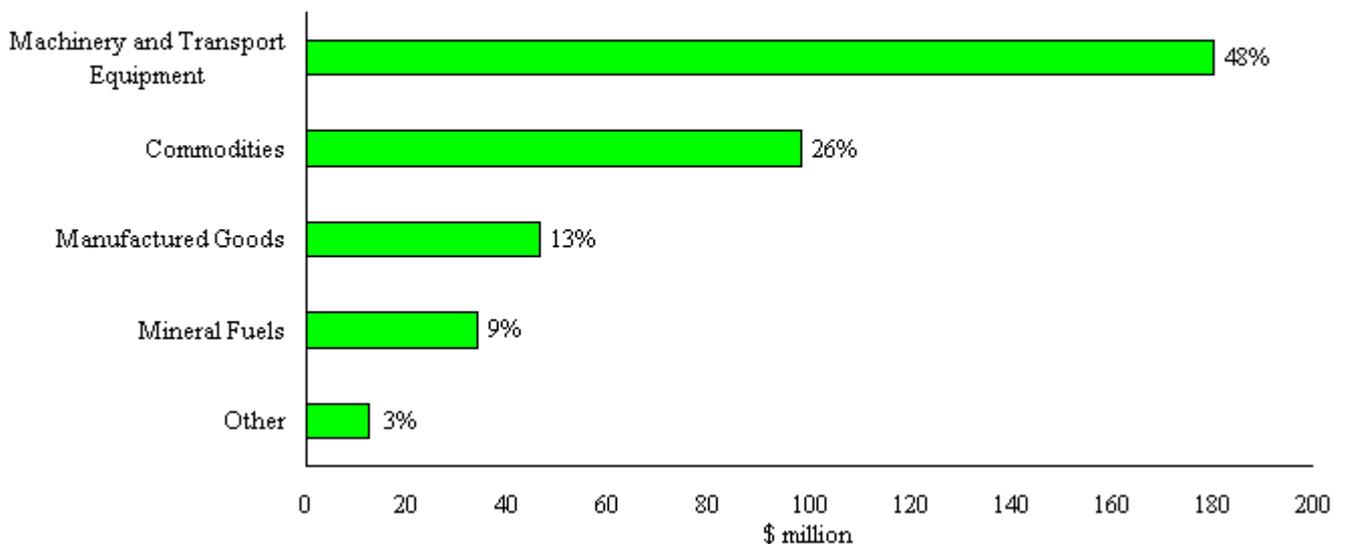
N.T. Merchandise Trade 1995/96  
Exports



Source: ABS Foreign Trade Statistics, NT Treasury

Figure 6.2b

N.T. Merchandise Trade 1995/96  
Imports



Source: ABS Foreign Trade Statistics, NT Treasury estimate

In addition to merchandise exports, exports of services, particularly education and tourism contributed to the Territory's trade performance. The Northern Territory University generated \$1.7 million from fee-paying overseas students in 1995 compared with \$1.4 million a year earlier. It was estimated that international travellers spent \$169 million in the Territory during 1994/95 (excluding international air and sea travel to and from the Territory). Other service exports such as international shipping exports and insurance services associated with tourism and shipping are also contributing substantially to the Territory's service exports.

## Imports

National imports increased by 12.0% to \$76.9 billion in 1995, in line with the average annual increase of 11.6% over the preceding three years.

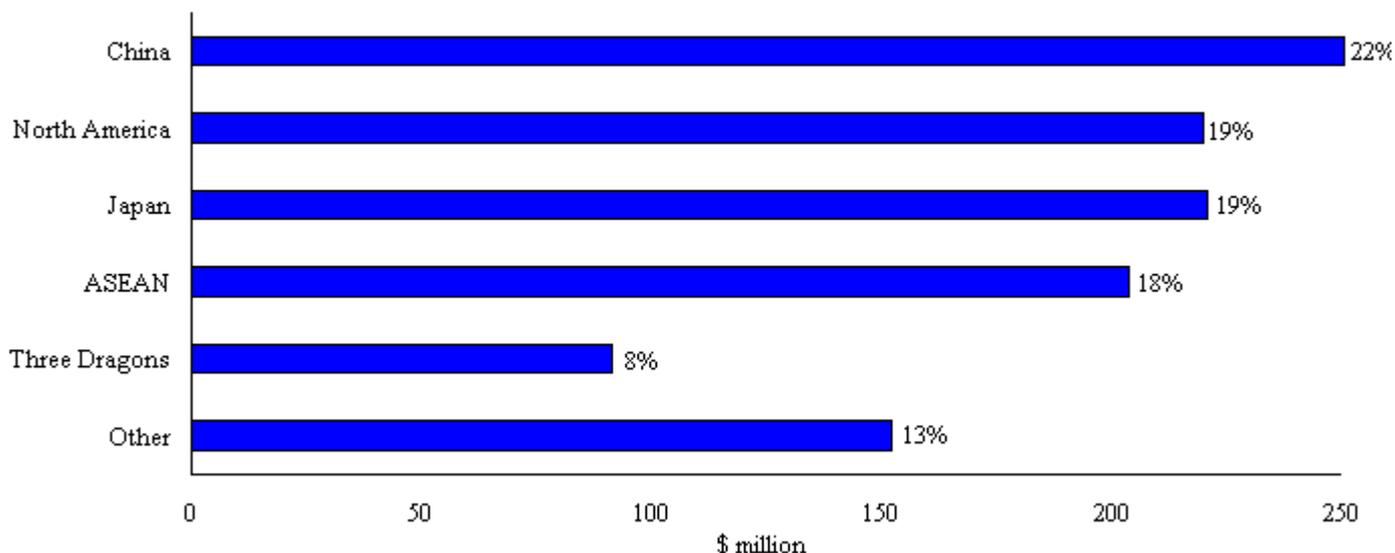
Territory merchandise imports are expected to increase to \$372 million in 1995/96, a 12.1% rise on 1994/95. This growth is primarily in imports of machinery and transport equipment from Sweden, North America, Belgium and South Korea, along with commodities from Japan and the United States. Figure 6.2 provides a breakdown of imports by commodity group. While machinery and transport equipment continue to dominate Territory imports (accounting for 48.4%), mineral fuels declined significantly compared to 1994/95, accounting for only 9.2% of Territory imports. Competitive prices and an improved

transportation system for mineral fuels from interstate are the major factors contributing to the decline in imports of mineral fuels as Territory companies obtain supplies from interstate.

The majority of imported machinery and transport equipment comes from Europe, Japan and North America, with Singapore providing over 93% of imported mineral fuels.

**Figure 6.3a**

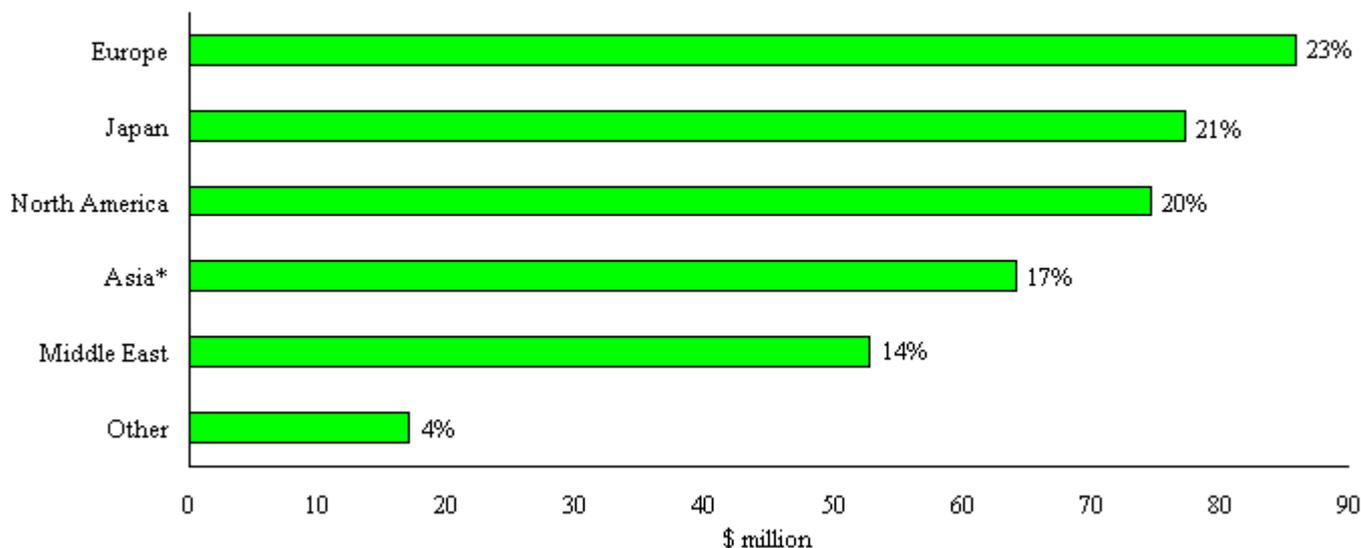
**N.T. Major Trading Partners 1995/96**  
**Exports**



Source: ABS Foreign Trade Statistics, NT Treasury estimate

**Figure 6.3b**

**N.T. Major Trading Partners 1995/96**  
**Imports**



Source: ABS Foreign Trade Statistics, NT Treasury estimate

\* ASEAN and Three Dragons

## International Trade Outlook

The Commonwealth Government's decision to exempt alumina refineries, including the Nabalco plant at Gove, from a fuel oil tax in December 1995 and the abolition of the three-mines policy by the new Commonwealth Government should boost Territory export income from the mining industry in the medium term.

China's increasing demand for bauxite, alumina and manganese, combined with increased live cattle exports and primary produce, will underpin Territory export growth in the long term.

The Territory's export performance will be enhanced by further growth in service exports from education, tourism and shipping services and the commencement of production from a number of new gold mines.

The Territory is well-positioned to be Australia's link to the growing South East Asian economies and has established positive business relationships with these countries in the past few years. During 1995/96, a number of Memoranda of Understanding (MOU) were signed between the Territory Government and various regional governments within the East ASEAN Growth Area, known as BIMP-EAGA, which links Brunei and eastern Indonesia, eastern Malaysia, and the southern Philippines as a trading zone. These MOUs will consolidate the trade links between the Territory and Asia.

Territory exports (excluding mineral fuels) to Brunei, Indonesia, Malaysia and the Philippines have been increasing at an average annual growth rate of 57.3% over the past four financial years, while imports from these countries increased at an average rate of 10.2% per annum over the same period. This trend is expected to continue.

Shipping services to and from Darwin will be enhanced by the development of East Arm Port which will be able to handle higher volumes of freight and provide more options for specialised cargoes to be handled through Darwin. This development will facilitate the shipping service required for the increasing trade between the Territory and Asia.

# Regional Economic Environment

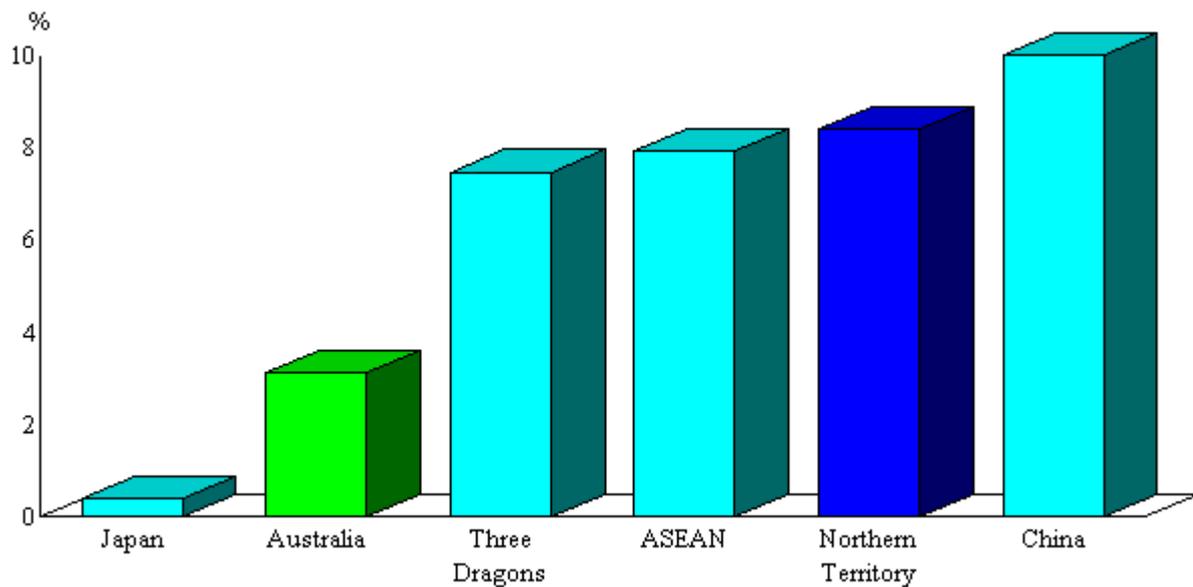
Over the past decade the world's fastest growing region has been the East Asian region, incorporating South East Asia, primarily the Association of South East Asian Nations (ASEAN), and North East Asia comprising China, Hong Kong, Japan, South Korea and Taiwan. Australia, and the Northern Territory in particular, are strategically located on the rim of this region and well positioned to benefit from, and contribute to, the continuing emergence of the East Asian region as a dynamic centre of economic activity.

The East Asian region is not a homogeneous grouping of countries. It ranges from small, high income economies like Singapore where markets are well developed to large, low income countries like China which are only just starting to develop a market economy.

The Territory's nearest foreign neighbours are the countries of ASEAN: Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In 1995 the combined GDP of the seven ASEAN countries was \$US 607 billion, two-thirds larger than that of Australia (\$US 348 billion), although Australia's GDP is almost twice that of Indonesia, ASEAN's largest member. Further north, the Three Dragons (South Korea, Taiwan and Hong Kong) had a combined GDP of \$US 860 billion in 1995, while GDP in China and Japan totaled \$US 673 billion and \$US 5 105 billion, respectively.

**Figure 7.1**

**Real Economic Growth in 1995**



Source: ABS Cat. No. 5206.0, 5242.0, Asia Pacific Consensus Forecasts

## Economic Growth

Figure 7.1 illustrates real GDP growth rates in the region during 1995. It shows that in 1995 the Northern Territory's rate of growth (8.4%) was in the same range as the newly industrialised countries of East Asia.

Economic growth in Australia during 1995 remained relatively strong at 3.1%, primarily supported by private consumption expenditure. Very strong growth in the March quarter 1996 suggests that growth in 1996 will be higher.

For Japan, 1995 was another subdued year with growth of only 0.9% in 1995, the third consecutive year of growth less than 1%. However, fourth quarter 1995 results indicate that Japan is now on the road to recovery with strong growth in the quarter supported by strong domestic demand. At the other end of the scale China enjoyed growth of 10.2% during 1995, although China's growth rate is moderating.

The Three Dragons continued to grow strongly in 1995 with an average growth rate of 7.4%. South Korea led the way with growth of 9.0% followed by Taiwan at 6.1% and Hong Kong with 4.6%. The strengthening of the South Korean Won against the US dollar has contributed to a deterioration in South Korea's trade balance in recent years and this is expected to continue over the next few years resulting in slightly reduced GDP growth rates of about 7.2%. Similarly, Taiwan has experienced some moderation in GDP growth over the last few years with the Taiwan dollar appreciating against the US dollar. Hong Kong has also experienced a contraction in growth in recent years and 1995 saw a dramatic slow down in private consumption expenditure growth (1.1%).

The ASEAN countries have continued to grow very strongly in 1995, at an average rate of 8.1%. Malaysia was the fastest growing ASEAN economy in 1995 at 9.5%. This is the highest rate of growth in recent years and expectations are that growth will moderate somewhat over the next two years.

ASEAN's newest member, Vietnam, is estimated to have experienced growth of 9.4% in 1995 and similar rates of growth are expected in 1996 and 1997. Vietnam is among the poorest countries in East Asia and is experiencing double digit inflation and a growing current account deficit.

Singapore continued to enjoy strong growth in GDP during 1995 increasing by 8.9%. This is a little down on the 10% growth recorded in both 1993 and 1994, and growth is expected to further ease to about 8% in 1996 and 1997. Singapore enjoys a very strong current account surplus, representing 18% of GDP, and very low inflation.

While not at the same stage of development as Singapore, Thailand's economy grew by 8.6% in 1995, with growth expected to moderate over the next few years. Rapid economic development in Thailand since the late 1980's has been accompanied by a substantial increase in the current account deficit, primarily the result of a blowout in the trade deficit.

ASEAN's largest economy, Indonesia, experienced growth of 8.1% in 1995, the highest in recent years. Growth is expected to ease back slightly in 1996 and 1997. Indonesia enjoys a substantial trade surplus which is offset by an increasing current account deficit. The poor performer of ASEAN in recent years, the Philippines, has recorded positive economic growth for each of the past four years, with growth in 1995 estimated at 4.8%. Growth is expected to further accelerate in 1996 and 1997. Recent economic success has been the product of significant macroeconomic and microeconomic reforms and the Philippines aims to achieve newly industrialised country status by the year 2000.

Table 7.1 shows the size of selected Asian economies relative to Australia in 1985 and 1995. In addition to demonstrating the relative size of the economies in these two years the table demonstrates the long-term growth rate of each economy compared to Australia. Of the economies where data is available for both years, only Indonesia and the Philippines have grown more slowly than Australia over the past decade. However, both of these countries have

**Table 7.1**

<b>Asian GDP Relative to Australia</b>		
Australia = 100		
	<b>1985</b>	<b>1995</b>
Japan	637	1 468
China	184	194
Three Dragons	113	247
Hong Kong	23	41
South Korea	57	131
Taiwan	33	75
ASEAN	123	175
Brunei	n.a.	2
Indonesia	58	54
Malaysia	15	25
Philippines	20	21
Singapore	9	24
Thailand	21	45
Vietnam	n.a.	4

Source: ABS Cat. No. 5206.0, NT Treasury,  
Asia Pacific Consensus Forecasts

experienced faster growth than Australia in each of the past two years and are expected to continue this recent trend in 1996 and

**Table 7.2**

**Regional GDP, Trade and Prices - 1995**

	Real GDP			Trade		Prices
	Total \$US bn	Annual % Change	Per Capita \$US	Exports \$US bn	Imports \$US bn	Change %
Japan	5 105	0.9	40 842	442	336	-0.1
China	673	10.2	561	149	132	17.1
Three Dragons	860	7.4	11 990	408	418	5.0
Hong Kong	144	4.6	23 168	174	193	8.7
South Korea	455	9.0	10 144	123	128	4.5
Taiwan	261	6.1	12 234	111	97	3.7
ASEAN	607	8.1	1 474	313	320	6.5
Brunei	6	1.8	20 000	2	3	2.4
Indonesia	189	8.1	982	46	41	9.4
Malaysia	85	9.5	4 246	72	72	3.4
Philippines	74	4.8	1 106	16	14	8.1
Singapore	84	8.9	28 964	116	117	1.7
Thailand	155	8.6	2 613	56	71	5.8
Vietnam	14	9.4	194	4	3	14.4
Australia	348	3.1	19 534	53	61	3.7
Northern Territory	4	8.4	21 550	0.9	0.3	3.9

1997. Source: ABS Cat.No5206.0, 5242.0, Asia Pacific Consensus Forecasts, Asiaweek

## Trade

The East Asia region accounts for a large and increasing proportion of Australia's exports. In 1995 Australia exported \$A 43.3 billion to the region, accounting for 60.5% of Australia's total exports. While Australian exports to East Asia have grown dramatically in recent years there is evidence that Australia's share of this trade is diminishing and that Australia is losing ground to Europe and North America as a source of goods for East Asia. Japan is Australia's largest export market in the region (and the world) accounting for 23.1% of total exports. The next largest market is South Korea with 8.5% of exports while the combined countries of ASEAN account for 16%.

Australia enjoys a significant trade surplus with East Asia with imports from East Asia in 1995 totaling \$A 28.5 billion. Again Japan is Australia's most important trading partner in the region, being the source of 14.5% of imports (second only to the United States). The ASEAN countries combined account for a further 8.2% of imports.

The Northern Territory has benefited from its role as a supplier of exports to the ASEAN region including:

- merchandise exports which are principally minerals, mineral fuels and energy products combined with primary goods such as live cattle and aquaculture; and
- service exports consisting of on shore services such as education and tourism together with services exported directly to the region, such as television broadcasting, computer software development, education and solar technology.

## Regional Economic Outlook

The countries of East Asia, along with Australia, Papua New Guinea, New Zealand, the United States, Canada, Mexico and Chile make up the Asia Pacific Economic Cooperation (APEC) grouping of countries. APEC has a common aim to increase trade and to improve the welfare of member countries. At the core of APEC is the principle of open regionalism. This principle holds that a group of countries should reduce impediments to international economic transactions through cooperative actions which do not seek to discriminate against non-participants.

A turning point in the APEC process so far has been the Bogor Declaration made by APEC leaders at the meeting in Bogor, Indonesia on 15 November 1994. This declaration, among other things, committed members to achieve free and open trade and investment in the Asia Pacific region by 2020. In recognition of their more advanced level of development, the industrialised members are scheduled to achieve this status by 2010. Inherent in this declaration was a further commitment for members to accelerate implementation of the Uruguay Round of the GATT, encompassing: active support for the multilateral trade system; continued unilateral trade and investment liberalisation; and an endeavour to refrain from increases in protection.

At the sub-region level the Territory Government has sought and achieved observer status on the Brunei, Indonesia, Malaysia, the Philippines - East ASEAN Growth Area (BIMP-EAGA).

Member countries are Brunei, the Philippines - Mindanao, Indonesia - Northern Sulawesi, East Kalimantan, West Kalimantan and Malaysia - Federal Territory of Labuan, Sabah, Sarawak.

The main purpose of BIMP-EAGA is to promote close cooperation in the following fields:

- transport and shipping services
- fisheries
- joint tourism development
- agriculture and horticulture
- energy exploration and development
- environmental protection and management
- forestry and timber products
- human resources development
- industry
- institutional arrangements
- joint infrastructure network links
- natural resources development
- services
- trade and investment

The Territory is well placed in terms of natural, human and infrastructure resources, and its strategic location to provide the BIMP-EAGA region with many of these goods and services. Well developed transport links between Darwin and the key cities of BIMP-EAGA, with considerable scope for improvement in the near future, provide a solid foundation for a long-term trade relationship between the Territory and the BIMP-EAGA region.

# Mining

The mining industry in the Northern Territory makes the single most significant contribution to Gross State Product of any industry. In 1993/94, the latest year for which an industry breakdown is available, the mining industry accounted for 20.1 per cent of the Territory's Gross State Product, almost five times the national rate.

The mining industry nationally is capital intensive; only 1.1% of all employed wage and salary earners are employed by the industry despite its contribution of 4.3% to Gross Domestic Product. In the Territory this capital intensity is even more pronounced, with 2.7% of Territory employment contributing 20.1% of economic output. Over 85% of economic output from the Territory's mining industry is in the form of Gross Operating Surplus, compared to 70% nationally.

Despite the high value of production associated with mining in the Territory only a minor portion of Gross Operating Surplus generated by this sector is retained in the Northern Territory because:

- mining operations are largely owned and financed by companies and financial institutions based elsewhere in Australia or overseas, so that profits, interest and dividends largely accrue outside the Territory; and
- a high proportion of taxes paid by the industry's enterprises accrues to the Commonwealth Government in the major form of company taxes, uranium royalties (in large part redirected to the Northern Territory), and resource rent on off shore oil production.

As a result, the major economic benefits generated by the mining industry and captured in the Territory take the form of wages, the provision of some goods and services and royalties collected under Territory legislation.

Recently this distribution of benefits has improved somewhat with some of the maintenance work involved in floating production facilities being carried out in Darwin. The Jabiru Venture refit, carried out in Darwin Harbour in June 1995, was an example of Darwin's capacity to handle this type of work. In the past, refits were done in Singapore. In addition, two refits were carried out on site in the Timor Sea with the work staged through Darwin. The development of Elang and Laminaria oil fields will offer other service and support opportunities.

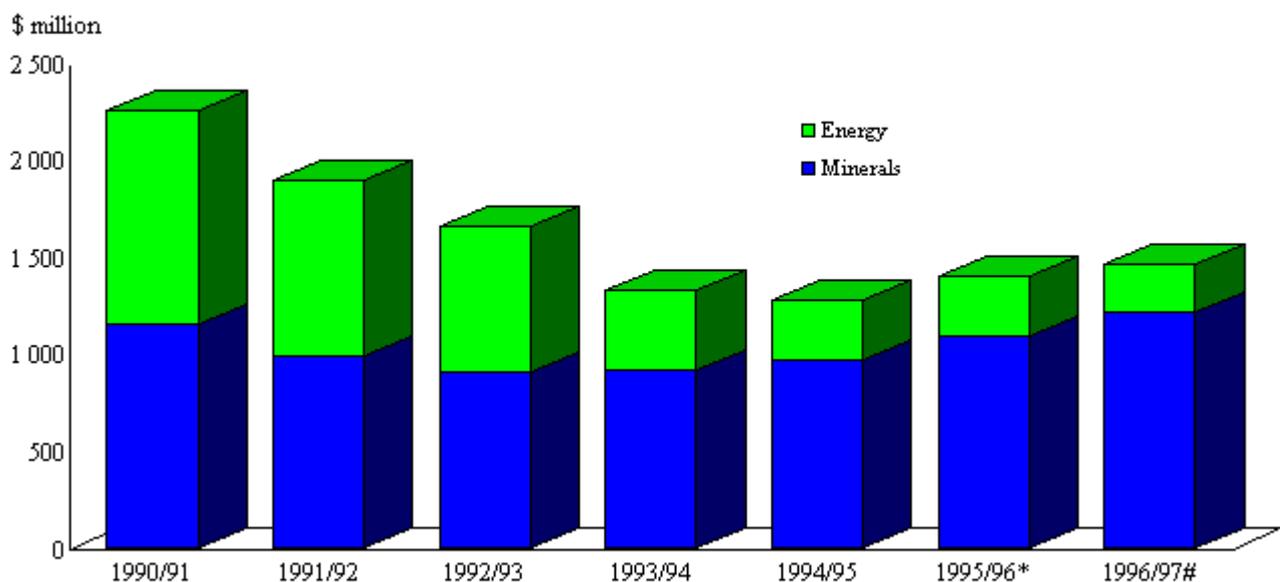
**Table 8.1**

<b>Mining</b>	
	% of GDP
<b>Northern Territory</b>	<b>20.1</b>
Western Australia	14.1
Queensland	5.4
Victoria	3.6
South Australia	2.3
New South Wales	1.7
Tasmania	1.7
Australian Capital Territory	0.1
<b>Australia</b>	<b>4.3</b>

Source: ABS Cat No: 5220.0, 1993/94

**Figure 8.1**

**Mining Production and Processing**



Source: Dept. of Mines and Energy

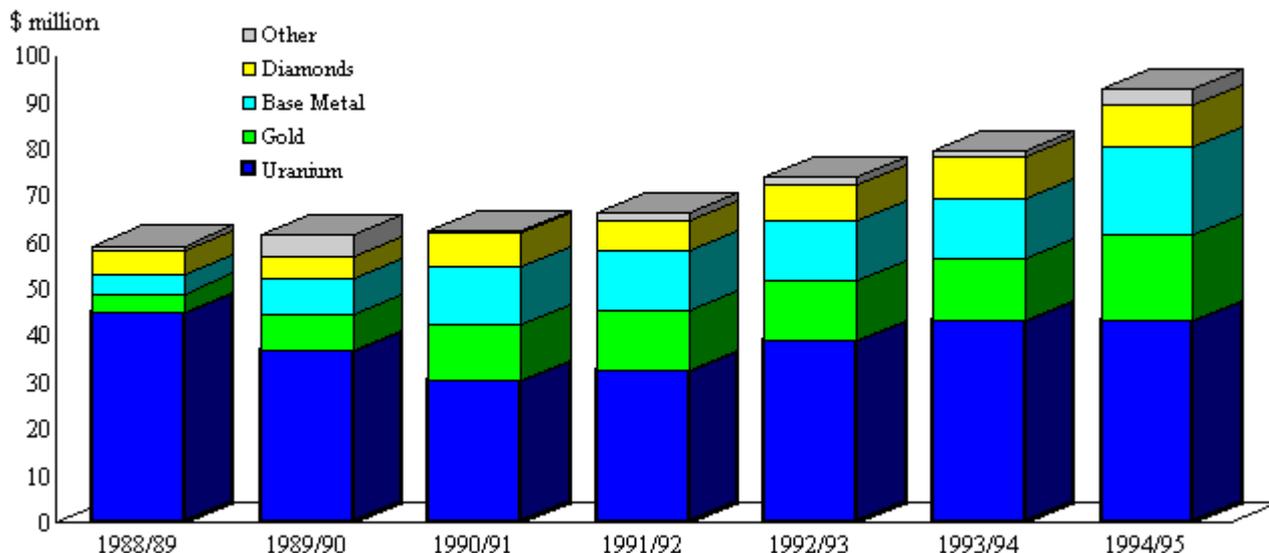
\* NT Treasury estimate, # forecast

Figure 8.1 shows the value of production from Northern Territory mineral and energy resources. In more recent years the value of energy production has been declining as oil wells in the Timor Sea reach the end of their productive lives and uranium oxide production begins to fall. Offsetting these declines has been an increase in the value of mineral production, following the expansion of existing mines and the commencement of new operations, such as McArthur River.

Despite the presence of around 2 500 mineral and numerous petroleum occurrences, the Northern Territory is comparatively under-explored and has a potential for further significant mineral discoveries. Mineral and energy exploration in the Territory has been trending upwards since 1990/91 (see Figure 8.2), and the increased activity has been justified as significant mineral and energy reserves have been located both on shore and off shore. Three new off shore petroleum permits to explore in the Timor Sea were recently granted to a mixture of Australian and foreign based companies. The three consortia are expected to spend \$167.5 million over the next six years on drilling 17 exploration wells and gathering seismic data.

**Figure 8.2**

**Mineral Exploration**



Source: ABS Cat. No. 8412.0

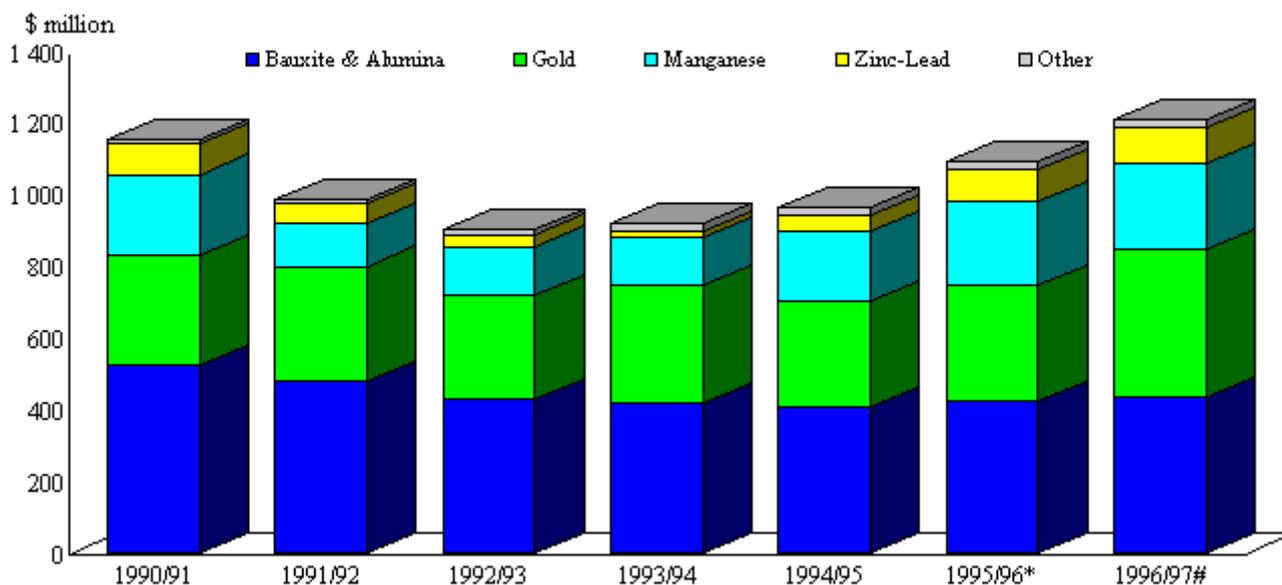
## Minerals

The Northern Territory's most significant known mineral resources are:

- bauxite, at the third largest bauxite mine in Australia at Gove;
- gold, with major operating mines in the Pine Creek, Tennant Creek and the Tanami Desert areas;
- manganese on Groote Eylandt - one of the world's four major producers of high grade ore;
- zinc, lead and silver, including one of the world's largest known ore bodies at McArthur River;
- diamonds, with the Merlin prospect showing promise; and
- less significant deposits of bismuth, copper, mica, molybdenum, palladium, platinum, tantalite, tin and tungsten.

**Figure 8.3**

**Mineral Production and Processing**



Source: Dept. of Mines and Energy

\* NT Treasury estimate, # forecast

The *in situ* resource value of the known mineral occurrences in the Territory is around \$50 billion. Figure 8.3 shows that the value of production and processing of mineral resources in the Northern Territory is expected to increase 13.2% in 1995/96 to \$1.1 billion. Growth will primarily be the result of increased gold production from Mount Todd, combined zinc, lead and silver production from McArthur River mine and enhanced manganese, alumina and bauxite production.

### Minerals Outlook

Improvement in both world and national markets for mineral commodities is expected to have a very positive impact on the minerals sector in the Territory. The value of mining production is expected to increase 10.2% in 1996/97 to \$1.2 billion, growth will be underpinned by the commencement of major mineral operations, which include gold mines at Brocks Creek and the Tanami Mine Joint Venture. The McArthur River mine will play a significant role in terms of its contribution to mining output. Besides these major new mines, the upgrade of the Mt Todd operations to stage II and the proposed underground operation at the Callie gold mine, in the Granites, will have a favourable effect on the quantity of gold production.

The Australian Bureau of Agriculture and Resource Economics (ABARE) forecasts that growth in the major economies will increase demand for many of the mineral products that the Northern Territory produces. Prices for lead, zinc, alumina and gold are expected to be higher.

The Merlin diamond prospect is being considered for development. The samples from this prospect have been promising, showing the existence of diamonds in both a commercial size and quantity.

Recent studies have shown that Aboriginal community involvement in the mining industry has been a major area of success in the Northern Territory. The Yirrkala Business Enterprises (YBE) entered into a contract with Nabalco in December 1995, to commence bauxite mining in the 16 million tonne Rocky Bay deposit. According to estimates, this mine will have a life of 20 years paying about \$180 million to YBE.

### Energy

The Northern Territory's known energy resources include crude oil, natural gas and uranium oxide. Crude oil is produced both from on shore and off shore sites (see Figure 8.4). Natural gas is produced in the Amadeus Basin from two fields, Palm Valley and Mereenie. Uranium oxide is produced in the East Alligator Region, near the township of Jabiru, at the Ranger mine.

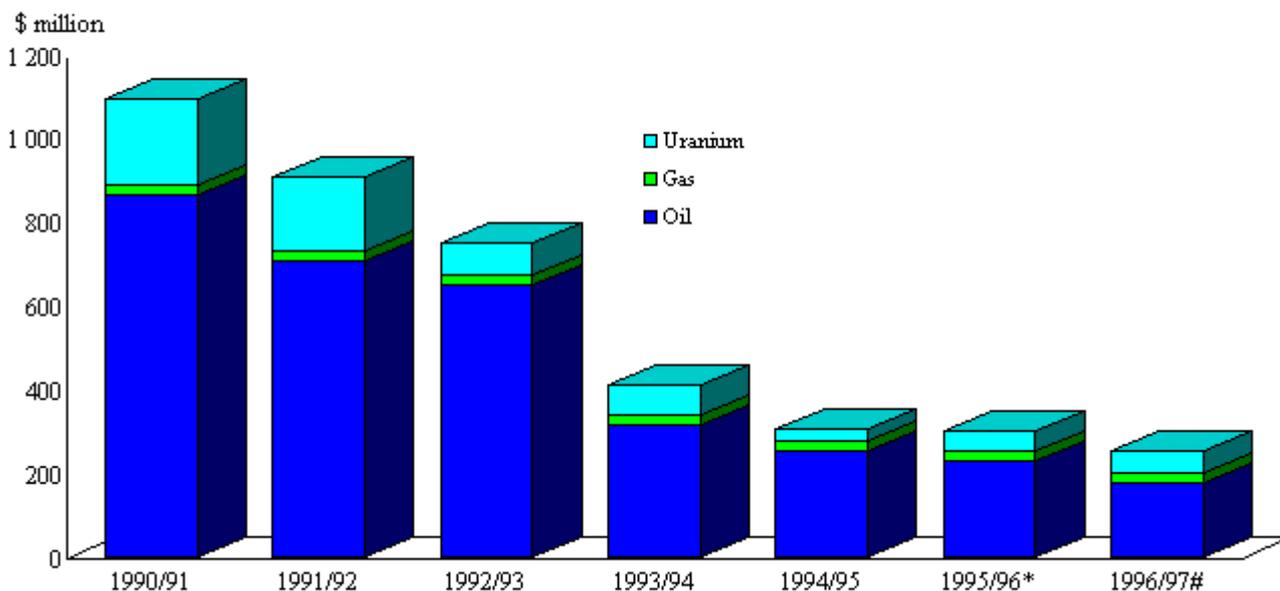
The value of energy production in the Territory is expected to decline 1.1% (see Figure 8.4) in 1995/96 due to an expected decline in crude oil production, slightly offset by rising uranium oxide and gas production. The steady decline in crude oil production is due to the natural depletion of reserves in the off shore oil fields which will continue for a few more years before these fields are abandoned. The combined reserves for Jabiru, Challis and Skua have fallen from a pre-production estimate in the mid 1980s of 180 million barrels to an estimated remaining reserves of 19 million barrels. Oil from Jabiru, Challis and Skua fields is exported overseas, while most of the crude oil produced on shore at Mereenie is refined in South Australia.

While the life of producing wells is on the decline there have been some very exciting discoveries in the Timor Sea. Among these discoveries is the Laminaria and Corallina oil fields near the Ashmore and Cartier Islands, which are estimated to have reserves in the order of 130 million barrels. Following these discoveries, oil companies are now beginning to show renewed interest in the area.

The value of natural gas production is expected to increase slightly in 1995/96 to \$25 million. Natural gas is mainly utilised for electricity production in Darwin and Alice Springs and most of the major towns alongside the Amadeus Basin - Darwin gas pipeline. Major mines have also incorporated natural gas as an energy source. Mount Todd is expected to use gas by the first quarter of 1997 for its stage II expansion, further increasing the demand for natural gas.

**Figure 8.4**

**Energy Production**



Source: Dept. of Mines and Energy

\* NT Treasury estimate

Exploration for natural gas has resulted in two prospective reserves. Dingo gas field, located approximately 60 km south of Alice Springs is yet to commence production because of the risks of low reserves. However, the field is undergoing assessment and a long term production test is planned. Petrel field lies off shore in the Bonaparte Gulf approximately 250 km west of Darwin straddling the Northern Territory/Western Australian border. Recently the field underwent significant downgrading in reserves following the failure of the latest well. A standalone development of the field is unlikely. However, it could be tied in with the development of nearby Tern field in a Western Australian permit.

Production from the Ranger uranium mine tends to fluctuate as the mine responds to world uranium oxide prices, and its own cycle of extraction and treatment. The mine last extracted uranium in the March quarter 1995, since then the mine has been treating the extract and is not scheduled to commence a further extraction until the June quarter 1996. By this time it is anticipated that world prices will have improved leading to a greater release of uranium oxide from existing stockpiles.

**Energy Outlook**

Uranium oxide production will increase with Ranger No.3 ore body operational and the mill upgraded by 1997 and expected commencement of mining of Jabiluka No.2 ore body in 1999. ABARE forecasts an increase in the world spot market prices for uranium oxide from US\$11/lb in 1995 to just under US\$16/lb by 1996. The commencement of new mines and an increase in production from existing mines may put downward pressure on world uranium oxide prices, possibly keeping them below US\$15/lb. Ranger is forecasting to increase production of uranium in 1996/97, in response to improved world market conditions.

Crude oil production will decline further as existing off shore fields are depleted. Skua field is expected to be abandoned early in 1997 and the remaining fields (Jabiru and Challis) are expected to be depleted within five years. The promising news is that the new fields of Elang in the Timor Gap and Laminaria in the Ashmore Cartier area are expected to start production in 1997 and late 1998, respectively. The reserves in Elang and Kakatua are understood to be in the range of 30-60 million barrels and their expected production rate would be 15-25 thousand barrels per day. The Laminaria-Corallina project reserves are greater than the Elang-Kakatua reserves; at an estimated 130 million barrels, peak production is expected to be in excess of 100 thousand barrels per day. According to reserve studies done recently, on shore oil production at Mereenie is also forecast to increase to 3 500 barrels per day in 1996/97 as development drilling continues.

# Tourism

Expenditure by tourists is spread over a number of production classified industries in the State Accounts. However, the "Accommodation, Recreation, Personal and Other Services" categories capture a significant proportion of the contribution to the economy from tourism expenditure, although significant expenditure by tourists is directed towards other industries such as the retail and transportation industries.

The tourism industry contributes more to the Territory economy than in any other state or territory (see Table 9.1), while employing 16.5% of employed persons. The industry has experienced unprecedented growth in recent years and prospects are very good for further growth based on the unique opportunities offered by the Territory and the demonstrated commitment shown by the Territory Government and private operators to develop the industry.

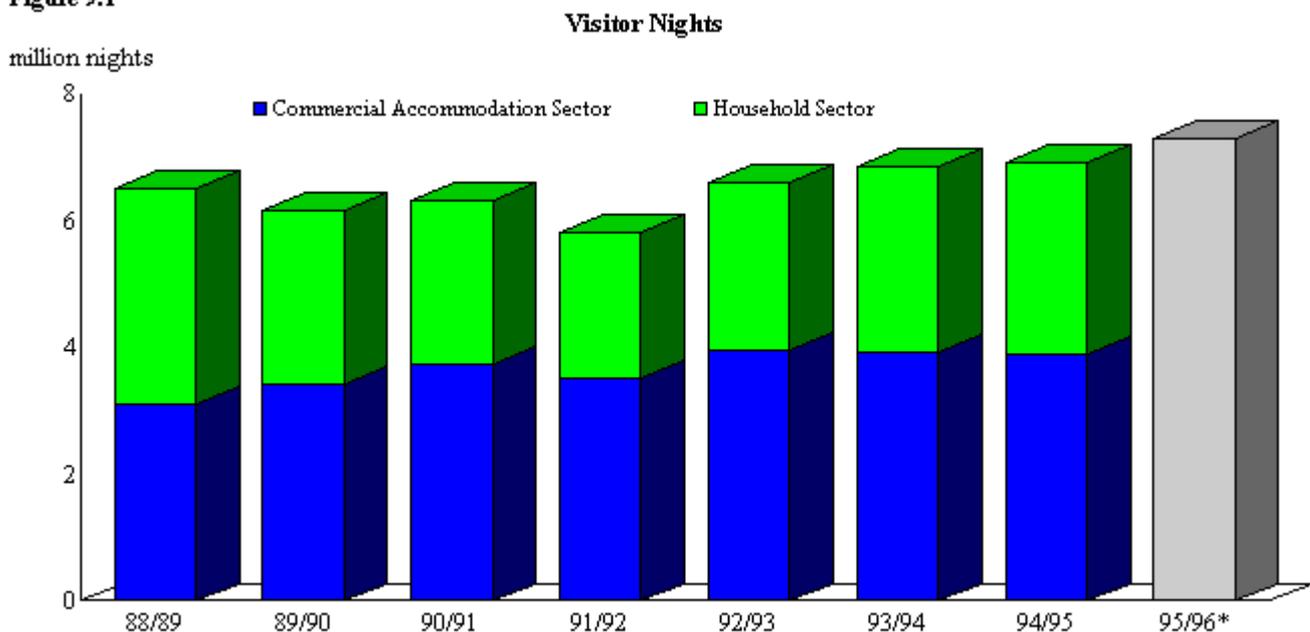
In June 1994, the Northern Territory Tourism Development Masterplan was released. A cooperative effort between government and private operators, the Masterplan pledges a commitment to growth in Territory tourism and seeks the continued development of future services and facilities while protecting the natural assets on which much of the tourism industry is based.

**Table 9.1**

<b>Accommodation, Recreation, Personal and Other Services</b>		% of GDP
<b>Northern Territory</b>		<b>7.6</b>
Australian Capital Territory		7.2
Queensland		6.3
Tasmania		6.1
New South Wales		6.0
South Australia		5.8
Western Australia		5.2
Victoria		5.2
<b>Australia</b>		<b>5.8</b>

Source: ABS Cat. No. 5220.0, 1993/94

**Figure 9.1**



Source: Northern Territory Travel Monitor

\* NT Treasury estimate

Due to its climate, the Territory has a distinct peak season pattern to its tourism industry with numbers of visitors peaking from July to September. The rest of the year could be classified as low season during which commercial accommodation operates at an average occupancy rate between 32% to 49%. In recent years, the Northern Territory Tourist Commission has developed strategies to raise visitation levels during the low season and to extend the duration of the peak season.

According to the Northern Territory Travel Monitor Summary Report 1994/95 prepared for the Northern Territory Tourist Commission, the total number of visitors increased by 23.9% (to 1.2 million) in 1994/95 compared with the figure a year earlier. The largest increase came from Territorians visiting destinations within the Territory (up 38.3%), followed by interstate visitors (up 25.5%) and overseas visitors also increased marginally (up 2.6%).

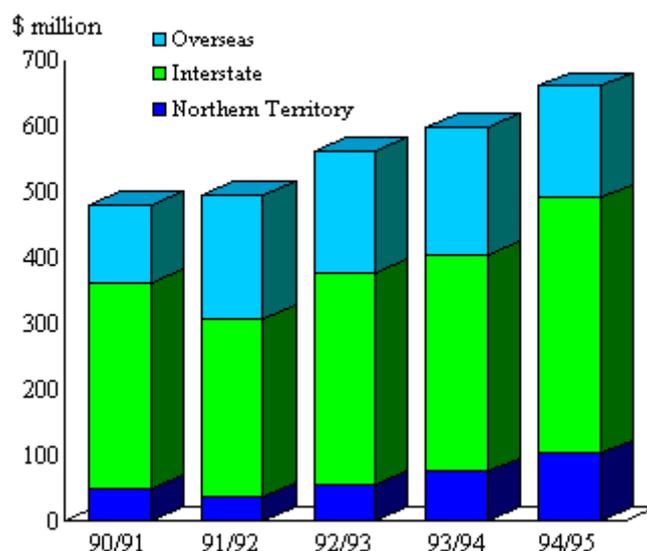
Over the same period, expenditure by Territorians and interstate visitors increased 36.8% and 17.8% respectively, while overseas visitors expenditure declined 12.2%. Visitor nights increased 39.3% for Territorians, while visitor nights for interstate and overseas visitors decreased 2.7% and 12.3%, respectively.

As shown in Figure 9.2, total expenditure has increased each year reaching \$659 million in 1994/95. Expenditure by overseas visitors declined substantially during 1994/95, this could in part be a result of the increased availability of holiday packages where travelling expenses such as short tours, food, transportation and accommodation have been prepaid in their home country. These payments are not reflected in expenditure figures of overseas visitors.

Of visitors utilising commercial accommodation in 1994/95, 40.5% were from interstate, 21.5% were from overseas and 38.1% were from the Territory. Interstate visitors from New South Wales, Victoria and Queensland accounted for some 72.4% of total interstate visitors to the Territory. Amongst international visitors, those from UK/Ireland represented 20.9% of overseas visitors while USA (17.2%), Germany (16.8%), 'other' European countries (including Italy and France) (16.7%) and Japan (16.5%) were the next most common countries of origin. Average per capita expenditure for overseas visitors was \$666 with German visitors spending the most at \$865 per person.

**Figure 9.2**

**Tourism Expenditure**

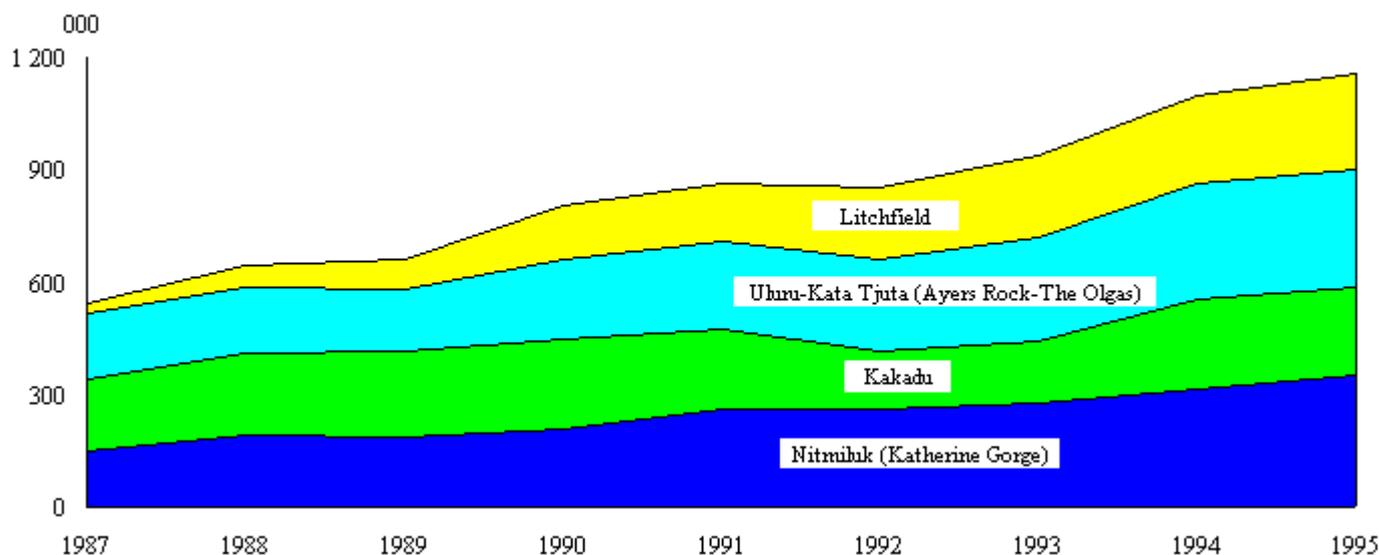


Source: KCM Summary Report 1994/95

During 1994/95, the Tennant Creek area recorded the largest increase of all Territory regions in visitor numbers and visitor nights (up 46.8% and 35.4% respectively), while expenditure also increased 14.6%. The Centre recorded the largest expenditure increase (up 17.3%) despite visitor nights declining by 3.7% and the smallest increase of all Territory regions in visitors (up 7.5%). Katherine recorded strong growth in all sectors with visitor numbers, visitor nights and expenditure increasing 14.4%, 21.4% and 12.8% respectively. In the Top End, the number of visitors increased by 13.1%, while visitor nights decreased 1.4% and expenditure rose 2.3%.

**Figure 9.3**

**Visitors to Major Parks**



Source: Parks and Wildlife Commission of the Northern Territory, Australian Nature Conservation Agency

For the first six months of 1995/96 Australian Bureau of Statistics (ABS) data show that guest nights increased to 1.1 million nights, up 3.6% over the same period in 1994/95, while hotel and motel takings increased 9.7% to \$58 million for the same period. Although restricted to the commercial accommodation sector only, this data points to a strong year of growth in 1995/96.

The unique flora, fauna and geographical features of the Territory are key attractions for visitors. Figure 9.3 shows the number of visitors to the Territory's major parks from 1986 to 1995. Total visitor numbers have generally increased each year, although fluctuations occurred for each park. In 1995, the largest increase was for Nitmiluk (Katherine Gorge and Edith Falls) where visits increased 12.0% over 1994. Visits to Litchfield increased 9.6% in 1995 following a 5.7% increase during 1994. Growth in visits

to Litchfield Park have been encouraged through improved access and enhanced facilities developed by the Northern Territory Government, combined with the relative proximity of the park to Darwin. The bridge across the Finnis River has been completed to provide access to Litchfield during the 'wet' season when severe flooding often restricts visitor access to the park. The number of visitors to Kakadu declined 1.9% in 1995, after a large increase of 44.7% in 1994 and an increase in entrance fee from \$10 to \$15 on the 15 May 1995. Uluru (Ayers Rock) recorded an increase of 1.6% in 1995. The international stature of Uluru overshadows a number of other excellent parks in the Centre receiving significant tourist numbers including Glen Helen Gorge Nature Park, Ormiston Gorge and Pound National Park and Finke Gorge National Park.

The greatest constraints to the Territory's tourism industry growth are the ability of visitors to get to and move around the vast distances between attractions and centres within the Territory. It is therefore imperative to provide an efficient, affordable and accessible transport infrastructure for tourists. The sealing of the Kakadu Highway was completed in early 1996 providing tourists with sealed road access to Kakadu National Park from Pine Creek or along the Arnhem Highway from Darwin. Although still gravel, the Mereenie Loop Road provides two wheel drive access between Kings Canyon and the West MacDonnell ranges. The Territory Government has a commitment to improving links between tourist destinations.

Visitor numbers for the Territory Wildlife Park, located 40 kilometres south of Darwin, have increased rapidly from 29 109 in 1989 to 108 554 in 1995. Ongoing development is still taking place at the Park in order to enhance opportunities to view the Territory's unique wildlife. The Desert Wildlife Park and Botanical Gardens near Alice Springs is due for completion by March 1997.

Traditional Aboriginal culture is a unique aspect of the Territory which forms a major feature in interstate and international promotions. Aboriginal communities across the Territory have become involved in tourism development activities although they are generally careful to ensure these activities do not swamp the culture that visitors have come to see. As well as involvement in the tourist icons of Kakadu, Uluru and Katherine Gorge, other activities include fishing and cultural tours to the Tiwi Islands, rock art tours in the Victoria River region, the Barunga Festival (held near Katherine), desert safaris to Kaltukatjara (Docker River), and open days held by many of the communities which give visitors an opportunity to experience bush tucker, Aboriginal art, traditional dance and music.

## Tourism Outlook

According to the Northern Territory Tourism Development Masterplan released in June 1994, visitor numbers, visitor nights and visitor expenditure are expected to increase to 1.3 million, 9.1 million and \$789 million respectively by 1998/99. These projections are conservative as visitor numbers, visitor nights and visitor expenditure recorded in 1994/95 were significantly higher than the projected figures for the same period. Increasing consumer confidence in national and international economies, expanded transportation links with foreign and domestic markets and improved tourism infrastructure are the major factors that underpin Territory tourism growth. Furthermore, increasing international recognition of Aboriginal art and culture and events such as the Arafura Sports Festival have combined with a successful advertising campaign in promoting the Territory as an attractive holiday destination to international tourists.

During 1995, tourism infrastructure investment recorded strong growth. In Darwin, the 96 room Value Inn and the 43 room Marina View Serviced Apartments commenced operations. Additionally, commercial accommodation under construction in Darwin include a 100 room extension to the Mirambeena Tourist Resort, the 132 room Darwin Central Hotel, the 78 room Luma Luma Holiday Apartments, the 208 room Holiday Inn, the 85 room Primavera Resort and the 294 bed YHA (Transit Centre). These developments reflect the level of confidence of the private sector in the prospects of the tourism industry.

A Tourism Aviation Committee was formed after the Minister for Tourism publicly launched a 'Tourism Aviation Strategy' during 1995. The primary role of this committee is to increase the international aviation capacity of the Northern Territory. This will improve the accessibility to Darwin for overseas visitors.

Figures for 1994/95 show that Darwin airport's passenger numbers increased 19%, following an increase of 14% a year earlier. These increases exceed the Federal Airports Corporation's forecast of 8.2% growth per annum. Alice Springs Airport experienced an increase of 6% in 1994/95.

Two major projects, the "Explorer Territory Strategy" and "Drive Market Strategy", are currently being developed by the Northern Territory Tourist Commission with the cooperation of industry and other government agencies. It is anticipated that these projects will boost the number of Territorians visiting tourist attractions and lengthen the period of stay of interstate and overseas visitors.

# Rural Industries and Fisheries

In the Territory rural industries and fisheries account for 3.2% of Gross State Product, slightly lower than the national average. Rural industries in the Northern Territory include pastoral, other livestock (including crocodile, poultry and camel), horticulture (fruit, vegetables, nursery and cut flowers) and agriculture (field crops, hay and seeds). Fishing includes harvesting of wildstock and aquaculture.

The Department of Primary Industry and Fisheries estimates that the 1995 gross value of production in the rural and fishing industries was \$293 million, a 9% decline over 1994, due mainly to a high cattle turnoff during the 1994 drought.

## Pastoral

In 1995, the pastoral industry was worth \$122 million, about 42% of the total Territory rural industries and fisheries production. However, when the indirect benefits of the industry are taken into consideration, the total contribution of the pastoral industry to the Territory economy is much higher. The pastoral industry is of fundamental importance to Territory regional economic growth, employment opportunities and export income.

Table 10.1

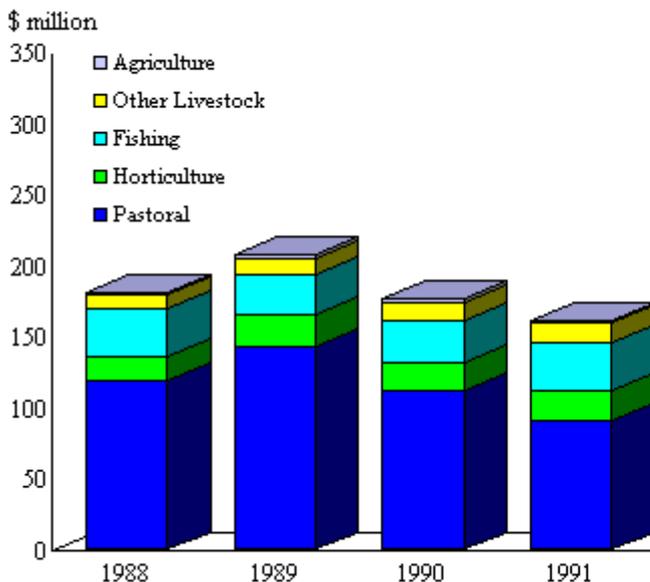
### Agriculture, Forestry and Fishing

	% of GDP
Tasmania	5.8
Queensland	5.1
Western Australia	4.1
South Australia	3.8
<b>Northern Territory</b>	<b>3.2</b>
Victoria	3.1
New South Wales	2.5
Australian Capital Territory	0.1
<b>Australia</b>	<b>3.4</b>

Source: ABS Cat No: 5220.0, 1993/94

Figure 10.1

### Rural Industries and Fisheries



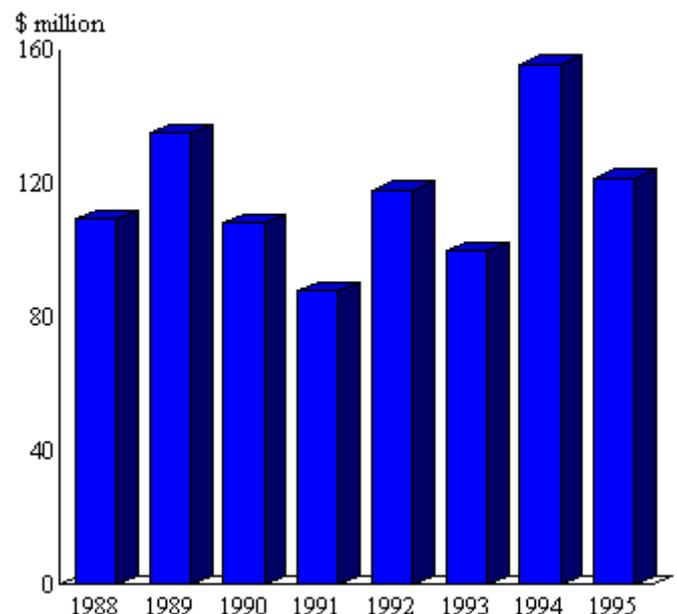
Source: Dept. of Primary Industry and Fisheries

In 1995, over 360 000 head of cattle valued at \$122 million were turned off from Territory pastoral properties to abattoirs, interstate and overseas. Both the number and value of cattle turned off were lower than the previous year. This followed a higher than normal turnoff in 1994, and was due largely to severe drought conditions in the Territory, and a decline in interstate movements, particularly to Queensland, in 1995 due to drought conditions there. The value of total buffalo turnoff was negligible, given the virtual elimination of stock in the closing stages of the Brucellosis and Tuberculosis Eradication Campaign (BTEC).

The Northern Territory's live cattle export trade with South East Asia has been growing rapidly both in terms of volume and value. In 1989, 45 129 Territory cattle were exported. By 1995 this had increased to 143 321, over 300% growth. In

Figure 10.2

### Cattle Production



Source: Dept. of Primary Industry and Fisheries

addition, 160 800 head of interstate cattle were exported through the Port of Darwin, an increase of 147% over 1994 figures.

The Northern Territory is at the centre of Australia's burgeoning live cattle trade into South East Asia. In 1995, the Territory provided 30% of all live cattle exports to South East Asia and approximately 60% of all live cattle exports to Asia were shipped through the Port of Darwin.

## Pastoral Outlook

The pastoral industry in the Territory is well established relative to other land based rural industries in the Territory. While there is some scope for an increase in the area of pastoral production, by and large future increases are expected to be based on productivity gains rather than on an expansion of the area grazed.

Following the BTEC and the consequent destocking of diseased cattle, pastoralists have been rebuilding herds with more appropriate types of cattle (Brahman and Brahman cross) and as a result improving the genetic makeup of the Territory's cattle herd. Genetic improvement together with supplementary feeding and improved rangeland grazing management are contributing to increasing productivity levels evident in the pastoral industry.

The buffalo industry is in a rebuilding and restructuring phase after the significant impact of BTEC. The Territory buffalo herd is of the swamp type. In 1994 the industry commenced importing Riverine type buffalo from USA with the aim of producing a better meat animal and of exploring the potential of buffalo dairying.

The recent Territory Government initiative to open up some 440 000 hectares for the development of 40 to 50 additional properties in the Katherine-Daly River Basin will provide new opportunities for mixed farming including cattle/buffalo production.

The development of Stage II of the Ord River Irrigation project, half of which lies in the Territory (about 25 000 hectares), will also provide further opportunities for expansion of the Territory pastoral industry mainly through supply of cheaper nutritional supplements from the by products of proposed new industries, namely cotton and sugarcane production.

In the beef trade, the increasing demand for meat in East Asia is expected to provide an impetus for the expansion of world beef trade. Australian and the Territory beef industries are expected to benefit from this growth but will encounter greater competition from other countries particularly the US and possibly Argentina and Uruguay.

One of the more dynamic sectors of the pastoral industry is the live cattle export trade to South East Asia. With increasing disposable income, growing demand for animal protein and a decreasing availability of land for pastoral purposes in South East Asia, there is every prospect of continued expansion.

One in four specialist beef properties in Northern Australia is now engaged in the live cattle export trade and the ratio is expected to increase. The expansion of the live export trade is increasing farm incomes for beef producers in Northern Australia.

With the rapid expansion of the live cattle export trade the pastoral industry is becoming an all-year operation and the provision of adequate infrastructure, particularly roads, has become an important issue for the industry.

## Other Livestock Industries

The Northern Territory has a number of other livestock industries contributing to Gross State Product. These industries supply eggs, poultry meat (including quail), pork, camel meat, fresh milk, live exports (horses, camels, donkeys, goats) and crocodile skins and flesh. In 1994/95 the gross value of the total 'other livestock' industries was \$11.9 million. Although this figure has fallen from \$12.8 million in 1993/94, the crocodile industry is expanding and the outlook in the coming year for the camel industry is particularly favourable.

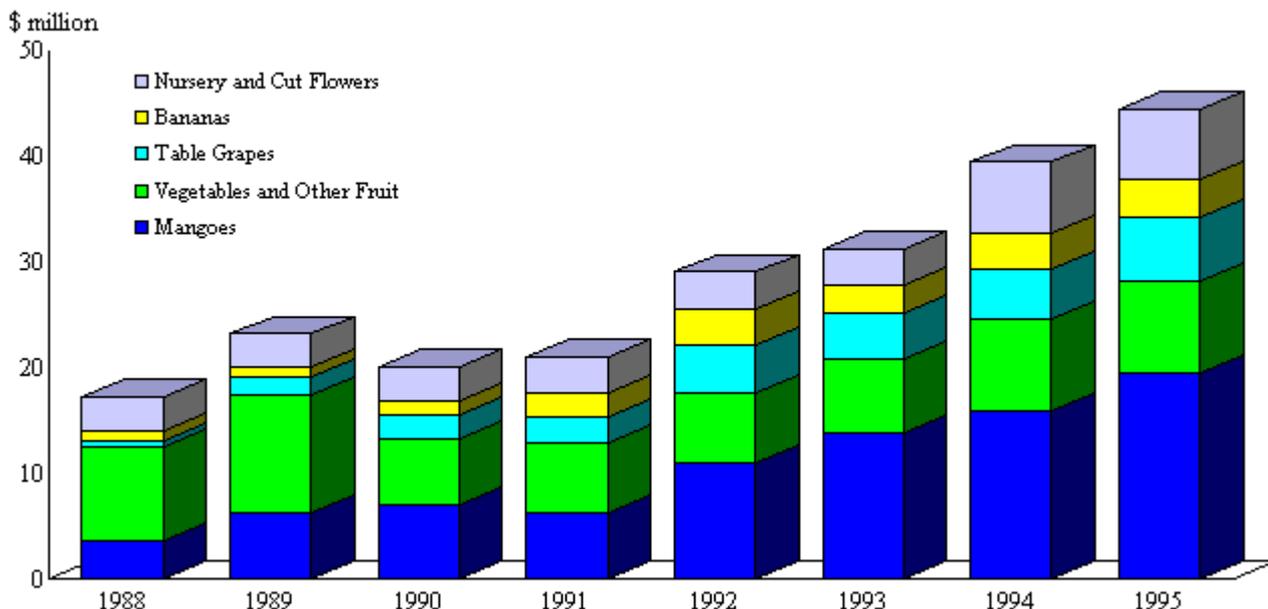
## Horticulture

Horticulture production continued to perform well in 1995, despite a poorer than expected mango season due to unusual weather conditions. The total value of horticulture production (including the nursery and cut flower industry) increased 12.6% to around \$44.3 million in 1995. Prices for most horticultural commodities were good especially for mangoes, table grapes, melons,

rambutan and most vegetables. Banana prices on the other hand were slightly lower than in 1994.

**Figure 10.3**

**Horticulture Production**



Source: Dept. of Primary Industry and Fisheries

During 1995, due to unusual weather conditions during fruit development, a number of Darwin region mango growers experienced considerable problems with high incidences of diseases and consequently, poor fruit quality. Total production in 1995 was only slightly higher than the previous season at 5 871 tonnes, an increase of 2.7% compared with 1994. Despite some quality problems, average market prices were higher than in 1994 due to the late arrival of Queensland fruit onto the market. The total value of the 1995 mango production is estimated at \$19.5 million, an increase of 22.9% compared with \$15.8 million in 1994.

Table grape production increased by nearly a third in 1995 to 1 500 tonnes. Most of the \$6 million table grape crop was sold at interstate markets. Due to lower prices the value of banana production was slightly lower in 1995, notwithstanding a 10% increase in production. Production of other horticultural crops such as melons and vegetables is expected to remain relatively unchanged from 1994.

**Horticulture Outlook**

Horticultural production has grown and diversified markedly in recent years, illustrating a progressive realisation of the industry’s potential. The Territory enjoys certain comparative advantages due to its capacity to supply early season and out of season markets with a range of produce (for example table grapes, mangoes, dates, melons, asparagus, cucurbit crops and Asian vegetables) and other tropical exotic fruits and vegetables for southern and overseas markets.

Reflecting the demand from these diversified markets, areas planted to fruit trees and fruit tree varieties are both steadily increasing. Prospects for increased mango, banana, table grapes, melons and cut flower production are particularly promising. Increasing numbers of mango trees have been planted, particularly in the Katherine region, which will add to the future production from the Territory. The Department of Primary Industries and Fisheries, in conjunction with the Northern Territory Horticultural Association (NTHA), is currently examining alternative markets including mango exports to overseas markets and mango processing to lessen the pressure on the limited fresh fruit domestic markets. The Department is also working with the NTHA to improve the general quality of Territory mangoes by implementing a comprehensive long term mango strategic plan to incorporate programs such as a quality assurance scheme, market promotion and better communication between growers, packers and wholesale agents in southern markets.

During 1995, a new packing company, OPAK Australia Pty Ltd, which is 60% New Zealand owned and 40% locally owned, commenced operations in the Territory and has taken on the management of a number of large packing sheds in the Top End. The company aims to provide better management and facilities for Territory mango growers. Services provided include orchard management, pest control, picking, packing, refrigerated transport to southern markets and marketing and export services. This would enable Territory mango producers to further improve fruit quality and to compete on both interstate and export markets in the future.

During 1995, 42 hectares of banana were planted at Lambells Lagoon by two large banana companies (Chiquita and Top Banana). A total of 200 hectares will eventually be planted over the next 3 years, making the Territory a significant banana production area in Australia in the future.

Good prospects also exist for the nursery and cut flower industries. The nursery industry in particular has significant potential in light of the Territory's climatic advantages for the production of a wide range of tropical and subtropical plants. Orchids and heliconias are produced for markets in southern capital cities, as well as for overseas export to markets including Japan and Hong Kong. Kangaroo Paw and Gypsophila are promising cut flowers from Central Australia.

On balance, the relative stage of development of the Territory's horticulture industry, together with specific natural advantages, bode well for future expansion. Favourable climatic conditions, maintenance of disease-free status, improving product quality, concerted marketing efforts and unrestricted access to domestic and international markets will underpin industry growth.

## Mixed Farming

Mixed farming areas around Katherine, the Douglas/Daly and Darwin are focused on servicing the growing live cattle export industry. Areas cleared for grain cropping now provide the basis for fodder production. As well as growing hay for local markets, fodder crops are also grazed by cattle destined for live export to South East Asia through Darwin. There is increasing demand for farming land for this purpose in the Top End.

The value of field crop production (sorghum, mungbeans, sesame, rice and maize) declined in 1994/95 to \$0.6 million, down from \$1.0 million in 1993/94. Hay and seed production were estimated to be worth \$2.1 million in 1994/95, down on the previous year.

The Territory Government has in place a strategy to increase agricultural development in the Katherine-Daly River Region. A new road network and other initiatives will see progressive development of some 440 000 hectares of land creating an additional 40 to 50 farming properties. Annual production from the area is expected to be \$24 million rising to \$88 million in the long-term.

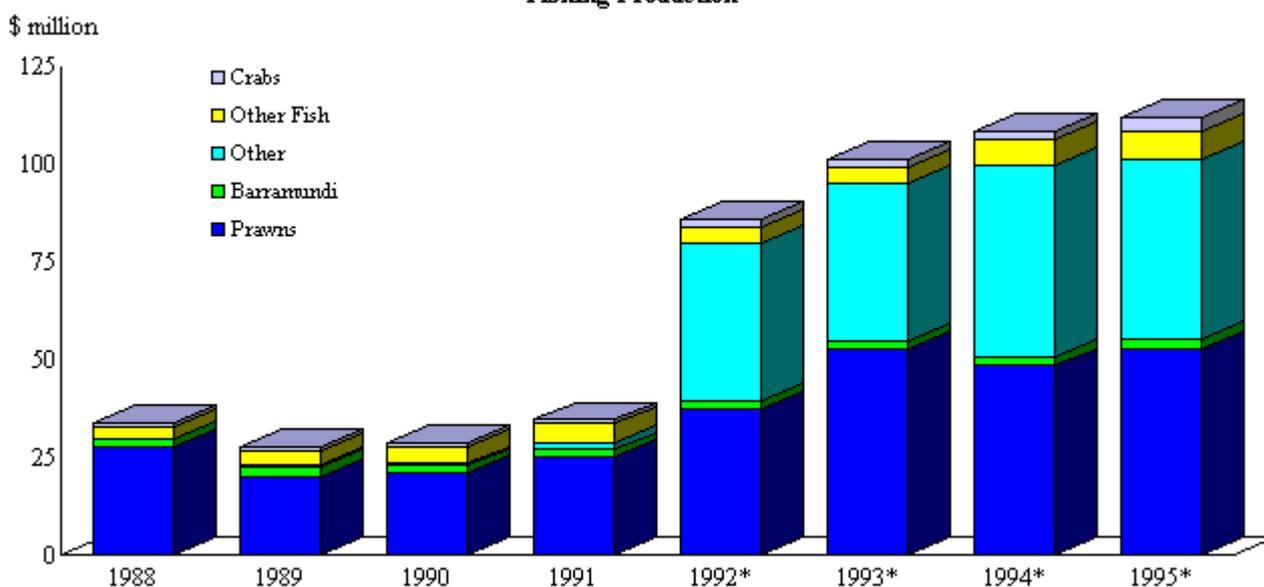
In April 1995, the Northern Territory and Western Australian Governments signed a Memorandum of Understanding to jointly undertake expansion of the Ord River irrigation project. Development will straddle the Northern Territory-Western Australian border and has the potential to contribute significantly to Territory agricultural production.

## Fishing

The Northern Territory fishing industry comprises commercial, recreational and traditional sectors. The commercial sector includes the harvesting of wild stock fisheries, dominated by prawns, and aquaculture, dominated by high quality pearl production plus the processing, trade and retailing of seafood. The aquaculture of species other than pearls is in the developmental stage, with barramundi and prawns being grown commercially in 1995 and research continuing on the aquaculture potential of mud crabs and golden snapper. Continued emphasis is being placed on the ongoing management of all aquatic resources and by the end of 1997 all major fisheries will have been placed under formal management plans.

**Figure 10.4**

**Fishing Production**



Source: Dept. of Primary Industry and Fisheries

\* From 1992, 'Other' includes pearl production. Prawns have been valued on the basis of catch and not landings as in previous years.

Preliminary estimates value production by the Territory's commercial fishing industry at \$111.7 million in 1995. Of this, wild stock prawns and pearl farming are expected to account for 87%.

Figure 10.4 shows Territory fishing industry production from 1988 to 1995. The significant increase from 1992 reflects two factors. From that year prawns have been valued on the basis of location of catch, rather than on the basis of landings at Territory ports. Secondly, the category "Other" now includes aquaculture, of which estimated pearl production is a significant component.

Effective management of fisheries is an integral component of the Territory's long-term resource use strategy. In recent years a number of important management changes have occurred in fisheries within Territory waters. After substantial voluntary reduction of fishing effort in the Northern Prawn Fishery over a number of years, a further compulsory reduction was effected in April 1993. There are now 125 boats remaining in the fishery down from 350 boats in the early 1980s.

The barramundi/threadfin salmon industry has likewise undergone a reduction in fishing effort through a range of measures including licence buyback, gear restrictions, seasonal closures, river closures, and minimum size limits. Management plans have been introduced for a number of fisheries and all major fisheries under Northern Territory jurisdiction should be covered by such plans by the end of 1997. In February 1995, five new Offshore Constitutional Settlement Arrangements came into effect replacing the previous six arrangements in place since 1988. As a result, the shark, demersal and Timor reef fisheries are managed by a joint Commonwealth/Territory authority under Northern Territory law.

## Fishing Outlook

As a result of changes to the management process, redefinition of the boundaries of the coastal line fishery, and the introduction of transferability to demersal, coastal and Timor Reef fisheries, there has been an increase in effort in these fisheries and further growth is anticipated. Fishery resources with growth potential in the short to medium term include the demersal, shark, coastal net and coastal line fisheries.

The outlook for aquaculture is bright with successful prawn culture occurring during 1995 in the Darwin region and considerable interest from investors which could lead to an industry worth \$30-40 million within 5-10 years. The barramundi aquaculture industry is going through a period of adjustment due to current limitations in the market for plate size fish. Break throughs in the larval culture of golden snapper could lead to a new aquaculture industry based on sales to South East Asian markets.

While seasonal conditions and market price fluctuations can be unpredictable, demand for quality sea food, particularly prawns, from countries in the Asian region can be expected to remain buoyant in light of consumer preferences and growing per capita incomes. Demand from markets in southern Australia for fresh fish is also strong, although to date the potential of these markets has not been fully exploited. Wild stock industry expansion will result from concerted marketing efforts and continued development of regional fisheries to satisfy both overseas and domestic demand.

# Housing and Construction

The housing and construction industry comprises residential and non-residential activity, as well as engineering activity, which includes the construction of structures such as roads and bridges. In the Northern Territory, these three sectors tend to be of relatively equal value, although investment in any given category can be volatile with individual projects having significant influence (see Figure 11.1).

The housing and construction industry contributes proportionately more to the Northern Territory economy than nationally (see Table 11.1) while employing approximately 4.2% of all wage and salary earners.

## Residential Building

The composition of the residential market in the Northern Territory is quite different to the rest of the nation. The percentage of people renting in the Territory (55.7%) is almost twice as great as the national average, indicative of the higher level of mobility of Territorians. Correspondingly, the proportion of Territory residents who own their own home is approximately one third of the national average, while the percentage of Territorians purchasing homes is marginally higher than nationally. This suggests that, over time, the number of home owners in the Territory may approach national proportions.

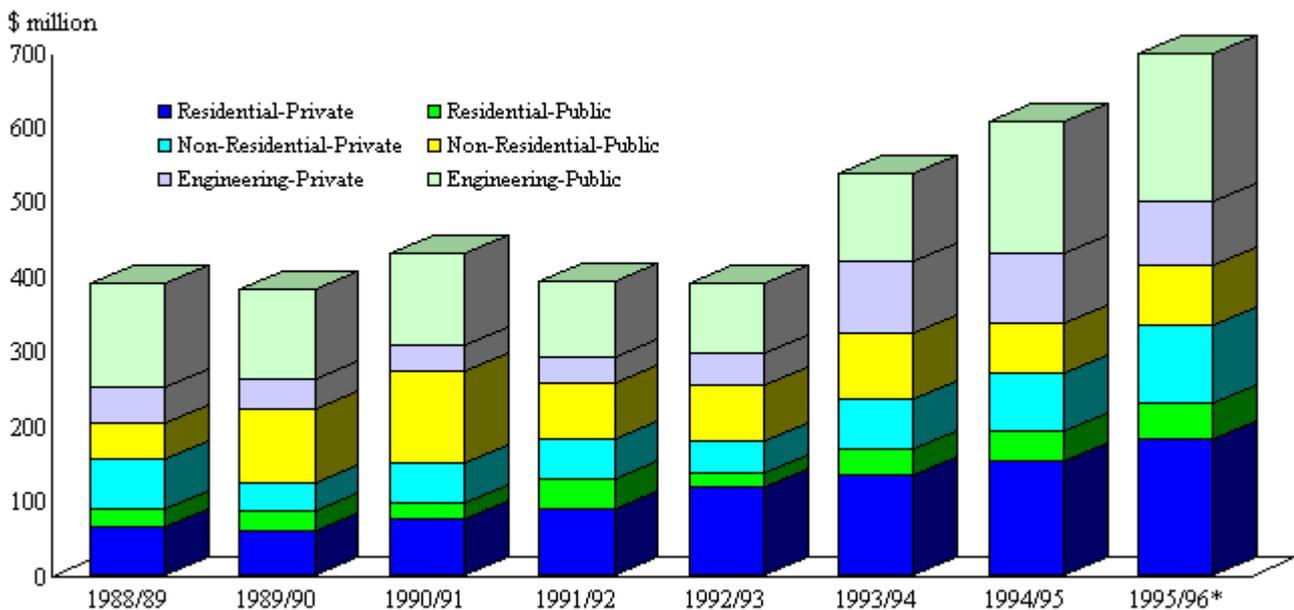
Table 11.1

Construction	
	% of GDP
Western Australia	9.0
<b>Northern Territory</b>	<b>8.9</b>
Queensland	7.8
Australian Capital Territory	6.9
Tasmania	6.8
New South Wales	6.6
South Australia	5.7
Victoria	5.6
<b>Australia</b>	<b>6.8</b>

Source: ABS Cat. No. 5220.0, 1993/94

Figure 11.1

Value of Building Work Done



Source: ABS Cat. No. 8762.0, 8752.7

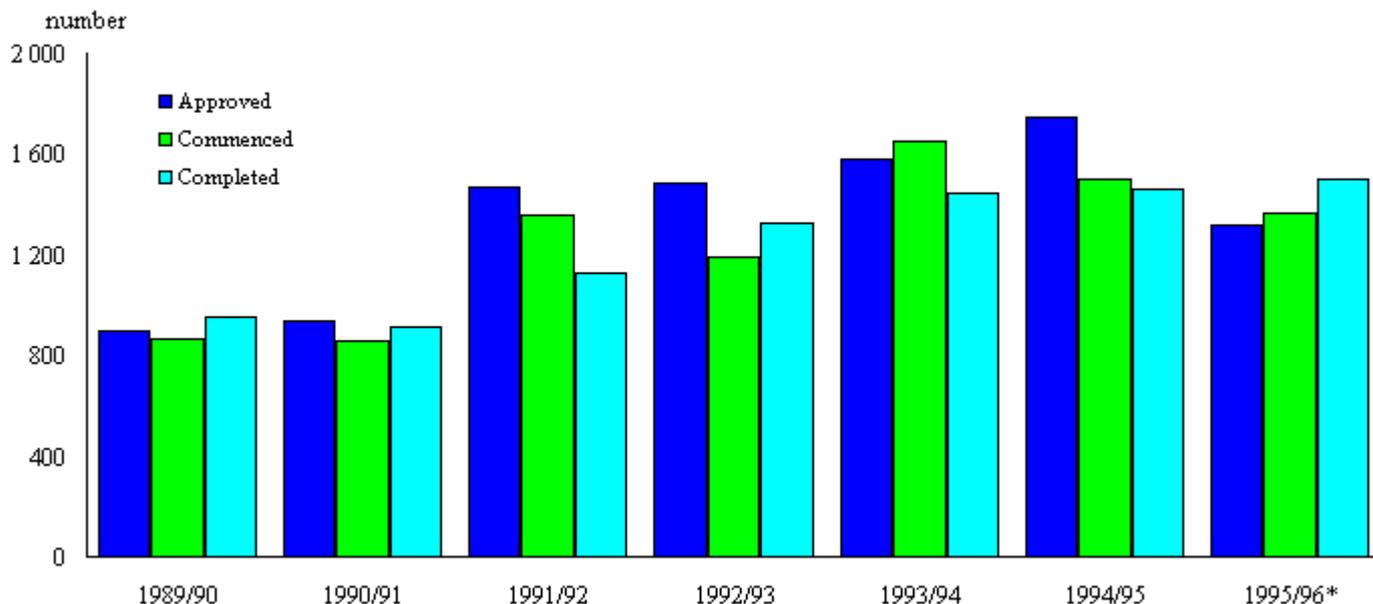
\* NT Treasury Estimate

While the Territory residential construction market grew strongly over the first half of the nineties, building activity growth for 1995/96 is estimated to be down slightly on the previous financial year (see Figure 11.2), despite strong population growth. This was primarily the result of flatter market demand, caused by a combination of high house and land prices, a release of pent-up demand in the previous financial year and high interest rates (after trending downward over most of the early 1990's). Residential investors in the Territory market may have delayed decisions to purchase properties over 1995/96, preferring to wait until interest

rates are lower.

**Figure 11.2**

**Residential Building Activity**



Source: ABS Cat. No. 8731.0, 8752.0, 8752.0

\* NT Treasury estimate

Over 1995/96, estimates for the number of buildings completed in the Territory show stronger growth in other dwellings (such as townhouses, units, and duplexes) than for houses. However, building approvals and commencements data indicate that over the same period other dwellings did not perform as well as houses, illustrating that a large number of units and townhouses approved and commenced in 1994/95 were then completed in 1995/96, causing the high level of building completions recorded for 1995/96. As growth in the number of building approvals and commencements for 'other dwellings' in 1995/96 were estimated to be down in relation to houses, this suggests an adjustment by the market in response to the considerable number of units and townhouses already completed over the last few years. Additionally, a shortage of land in 1994/95 favoured unit development, while over 1995/96 this shortage was considerably eased by the large amount of land turned off in Palmerston.

Housing finance data is another indicator of the demand for dwellings, and provides an insight into the market for both newly constructed and existing dwellings financed by owner-occupiers. The number of secured housing finance commitments in the Territory during the 12 months to March 1996 increased 10.7% (to 4 493) while the value of these commitments increased 18.8% (to \$443 million). Comparatively, national figures show decreases in the number and value of housing finance commitments of 9.6% and 5.1% respectively, showing that the Territory housing market is not as flat as nationally.

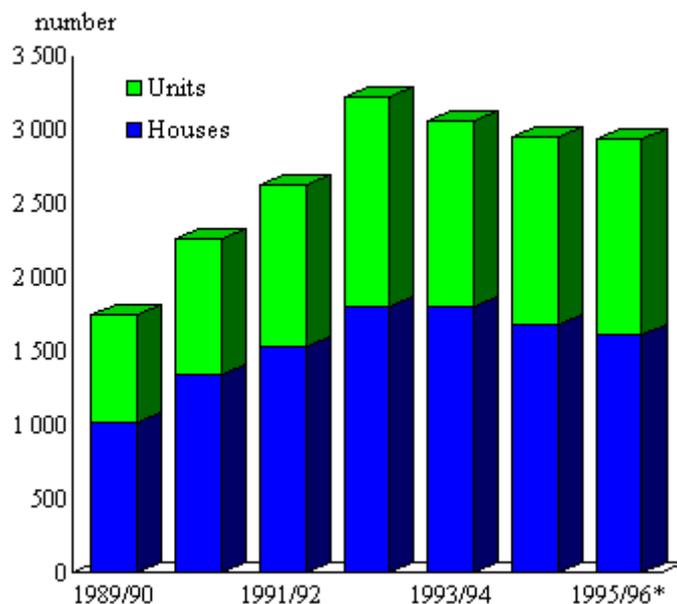
Over the same period, approximately 62% of the total number of housing finance commitments in the Territory were for the purchase of established dwellings, while finance for the construction and purchase of new dwellings constituted approximately 25% of the total number of housing finance commitments.

Finance for the construction and purchase of new dwellings for the 12 months to March 1996 increased 14.5%, while finance for the purchase of established dwellings rose by 3.7%, indicating that the market for new dwellings is significantly stronger than the market for established dwellings. Refinancing accounted for approximately 13% of the total number of housing finance commitments over the 12 months to March 1996, growing by 48.0% over the same period as competition between lending institutions for home loans intensified.

Housing finance figures for the construction and purchase of new dwellings in the Territory show strong growth, while building approvals and commencement data suggest the opposite (see Figure 11.2 before). This apparent contradiction can be explained by the fact that housing finance data measures secured finance commitments by owner-occupiers only, and therefore does not measure dwelling finance secured by investors. This confirms that the level of demand for dwellings from owner-occupiers in the Territory remains strong

**Figure 11.3**

**Residential Property Sales**



Source: Aust. Valuation Office

\* NT Treasury estimate

(indicative of the high rate of population growth) while conversely investors are hesitant, as they are more sensitive to interest rates.

Australian Valuation Office statistics show strong increases in the number of residential property sales since 1989/90 until a peak in 1992/93, followed by a lower level of activity up to 1995/96 (see Figure 11.3). The category 'other' (units and townhouses) has shown moderate growth in sales over the last two financial years, corresponding with the large increase in the number of units built in 1994/95 being sold to investors or owner-occupiers. House sales in the Territory have declined over the last few financial years as high prices have pushed some buyers out of the market. Areas in the Territory that did record strong growth in house sales were Palmerston, Tennant Creek and Katherine, while unit and townhouse sales were strongest in the Darwin City area.

Figure 11.4 shows the considerable growth experienced in house prices for Darwin compared to the rest of Australia over the last five years. As an illustration of how much prices have risen, average house prices in Darwin have now increased by approximately 88% since early 1990, while the eight capital cities weighted average house price has risen by only 12% over the same period.

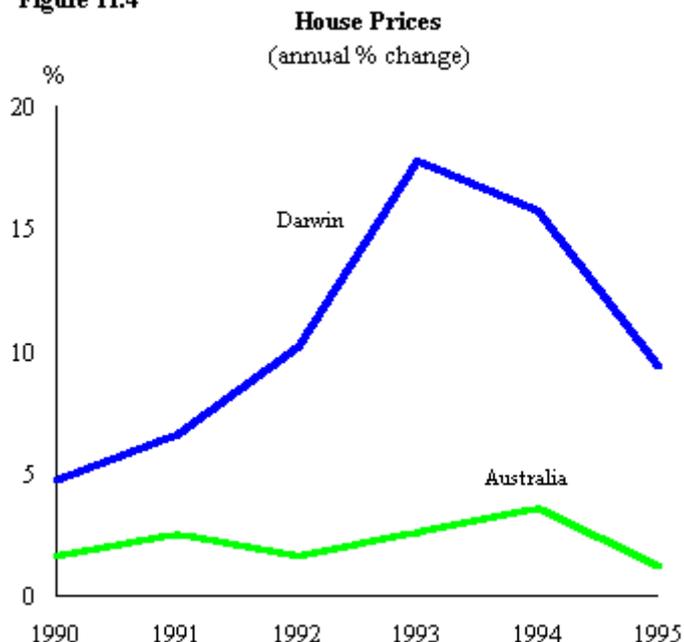
Over 1995, the rate of growth in house prices for Darwin reduced significantly, adjusting back to a more sustainable level of around 9.4% per annum. The high growth in housing prices in Darwin over the last five years was caused by a high level of demand (largely driven by population growth) in conjunction with a limited supply of residential land.

The stock of public sector housing held by the Territory Government has been declining over time, as a result of a reduced capital works program, conversions of units (eg two single bedroom flats into a two bedroom unit) and sales to tenants through schemes such as the Government sponsored HomeNorth sales program. After investing significant resources in infrastructure following self-government in 1978, the Territory Government has steadily withdrawn from the housing market as private sector expansion has taken the lead. Growth in public sector residential building is now largely determined by defence force and Aboriginal community requirements.

Over 1995/96, estimates for the number of building approvals and commencements show that the public sector side of the Territory residential market has fared moderately better than the private sector, demonstrating that the public sector does not react to market forces to the same extent that the private sector does. In the Territory over the last five years, the main factors affecting the level of public sector residential dwellings were the purchase and construction of dwellings by the Defence Housing Authority to accommodate the large influx of defence personnel and their families to the Top End, and the construction of dwellings in Aboriginal communities by incorporated community government councils.

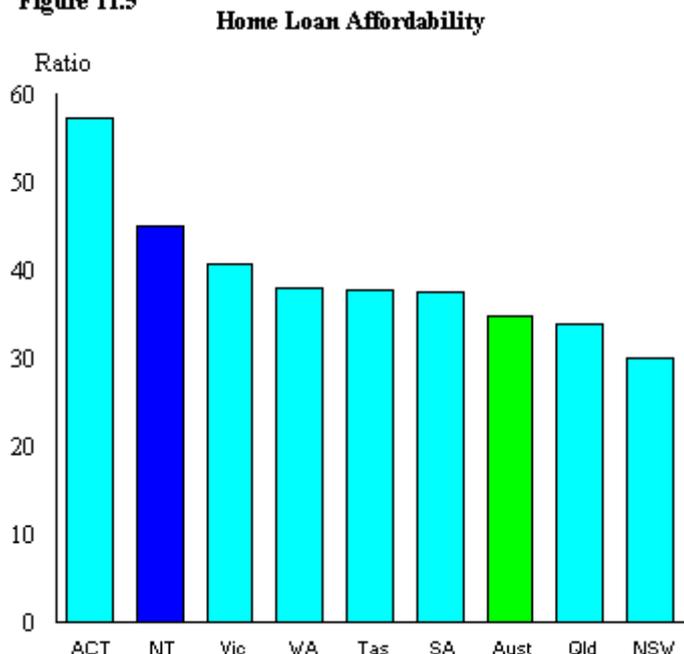
Home loan affordability data is published jointly by the Real Estate Institute of Australia and MGICA Limited, a specialist mortgage insurer. As shown in Figure 11.5, for the Territory, the ratio of median family income to the average loan repayment (multiplied by ten) was 44.9, making home ownership in the Territory the second most affordable in Australia, with the comparable national ratio at 34.9. For the Territory, this translates to 22.3% of median monthly family income being required to meet the average monthly home loan repayment of \$1 057. The national average in comparison is 28.7% of median family income. Home loan affordability in the Territory has been decreasing over the last few years primarily as a result of Territory home buyers taking on increasingly larger loans.

**Figure 11.4**



Source: ABS Cat. No. 6416.0

**Figure 11.5**



Source: REIA/MGICA Ltd, December Qtr 1995

## Residential Building Outlook

Residential building activity in the Territory is expected to remain steady in 1996/97, with growth likely to be concentrated in housing construction in Palmerston. Continued strong population growth is likely to underpin demand for residential dwellings, while defence force movements will provide an added stimulus. Interest rates for home loan lending are forecast to remain stable in the short term, following their recent fall, but may rise in 1997 if predictions of stronger national economic activity eventuate. In the meantime, competition for dwelling lending is expected to intensify as unions, insurance agencies, superannuation funds and other financial institutions become lenders in their own right, while banks and building societies offer a wider range of flexible loan packages in an effort to maintain market share. Home lending rates have already declined in response to increased competition, independent of Reserve Bank of Australia's official interest rate movements.

Whereas the low availability of land in Darwin was a contributing factor in previous increases in dwelling prices, this pressure will be eased over the next few years as land releases and developments close to the Darwin CBD at Stuart Park North, the Tank Farm and Crown Land at 2 1/2 Mile are opened up (combined, these developments will eventually accommodate 8 000 people). Major land releases and building developments in Palmerston, in the new suburbs of Bakewell, Rosebery and Fairway Waters, are also likely to ease pressure on prices there. The supply of broad acre land in Alice Springs is dropping, indicating house prices there may continue to record a high rate of growth. Residential building activity is therefore likely to be strong in those areas where demand is high (such as Palmerston) and supply is not limited by the lack of available land.

## Non-Residential Building and Engineering Construction

Private sector investment in non-residential building of a commercial nature is influenced by business confidence, the cost of capital (interest rates), existing levels of capital equipment and perceptions of future demand. Public sector non-residential building investment is usually limited to providing for the administrative needs of government and social infrastructure such as medical and educational facilities.

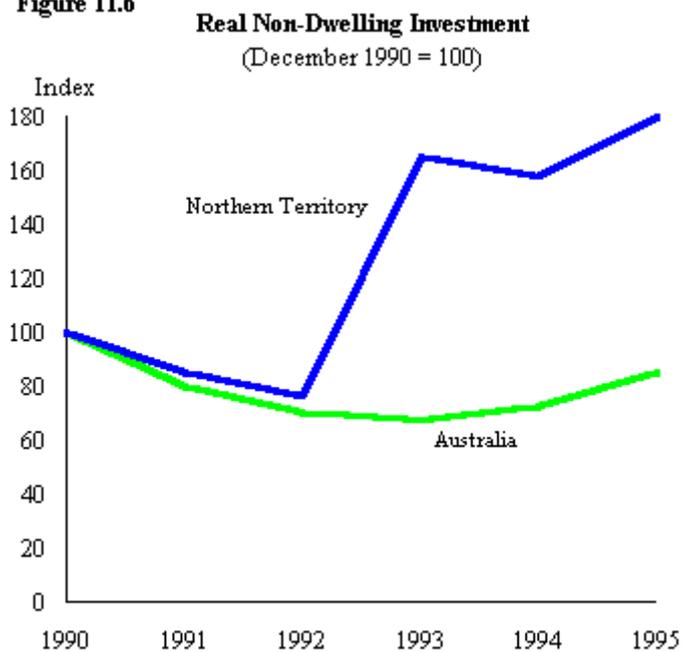
The value of non-residential building approvals in the Territory is estimated to have increased by 21.6% during 1995/96. This follows growth of over 10% in each of the previous two years. Growth in private sector non-residential building approvals in 1995/96 was exceptionally strong, rising 29.8%. Nationally, growth in non-residential building approvals is estimated to have increased by 15% during 1995/96.

In 1995, the value of non-residential construction work completed in the Territory is estimated to have continued the strong growth recorded in the previous year, increasing by 17.5% after 12.4% growth in 1994. Specific categories contributing the most to total growth over 1995 were factories (more than doubling the previous year), other business premises (up 17.4%), retail outlets (up 21.6%), and hotels (up 8%). This growth is a response to the strong economic growth experienced by the Territory over the last few years, particularly in business activity, retail trade and tourism.

Engineering construction includes all construction activity other than residential and non-residential building. The value of work done was down by 7.2% in 1995, following considerably large increases of 31.7% in 1994 and 61.8% in 1993. This demonstrates the lumpy nature of infrastructure spending in the Territory, where individual projects can cause significant changes between periods. Principal contributors to engineering activity in 1995 included the construction of roads and highways, mineral processing development, electricity transmission and distribution facilities, and Darwin's new East Arm Port.

Constant price estimates of private investment in non-dwelling construction from the State Accounts cover both non-residential building and engineering construction (see Figure 11.6). Private non-dwelling investment peaked in 1993, and has remained strong over the two years to 1995. Nationally, non-dwelling investment is starting to record stronger growth in line with improved economic conditions.

Figure 11.6



Source: ABS Catalogue No. 5242.0

## Non-Residential Building and Engineering Construction Outlook

Non-residential building and engineering construction in the Territory will continue to grow strongly over 1996/97, with a large number of major capital-intensive projects expected to commence. A significant number of mining projects are about to start or

have already started the construction of capital equipment needed to facilitate mining, including operations at Brocks Creek, Tanami Mine Joint Venture, and Mt. Todd Stage II. Construction of Stage I of the new Darwin Port at East Arm (estimated at \$70 million) will continue into 1996/97, providing further flow-on benefits for the construction sector. The Territory's strong population growth is likely to result in a high level of social infrastructure spending by the public sector, particularly in growth areas such as Palmerston where new roads, electricity distribution, schools and other facilities will be required.

Strong growth in the Territory economy is also likely to support a significant amount of non-residential construction by the private sector, especially in the main growth areas of business activity, retail trade and tourism. In the medium to long term, major projects that (if realised) will contribute considerably to non-residential and engineering construction in the Territory include the proposed Space Base at Gunn Point, and the extension of the rail line from Alice Springs to Darwin.

# Manufacturing

The manufacturing industry includes those activities which transform materials or components into new products via a value-adding process. In the Territory the industry accounts for a relatively small proportion of the economy (see Table 12.1), while employing approximately 3.4% of all wage and salary earners. The development of the Territory's manufacturing base has traditionally been in response to the opportunities presented by the mining and construction industries, with food processing an increasingly important component.

Manufacturing industry activity in the Territory is dominated by the fabricated metals sector, which includes the secondary processing of minerals, and the tertiary fabrication of metal products used in construction. Figure 12.1 shows that these activities provide the majority of manufacturing employment in the Territory. The sourcing of manufactured components used by the construction industry is gradually changing as more local businesses endeavour to supply a greater range of fabricated products to satisfy demand in the construction industry, reducing the reliance on the interstate import of such products.

The conversion of bauxite to alumina at Gove is the dominant secondary processing activity in the Territory. With a value of \$293 million in 1995, bauxite to alumina processing accounts for just under half of the Territory's total manufacturing output. The food and beverage processing sector is also a significant contributor towards manufacturing output in the Territory, with milk, iced coffee, fruit juice, soft drink, bread, poultry and beef the major food and beverage items processed. These commodities are largely produced for local markets, except for beef, which also accounts for a significant share of the Territory's exports in the form of abattoired and packaged meat (valued at \$9.8 million in 1995).

## Trade Development Zone

The Trade Development Zone (TDZ) is a purpose-built industrial estate, and was established in 1986 as an initiative of the Northern Territory Government to support and promote export oriented manufacturing businesses. The TDZ is strategically located in the fast developing East Arm region of Darwin, close to both the city's CBD area and the new Darwin port. The TDZ offers businesses bonded warehouse facilities (where import duties are rebated on imported inputs to the manufacturing process if the final product is exported), as well as tax concessions and coordinating functions. Currently 24 businesses operate in the TDZ providing employment for 122 people. Enterprises currently established in the TDZ provide a wide range of manufactured products, ranging from precision engineered polyurethane components for mining, to computer software developed for running and maintaining power stations, to the processing and sale of seafood products for South East Asian markets.

## Manufacturing Outlook

Manufacturing in the Territory is expected to record steady growth in 1996/97. The Australian Bureau of Agriculture and Resource Economics has forecast an improvement in alumina prices over 1996 and 1997, which should raise the value of alumina produced in the Territory. Building and engineering construction activity in the Territory is also expected to increase, which will boost the demand for fabricated products. Strong growth in population and consumer demand is expected to consolidate growth in food and beverage processing.

Although manufacturing in the Territory is not as significant as it is in other states of Australia, a number of manufacturing firms have found the Territory to be an ideal base for establishing businesses based on niche markets. In particular, Darwin's close proximity to South East Asian markets presents numerous opportunities for manufacturing businesses. A number of businesses have already identified possible markets in this region; for example Goldchill (a TDZ-based firm) should begin production of a range of beers by mid-1996, for local consumption and export to South East Asian markets.

Table 12.1

Manufacturing	
	% of GDP
South Australia	18.7
Victoria	18.6
Tasmania	15.2
New South Wales	14.7
Queensland	12.1
Western Australia	10.5
<b>Northern Territory</b>	<b>4.7</b>
Australian Capital Territory	2.2
<b>Australia</b>	<b>14.8</b>

Source: ABS Cat No: 5220.0, 1993/94

Figure 12.1



Source: ABS Cat. No. 8201.0, 1993/94

Manufacturing activity in the Territory will increase and diversify in the future as both the local market grows and new markets open up overseas. Developing the concept of Darwin as the gateway to Asia and the Territory Government's commitment to facilitating export infrastructure (including the Darwin to Alice Springs railway), will reinforce this growth.

# Wholesale and Retail Trade

Table 13.1

Wholesale and retail trade accounts for a significant proportion of economic activity (see Table 13.1) while employing about 19.6% of all wage and salary earners.

## Retail Turnover

Growth in retail turnover in the Territory has been exceptionally strong, increasing by 15.5% (to \$1.4 billion) in the twelve months to February 1996, faster than in any other state or territory. All categories recorded firm growth, with Food (up 15.1%) and Clothing and Soft Goods (up 48.0%) the main contributors to growth. For Australia, retail turnover increased by 8.4% (to \$118.7 billion) with growth recorded in all categories. Those contributing most to national growth were Food (up 11.1%) and Hospitality and services (up 9.4%).

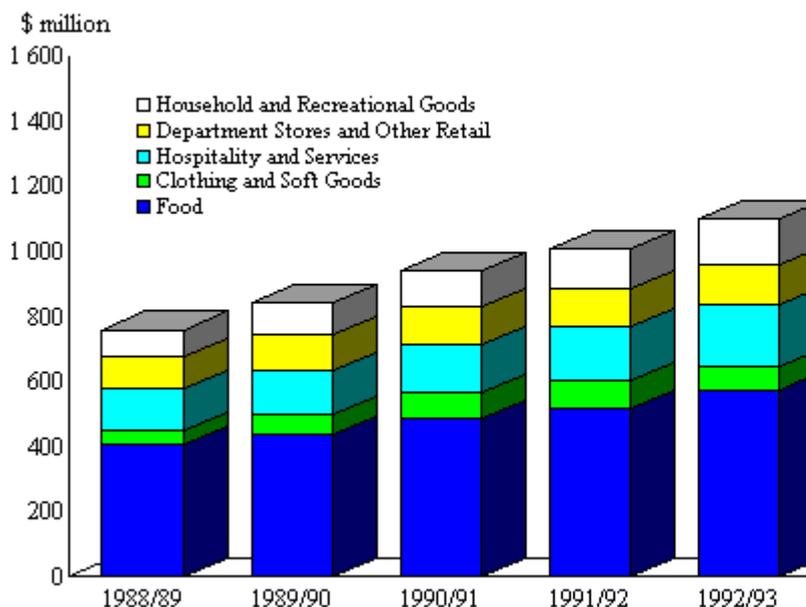
## Wholesale and Retail Trade

	% of GDP
Tasmania	15.5
New South Wales	14.9
Queensland	14.8
Victoria	13.9
Western Australia	13.7
South Australia	13.5
<b>Northern Territory</b>	<b>12.0</b>
Australian Capital Territory	9.1
<b>Australia</b>	<b>14.2</b>

Source: ABS Cat. No. 5220.0, 1993/94

Figure 13.1

## Wholesale and Retail Trade



Source: ABS Cat. No. 8501.0

The overall strength in retail trade reflects high levels of consumer confidence, population growth and economic activity in the Territory. Retail vacancy rates for the Territory are low (4.9% for all shops). The Territory's largest shopping complex, Casuarina Shopping Square, recently achieved the highest national sales turnover per square metre of floor space for 1995. The retail industry is responding to increased demand with a number of new shopping centres in the process of planning or development. A shopping complex extension and a new development currently under construction in Palmerston will include an expanded Coles grocery store, Woolworths grocery store, Target department store and approximately 50 specialty shops.

## New Motor Vehicle Registrations

The number of new motor vehicle registrations in the Territory increased by 17.8% in the twelve months to February 1996, the fourth consecutive year of double digit growth. The high level of growth in new motor vehicle registrations (a leading indicator of economic activity) underlines the strength of consumer confidence in the Territory. Nationally an increase of 3.4% was recorded over the same period, while Territory growth was stronger than in any other state or territory.

In the Territory, registrations of motor vehicles by the public sector account for a large proportion of total registrations (at an average of 18.4% over 1994 and 1995). Rental car companies also have a substantial influence on total registrations (accounting for approximately 7.2% of total registrations over 1994 and 1995), particularly at the start of the 'Dry Season' as stocks of vehicles are built up in anticipation of increased levels of tourist activity between May and September.

## Final Consumption Expenditure

Final consumption expenditure measures current expenditure by both households and producers of private non-profit services to households (such as charities, clubs and private schools). It includes expenditure on consumer durables such as cars, furniture and appliances; expenditure on consumer semi-durables such as clothing and utensils; expenditure on single-use goods such as food, cigarettes and alcoholic drinks; and expenditure on services such as medical care, recreation, public transport and education. Final consumption expenditure therefore provides a broad measure of goods and services sold and provides an indicator of government and consumer demand.

In 1995/96, total final consumption expenditure in the Territory accounted for approximately 76% of the Territory's GSP, similar to the national economy where total consumption expenditure contributes about 78% of GDP. In the Territory, public final consumption represents approximately 27% of GSP compared to 17% for the national economy.

For 1995/96, real final consumption expenditure in the Territory is estimated to have increased at a faster rate than nationally. The high growth in final consumption expenditure in the Territory correlates to a strong labour market, rising population growth (including defence force personnel and family movements into the Territory) and increased tourism activity, supported by high levels of consumer confidence.

Compared to the national economy, Territory consumers and businesses spend relatively more on food, tobacco and alcohol, and relatively less on rent, clothing and health services. This is indicative of the higher cost of freighting most lines of food products into the Territory, and the higher Territory Government taxes levied on tobacco and alcohol, compared to other jurisdictions, while climatic factors reduce clothing and health expenditure.

## Personal Finance

Personal finance commitments are defined as secured and unsecured credit facilities (including credit cards) provided to individuals to purchase goods and services including new or used motor vehicles, residential blocks of land, household goods and holidays. During 1995, new personal finance commitments rose 15.3% in the Territory, compared to an increase of 13.3% nationally. This is the third year in a row that Territory personal finance levels have increased by 15% or more.

For the Territory, the categories which contributed the most to growth included new motor vehicles (up 6.4%); used vehicles (up 29.9%); household and personal goods (up 11.7%); and refinancing (up 17.6%), and reflect the strong growth in demand for motor vehicles and household and personal goods.

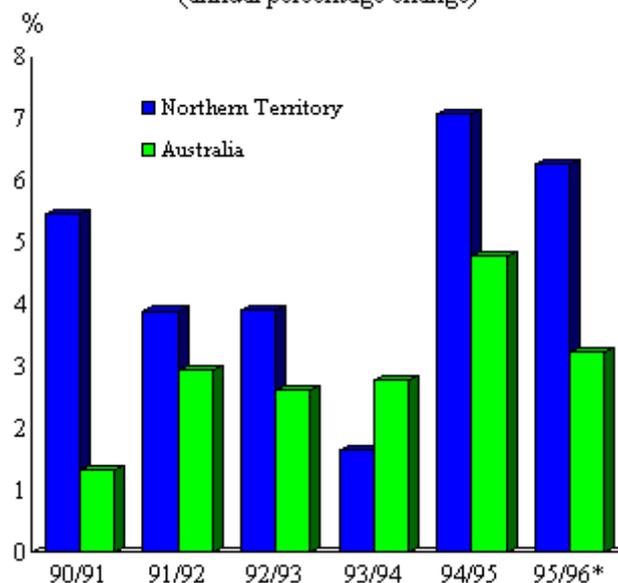
Increasing competition amongst credit providers has seen a number of new financial products emerge in the market place, such as store credit cards and credit facilities provided by car manufacturers. Other developments include aggressive marketing campaigns aimed at inducing consumer loyalty (such as reward schemes for credit cards). The highly competitive market of personal finance has provided consumers with a greater degree of flexibility and promoted growth in wholesale and retail trade.

## Outlook

Territory wholesale and retail trade is expected to record steady growth in 1996/97, although at slightly lower rates than for 1995/96. Continuing high levels of consumer confidence, greater flexibility in obtaining credit, and strong economic and population growth all point to healthy growth in wholesale and retail trade and the continuing development of expanded retail facilities. New motor vehicle registrations are also expected to increase in 1996/97, as population growth and increased tourism activity continue to sustain the recent high level of demand for new vehicles.

Consumption expenditure by the public sector in 1996/97 is expected to be less than it was for 1995/96, with a moderate rise in Territory Government consumption expenditure offset by a slowdown in Commonwealth Government consumption expenditure in the Territory. Private sector consumption expenditure in the Territory in 1996/97 is expected to increase substantially, as the Territory economy continues to grow strongly, supported by high population growth.

**Figure 13.2**  
**Real Final Consumption Expenditure**  
(annual percentage change)



Source: ABS Cat. No. 5242.0

\* NT Treasury estimate

# Transport and Communications

Due to the dispersed nature of the Territory's population and the vast distances between Territory population centres and the rest of Australia, it is essential that efficient transport and communication links are maintained throughout the Territory. As a share of Gross State Product communications, transport and storage accounts for 7.3%, slightly lower than the national average.

## Transport

Darwin has one of Australia's largest natural harbours and in 1994/95 work began on the new East Arm port. Stage One of that development is due to be completed in December 1997 and will more than double Darwin's present port capacity. The new port will serve as both a general cargo and bulk liquids berth and will also complement the existing container terminal at Fort Hill wharf adjacent to Darwin's central business district.

A decline in the volume of imports (down 7.7%) and strong growth in the volume of exports saw the volume of total trade shipped through the Port of Darwin (excluding private berths) increase 2.1% in 1995. Driven by strong demand for Territory live cattle in the Philippines and Indonesia and mineral exports in South Korea, exports grew 38.8% over the year. Live cattle exports through the Port of Darwin and private berths totalled just over 295 000 head in 1995, an increase of 73% on the previous year.

Shipping routes between Darwin and destinations in BIMP-EAGA have been established primarily upon the live cattle export trade and are continually expanding. Australia's most extensive direct shipping service to Indonesia is based in Darwin with the city also having shipping links to Singapore, Papua New Guinea, Malaysia, Brunei and the Philippines. Figure 14.1 shows that the overwhelming majority of international freight movements through the Port of Darwin (excluding private berths) are to and from Asia and in particular members of ASEAN. In total ASEAN accounted for 64 per cent of freight movements, while Asia as a whole accounted for just under 90 per cent.

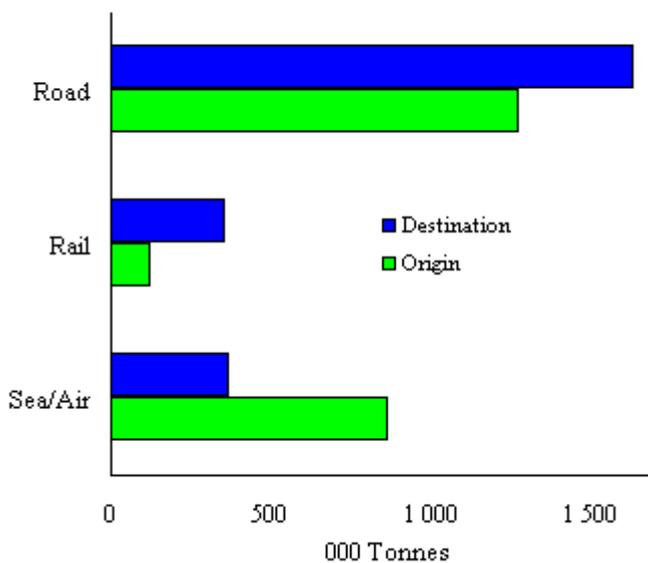
Growth in tourism underpinned a 20 per cent increase in international passenger movements through Darwin airport in 1994/95, although growth is still from a relatively low base. Nevertheless, Darwin's rapid expansion is similar to the tourism explosion experienced by Cairns in the early 80's, with Darwin having the advantage of a larger business and population base to facilitate growth. In addition to having the fastest growing international traffic of all Federal Airports Corporation airports, Darwin airport also had the fastest growing domestic passenger traffic, again fuelled by the growing tourism industry.

Table 14.1

Transport, Storage and Communications	
	% of GDP
Queensland	8.7
New South Wales	8.4
South Australia	7.8
Victoria	7.6
<b>Northern Territory</b>	<b>7.3</b>
Western Australia	7.1
Tasmania	6.7
Australian Capital Territory	5.2
<b>Australia</b>	<b>7.9</b>

Source: ABS Cat No: 5220.0, 1993/94

Figure 14.2  
Interstate Freight Movements  
1994/95



Source: ABS Cat. No. 9217.0

Most of the domestic market is currently serviced by Ansett and Qantas, which provide 151 and 134 weekly services to the Territory. The international market is served by seven carriers Qantas, Ansett, Royal Brunei, Garuda Indonesia, Merpati Nusantara, Singapore Airlines and Malaysia Airlines, with 24 international services per week.

To cope with increased demand, Qantas has recently increased its domestic and international services to the Territory. This provided more flights between Darwin, Nhulunbuy and Cairns from 1 May, added an extra non-stop flight from Darwin to Sydney, another non-stop service from Darwin to Adelaide; and an extra Cairns to Alice Springs flight. From September this year Qantas will offer connections to Yulara and Perth on its Darwin to Alice Springs flights. A new service from Darwin to Bombay via Singapore will commence in July 1996.

Ansett Australia has also increased its flights to Darwin, introducing a non-stop daily flight from Darwin to Perth in June. The new three and a half hour flight will dramatically reduce flying time for passengers.

International air freight through Darwin Airport increased 11.8% in 1994/95 following a strong rise in outbound freight, inbound freight movements declined slightly from the previous year. Estimates of freight movements within Australia for 1994/95 show that more than 4.6 million tonnes of freight moved in and out of the Territory, via road, rail, air and sea. Figure 14.2 shows a breakdown of freight movements inbound and outbound by transport type. Over the year the volume of freight destined for the Territory exceeded the amount leaving the Territory for other states by just under 100 thousand tonnes.

## Outlook

By the end of 1997 the new East Arm port will be in operation and providing the focus of an efficient and cost effective alternative to existing shipping services between Australia's southern cities and Asia. Goods bound for Australian markets can land in Darwin and be sent interstate by road to the Alice Springs railhead within 24 hours, and to anywhere in Australia in 72 hours. Eventually the Adelaide to Darwin rail link will make this an even more attractive proposition. Similar services will be available for export freight.

The new port is strategically located to complement Darwin's Trade Development Zone, live cattle export yards, local secondary industry, off shore oil industry tendering and resupply bases and the industrial suburb of Berrimah. Stage Two of the new port development, commencement of which is dependent on the Alice Springs to Darwin rail link, will cost in excess of \$100 million, and will focus on the construction of an automated high-capacity container facility.

In 1995, the Territory Government signed a Memorandum of Understanding with the South Australian Government aimed at encouraging the State's industrial base to use Darwin as an entry point to Asia. The agreement sets in place a north/south trade corridor which will become even more significant when the Darwin to Adelaide rail link is completed.

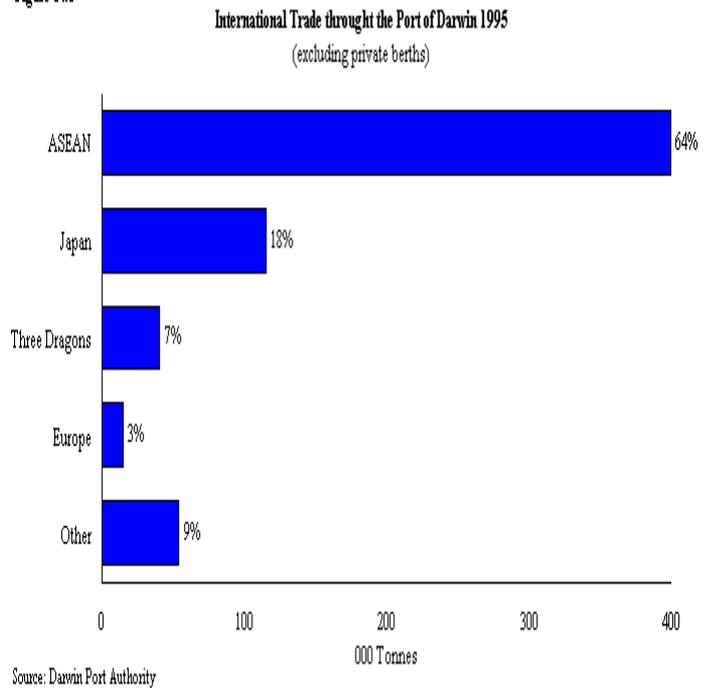
In time East Arm will develop into a regionally significant container port, attracting cargo through northern Australia for trans-shipment by road and/or rail to Australian markets. It will provide Australia with a direct link to the maritime network in one of the world's fastest growing regions. The Territory Government in anticipation of Darwin's potential has already signed Memoranda of Understanding with BIMF-EAGA members, which represent some of Asia's fastest growing economies.

Other more ambitious projects are also under investigation in the Territory, for example, a feasibility and environmental impact study is being conducted to establish the practicality of a space base on the Gunn Point peninsula, about 35 kilometres from Darwin. Gunn Point is the preferred Australian site for a Russian-based consortium which is acting in tandem with Space Transportation Systems to develop a geostationary and low earth orbit launch site.

## Communication

To serve a small population dispersed over a large landmass the Northern Territory has one of the world's most advanced communication networks. This network is primarily comprised of Telstra and Optus networks, with the Northern Territory Government operating a significant private network.

Figure 14.1



Competition between Australia's two leading telecommunication providers Telstra and Optus has in recent years, seen a number of benefits accrue to customers including;

- reduced costs for mobile and long distance services;
- improved quality and range of telecommunications services;
- increased efficiency in the delivery of services; and
- provision of services to remote areas of Australia.

As is the case nationally, Telstra remains the only carrier for local calls in the Territory. However, all telecommunications services will eventually be open to competition.

Since competition on long distance calls commenced in 1992 there has been a reduction in the cost of long distance services of around 20 per cent, with both carriers offering heavily discounted calls in specific time slots.

Telstra and Optus are continuing to expand their mobile coverage in the Northern Territory. Telstra's mobile service coverage incorporates Darwin, Palmerston, Howard Springs, Noonamah, Katherine, Alice Springs and Yulara. Optus have spent \$4 million in establishing its digital mobile service in the Territory, the present coverage incorporates Darwin and Katherine. Vodafone is the third digital mobile service provider in Australia, at this stage its coverage is limited to the Darwin area only.

The launch of Optus' MobileSat service in 1995 was a world first. With coverage across the whole of the Australian land mass and 200 kilometres out to sea, MobileSat enables truly mobile communications in even the remotest areas of Australia. MobileSat and Telstra's Satcom-M can provide a full range of voice, fax and data transmission services ideal for emergency services, transport, mining and exploration companies, rural homesteads, ships and a host of other customers who rely on mobile communications.

Telstra estimates that it spent \$54.2 million on major capital projects in the Territory during 1995/96. For the year to March 1996 Telstra connections in the Territory had increased 5.9% to 76 397. Private and small business connections showed the strongest growth and combined accounted for close to 90 per cent of growth in total connections.

All Territory population centres have access to a range of local and national radio and television stations. Darwin residents can receive broadcasts from three free to air television stations, the ABC, SBS and Channel 8.

Katherine, Alice Springs, and Nhulunbuy all receive television broadcasts from the ABC, SBS and Impaja, with the latter two also able to access broadcasts from Queensland Star Television. In addition, the majority of the Territory can receive international satellite television services. Darwin is also the base for Australian Television International broadcasts into South East Asia with the news service prepared in ABC's Darwin studios.

The ABC currently makes use of Optus satellites for satellite broadcasting of AM and FM radio and television services to transmitter sites throughout the Territory including remote homesteads. This service is delivered as part of the ABC's Homestead and Community Broadcasting Satellite Service which represents the most extensive broadcast network in Australia.

Cable television is scheduled to arrive in Darwin in 1996/97. CETV has been granted a license by the Australian Broadcasting Authority to commence a service in Darwin. This agreement will allow pay-TV to come on-line over the next 12 months. CETV will initially provide 12-15 channels featuring 24-hour sport, news, music, movies, documentaries, children's shows and comedy programs. Construction of the main transmission site is about to commence at Marrara, with Northlakes, Anula and Moil residents likely to be the first to be able to access the service.

The Territory is also served by a range of internet service providers with three of Australia's leading private providers, Ozemail, Ausnet and Access One, present locally, allowing local call or ISDN access. In addition, the Northern Territory University and the Northern Territory Government operate significant networks.

## Communications Outlook

Darwin is undergoing a boom in telephone demand particularly in Palmerston which is the fastest growing municipality in Australia. Both Telstra and Optus have invested heavily in the Territory and this trend is set to continue in the future as both carriers expand services and coverage.

Mobile telephone coverage in the Territory will expand in the short-term with Telstra planning to broaden its coverage in the Darwin and Alice Springs regions and RAAF Base Tindal. Tennant Creek and Nhulunbuy will also have digital coverage by the end of the year. Optus have announced plans to incorporate Alice Springs in its digital mobile service.

Telephone services to remote areas of the Territory will improve further as Telstra expands its traditional HF radio system with fully automatic connection between the mobile customer and the Public Switched Telephone Network.

Applications for a second commercial free-to-air television license for Darwin close on 19 July 1996. To date there has been strong interest with five bidders currently pursuing the licence - Meridian Media, Impaja, independent Port Pirie station GKN, Channel 10 Townsville and Channel 8.

The Optus Vision syndicate plans to provide a pay television service in the Territory, via satellite, by mid 1997. This will be in addition to the cable service that CETV will have in operation.

# Public Sector

The public sector plays a significant role in the Northern Territory economy. In 1995, 34.9 per cent of Territory Final Demand was attributed to government expenditure (see Table 15.1), reflecting the need to provide state-like services to a small and dispersed population. The Territory's stage of development and small population base limit the ability of the government to take advantage of any economies of scale. The relocation of defence force personnel to the Territory in recent years has seen Commonwealth expenditure in the Territory rise, leading to increasing levels of overall government expenditure after a period of decline.

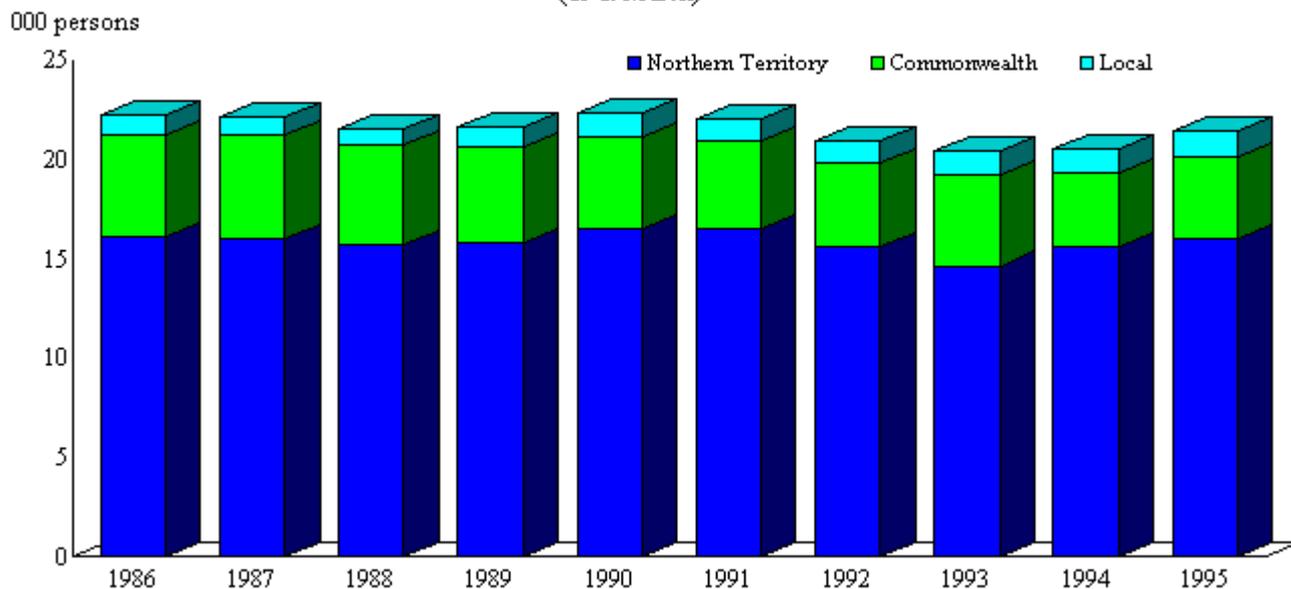
While the public sector accounted for just over one third of final demand in 1995, this is down considerably from 1985 when 38.8% was attributed to the public sector. The 3.9 percentage point reduction between 1985 and 1995 is the largest drop in public sector contribution to final demand of any jurisdiction and more than double the decline nationally, highlighting the structural change that has been occurring in the Territory economy over the period.

This trend has moderated in recent years with the transfer of defence force personnel to the Territory. There are currently around 3 000 permanent defence force personnel stationed in the Northern Territory with a further 1 600 expected to be relocated to the Territory by 2001.

There has been a slight rise in the number of public sector employed wage and salary earners in the Territory over recent years (see Figure 15.1). The increase has occurred mainly in Commonwealth departments located in the Territory. Australian Bureau of Statistics estimates of public sector employed wage and salary earners (excluding defence personnel) for March 1995 show that the public sector accounted for 21 400 of all employed wage and salary earners in the Territory. This comprised 16 000 Territory public servants, 4 100 Commonwealth public servants and 1 300 local government employees.

**Figure 15.1**

**Public Sector Employment**  
(as at March)



Source: ABS Cat. No. 6248.0

Government outlays in the Northern Territory (see Figure 15.2), underpinned in the past by major capital works projects such as the new Parliament House and more recently the new port, have been rising gradually in real terms. However, as part of the Northern Territory Government's fiscal strategy, current expenditure per capita will not increase in real terms, while fixed capital

**Table 15.1**

**Public Expenditure as a Porportion of Final Demand**

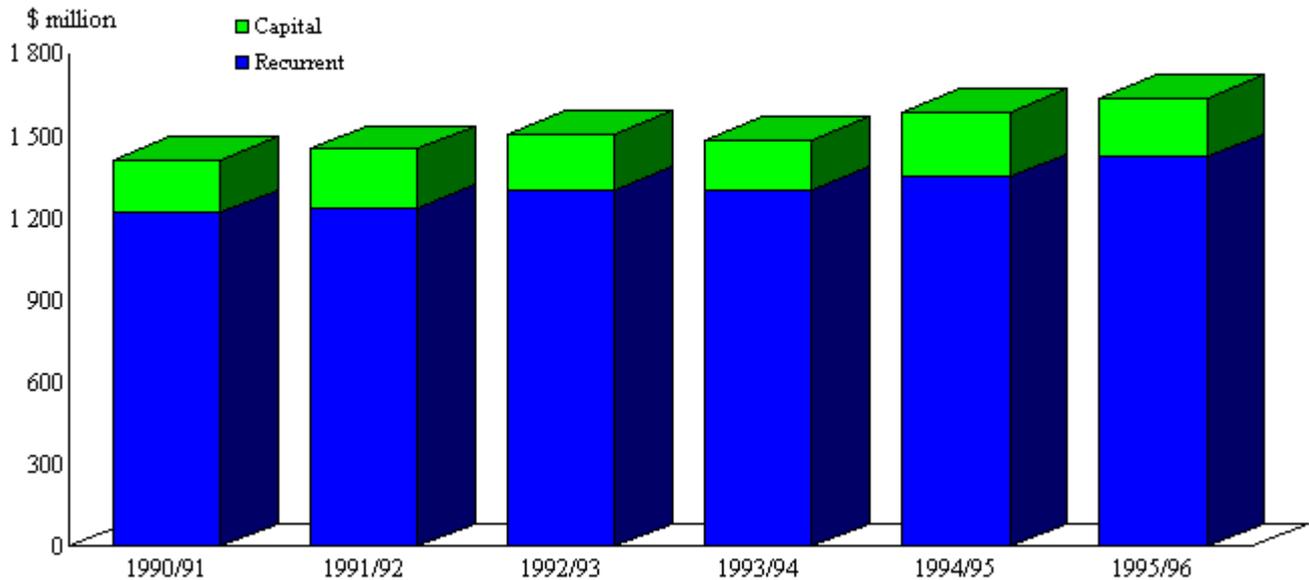
	% of GDP
Australian Capital Territory	52.9
<b>Northern Territory</b>	<b>34.9</b>
Tasmania	26.8
South Australia	23.2
Queensland	21.4
New South Wales	20.4
Victoria	20.0
Western Australia	19.6
<b>Australia</b>	<b>21.8</b>

Source: ABS Cat. No. 5220.0, 1993/94

expenditure will be maintained at levels sufficient to meet the Territory's economic and social development needs.

**Figure 15.2**

### Real Public Expenditure



Source: ABS Cat. No. 5501.0

In line with the Territory's commitment to the National Competition Policy agreed to by the Council of Australian Governments in April 1995, the Government has implemented several micro-economic reform initiatives. The most significant of these reforms is the implementation of a process of commercialisation for those activities classified as Government Business Divisions (GBDs). The GBD classification was established as part of the new *Financial Management Act 1995* and incorporates those Government activities which recoup a significant proportion of their operating costs through charges on users. It includes those activities which sell goods and services to the public (such as the Power and Water Authority), as well as activities which sell their services only to other Government agencies.

The commercialisation process seeks to improve the efficiency of GBDs by introducing operating structures and procedures which encourage them to operate with a strong commercial focus. As part of this process, commercialisation aims to create a "level playing field" for GBDs when compared to real or potential private sector competitors. This not only enables comparison with the private sector, but also potentially allows for greater competition for government inputs.

## Public Sector Outlook

The new Commonwealth Government has promised to return to a balanced budget by 1997/98. In order to meet this target it plans to implement budget savings of \$8 billion over the next two years. A key part of this initiative is the elimination of duplication between the Federal and State Governments. This will undoubtedly have some impact on Commonwealth employment and expenditure in the Territory, but the Government's commitment to continue the process of moving defence personnel to the Territory should help to offset the effects of budgetary cut-backs in other areas.

# Statistical Appendix

## Appendix A: Population ('000 persons as at December)

	1991	1992	1993	1994	1995
Northern Territory	166.4	168.6	170.5	172.1	176.7
<i>Percentage Change</i>	1.6	1.3	1.1	0.9	2.7
Australia	17 384.5	17 573.2	17 744.9	17 931.8	18 174.0
<i>Percentage Change</i>	1.9	1.1	1.0	1.1	1.4

Source: ABS Cat. No. 3101.0

## Appendix B: Labour Market (annual average)

	1991	1992	1993	1994	1995
<b>Employed ('000)</b>					
Northern Territory	76.9	78.8	76.1	76.5	81.1
Australia	7675.6	7636.9	7679.6	7920.7	8234.9
<b>Unemployed ('000)</b>					
Northern Territory	7.8	6.8	6.4	6.2	6.4
Australia	814.5	925.1	939.2	855.5	766.3
<b>Labour Force ('000)</b>					
Northern Territory	84.7	85.6	82.5	82.7	87.5
Australia	8490.1	8562.1	8618.8	8776.2	9001.2
<b>Unemployment Rate (%)</b>					
Northern Territory	9.3	7.9	7.8	7.5	7.3
Australia	9.6	10.8	10.9	9.7	8.5
<b>Participation Rate (%)</b>					
Northern Territory	72.0	72.1	69.2	68.5	71.1
Australia	63.2	62.9	62.6	63.0	63.7

Source: ABS Cat. No. 6202.0

## Appendix C: Consumer Price Inflation (December on December % Change)

	1991	1992	1993	1994	1995
Darwin	1.7	0.9	2.3	1.8	4.8
8 Capital Cities	1.5	0.3	1.9	2.5	5.1

Source: ABS Cat. No. 6401.0

**Appendix D: Average Weekly Earnings**  
(\$ per week annual average)

Full-time adult earnings	1991	1992	1993	1994	1995
Northern Territory	624.18	663.35	678.08	688.05	708.48
<i>Percentage Change</i>	5.1	6.3	2.2	1.5	3.0
Australia	599.25	618.73	634.88	659.40	690.48
<i>Percentage Change</i>	-4.0	3.2	2.6	3.9	4.7

Source: ABS Cat. No. 6302.0

**Appendix E: Northern Territory Mining Production**

<b>Metals/Minerals</b>	1994		1995	
	Quantity	Value (\$m)	Quantity	Value (\$m)
Bauxite (tonnes)	6 013 547	140.7	5 749 537	139.7
Copper Concentrate (tonnes)	4 805	3.2	23 629	22.9
Gold (grams)	16 923 453	298.2	16 270 994	290.8
Lead Concentrate (tonnes)	17 427	2.4	19 218	5.1
Manganese (tonnes)	1 699 825	182.2	1 794 723	186.1
Silver (grams)	4 480 492	1.0	12 506 380	2.7
Uranium Oxide (tonnes)	1 457	69.9	768	27.1
Zinc Concentrate (tonnes)	49 585	17.7	60 951	34.2
Bulk Concentrate	-	-	65 525	23.5
<b>Hydrocarbons</b>				
Crude Oil (kilolitres)	2 275 574	318.0	1 647 480	244.6
Natural Gas (kilolitres)	348 933 751	23.2	395 831 244	26.6

Source: Dept. of Mines and Energy

**Appendix F: Rural Industries and Fisheries Production**

	1991	1992	1993	1994	1995
<b>Cattle</b>					
Live Overseas Exports (head)	53 021	81 353	79 239	119 592	143 321
<i>Percentage Change</i>	47.1	53.4	-2.6	50.9	19.8
<b>Value (\$m)</b>					
Cattle	87.8	118.0	99.9	155.6	121.6
<i>Percentage Change</i>	-21.9	34.4	-15.3	55.8	-21.9
Fisheries	34.5	85.7	101.2	108.1	111.7
<i>Percentage Change</i>	20.5	148.8	18.0	6.8	3.3
Horticultural	20.9	29.0	31.1	39.3	44.3
<i>Percentage Change</i>	4.4	38.7	7.5	26.2	12.7

Source: Dept. of Primary Industry and Fisheries

**Appendix G: Residential Building Approvals**

(annual total)

	1991	1992	1993	1994	1995
<b>Number</b>					
Northern Territory	1 129	1 471	1 568	1 746	1 502
<i>Percentage Change</i>	23.0	30.3	6.6	11.4	-14.0
Australia	134 814	162 485	176 761	188 252	135 741
<i>Percentage Change</i>	2.7	20.5	8.8	6.5	-27.9
<b>Value (\$m)</b>					
Northern Territory	96	129	140	222	166
<i>Percentage Change</i>	17.1	34.8	7.8	59.0	-25.2
Australia	10 954	13 029	14 836	16 815	12 943
<i>Percentage Change</i>	2.8	18.9	13.9	13.3	-23.0

Source: ABS Cat. No. 8731.0

**Appendix H: Non-Residential Building Approvals**

(annual total)

	1991	1992	1993	1994	1995
<b>Value (\$m)</b>					
Northern Territory	176	78	115	134	223
<i>Percentage Change</i>	12.8	-55.9	47.8	16.7	66.7
Australia	7 978	7 176	8 352	8 565	10 889
<i>Percentage Change</i>	-30.0	-10.1	16.4	2.6	27.1

Source: ABS Cat. No. 8731.0

**Appendix I: Housing Finance Commitments**

(annual total)

	1991	1992	1993	1994	1995
<b>Number</b>					
Northern Territory	2 187	3 244	4 072	4 187	4 394
<i>Percentage Change</i>	14.1	48.3	25.5	2.8	4.9
Australia	332 526	417 621	491 972	532 276	431 492
<i>Percentage Change</i>	15.3	25.6	17.8	8.2	-18.9
<b>Value (\$m)</b>					
Northern Territory	134	233	332	369	434
<i>Percentage Change</i>	25.2	73.9	42.3	11.3	17.6
Australia	24 349	32 830	41 507	48 017	41 432
<i>Percentage Change</i>	23.5	34.8	26.4	15.7	-13.7

Source: ABS Cat. No. 5609.0

**Appendix J: Retail Turnover**  
(\$ million, annual total)

	1991	1992	1993	1994	1995
Northern Territory	952	1 040	1 108	1 177	1 366
<i>Percentage Change</i>	5.8	9.2	6.5	6.2	16.1
Australia	90 878	95 269	99 985	108 259	116 716
<i>Percentage Change</i>	3.1	4.8	5.0	8.3	7.8

Source: ABS Cat. No. 8501.0

**Appendix K: New Motor Vehicle Registrations**  
(annual total)

	1991	1992	1993	1994	1995
Northern Territory	4 583	5 367	5 946	6 516	7 952
<i>Percentage Change</i>	-16.8	17.1	10.8	9.6	22.0
Australia	498 158	543 179	547 767	608 370	633 483
<i>Percentage Change</i>	-18.9	9.0	0.8	11.1	4.1

Source: ABS Cat. No. 9301.0