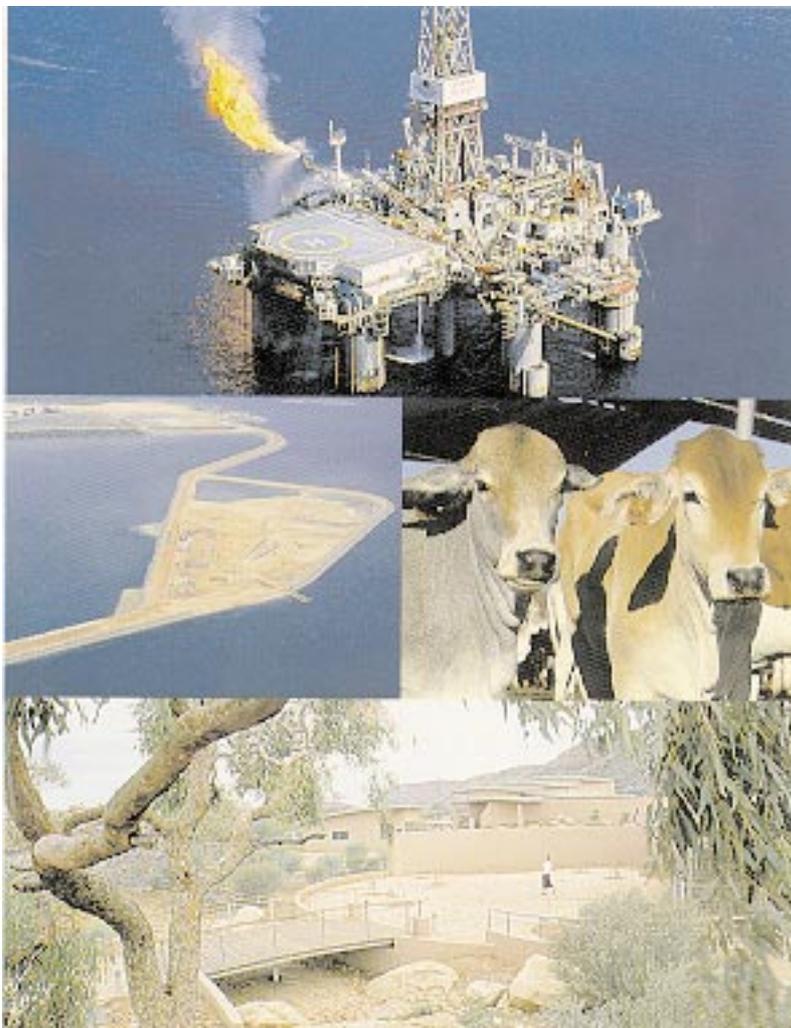


NORTHERN TERRITORY ECONOMY



April 1997

This document has been prepared by the Northern Territory Treasury
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Further information is available at <http://www.nt.gov.au/ntt/>

Cover Photos

Top: Laminaria East well in the Timor Sea

Middle Left: East Arm Port under construction

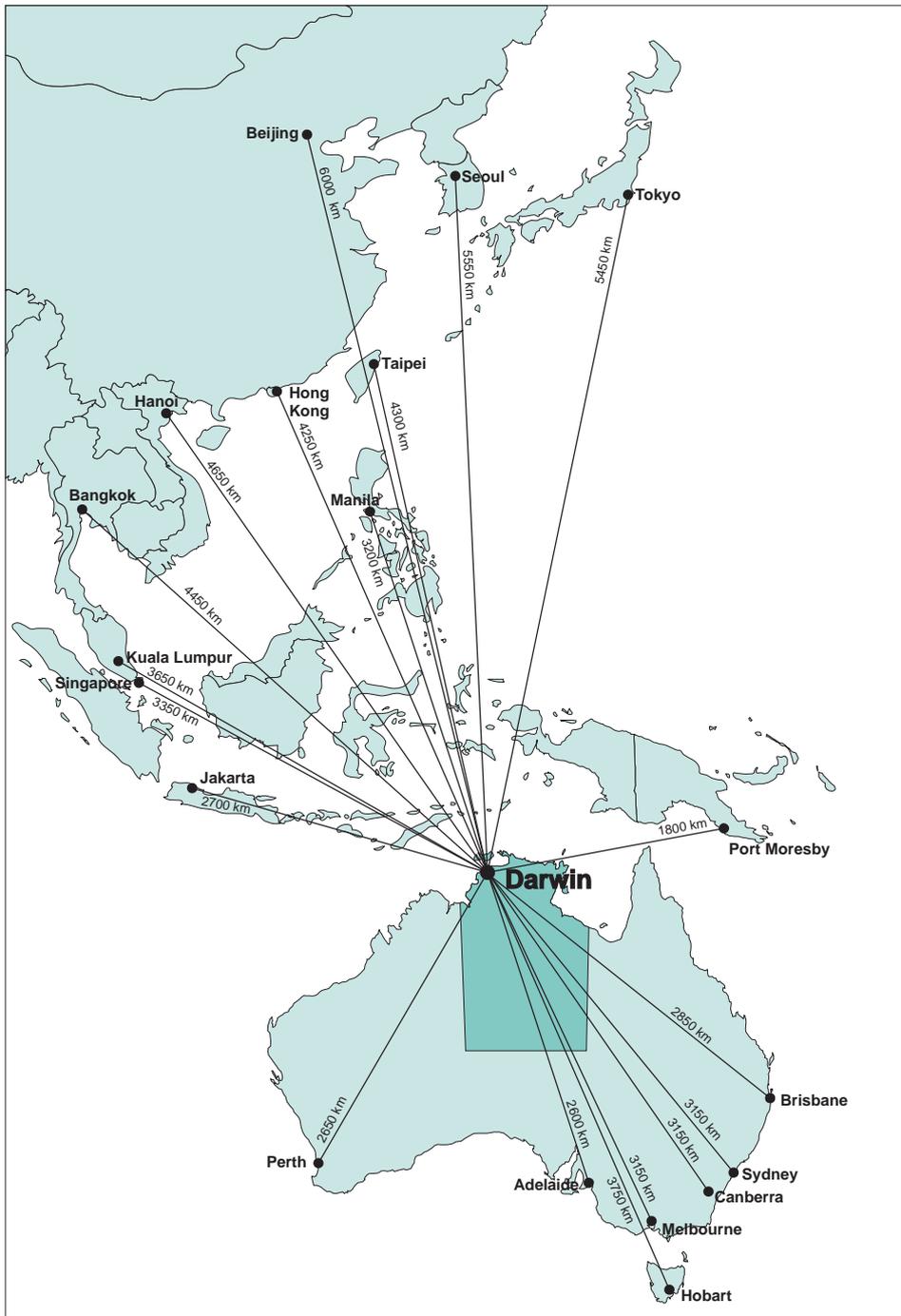
Middle Right: Brahman cross cattle

Bottom: Alice Springs Desert Park

ISBN 0 7245 1611 5

**NORTHERN TERRITORY
ECONOMY
1997**

**TABLED AS BUDGET PAPER No.6
BY THE HON. MICHEAL REED, MLA
TREASURER
OF THE
NORTHERN TERRITORY OF AUSTRALIA
IN APRIL 1997**



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List of Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ABC	Australian Broadcasting Corporation
ABS	Australian Bureau of Statistics
APEC	Asia Pacific Economic Cooperation
APIN	Army Presence in the North
ASEAN	Association of South East Asian Nations
AWE	Average Weekly Earnings
B	billion
BIMP-EAGA	Brunei, Indonesia, Malaysia and the Philippines - East ASEAN Growth Area
CBD	Central Business District
CDEP	Community Development Employment Projects
CPI	Consumer Price Index
DHA	Defence Housing Authority
DME	Department of Mines and Energy
DPIF	Department of Primary Industry and Fisheries
GBD	Government Business Division
GDP	Gross Domestic Product
GOS	Gross Operating Surplus
GSP	Gross State Product
km	kilometre
LNG	Liquefied Natural Gas
M	million
MOU	Memorandum of Understanding
NTTC	Northern Territory Tourist Commission
NTHA	Northern Territory Horticultural Association
OECD	Organisation for Economic Cooperation and Development
RAAF	Royal Australian Air Force
RBA	Reserve Bank of Australia
SBS	Special Broadcasting Service
TDZ	Trade Development Zone
Three Dragons	South Korea, Hong Kong and Taiwan
WSS	Wages, Salaries and Supplements
ZOC-A	Area A of the Zone of Cooperation

Overview

After two years of very high growth, the Territory economy has entered a period of consolidation. Growth is now at more sustainable levels and can be expected to continue at a healthy rate. Independent forecasts of the Territory economy indicate that average growth of 5% per annum will be achieved over the next few years, a rate considerably higher than the national average.

During 1996, the Territory again recorded the highest rate of population growth of any State or Territory at 2.2%, almost double the national rate. Strong population growth is both a consequence of and a contributor to, healthy economic growth.

The Territory continues to have the lowest rate of unemployment of all States and Territories and at 5.5%, the Territory rate is more than 3 percentage points lower than the national average. The Territory's unemployment rate has been lower than the national average for the past seven years. This is an indication of the ongoing job opportunities available in the Territory, with employment, in a range of industries, growing by 2.5% in the past year.

Territory price and wage rises in 1996 were again moderate. Darwin's inflation rate was 2.1%, slightly higher than the national rate of 1.5%. A major factor in the lower inflation outcome has been the reduction in interest rates, especially housing interest rates. In 1996 Territory average weekly earnings growth was lower than the national average, continuing a recent trend, although Territory earnings are still higher than the national average.

The construction industry experienced another very strong year with substantial activity in all sectors. Residential construction continued at a high level, buoyed by lower interest rates and high population growth. Work done on non-residential building was the highest in the past decade dominated by construction of retail facilities and hotels. Engineering work was also very strong with important areas being land servicing, mining infrastructure and the new port.

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

For the second consecutive year the mining industry recorded an increase in value of production and the latest estimates show that the industry accounts for about one-sixth of Territory GSP, larger than any other industry. Both mineral and energy production were up in 1996-97 with the outlook for both sectors very promising.

New and upgraded gold mines, a new diamond mine and an expansion of the Nabalco alumina processing plant should see strong growth in mineral production and processing over the next few years. Oil production from the Elang/Kakatua field in Area A of the Zone of Cooperation is

expected in late 1997 while oil production from the larger Laminaria/Corallina field is expected in early 1999.

The past year was a year of consolidation for the Territory's rural industries and fisheries. Overall production was down primarily due to a decline in the value of the prawn catch and an unexpected decline in mango production. The burgeoning trade in live cattle to South East Asia continued with another strong increase in exports in 1996 with further growth expected in 1997.

The prospects for horticulture are particularly good with increases anticipated in a range of products, especially mangoes, bananas, nursery and cut flowers. The outlook for aquaculture is also bright and demand remains strong for quality Territory seafood, particularly from Asian markets.

The tourism industry now accounts for a sizeable proportion of Territory GSP and about one in five jobs. Visitors are attracted to the Territory's unique flora, fauna and natural beauty, including many world class national parks.

The steady expansion of the tourism industry continues with increases in the number of visitors, visitor nights, expenditure and visits to national parks. The industry is confident of further growth as evidenced by the construction of 600 new hotel and holiday apartment rooms ready for the 1997 tourist season and a further 380 planned over the next year. The growth in tourism has also been the main factor in the ongoing increase in both domestic and international flights to and from Territory airports.

Further strong growth in the East Asia region, especially the Territory's closest neighbours in South East Asia, is expected over the next few years, continuing a trend evident over the past decade. These countries are among the Territory's most important trading partners and their ongoing transformation into more mature economies is important for the development of the Territory's export industries, particularly live cattle, horticulture, seafood, oil, a range of minerals and, increasingly, service exports including tourism.

An important factor in the development of the Northern Territory as a supplier of goods and services to Asia is the development of an efficient and appropriate system of transport infrastructure. The key components of this are: modern and efficient airports in Darwin and other centres; the new East Arm Port in Darwin; and the Alice Springs to Darwin railway, the completion of which the Territory Government continues to facilitate. These infrastructure developments will also serve to develop and enhance the Territory's and Darwin's role as a transport hub linking Australia with Asia.

Population

The Territory occupies approximately one sixth of Australia's landmass but accounts for only 1% of the national population. It has a population density of 0.1 persons per square km, which is lower than any other State or Territory and well below the national density of 2.4 persons per square km. It is also very low compared to the population density of the ASEAN (Association of South East Asian Nations) countries of 129.2 persons per square km.

Table 1.1

Population (December 1996)		
	Persons 000	Persons /km ²
New South Wales	6 226	7.8
Victoria	4 562	20.1
Queensland	3 389	2.0
Western Australia	1 481	0.6
South Australia	1 779	1.8
Tasmania	473	6.9
Australian Capital Territory	308	130.7
Northern Territory	181	0.1
Australia	18 398	2.4

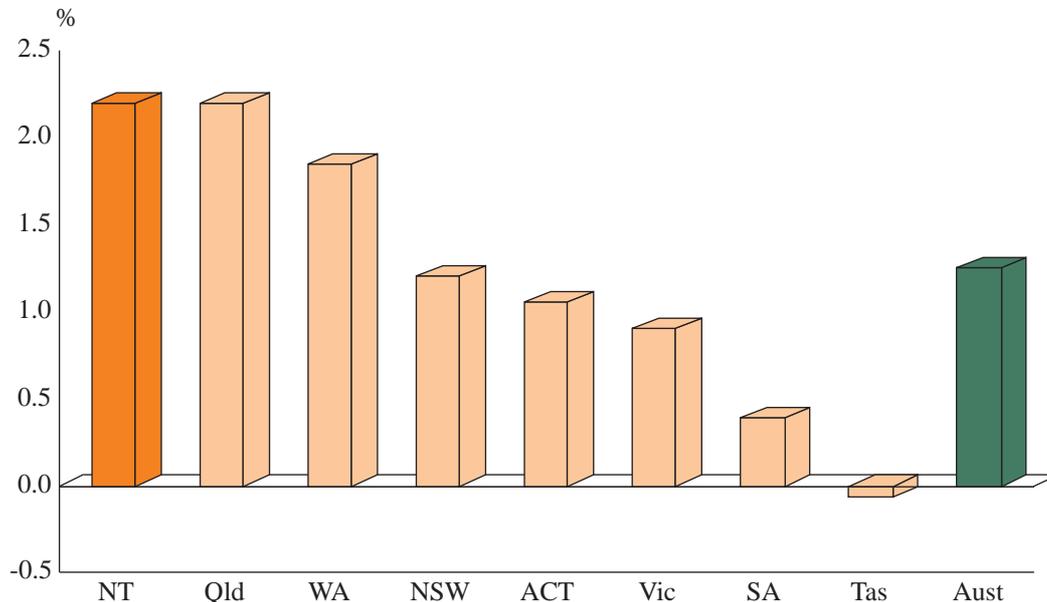
Source: ABS Cat. No. 3101.0

Population Growth

Over the year to 31 December 1996 the Territory population is estimated to have increased by 2.2% to 180 777, compared with the national population increase of 1.2% (to 18 397 700) over

Figure 1.1

State and Territory Population Growth Rates (Year to December 1996)



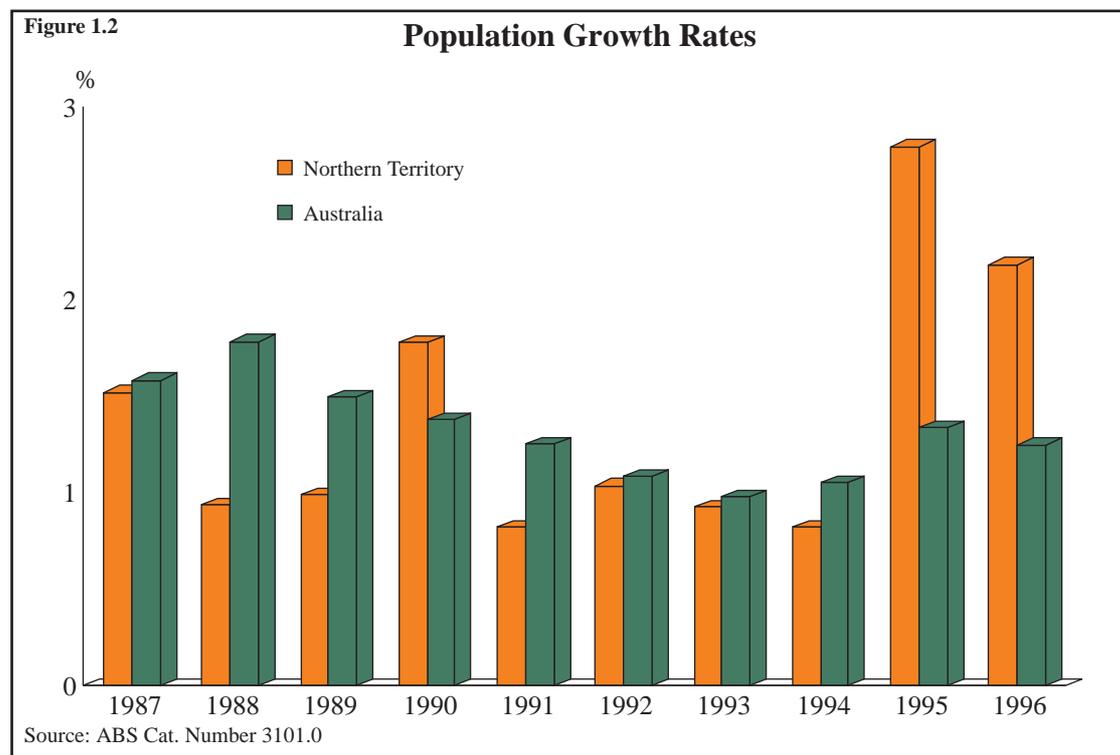
Source: ABS Cat. No. 3101.0

the same period. The Territory's annual population growth rate for 1996 was again the highest of any jurisdiction.

It should be noted that all population estimates contained in this chapter are based on the 1991 Census of Population and Housing, when the 1996 Census results become available, ABS will revise these estimates based on the results of the 1996 Census. It is expected that the Territory's population will be adjusted upward as occurred after the 1991 Census results were released in early 1993. An upward revision in Territory population growth (particularly in 1992, 1993 and 1994) would be consistent with the very strong economic growth in the Territory in the past five years.

Components of Growth

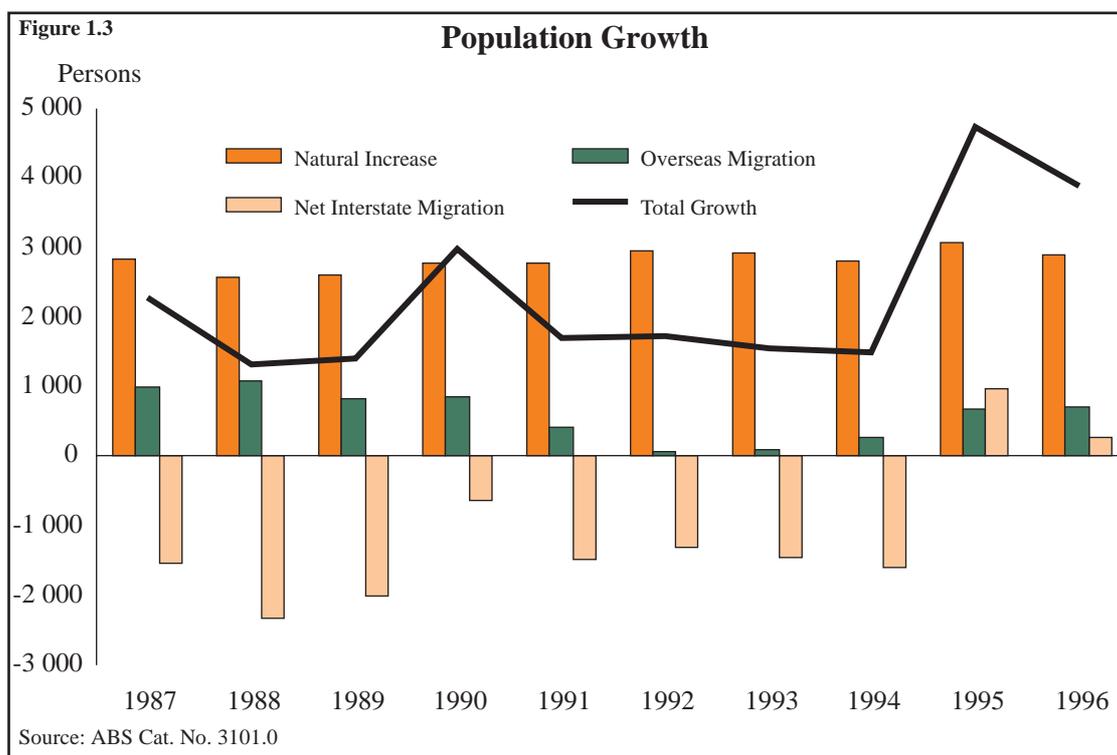
Population growth comprises three independent components, natural increase (births over deaths), net overseas migration (difference between overseas immigration and emigration) and net interstate migration (difference between interstate arrivals and departures). In 1996, natural increase continued to be the major contributor to the overall population increase in the Territory, while net overseas and interstate migration both made significant contributions.



The Territory's younger age profile and large Aboriginal population contribute to a relatively low death rate and a high birth rate, with a consequential high rate of natural increase. In 1996, natural increase in the Territory was 2 903, providing a population growth rate of 1.6%. This natural increase was the highest of any jurisdiction, and more than double the national rate of 0.7%.

Overseas migration to and from the Territory is primarily driven by the Commonwealth's migration policy and the opportunities offered by the Territory relative to other jurisdictions. In 1992, when the Commonwealth Government reduced Australia's migrant intake during the latest recession, net overseas migration gain for the Territory was only 77. In 1995, net overseas migration gain recovered to 685 and this improvement continued in 1996 with a net gain of 721.

Interstate migration is the most volatile component of the Territory's population growth because of its dependence on a variety of economic and social factors and the acknowledged difficulties ABS has in estimating interstate migration for the Territory. In 1996, the Territory is estimated to have gained 269 persons due to net interstate migration, after a large gain of 977 in 1995. During the late 1980's and early 1990's the Territory consistently recorded net interstate losses.



Population Distribution

The Territory's population is concentrated in the urban centres. As at 30 June 1996, the combined population of Darwin City, Litchfield Shire and Palmerston (the Darwin region) accounted for 53.5% of the total Territory population, Alice Springs accounted for a further 14.5% and other major centres accounted for an additional 8.9%.

Over the year to 30 June 1996, Palmerston was the fastest growing area of all Territory major urban centres with an annual increase of 5.8%, and continued to have the highest annual population growth rate of any Local Government Area in Australia. This growth was due mainly to the availability of land for residential developments, the continued flow of people from Darwin and the significant inflow of defence personnel and their families. Darwin City's population increased by 1.5% in 1996, after zero growth in previous years. This reflects a substantial increase in the supply of medium to high density dwellings. All other urban centres also recorded increases except Katherine which was unchanged.

		% Annual Change	% of Total
Darwin City	67 934	1.5	38.2
Palmerston	12 973	5.8	7.3
Litchfield	14 171	2.3	8.0
Katherine	8 809	0.0	5.0
Nhulunbuy	3 915	2.3	2.2
Tennant Creek	3 103	2.3	1.7
Alice Springs	25 700	2.3	14.5
Rest of Territory	41 115	2.1	23.1
Total	177 720	2.1	100.0

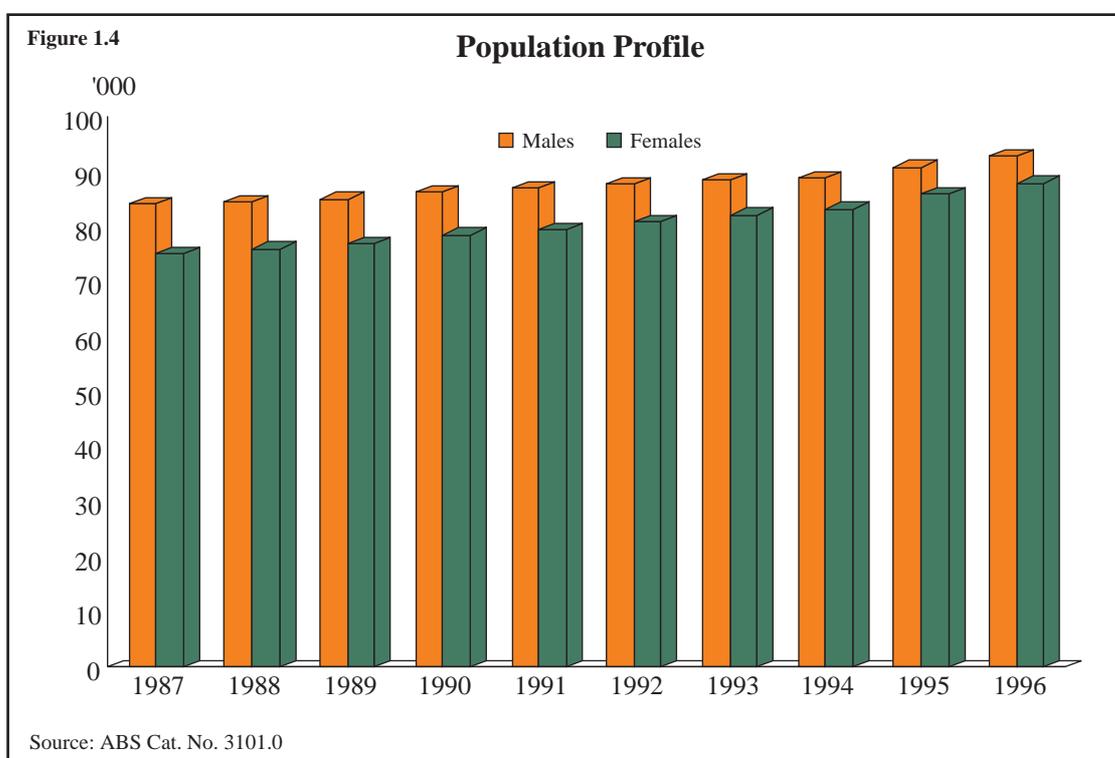
Source: ABS Cat. No. 3207.7

Cultural Diversity

Approximately 27.5% of the Territory's population are Aboriginal and Torres Strait Islanders. This is far higher than any other State or Territory. Nationally Aboriginal and Torres Strait Islanders account for 1.8% of the total population. In addition, 20% of the Territory's population were born overseas (1991 Census) of which a significant proportion come from Asia.

Gender Profile

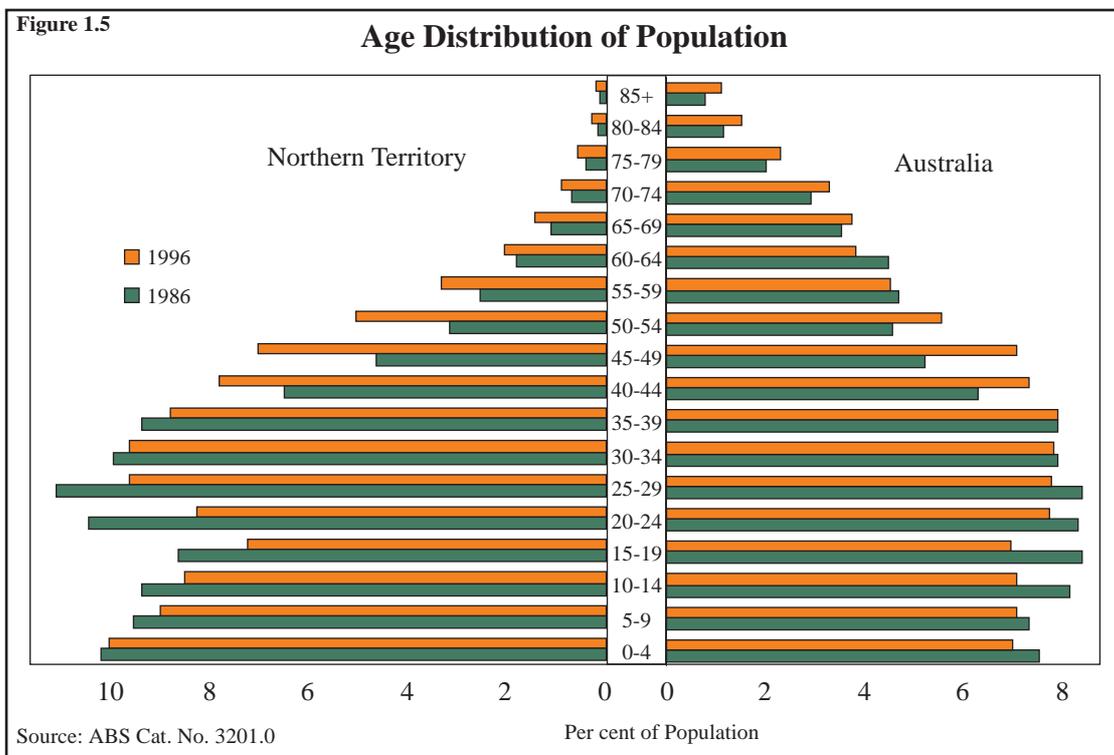
In contrast to the national gender ratio of 99.1 males for every 100 females, the Territory has more males than females, with a ratio of 105.4 males per 100 females in December 1996. In recent years, the ratio has been falling due to more rapid growth in the female population. This in part reflects the increased job opportunities for women in the Territory as the economic base of the Territory broadens. In the year to December 1996, the female population grew by 2.4% compared with 2.1% growth in the male population.



Age Distribution

In 1996, the Territory's population continued to be the youngest of any jurisdiction. It had the largest proportion of population under 15 years, and the smallest proportion of people over 65 years, of any State or Territory. The median age of Territorians was 28.9 years, 5.2 years younger than the national median age of 34.1. The Territory has a higher proportion of its population in the prime working age group (25-44). However, the Territory population is ageing, with a median age now some three years higher than a decade ago.

The 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 as the number of households increases. Between June 1991 and June 1995, the number of Territory households increased by 12.5% from 51 000 to 57 400. This rate of growth is considerably higher than the comparable population growth of 5.2%.



Population Outlook

The Territory's population growth in the short to medium terms will continue to be underpinned by natural increase due to the Territory's relatively young population profile and high proportion of Aboriginals. The ageing of the Territory population is expected to continue.

The trend of net interstate migration loss in the Territory has been reversed as the Territory recorded a second year of interstate migration gain in 1996. Ongoing strong economic growth should see continued gain in coming years.

The latest series of population projections published by the ABS show that by the year 2006 the population of the Territory will be between 198 200 and 206 300. This indicates an average annual population growth rate of between 1.1% and 1.5% over the next ten years, compared with the national average annual growth rate of between 1.0% to 1.2% over the same period. These projections are considered to be conservative and growth of about 1.7% per annum is more likely.

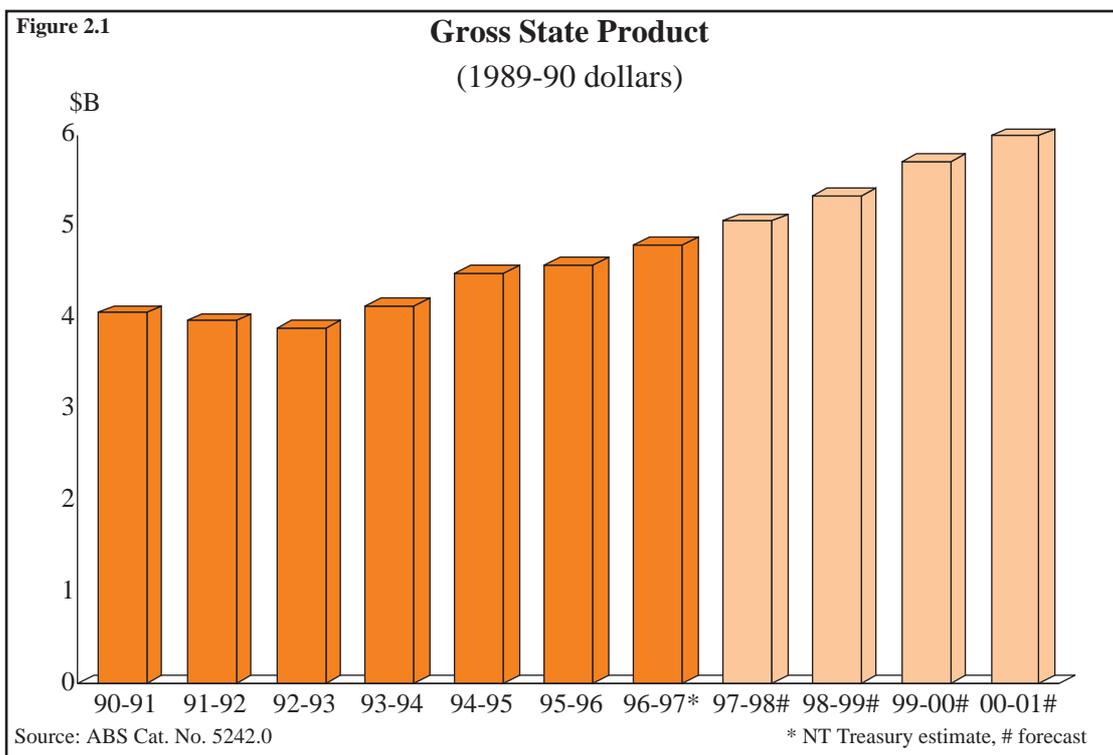
The continued strong performance of the Territory economy will see the Territory continue to grow at a more rapid rate than the national average.

Economic Growth

Economic activity in the Northern Territory continues to grow rapidly, at a rate higher than nationally. Over the past few years, high levels of growth have been spurred by buoyant construction, tourism and household consumption. This has come despite a slowing national economy caused by a cyclical decline and reductions in the previously expansive Federal budget. Growth rates have been similar to those of the newly industrialised countries in South East Asia although they are now moving to more sustainable levels.

It is estimated that Gross State Product (GSP) grew by 5.0% in 1996-97, continuing a trend of robust economic activity in the Territory. This incorporated a 7.6% increase in State Final Demand, comprising strong growth in both capital and consumption expenditure, particularly in the private sector.

This came after a year of exceptionally high growth in expenditure with State Final Demand growing by 15.0% in 1995-96, incorporating an 83.6% increase in private capital expenditure, primarily investment in hotels, shopping centres and mining infrastructure at Mt Todd and McArthur River. These developments resulted in the need to increase imports of building



materials, machinery and equipment from interstate. This is reflected in the State Accounts by an increase in the negative balancing item, resulting in a dampening of real GSP growth to 1.9%. The very substantial increase in capital expenditure in 1995-96 has already had an impact on the income generating capacity of the Territory economy which will continue for many years.

A more meaningful indicator of economic growth in 1995-96 is to look at the trend from very high growth of 8.6% in 1994-95 down to a more sustainable 5.0% in 1996-97. It is also worth noting that the balancing item, which comprises changes in stocks, interstate trade, international trade in services and the statistical discrepancy, is calculated as a residual and is subject to significant revision. Estimating the balancing item in constant prices presents particular problems for the Australian Bureau of Statistics (ABS). As a result ABS classify constant price GSP estimates as experimental while State Final Demand estimates do not carry this reservation.

Figure 2.1 shows GSP since 1990-91. The results for 1990-91 and 1991-92 are artificially inflated by increases in oil prices caused by the Gulf War and do not reflect activity in the on shore economy. With the decline in oil prices at the end of the Gulf War, Territory GSP returned to more realistic levels.

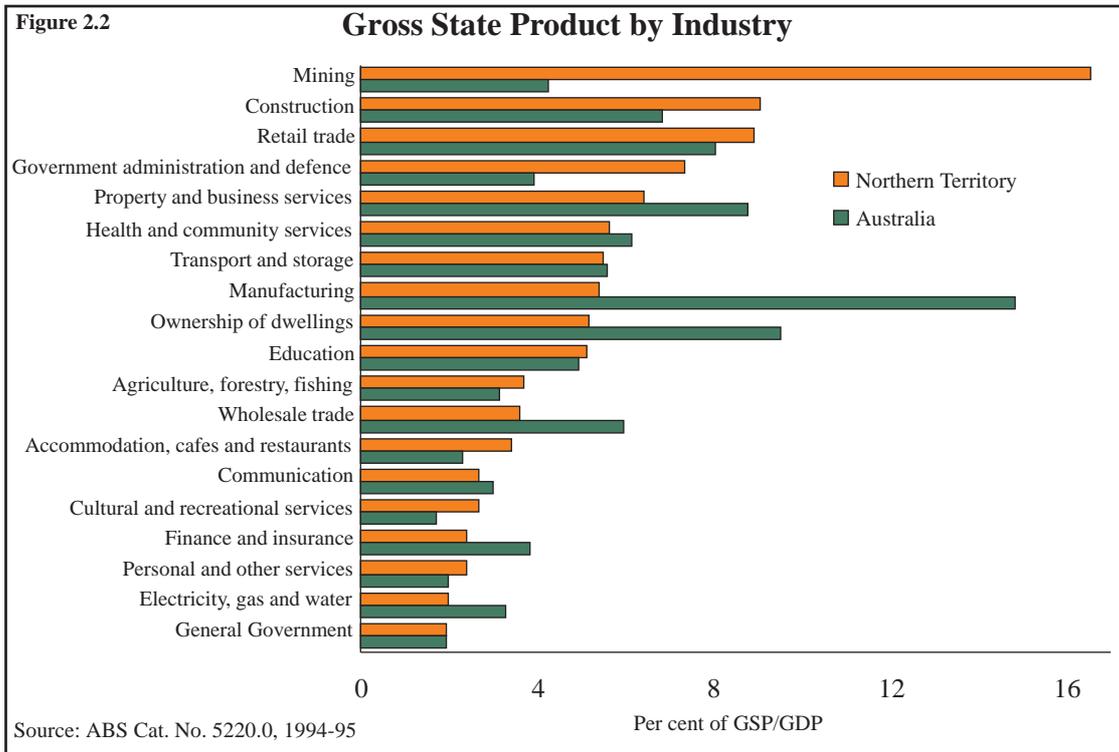


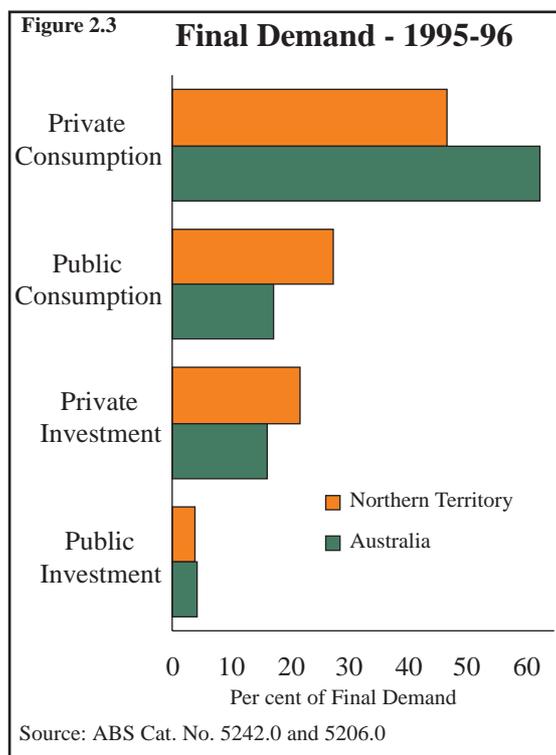
Figure 2.2 shows a production based analysis of GSP for 1994-95 that reveals the structural differences between the Northern Territory economy and the national economy. Most notably, mining and government administration and defence make a much larger contribution to the Territory economy. Conversely, the manufacturing, business and financial services and wholesale trade sectors are less significant in the Territory than nationally. This reflects the Territory's strong resource base and its maturing stage of economic development.

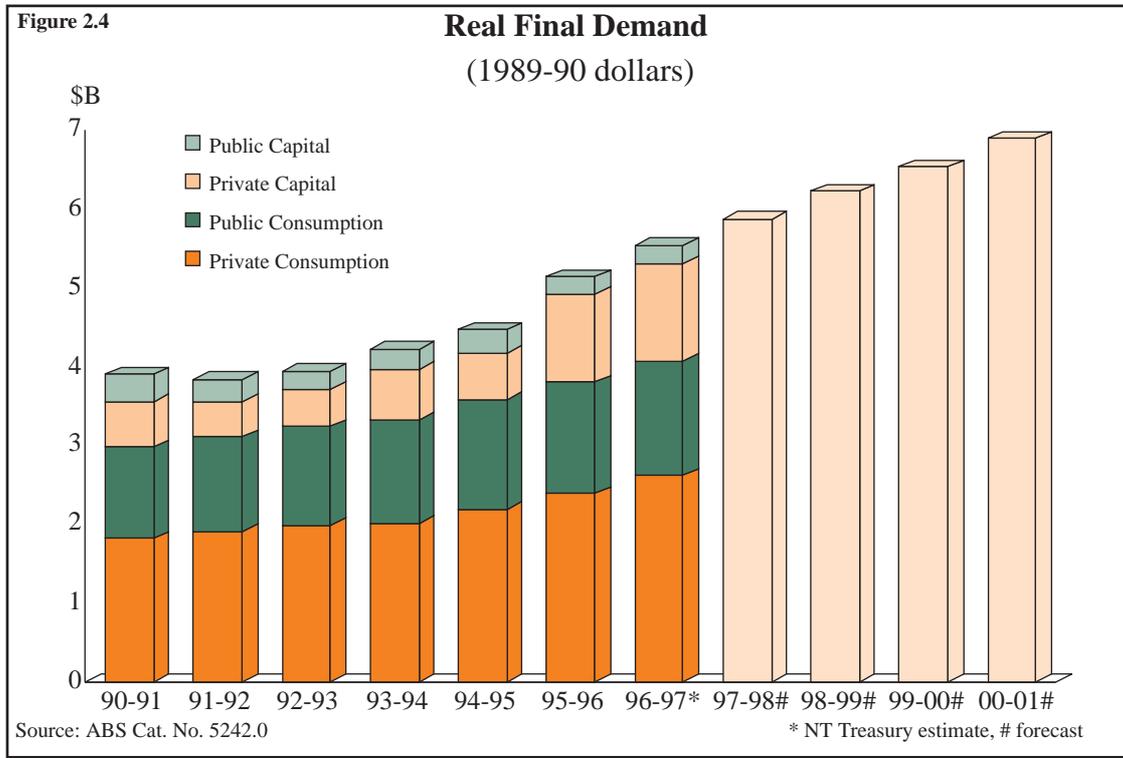
Mining contributed 16.5% of GSP in 1994-95 which is almost four times the national average. Unfortunately the Territory does not realise all the benefits from mining as most output is exported in raw form and further processed interstate or overseas. Over time the mining industry's share of GSP has been declining, in part the result of the increasing significance of other industries.

Government administration and defence has always been considerably higher in its contribution to economic activity in the Territory than nationally. This is because of the Territory's small population and large area which creates difficulties in achieving economies in administration and the delivery of services. After a period of fluctuating influence this sector is now expected to remain strong with the continuation of the Army Presence in the North program. This will see a major expansion of defence facilities in the Territory as well as a significant increase in the number of personnel and associated activity.

Manufacturing, transport and communications and property and business services showed strong growth in their contribution to GSP between 1993-94 and 1994-95. This is evidence of the success of the Territory government in developing the non-resource based industries and is expected to continue. Maximising the benefits from its natural endowments and encouraging a diverse range of industry sectors will place the Territory in a more secure position where it is less vulnerable to movements in commodity prices.

In terms of diversity, the Territory economy is not appreciably different from Australia or the other resource rich states of Queensland and Western Australia. The four largest industries in the Territory accounted for 42%





of GSP at factor cost in 1994-95. This is the same as Western Australia and only slightly higher than Queensland (at 36%) and Australia (at 38%).

Another measure of an economy is that of openness or exposure to the world economy. This can be measured by the ratio of international exports to GSP. In 1995-96 this ratio was 26% for the Territory, compared with 37% for Western Australia, 18% for Queensland and 15% for the Australian average. This indicates that the Territory economy is relatively more exposed to the world economy than the national economy, although not to the same extent as Western Australia.

Two growth sectors of the Territory economy are tourism and live cattle exports. Tourist activity in the Territory has been increasing each year with annual visitor numbers exceeding one million people every year since 1994-95. The flow-on effects of tourism in the economy are substantial and it is now perhaps the most significant contributor to the Territory's economic wellbeing. Live cattle exports are driven by strong demand from Asian markets, in particular Malaysia and Indonesia. In 1996 live cattle exports through the Port of Darwin grew 30% to 383 535 head and are expected to reach 426 000 in 1997.

By removing the influences of trade and changes in stocks from GSP, a measure of the Territory on shore economy can be determined. This is referred to as State Final Demand and is comprised

Table 2.1				
Northern Territory Gross State Product				
(percentage point contribution to annual change)				
	1994-95	1995-96	1996-97*	1997-98#
<i>Consumption Expenditure</i>				
Private	4.6	4.3	5.2	4.3
Public	1.5	0.8	0.9	0.8
<i>Capital Expenditure</i>				
Private	-1.1	11.4	2.2	1.8
Public	1.1	-1.5	0.2	0.2
State Final Demand	6.1	14.9	8.6	7.1
<i>International Trade in Goods</i>				
Exports	-0.2	2.2	1.9	2.5
Imports	-1.5	-0.6	-0.5	-0.6
Balancing Item @	4.2	-14.7	-5.0	-3.9
Gross State Product	8.6	1.9	5.0	5.1
@ Includes international trade in services, interstate trade, changes in stocks and the statistical discrepancy.				
Sources: ABS Cat. No. 5242.0, * NT Treasury estimates, # forecast				

of consumption and capital expenditure by both the private and public sectors. Figure 2.3 shows a comparison of these components for the Territory and Australia. Reflecting the fact that the Territory economy is not yet fully developed, capital expenditure and public sector expenditure in general have a more important influence in the Territory than nationally, although the importance of the public sector has declined significantly since 1984-85.

In 1995-96, State Final Demand grew by 15.0%. This was predominantly the result of an increase of 83.6% in private capital expenditure for such projects as the McArthur River Joint Venture and the Mt Todd Gold Mine. Table 2.1 shows that the next largest contributor to growth in Final Demand was private consumption expenditure.

Real State Final Demand is shown in Figure 2.4. It is estimated that growth in 1996-97 was 7.6%. Whereas public expenditure has remained relatively stable, private expenditure has expanded significantly since 1990-91. This is primarily a function of the very strong population growth in the Territory (in 1996 it was 2.2%) and a healthy labour market which boosts consumption spending and drives the flourishing construction market.

Exports of Territory goods are estimated to have increased for the second year in a row in 1996-97. The majority of growth will be in oil, minerals and live animals which are also the largest components of Territory exports. Higher demand for iron, steel and manufactured metals is

Table 2.2				
Northern Territory Economic Growth				
(real annual percentage change)				
	1994-95	1995-96	1996-97*	1997-98#
<i>Consumption Expenditure</i>				
Private	9.5	8.7	10.0	8.0
Public	4.8	2.7	3.0	2.5
<i>Capital Expenditure</i>				
Private	-6.9	83.6	9.0	7.0
Public	17.9	-23.8	5.0	4.0
State Final Demand	6.0	15.0	7.6	6.2
<i>International Trade in Goods</i>				
Exports	-0.7	7.6	6.0	8.0
Imports	23.3	7.6	6.0	7.5
Balancing Item @	-15.2	67.4	14.0	10.0
Gross State Product	8.6	1.9	5.0	5.1
@ Includes international trade in services, interstate trade, changes in stocks and the statistical discrepancy. Sources: ABS Cat. No. 5242.0, * NT Treasury estimates, # forecast				

expected to be responsible for a moderate increase in imports. The Territory maintains a healthy surplus in merchandise trade with imports estimated to represent only 32.7% of exports in 1996-97, in contrast, the national economy experiences a merchandise trade deficit.

Forecasts

In line with a move to more sustainable levels of growth, economic activity in the Northern Territory is forecast to grow by 5.1% in 1997-98. In the short term, the national economy is not expected to pick up until the end of 1997 and international markets will remain mixed although the Territory economy will continue to grow strongly, driven by private consumption and capital expenditure.

The present level of capital spending is expected to continue as the supply of infrastructure approaches demand, particularly in the tourism, residential and retail areas. Public consumption will remain subdued in line with the Territory Government's fiscal strategy and ongoing restraint by the Commonwealth but public capital expenditure is expected to firm with the continued defence developments and the necessary expenditure by the Territory Government in meeting the social and economic infrastructure needs of a growing population.

Economic Outlook

The Territory is presently experiencing a surge in construction which is expected to last until 1997-98 when growth will moderate as many projects will be completed. At this point larger undertakings such as the proposed liquefied natural gas (LNG) plant and Stage 2 of East Arm Port will commence and continue into the next century. The development of new oil fields in the Timor Sea and the construction of the Alice Springs to Darwin railway will make significant contributions to growth over this time.

The level of public infrastructure has now reached comparable levels to other states. Combined with good employment opportunities, expansion of recreational activities and growing family networks, this will support continued population growth which will maintain a buoyant economy.

The public sector will continue to decline in significance as the private sector increasingly fulfills the infrastructure needs of the Territory. The public sector focus is now on the creation of an appropriate environment for business expansion and the reorientation of the Territory to a more longer term sustainable existence. This will be achieved by the encouragement of service and value adding industries to complement the strong resource sector - particularly the development of Darwin as a transport hub based on the Adelaide to Darwin railway and East Arm Port.

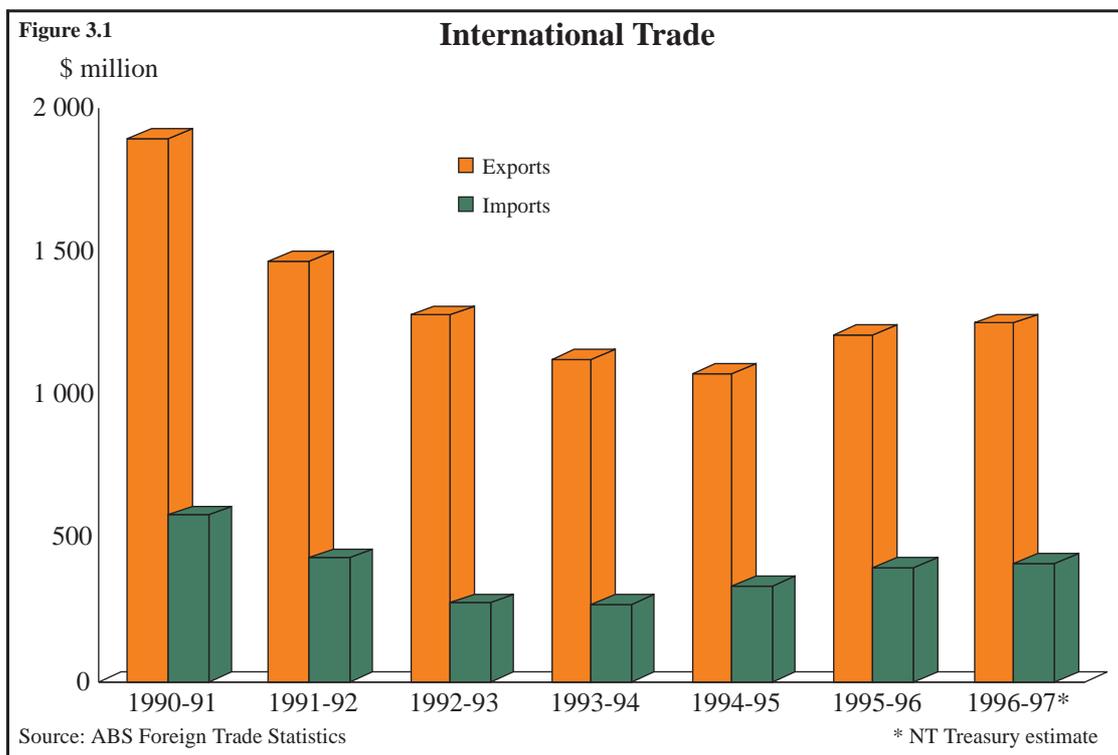
The Territory is strategically placed at the rim of the of the South East Asian growth region and has focussed much of its attention on developing these markets for its goods and services. The Territory can be expected to benefit significantly from the continued good fortunes in this region which provide solid support for a very positive medium term outlook. Live cattle exports will remain prosperous and innovative developments in other primary industries will see the Territory further develop valuable markets in Asia.

International Trade

The Territory continues to be a substantial net exporter with an estimated merchandise trade surplus of \$841 million in 1996-97 or 15% of GSP. Australia by contrast has an estimated trade deficit of \$2.1 billion or 0.4% of GDP.

It is estimated that, for the Territory, imports as a percentage of exports increased marginally from 32.6% to 32.7% between 1995-96 and 1996-97, the result of a 3.2% increase in exports being slightly offset by a 3.5% increase in imports during this period. Due to coverage and timing factors, trade figures used in this chapter differ slightly from those in Chapter 2. While Territory exports as a percentage of Australian exports remained stable at 1.6% in 1996-97, exports per capita at \$6 909 were over 60% greater than the national average of \$4 175.

The growth in exports in 1996-97 continues the increase recorded last year after declines in exports (primarily oil) had been recorded over the four years to 1994-95. The largest contributors to this growth were increases in commodity exports, as well as oil and live cattle. Territory imports of iron, steel and manufactured metals were primarily responsible for the recorded increase in



imports. The 3.5% increase in imports estimated over the year to 1996-97 is significantly lower than the average annual increase of 21.1% over the preceding two years.

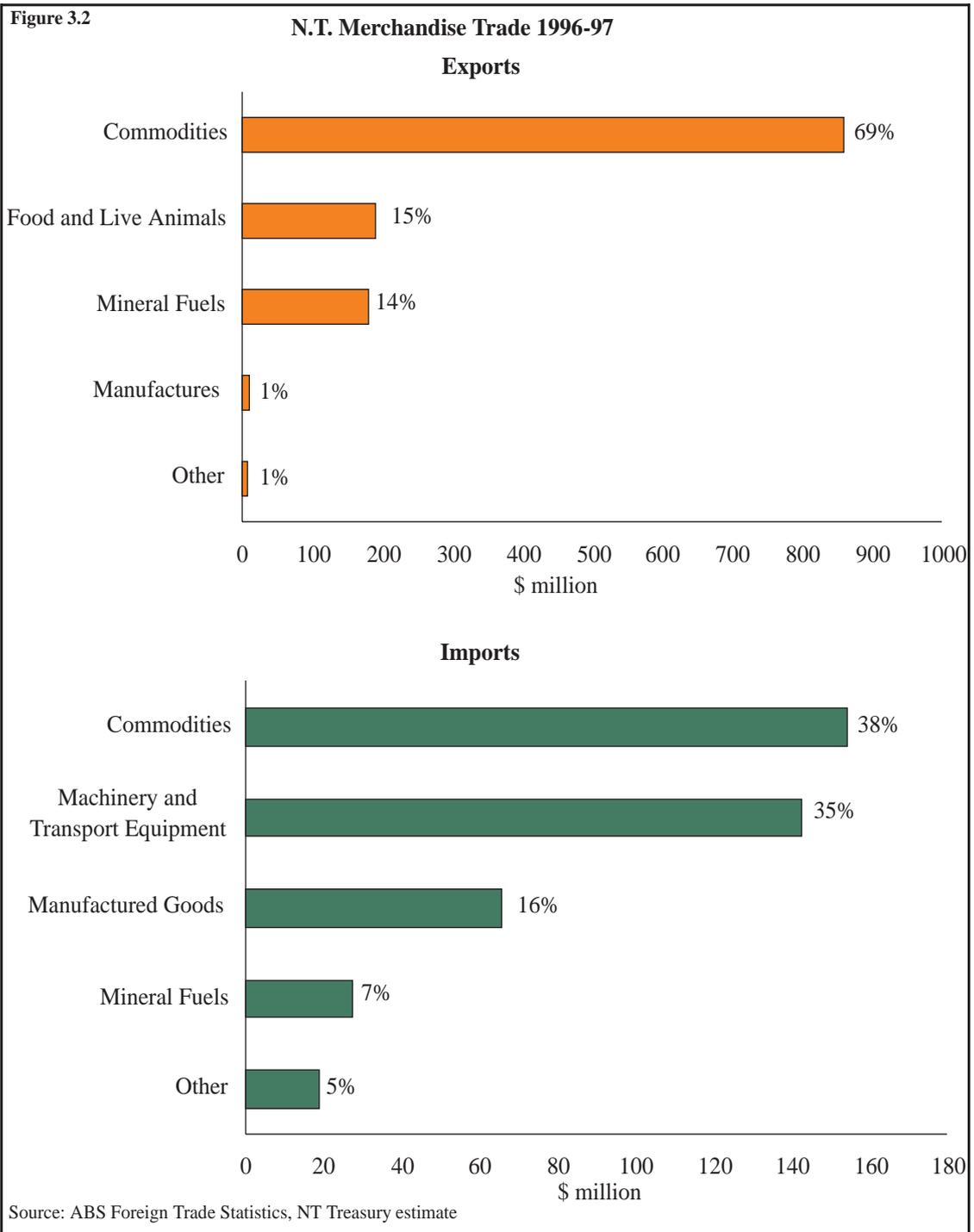
Australia's total merchandise exports during 1996 increased 7.4% to \$76.4 billion, an increase which was lower than the previous year and reflective of generally weaker economic conditions experienced over this period by Australia's major trading partners. The level of imports, reflecting weaker national economic conditions, increased by only 0.6% to \$77.3 billion. As a consequence Australia's merchandise trade deficit decreased significantly from \$5.7 billion in 1995 to \$956 million in 1996.

The Territory's imports and exports, by major traded good, are shown in Figure 3.2. The mining industry produces the vast majority of Territory exports, with mineral fuels (oil and gas) and commodities (especially alumina, bauxite, manganese, uranium and gold) accounting for 83% of merchandise exports. It is estimated that the value of Territory exports will increase 3.2% to \$1.2 billion in 1996-97. Oil exports are expected to increase by 51.5% from \$119.2 million to \$180.6 million in 1996-97, while exports of food and live animals are estimated to increase 16.7% to \$191.2 million, maintaining the strong growth recorded over recent years.

Exports

The major destination for Territory exports continues to be Asia, accounting for approximately 63% of Territory exports during 1996-97. Figure 3.3 shows that Japan and China are the dominant markets within Asia, while Indonesia is the single largest destination for Territory exports to South East Asia. Demand for the Territory's commodities and mineral fuels is particularly strong from Japan and China; in 1996-97, 22% (or \$274 million) and 15% (or \$190 million) respectively of Territory exports of commodities and mineral fuels were to these countries. Demand for food and live animals in the countries of the Association of South East Asian Nations (ASEAN), particularly Indonesia and the Philippines, has increased significantly in recent years and now represents 15.3% of Territory exports. Consequently, the value of food and live animal exports is estimated to total \$191.2 million in 1996-97, an increase of 16.7% over the previous year. The increased consumer demand for beef within ASEAN countries is expected to continue, further increasing live cattle exports from the Territory; an estimated 426 000 head of cattle will be exported during 1997, representing an 11.1% increase over the 383 535 head exported in 1996.

An important development to have occurred in Territory trade is the increase in exports to countries in Europe. While Territory exports to European nations has averaged 6% over the preceding two years, in 1996-97 this proportion is expected to increase to 15% or approximately \$190.2 million. Mineral commodities account for the vast majority of these exports, with principal destinations being Norway, France, Belgium-Luxembourg, United Kingdom and the



Russian Federation. This increase in demand by European nations for mineral commodities mined in the Territory is expected to be maintained over coming years, as export contracts are generally signed guaranteeing supply over a number of years and economic growth in Europe is forecast to increase.

In addition to merchandise exports, exports of services, particularly education and tourism contributed to the Territory's trade performance. The Northern Territory University generated \$1.5 million from fee-paying overseas students in 1996.

It is estimated that international travellers spent \$199 million in the Territory during 1995-96 (excluding international air and sea travel to and from the Territory), representing 30% of all tourism expenditure over this period. Other substantial contributors to the Territory's service exports include international shipping services and insurance services associated with tourism and shipping.

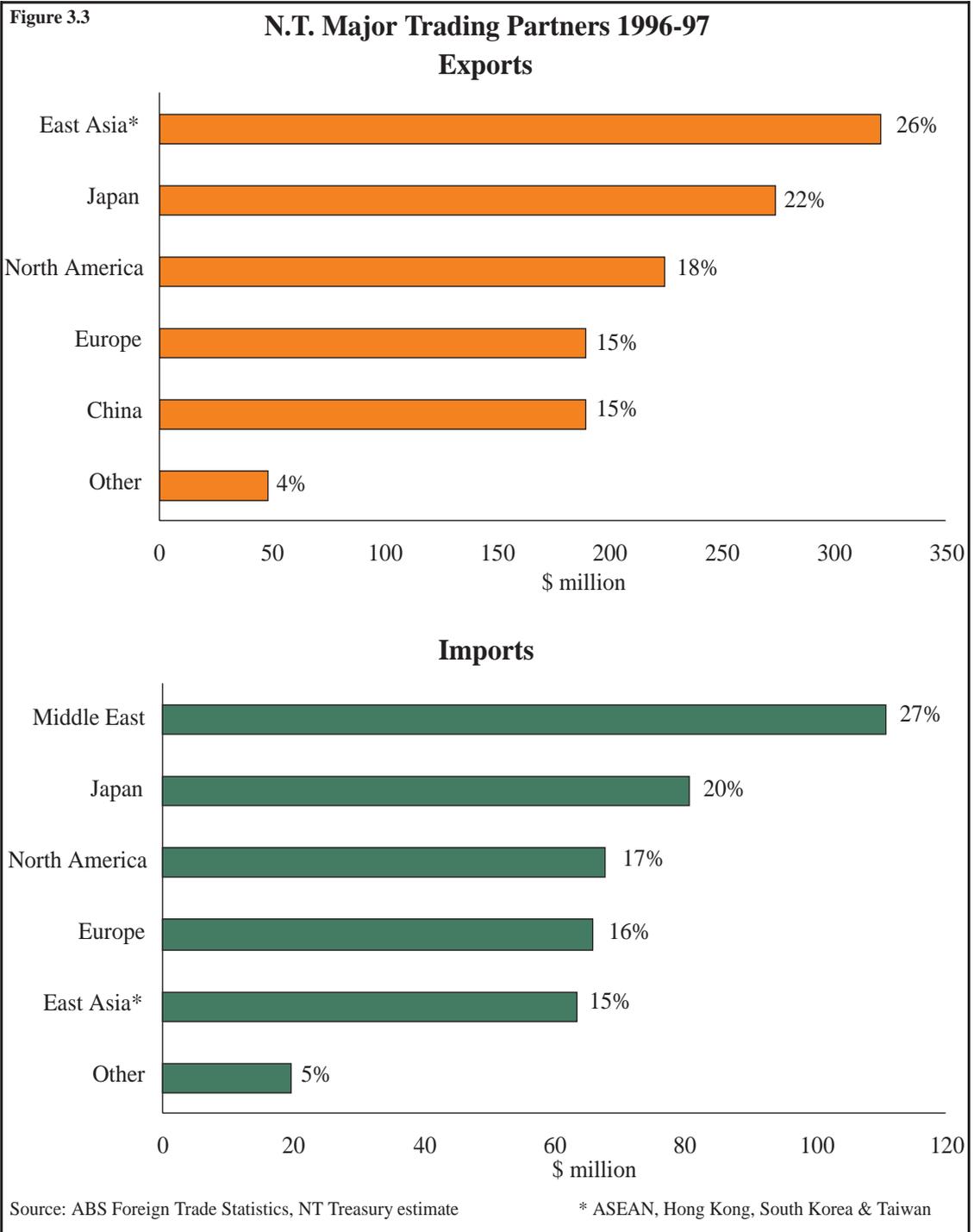
Imports

The Territory's imports of merchandise goods is expected to increase to \$408.4 million in 1996-97, a 3.5% rise on 1995-96. Figure 3.2 provides a breakdown of imports by commodity group. While Territory imports have previously been dominated by machinery and transport equipment, in 1996-97 commodity imports are estimated to be \$154 million, equivalent to 38% of total imports and an increase over the previous years's proportion of 27%. Machinery and transport equipment now accounts for 35% of Territory imports, decreasing from 46% in 1995-96. Also contributing to the growth in Territory imports were iron, steel and manufactured metals, reflected in the increase in manufactured goods from 14% to 16% of total imports. Due to confidentiality reasons some mineral fuels imports are separately identified while others are not. Imports of identified mineral fuels (primarily from Singapore) continued to decline in 1996-97, accounting for only 7% of total imports.

The Territory's commodity imports are principally sourced from the Middle East countries of Kuwait and Saudi Arabia, as well as from Japan and the United States. The majority of imported machinery and transport equipment comes from Japan, Europe and North America, while the principal sources of imports of iron and steel and manufactured metals are Japan, United States, Singapore, Germany and Italy. These sources for imports to the Territory are shown in Figure 3.3.

International Trade Outlook

The Territory will continue to be a net exporter with Territory mining production expected to grow as world demand for mineral commodities and energy resources increases in the medium



term with the forecast improvement in economic conditions in the world's industrial nations. The commissioning of new projects and the expansion of some existing mines gives the Territory mining industry the capacity to meet some of this increased demand. For example, a major upgrade to increase the production of alumina is planned at Nabalco's alumina processing plant at Gove.

Domestic policy decisions are also important. The Commonwealth Government's decision to abolish the three-mines uranium policy has led to the proposed development of Jabiluka, which is currently awaiting the outcome of the processes for environmental approvals and negotiations with traditional landowners. Strong global demand and reduced inventories have boosted world uranium prices, with the value of uranium production in the Territory expected to increase in the medium term. Recent discoveries of new oil and gas fields in the Timor Sea should boost Territory export income, with first oil production likely in late 1997 from Elang/Kakatua.

The growth in Territory exports will be further underpinned by exports of live cattle and primary produce targeted at specific markets. Continued development of expertise and appropriate marketing will enhance the Territory's exports of services in the areas of education, tourism and shipping services.

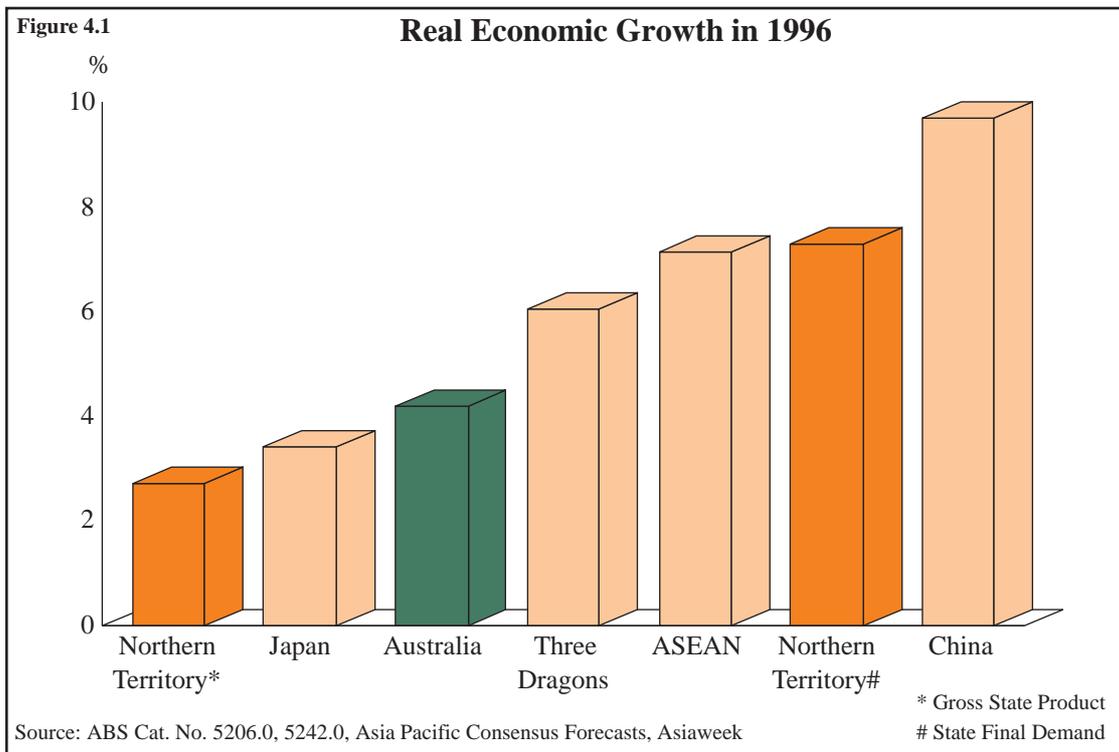
The Territory has seized the opportunity made possible by its strategic location and has established positive business relationships with a number of rapidly developing countries in the East Asian region, including China and Japan. Trade links between the Territory and countries in Asia have been consolidated by the signing of a number of Memoranda of Understanding (MOU) aimed at further developing mutual trading relationships. Exports to countries in Asia currently account for 63% of total Territory exports. Joint venture projects between businesses based in the Territory and Asian developers, either within the Territory or in neighbouring countries, are likely to increase. Spin-off activity in finance, transport, conference and business services can be expected. Impetus for further export growth will be provided by increased shipping services to and from Darwin, with the completion of the East Arm Port development.

Regional Economic Environment

In 1996 East Asia experienced the fastest rate of growth of any region in the world, continuing a trend which has been evident for the past decade. The combined countries of East Asia grew by more than 7% in 1996. This was about three times as fast as North America and 4 times as fast as Europe. East Asia incorporates North East Asia, including China, Japan, South Korea, Taiwan and Hong Kong; and South East Asia, primarily the countries of the Association of South East Asian Nations (ASEAN).

Darwin is closer to Jakarta than it is to either Sydney or Melbourne, while Singapore, Kuala Lumpur, Manila and Brunei are not much further away. As a result of its location on the rim of Asia, the Northern Territory is in a position to contribute to and benefit from the rapid growth of this region.

The Territory's neighbours and trading partners in East Asia range from small, highly developed countries like Singapore and South Korea to large, less developed countries like China and Indonesia.



The ASEAN countries of Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam are the Territory's closest neighbours. In 1996 they had a combined GDP of \$US 666 billion, which is almost twice as large as the Australian economy. The countries of South Korea, Taiwan and Hong Kong, collectively referred to as the Three Dragons, had a combined GDP of \$US 911 billion, while East Asia's largest economies were China (\$US 738 billion) and Japan (\$US 5 285 billion).

Economic Growth

As shown in Figure 4.1, in 1996 the Territory economy, as measured by Gross State Product, grew by 2.7%. This is an experimental estimate of economic activity in the Territory and the Australian Bureau of Statistics recommends that it be used with caution. A more reliable indicator of economic activity is State Final Demand which increased by 7.3% in 1996. This was faster than Australia and about the same as the ASEAN economies.

Economic growth in Australia during 1996 remained relatively strong at 4.2%, primarily supported by private consumption expenditure. Australia continues to enjoy a high rate of growth compared to other members of the Organisation for Economic Cooperation and Development (OECD), although lower than most East Asian economies.

The recovery in the Japanese economy continued in 1996 with annual growth of 3.4%. This came after growth of around 1% in the previous two years. An increase in the rate of consumption tax and the removal of the income tax rebate is expected to weaken consumer spending and as a result growth is expected to slow over 1997 and 1998. At the other extreme the Chinese economy continues to experience exceptionally high growth. In 1996 it is estimated that the Chinese economy grew by 9.7%, although this rapid rate of growth has slowed over the past five years. An acceleration in growth is anticipated over the next two years in response to interest rate cuts and looser credit control.

The Three Dragons continued to grow strongly in 1996, although at a somewhat slower 6.1%. Once again South Korea was the fastest growing economy, increasing by 6.8% in 1996. South Korea's trade performance deteriorated in 1996 caused by rapid growth in imports in response to an increase in average incomes. Industrial unrest in response to controversial labour laws has resulted in a further slow down in economic activity forecast in 1997. Taiwan also experienced a slow down in growth in 1996, growing by 5.6%. Taiwan is in a sound position with a strong current account surplus and low inflation. Taiwan is expected to grow more strongly in 1997 and 1998. Hong Kong experienced growth of 4.5% in 1996, its lowest rate of growth since 1990. Despite any uncertainty concerning Hong Kong becoming a Special Administrative Region of China from 1 July 1997, growth is expected to pick up in 1997 to 5.5%

Although still very high by world standards, slower growth also occurred in ASEAN in 1996 with the overall growth rate declining from 8.1% to 7.1%. ASEAN's newest member, Vietnam, experienced the fastest rate of growth in 1996 at 9.3%. Vietnam's economy is the least developed in ASEAN with a per capita GDP of only \$US 251. The Malaysian economy grew by 8.2% in 1996, slightly down on a year earlier with the economy buoyed by strong domestic demand but restrained by weak external demand and a worsening shortage of labour, especially for skilled labour. Malaysian growth is expected to continue at about 8% over the next two years.

The Indonesian economy is ASEAN's largest. In 1996 it grew by 7.7%, slightly down on a year earlier and in 1997 and 1998 growth is expected to be slightly lower at 7.4%. Indonesia continues to enjoy a strong trade surplus, dominated by exports of oil. A large and worsening current account deficit has forced the Government to maintain a tight monetary policy which is curbing growth in imports.

The Singapore economy continues to enjoy strong growth, with a growth rate of 7.0% in 1996 expected to continue over the next two years. A major challenge faced by Singapore is that rising wage rates are reducing the competitiveness of Singapore's exports. This requires Singapore to place more emphasis on education to improve its skills base.

The Philippine economy continues to accelerate with growth of 5.5% in 1996 approaching the ASEAN average after falling behind for a number of years. Growth is expected to continue to accelerate over the next two years.

Table 4.1 shows the size of selected Asian economies relative to Australia in 1986 and 1996. 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. It shows that all the selected Asian countries grew at a faster rate than Australia over the past ten years, except Japan, which grew slightly slower. China was the fastest growing economy over that period of time. Relative to the size of the Australian economy, Japan is about 15 times

Table 4.1		
Asian GDP Relative to Australia		
Australia = 100		
	1986	1996
Japan	1 475	1 459
China	107	204
Three Dragons	167	252
Hong Kong	32	41
South Korea	83	134
Taiwan	52	76
ASEAN	124	184
Brunei	2	2
Indonesia	40	59
Malaysia	16	25
Philippines	19	20
Singapore	13	23
Thailand	30	49
Vietnam	4	5

Source: ABS Cat. No. 5206.0,
Monetary Authority of Singapore,
Asia Pacific Consensus Forecasts

Table 4.2

Regional GDP, Trade and Prices - 1996

	Real GDP			Trade		Prices
	Total \$US bn	Annual % Change	Per Capita \$US	Exports \$US bn	Imports \$US bn	Change %
Japan	5 285	3.4	42 215	411	311	0.1
China	738	9.7	615	151	139	8.3
Three Dragons	911	6.1	12 570	426	442	4.6
Hong Kong	150	4.5	23 762	181	199	6.0
South Korea	486	6.8	10 834	129	144	5.0
Taiwan	275	5.6	12 919	116	99	3.1
ASEAN	666	7.1	1 583	334	342	5.9
Brunei	6	2.0	20 000	2	3	3.2
Indonesia	213	7.7	1 101	51	44	8.0
Malaysia	92	8.2	4 594	77	75	3.5
Philippines	74	5.5	1 054	21	19	8.5
Singapore	84	7.0	27 998	123	125	1.4
Thailand	178	6.6	2 997	55	73	5.8
Vietnam	19	9.3	251	5	4	7.1
Australia	362	4.2	20 354	57	62	1.5
Northern Territory	4	2.7	21 213	1.0	0.3	2.1

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

larger than Australia. In 1986 China was about the same size as Australia but by 1996 it was double the size. All other East Asian economies were smaller than Australia in 1986 with South Korea the only economy to overtake Australia by 1996.

Trade

The East Asia region accounts for a large and increasing proportion of Australia's exports. In 1996 Australia exported \$A 44.8 billion to the region, accounting for 58% 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 20.1% of total exports. The next largest market is South Korea with 9.5% of exports while the combined countries of ASEAN account for 15%.

Australia enjoys a significant trade surplus with East Asia with imports from East Asia in 1996

totaling \$A 28 billion. Again Japan is Australia's most important trading partner in the region, being the source of 12.2% of imports (second only to the United States). The ASEAN countries combined account for a further 9.4% 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 energy technology.

Regional Economic Outlook

Australia continues to play a key role in the Asia Pacific Economic Cooperation (APEC) forum. APEC groups the countries of the Pacific Rim, including all of Australia's major trading partners of East Asia. The APEC push for trade reform, as first outlined in the 1994 Bogor Declaration, continued in 1996 with industrialised members committed to free and open trade and investment by 2010 and other members by 2020. At their 1996 meeting in Subic, the Philippines, APEC leaders agreed to harmonise tariff nomenclature and customs clearance procedures. It was further agreed that national standards would be aligned and that there would be mutual recognition of national standards.

The Territory Government has forged links with a number of East Asian countries and currently has Memoranda of Understanding with Indonesia, China, the Philippines, Brunei and the Malaysian territory of Labuan. The Territory is well placed to provide a range of goods and services to these and other countries in the region.

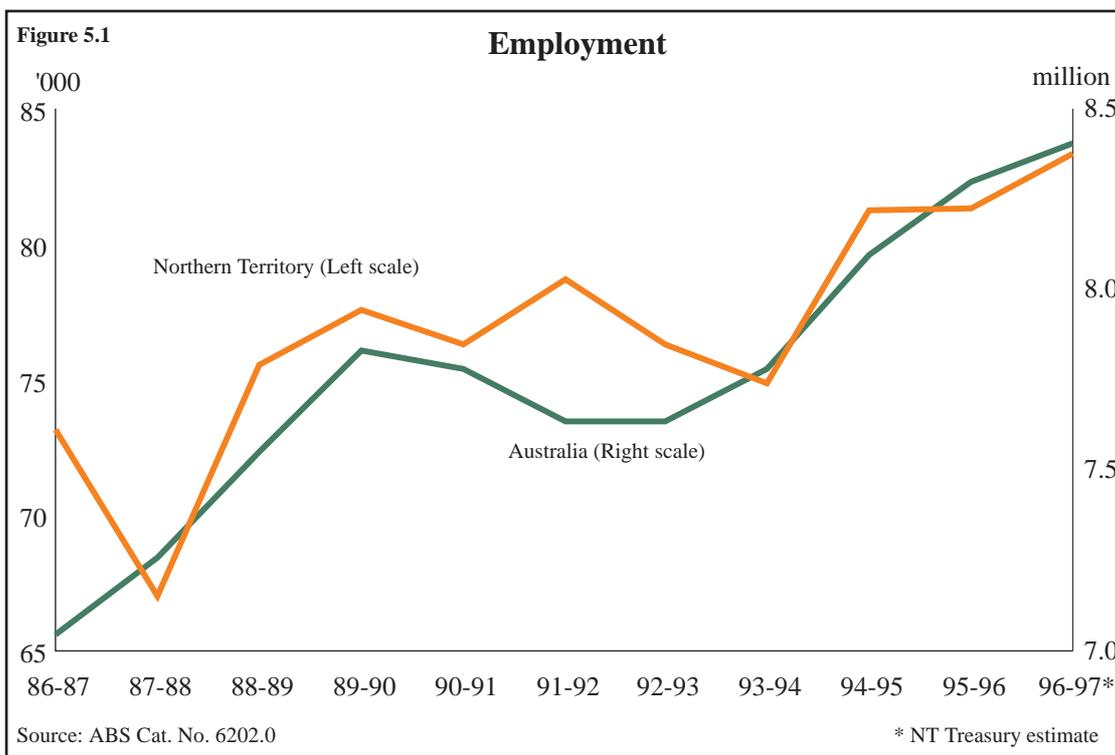
Considerable emphasis has been placed on developing relationships and improving trade with the Territory's closest neighbours, the members of BIMP-EAGA: Brunei, Indonesia, Malaysia and the Philippines - East ASEAN Growth Area.

Labour Market

The Territory labour market performed strongly during 1996-97 with significant employment growth and a further decline in the Territory's low unemployment rate. The Territory continues to have a higher than average participation and the lowest unemployment rate of any State or Territory. Nationally, employment growth eased during 1996-97 from the relatively high rate of growth experienced over the past three years. Growth in employment was less than the rate of increase in the labour force and as a result, the national unemployment rate increased for the first time since 1992-93.

Employment

In 1996-97 employment in the Territory increased 2.5%, following a marginal increase of 0.2% in the previous year. This increase was the net result of a moderate increase in full-time employment (up 0.6%) and strong growth in part-time employment (up 9.6%). The continuing expansion of a number of industries in the Territory such as tourism, mining and transportation industries, together with the substantial tourist accommodation developments, were the major



contributing factors to the Territory's employment increase. Nationally, full-time employment increased by 0.5% while part-time employment was up 3.6%, resulting in an overall increase of 1.3% during 1996-97. The slowing of national employment growth reflects the fact that the recovery of employment lost during the latest recession has been completed.

Employment estimates exclude members of the permanent defence forces and therefore do not encompass the continued expansion of the defence force presence in the Territory. As at 31 December 1996, there were 3 100 permanent defence force personnel based in the Territory, representing an increase of 100 since 31 December 1995 or 1 214 since June 1989.

A significant proportion of Aboriginal and Torres Strait Islanders in the Territory are employed under the Community Development Employment Projects (CDEP) program which is being administered by the Aboriginal and Torres Strait Islander Commission. Participants in the CDEP program partake in development initiatives in their community in return for a wage equivalent to unemployment benefits. There were approximately 6 854 CDEP participants at 31 December 1996.

In 1996, overtime hours worked per employee and the percentage of employees working overtime in the Territory increased by 65.5% and 6.8%, compared to 1995. A similar increase in overtime hours worked occurred in 1993 after which a period of strong employment growth ensued. In 1996 the national average number of overtime hours worked per employee and percentage of employees working overtime decreased by 4.7% and 0.8% respectively.

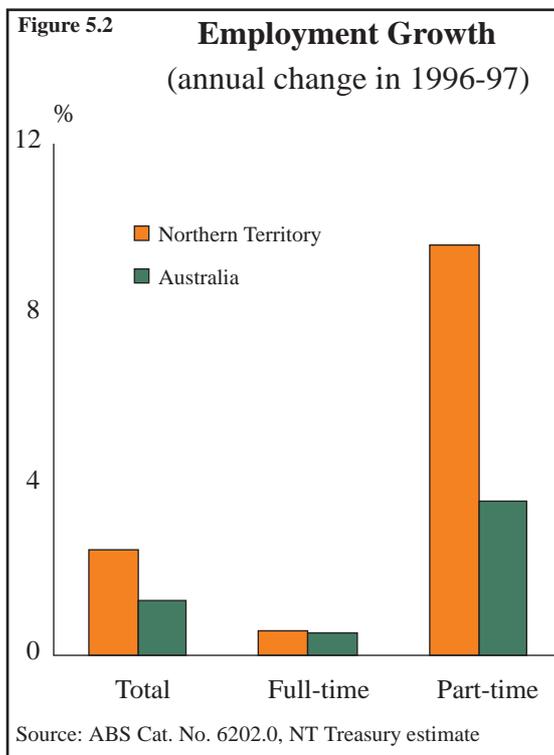


Table 5.1
Employment by Industry

Industry	NT %	Aust %
Accommodation, Recreation, Personal and Other Services	20.3	10.5
Wholesale and Retail	16.9	20.9
Community Services	16.4	16.2
Public Administration and Defence	10.9	4.5
Property and Business Services	8.4	9.7
Construction	7.7	7.2
Transport and Communication	7.3	6.7
Mining	4.1	1.1
Manufacturing	3.3	13.4
Rural Industries	2.3	5.1
Finance	1.8	3.8
Electricity, Gas & Water	0.6	0.9

Source: ABS Cat. No. 6202.0

Consistent with the strong growth in the Territory's labour market, skilled job vacancies increased 5.5% during 1996. Nationally, skilled job vacancies decreased 11.3% over the same period.

In 1996, Accommodation, Recreation, Personal and Other Services accounted for over one fifth of the Territory's total employment due to the rapid growth of the service industries in recent years. Mining, and Public Administration and Defence continue to account for proportionately more people employed in the Territory than nationally, while manufacturing accounts for a significantly smaller proportion of Territory employment.

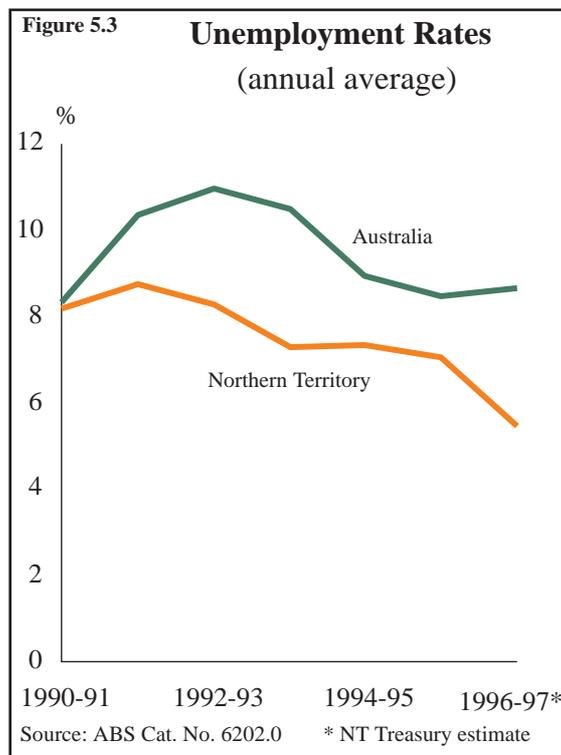
Unemployment

The Territory's unemployment rate for 1996-97 decreased significantly from the previous fiscal year to 5.5%, while the national unemployment rate rose slightly from 8.5% to 8.7% over the same period. The Territory continues to have the lowest unemployment rate of any jurisdiction and well below the national average.

For the twelve months to February 1997, the unemployment rate in the Territory averaged 5.7% for males and 6.2% for females. Nationally, the unemployment rates for males and females were 8.8% and 8.4% respectively. This is the first time since 1991 that the Territory has recorded a lower average unemployment rate for males than females. This was due in part to a decline in the male participation rate and an increase in the female participation rate during this period.

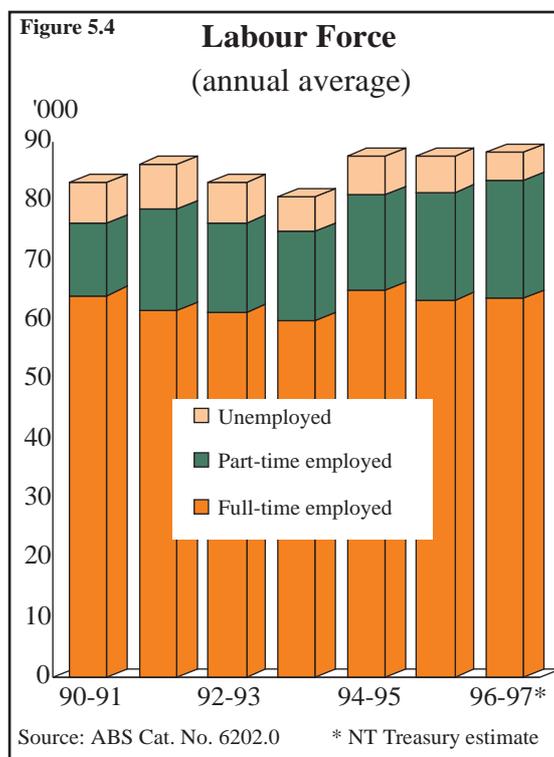
Labour Force

In 1996-97, the Territory labour force increased 0.8% to 88 200 persons after a marginal decline of 0.2% in 1995-96. Nationally, the labour force is estimated to have increased by 1.5% after an increase of 2.0% the previous year. The size of the labour force at the national level has been increasing very rapidly each year since 1993-94 after a period of slow growth during the recession. However, the rate of growth is slowing towards a more sustainable level.



Labour force participation rates are typically higher in the Territory than elsewhere in Australia. This reflects the larger proportion of working age persons in the Territory population and higher female involvement in the labour force. The average participation rate in the Territory over the twelve months to February 1997 declined slightly to 69.7%. Nationally, the average participation rate also declined slightly to 63.6% over the same period.

The average participation rate in the Territory for females for the twelve months to February 1997 was 63.7%, an increase of 0.5 percentage points from the previous year and is 9.8 percentage points greater than the national average for females at 53.9%. For Territory males, the average participation rate for the same period decreased, dropping 2.5 percentage points to 75.5%, while the national average participation rate for males was 73.6%.



Labour Market Outlook

Employment forecasts reported by Access Economics in its Budget Monitor indicate that Territory employment will increase by 3.2% during 1997-98, compared with a 2.4% expected increase nationally. The average unemployment rate in the Territory is forecast to be 5.1% during 1997-98, the lowest of any State or Territory and 3.4 percentage points lower than the forecast national unemployment rate.

The national labour force is expected to continue to expand but at a slower rate than previous years, while the unemployment rate is expected to decrease marginally as economic activity strengthens.

The Territory should experience solid employment growth over the next year. The continued growth of the tourism, mining and transportation industries, combined with a continuation of the defence buildup in the Territory, should provide the basis for employment growth in 1997-98.

Prices and Wages

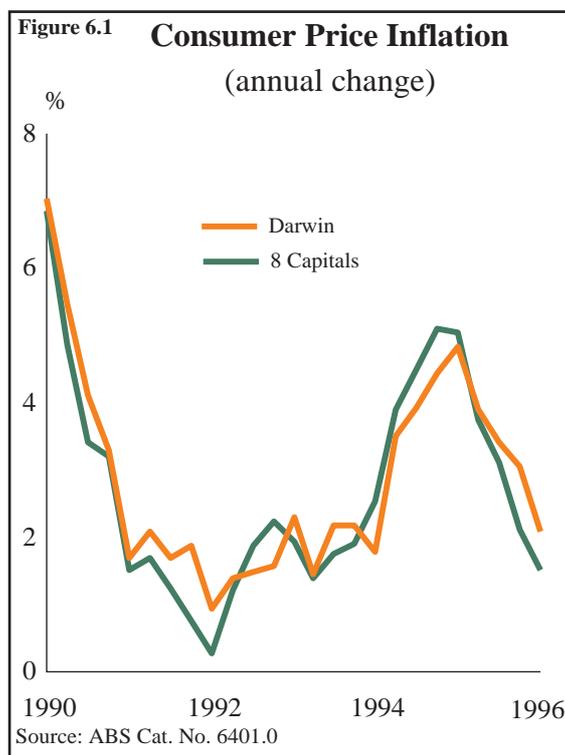
Price movements in the Territory are more responsive to national than to local factors. In contrast, wage outcomes in the Territory tend to show a greater degree of independence. Historically, Territory wages have been higher than the national average, although in recent years there has been some evidence of convergence.

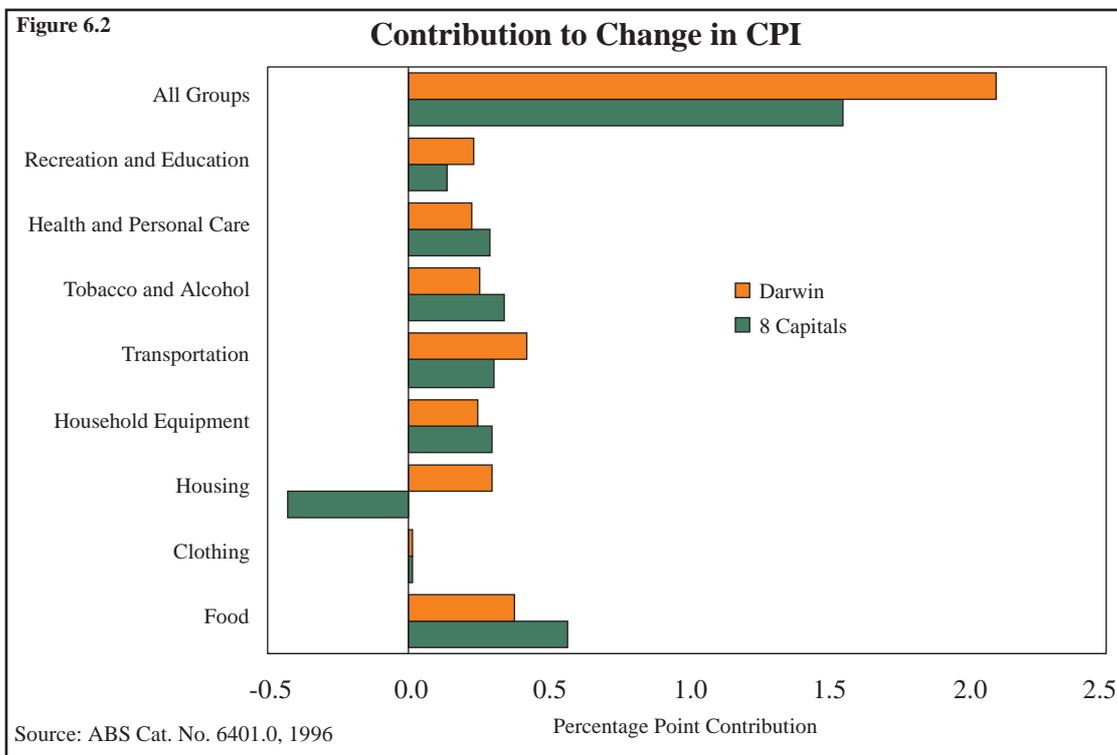
Prices

The Australian economy has been decelerating since 1994 resulting in an easing of inflationary pressures. In the second half of 1996, the Reserve Bank of Australia (RBA) reduced official interest rates three times by a total of 1.5 percentage points. This move reflects the RBA's assessment that underlying inflation (a measure developed by Commonwealth Treasury that excludes the effects of interest rates and other items subject to seasonal and policy fluctuations) is within its target range of 2-3% and that the economy has capacity for higher growth. Even though the rate cuts are a response to low inflation, they have a significant effect on reducing inflationary expectations and can be expected to dampen price and wage movements.

Prices are also affected by the exchange rate for the Australian dollar, the balance of economy-wide demand and supply and the cost of productive inputs. During 1996 the Australian dollar maintained a relatively high exchange rate. This generally supports price restraint as the cost of imports is kept low which places a competitive discipline on local producers. High inventory levels have diminished the ability of business to raise prices and wages growth has also eased throughout the year.

The latest Consumer Price Index (CPI) figures for the December quarter 1996 recorded a fourth successive fall in the annual inflation rate. The quarterly increase of 0.2% was also the smallest increase since the December quarter 1993 and resulted in an annual inflation rate of 1.5% which is the lowest since the March quarter 1994. While





this rate is low, the full effect of activity caused by the interest rate cuts has yet to be felt. The RBA has stated that it does not anticipate any further changes to its present monetary settings.

Inflation in Darwin for 1996 was 2.1% and as Figure 6.1 shows, it generally moves with the national average. This suggests that most price movements in Darwin are guided by national factors. Low inflation rates were also recorded in other capitals with annual rates ranging from 1.2% in Melbourne, Adelaide and Canberra to 1.9% in Brisbane. The higher Territory rate partly reflects its strong economic growth compared to all other States.

The transportation group contributed the most to the annual increase in Darwin following rises in the cost of fuel and vehicle insurance. Nationally, increases in the prices of fresh fruit and vegetables led to the highest contribution being from food. Figure 6.2 shows the differences between Darwin and the eight capitals; the effect of lower mortgage interest charges can be seen in the negative contribution made by housing costs to the national figures. Mortgage charges in the Territory increased in the first half of the year which offset the subsequent reductions. Other classes of expenditure such as rents also increased more than nationally causing the positive contribution by housing costs.

The annual underlying rate of inflation peaked in the first quarter of 1996 at 3.3%. The quarterly increase of 0.4% in the December quarter 1996 resulted in an annual rate of 2.1%, the lowest since March 1995.

Wages

The election of the federal Liberal-National Coalition Government in March 1996 precipitated a move away from the Accord process in the determination of wages to an emphasis on Enterprise Bargaining. Despite fears that this could lead to a wages blowout, agreements have been restrained reflecting in part high unemployment and the subdued nature of the economy. Pay increases have been in the order of 4.4% in the private sector and 4.3% in the public sector although two industries, metals and construction, have negotiated outcomes significantly above this.

Table 6.1

Inflation in 1996

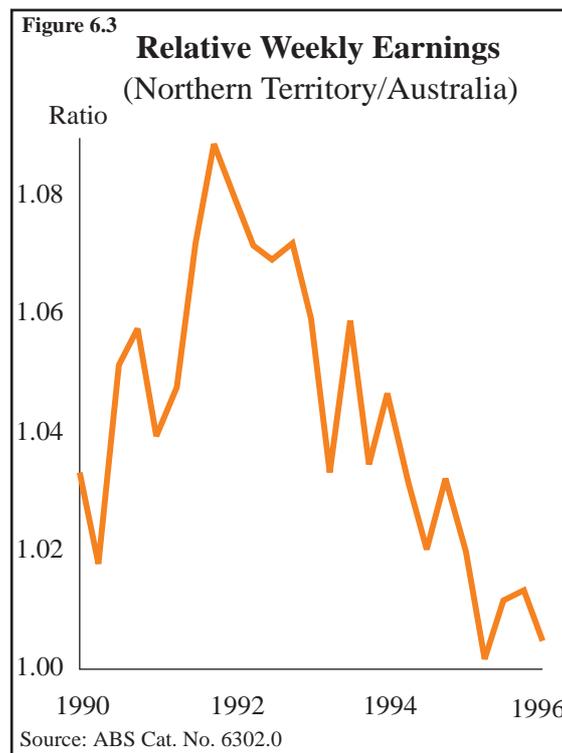
	% Change
Darwin	2.1
Brisbane	1.9
Sydney	1.8
Perth	1.8
Hobart	1.8
Canberra	1.2
Adelaide	1.2
Melbourne	1.2
8 Capitals (weighted)	1.5

Source: ABS Cat. No. 6401.0

The average weekly full-time earnings of Territory adult employees have consistently been higher than the national average. In November 1996 the average weekly full-time earnings of adult employees (AWE) in the Territory at \$733.80 was slightly higher than the national average (\$730.20).

Since August 1992, growth in national AWE has been higher than in the Territory. AWE in the year to November 1996 grew nationally by 3.9% but only at 2.3% in the Territory. Figure 6.3 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 the structural changes that have been occurring in the Territory. In the past, the economy has been dominated by sectors that



pay relatively high wages such as mining and the public sector. As the economy has matured and diversified, much of the expansion has been in lower paying industries such as hospitality and tourism. This has resulted in a decline in the significance of the high wage sectors and consequently a move in average Territory earnings towards national levels.

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.

Prices and Wages Outlook

Inflation is expected to continue decreasing in the short term as the generally slower wages growth takes effect. In the long term, domestic inflation should remain low, reflecting the emphasis given by all major economies to restrain inflation. Presently, RBA is closely watching the ACTU 'living wage' claim, which it fears could add 1.6 percentage points to wages growth, and hence add to inflationary pressures.

Market views on the likelihood of further interest rate cuts are mixed. Inflation is already at the lower end of the RBA's preferred range and if the economy remains subdued, some additional stimulus may be required. Alternatively, strong wages growth could accelerate inflation beyond that which the RBA considers appropriate. In global terms, Australian real interest rates on average are higher than the countries of the Organisation for Economic Cooperation and Development (OECD), although they are below those of many of the developing Asian economies.

The new Commonwealth *Workplace Relations Act 1996* has been progressively coming into effect since December 1996. It allows much greater flexibility in wage agreements, for example, trading conditions for pay increases. Consequently, the outcome of wage negotiations is now more uncertain than previously, although while unemployment remains high and the economy remains sluggish, wages growth will be kept in check.

National Fiscal Outlook parameters published by Commonwealth Treasury project a national inflation rate for 1996-97 of 1.5% increasing to 1.75% in 1997-98 and 2.5% thereafter. Wages growth in 1996-97 is forecast at 4.5%, decreasing to 4.0% in 1997-98 and 3.5% thereafter.

Business Conditions

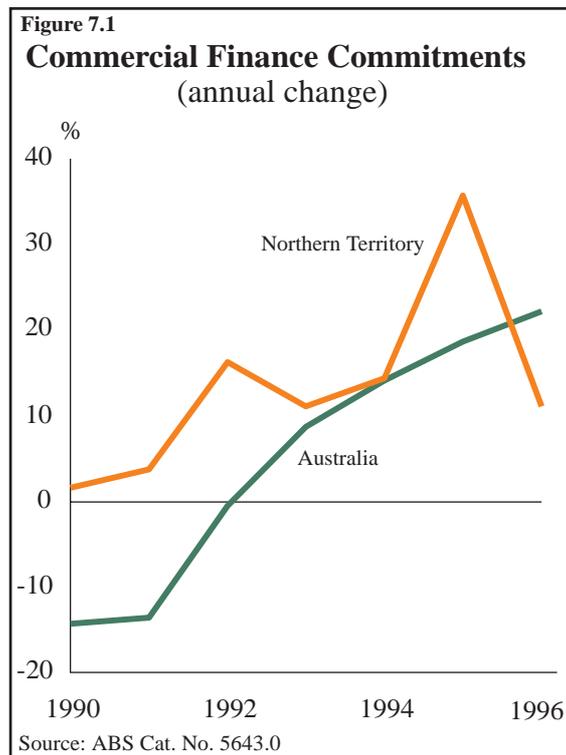
Economic indicators such as commercial office vacancy rates, new business registrations, commercial and lease finance commitments and bankruptcies can be used to gauge business conditions in the Territory.

The number of new business registrations declined during 1996, while recorded bankruptcies increased substantially in the Territory. While this is reflective of the decline in economic growth experienced in 1996 (after record growth in 1995), commercial office vacancy rates in the Territory are expected to decline during 1997 as the economy grows at more sustainable levels. Nationally, the generally subdued level of economic activity was evidenced by the slight growth in the value of commercial finance commitments, while the number of bankruptcies increased considerably.

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 7.1 shows growth in commercial finance (new fixed loans less refinancing plus new and increased credit) in the Territory and nationally. While there has been a slowdown in the growth of commercial finance committed to small and medium sized businesses in the Territory, commitments made during 1996 are nonetheless 11.1% higher than in 1995, and comes after the Territory experienced its fastest rate of growth in annual amounts committed since 1986 in the previous year (35.6%). (Finance raised by major national and transnational companies with operations in the Territory is



generally not reflected in the Territory's commercial finance commitments data as the amounts are more than likely to be borrowed outside the Territory). The slowdown in commercial finance commitments may also reflect both the increased demand for, and willingness by, local financial institutions to lend money to home buyers in an environment of low real interest rates, good profit margins and strong market competition for mortgage lending.

Lease finance, which comprises a small proportion of total business finance in the Territory, increased by 24.2% during 1996 to \$52.4 million.

Business Registrations

The Northern Territory Office of Business Affairs compiles data on the registration of new business names. Changes in the number of new business name registrations is a reasonable indicator of economic activity and business confidence. From July 1996 to January 1997, the number of new business names registered in the Territory was 2 091 compared to 2 464 for the same period a year earlier, a decrease of 15.1%. This slow down in new business name registrations is consistent with a slowing in economic growth over the same period.

Commercial Office Vacancy Rates

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

Table 7.1 shows that the weighted average vacancy rate declined from 9.1% in 1996 to 7.5% in 1997, with declines in vacancy rates recorded in most centres. The greatest decline was recorded in Darwin suburbs as available office space in Darwin CBD and Casuarina becomes increasingly limited, and the increased demand for office space moves out to these areas. Palmerston and Katherine recorded slight increases in office vacancy rates to 6.7% and 14.0% respectively.

Total gross lettable area in the Territory expanded 3.9% over the twelve months to February 1997. The largest increases in gross lettable area occurred in Darwin suburbs and

	1996	1997
	%	%
Alice Springs	6.8	4.1
Casuarina	2.6	0.1
Darwin CBD	9.0	7.3
Darwin Suburbs	29.0	23.6
Katherine	10.7	14.0
Palmerston	5.1	6.7
Weighted Average	9.1	7.5

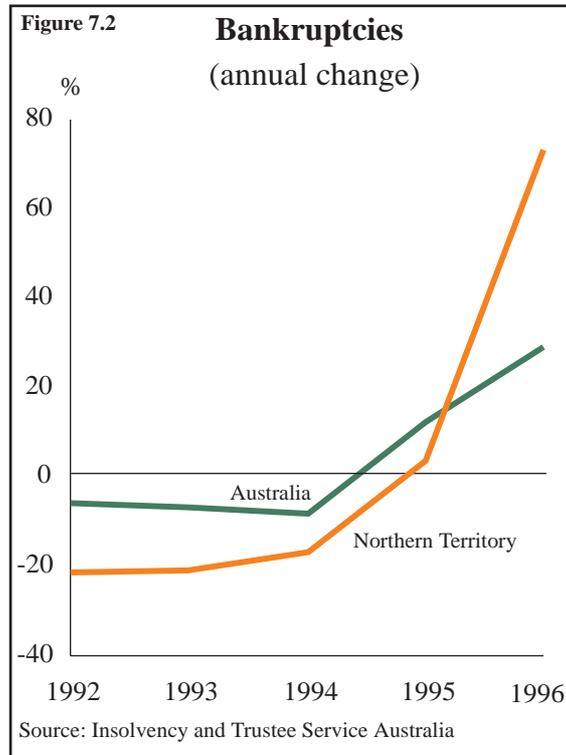
Source: Australian Valuation Office

Palmerston. The Darwin CBD accounts for 67.1% of gross lettable area in the Territory, reflecting its predominance as the commercial centre of the Territory.

Bankruptcies

Figure 7.2 shows the annual change in bankruptcies from 1992 to 1996 for the Territory and Australia.

In 1996, the total number of bankruptcies increased by 73.2% to 97 in the Territory and 29.3% to 19 819 nationally. (Note that the figures for the Territory are very volatile due to the large impact that small changes can have.) While these substantial increases correspond to generally weaker economic growth over the past year, the total number of registered businesses in the Territory increased by 8% during 1996 to 17 011.



Business Conditions Outlook

Business conditions in the Territory are expected to improve throughout 1997-98. The completion of several retail developments, good prospects for tourism and strong population growth are expected to provide a boost to business activity in the second half of 1997. The Yellow Pages Small Business Index tracks confidence and behaviour in the small business sector, defined as businesses employing 19 people or fewer. The Small Business Index for February 1997 indicates that small businesses in the Territory expect improved sales and are generally more confident of their own business prospects in the next 12 months.

Nationally, the economy is expected to grow weakly in the first half of 1997 and should pick up pace as it moves into 1998 as the strongly growing sectors of resource and communications investment are joined by housing investment and manufacturing later in the year. Public sector spending is expected to be restrained as the Commonwealth Government attempts to further cut its outlays in order to reduce its budget deficit. Interest rates should remain low, offsetting to

Business Conditions

some extent the contractionary effects of reduced Commonwealth expenditure. Until the matter is resolved, uncertainty over native title rights is likely to reduce investment expenditure.

Mining

Mining is the Northern Territory's major economic activity and the driving force behind exports. Mining also builds and strengthens Australia's ties with Asia and sustains the Territory's future economic growth and development.

The mining industry in the Northern Territory makes the single most significant contribution to Gross State Product (GSP) of any industry. In 1994-95, the latest year for which an industry breakdown is available, the mining industry accounted for 16.5% of the Northern Territory's GSP, approximately four times the corresponding national figure of 4.2%.

Table 8.1

Mining	
	% of GSP
Northern Territory	16.5
Western Australia	15.3
Queensland	4.7
Victoria	3.1
Tasmania	2.1
New South Wales	2.0
South Australia	1.9
Australian Capital Territory	0.1
Australia	4.2

Source: ABS Cat. No. 5220.0, 1994-95

Table 8.1 shows the contribution of mining to each jurisdiction's GSP and to Australia's Gross Domestic Product (GDP). Mining's high percentage of Territory GSP reflects the Northern Territory's resource endowment and highlights the significance to the Territory economy of the mineral and energy sector.

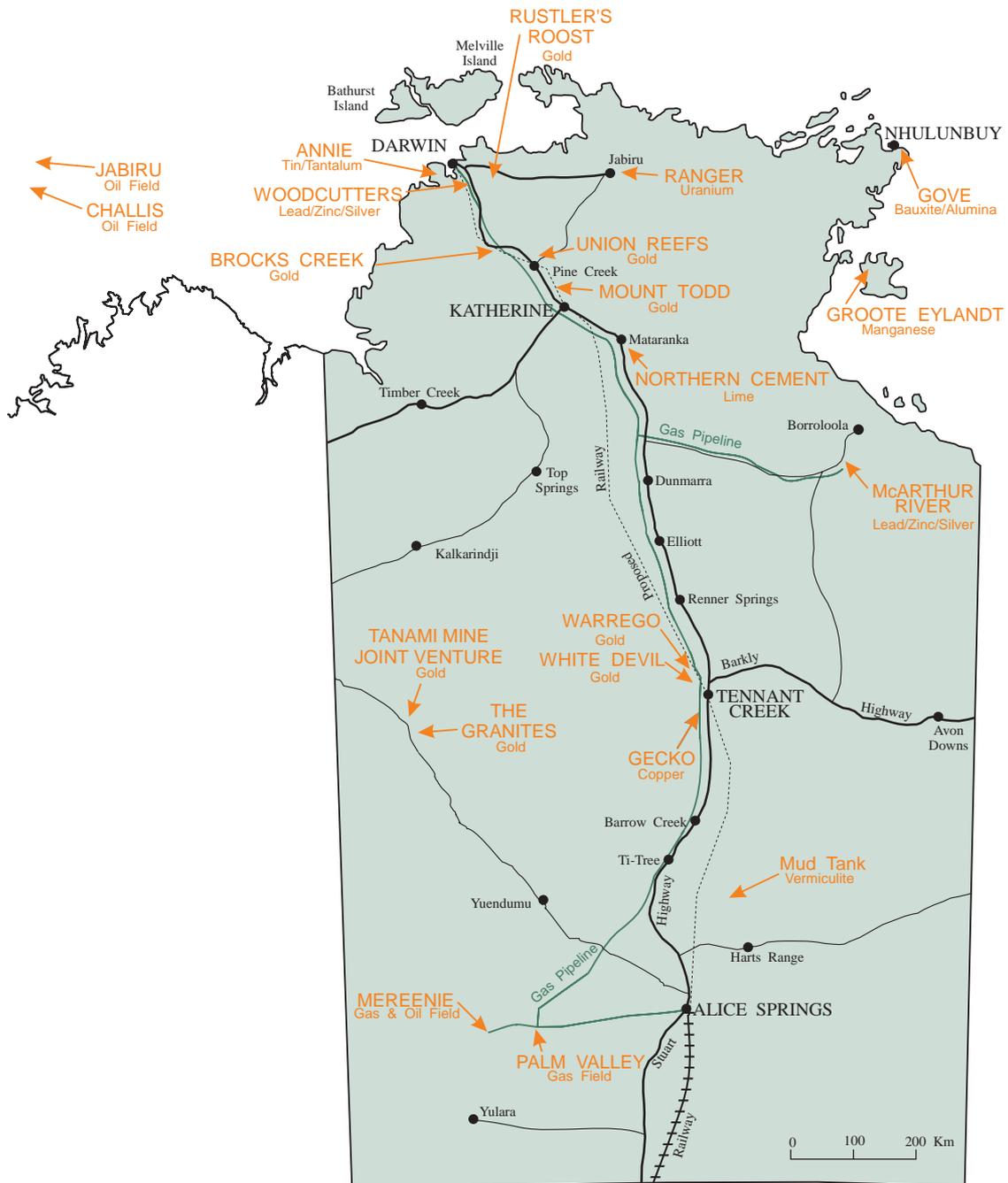
Figure 8.1 shows the value of production and processing from the Territory's mineral and energy resources. Production in 1995-96 was \$1 551 million, an increase of 18.4% on 1994-95. Growth is continuing and production for 1996-97 is estimated at \$1 656 million.

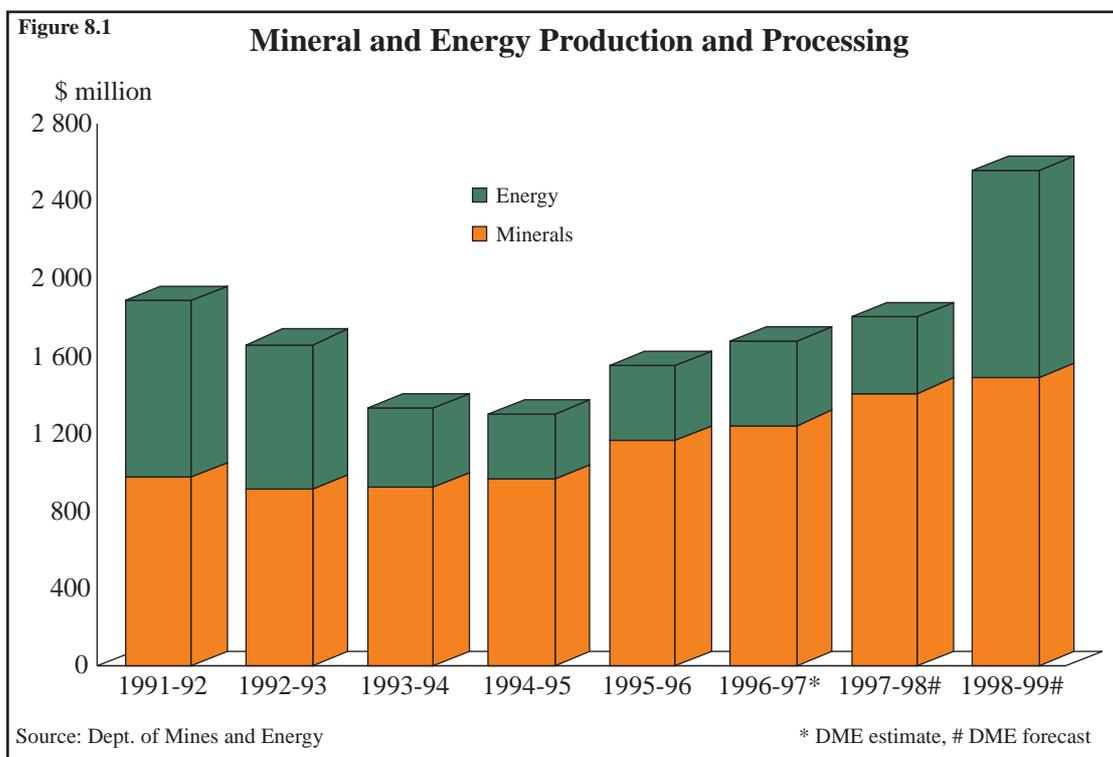
The value of energy production, which had been declining as oil fields in the Timor Sea reached the end of their productive lives, was reversed in 1995-96 by an increase in the value of uranium production. However, recent off shore oil discoveries at Laminaria/Corallina will more than double the value of energy production to \$1 072 million in 1998-99.

Offsetting the recent declines in the value of energy production has been the steady growth in the value of mineral production since 1992-93. Based on year-to-date figures, the value of mineral production in 1996-97 is estimated at \$1 243 million. The value of mineral production is forecast to continue its recent increases, growing to \$1 486 million in 1998-99.

As a result of a very buoyant outlook for the energy sector, the Department of Mines and Energy (DME) forecasts that the value of mineral and energy production could reach \$2 560 million in 1998-99.

Mineral and Energy Production



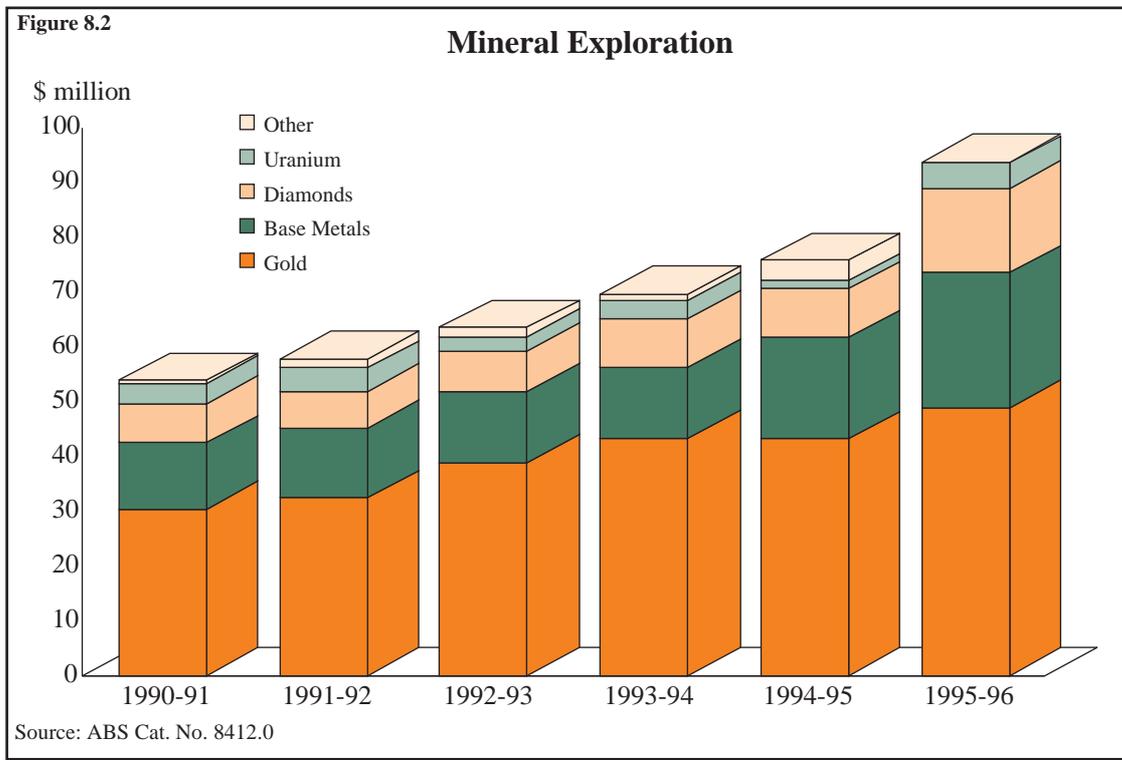


Strong investment growth has been a significant feature of the Territory's mining industry in recent years. Capital expenditure in 1995-96 increased 53% on the level recorded for 1994-95 to \$167.7 million. Significant developments contributing to this increase were investments in gold, base metals and other commodities. In 1995-96 gold investment included the construction of the Brocks Creek mine, expansion of the Tanami gold mines and the upgrade at Mount Todd. Base metal investments were at McArthur River and Woodcutters.

Further investment growth can be expected, with significant planned developments including the Laminaria/Corallina oil fields and four new mines. The success of continued increases in exploration activity will also impact on future capital expenditure.

Nationally, mining is a highly capital intensive activity, with employment levels being low relative to other sectors of the economy. Only 1.1% of all employed persons in Australia are employed by the industry, despite its 4.2% contribution to GDP in 1994-95. In the Northern Territory this capital intensity is just as pronounced; 4.1% of all persons employed in the Territory contributed 16.5% of GSP in 1994-95.

Data reported by the Australian Bureau of Statistics shows that in 1995-96 approximately 85.3% of the Territory mining industry's value added was accounted for by Gross Operating Surplus



(the remainder being wages, salaries and supplements (WSS)), compared with 81.6% nationally. This relatively low proportion of GSP accruing to WSS is due to the Territory mining industry being relatively more reliant on high value-for-volume resources and on capital intense production.

Despite the high value of production associated with mineral and energy production in the Territory, only a minor proportion of Gross Operating Surplus generated by this sector is retained in the Northern Territory because:

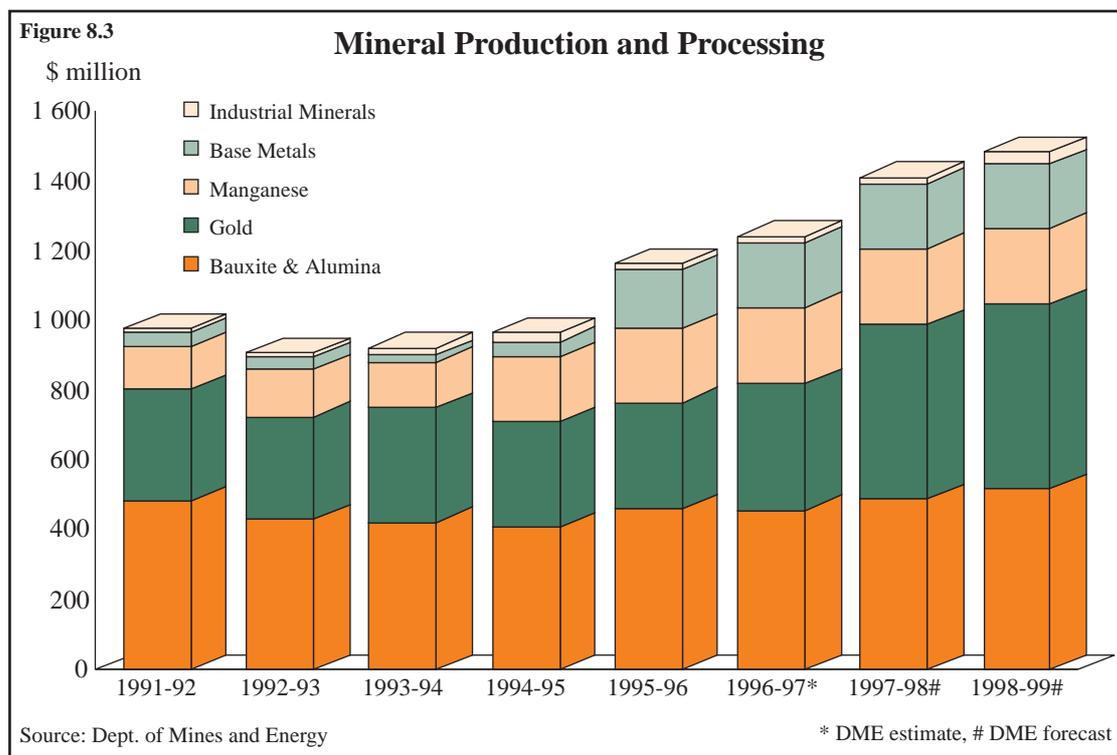
- mining operations are largely owned and financed by companies and financial institutions based elsewhere in Australia or overseas, so that profits, interest and dividends accrue outside the Territory; and
- a high proportion of taxes paid by enterprises accrues to the Commonwealth Government in the form of company taxes, uranium royalties (in large part redirected to the Territory) and resource rent tax 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 regional development, wages, the provision of some goods and services,

and royalties collected under Territory legislation. DME data shows direct employment of 4 232 persons in the mining, energy and processing sector in 1995-96.

The Northern Territory content of goods and services consumed by the industry is increasing. The Committee on Darwin report (1995) suggests that about 43% of mining enterprises' recurrent expenditure now occurs in the Territory, principally in Darwin. Spin-off benefits also accrue from the oil and gas sector. Following on from the Jabiru Venture refit in 1995, major work staged out of Darwin in 1996 included the Challis Maintenance Campaign which was carried out on site in the Timor Sea.

The Northern Territory Government secures revenue from royalties levied on a profit basis. Profit based royalties fluctuate from year to year in line with company performance. Estimated royalties to be received in 1996-97 amount to \$28 million. A further \$1.3 million is expected to be received as grants in lieu of uranium royalties from the Commonwealth. Royalties are forecast to increase to \$30 million in 1997-98.



Minerals

Despite the presence of around 2 500 mineral occurrences and a number of petroleum prospects and leads, the Northern Territory is comparatively underexplored and has a potential for further significant mineral and petroleum discoveries. The *in situ* resource value of the known mineral occurrences of the Northern Territory is estimated at \$50 billion (in 1994-95 dollar terms).

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

- bauxite - the third largest bauxite mine in Australia is at Gove;
- gold - major operating mines are located in the Pine Creek, Tennant Creek and Tanami Desert areas;
- manganese - Groote Eylandt is the world's third largest producer of high grade manganese ore;
- zinc, lead and silver - including one of the world's largest known ore bodies at McArthur River;
- deposits of bismuth, copper, mica, molybdenum, palladium, platinum, tantalite, tin and tungsten; and
- diamonds - the Merlin diamond mine could start operations in 1997-98.

Figure 8.2 shows that mineral exploration, including uranium exploration, in the Northern Territory has grown considerably since 1990-91. This increased activity has resulted in significant mineral deposits being discovered. Mineral exploration expenditure in the Territory in 1995-96 increased 24% on 1994-95 figures. In 1995-96 the Territory accounted for 9.8% (\$93.9 million) of private mineral exploration expenditure in Australia, over half of which was employed in the search for gold.

Minerals Outlook

Four new mineral resources are under consideration for production in 1997-98 subject to native title claims and/or environmental assessments. These ventures are gold operations at Burnside and Maud Creek in the Pine Creek area, garnet sands at Harts Range in Central Australia and diamonds at Merlin in the Gulf of Carpentaria area. A major upgrade is also planned at Rustlers Roost gold mine, while Nabalco is expanding its alumina processing plant at Gove; the total expected cost of these projects is approximately \$160 million.

The Australian Bureau of Agriculture and Resource Economics (ABARE) states that “With signs of increasing growth in economic activity in most regions around the world in the latter part of 1996 and the expectation that rates of growth of gross domestic product and industrial production will rise further in 1997, world demand for minerals, metals and energy is forecast to rise.” Territory mine production is also expected to grow, supported by sustained increases in exploration and new capital expenditure in recent years.

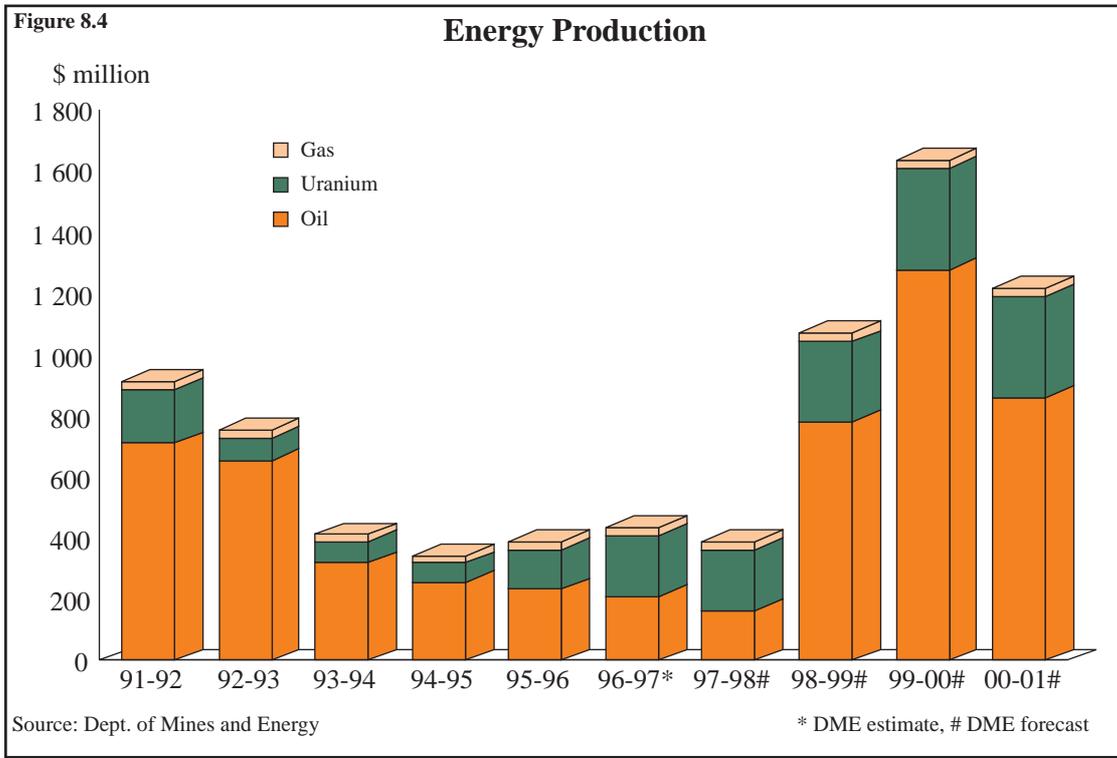
Figure 8.3 shows the value of mineral production and processing to the Northern Territory to 1998-99. Production trends are estimated to result in mineral production of \$1 243 million in 1996-97, a 7% increase over 1995-96. Present DME forecasts estimate mineral production of \$1 412 million in 1997-98, and \$1 486 million in 1998-99, dependent upon the resolution of land access and environmental issues.

Northern Territory production of gold is expected to increase in 1996-97, further consolidating the gains made in 1995-96. The expansion in production largely reflects the commissioning of new projects combined with growth from some existing mines. A major factor behind the expansion in Territory gold production has been the increased level of gold exploration which arose as a result of higher gold prices. Gold prices are forecast by ABARE to ease in 1997.

World alumina prices are forecast to increase in 1997, while domestic supply of alumina is expected to rise in response to increased Australian aluminium production. World base metal consumption is forecast to grow strongly in 1997 - average zinc and lead prices are forecast to rise in 1997, while the average copper price should further weaken.

Although the Northern Territory has continued to grow in stature as a mining region, a major source of uncertainty and concern in the mining industry has been the capacity of the Government to issue valid tenure for resource exploration and mining. The full effects of the Wik decision handed down by the High Court of Australia on 23 December 1996 are still to be determined. As a consequence of the Wik decision, the validity of over 800 titles granted and 650 titles renewed since the commencement of the *Native Title Act* on 1 January 1994 is uncertain. Any compensation that may eventually need to be paid for acts of government during this period is also a concern.

Following the High Court’s decision on the Wik claim, DME stopped issuing mining titles on pastoral leases, pending clarification of the issue and its resolution by the Commonwealth Government. It is expected that the longer it takes for the impact of the Wik decision to be clarified, the greater will be its cumulative effect.



Energy

The Northern Territory's known energy resources include crude oil, natural gas and uranium. Uranium oxide is produced in the East Alligator Region, near the township of Jabiru, at the Ranger mine. Crude oil is produced from both on and off shore sites; most of the crude oil produced on shore at Mereenie is refined in South Australia, while oil from the off shore fields of Jabiru and Challis is exported overseas. Natural gas is produced in the Amadeus Basin near Alice Springs; the two natural gas fields are Palm Valley and Mereenie.

Expenditure on petroleum exploration in the Northern Territory and in off shore waters administered by the Territory increased by 72% to \$96.3 million in 1995-96. In addition, exploration expenditure in Area A of the Zone of Cooperation with Indonesia (ZOC-A) remained steady at \$89.2 million.

The value of energy production in the Territory is expected to be approximately \$413 million in 1996-97. The decline in crude oil production from the early 1990s due to the depletion of reserves in off shore oil fields has been the major factor in the energy sector's reduced value of production. Skua field ceased production in early 1997, and the estimated reserves of 22 million barrels at Jabiru and Challis are expected to be depleted within five years. On shore production

of oil at Mereenie is forecast to remain around 3 000 barrels per day in 1997-98. (Note that the energy production data shown in Figures 8.1 and 8.4 does not include ZOC-A production.)

In May 1996 the Northern Territory Government approved the mining of Ranger Orebody No. 3 which is situated approximately 1.5 km north of the now exhausted Orebody No. 1. Current reserves are expected to last for 15 years. Mill capacity has increased to 5 000 tonnes of concentrate per year. Improved prices and increased production of uranium has helped arrest the fall in the value of energy production.

Energy Outlook

Forecasts for the value of energy production to 2000-01 are shown in Figure 8.4. The value of energy production is forecast to increase significantly in 1998-99, principally as a result of the production from the Laminaria/Corallina oil fields in the Ashmore/Cartier area of the Timor Sea. Uranium ore production is also forecast to increase while gas production should remain stable until the turn of the century. The expected decline in the value of oil production between 1999-00 and 2000-01 is due to reduced production from Laminaria/Corallina.

Spot prices for uranium oxide have risen for four consecutive years and are expected to peak in 1997, averaging US\$17/lb. Strong global demand and reduced inventories have boosted world prices and have stimulated uranium exports from the Territory. The proposed development of Jabiluka is currently awaiting the outcome of the processes for environmental approvals and for negotiations with traditional landowners. Jabiluka has approximately 90 000 tonnes of high grade uranium ore awaiting development.

While the life of the existing producing oil wells is on the decline, there have been some very exciting discoveries in the Timor Sea. Appraisal drilling will occur on discovered fields. In addition, oil and gas companies are committed to drilling at least 30 off shore oil and gas exploration wells before the end of 1998 and are expected to drill over 90 off shore wells by the end of 2001.

The Laminaria/Corallina project reserves are estimated at 155 million barrels, with first oil production likely in early 1999. Total project cost will be approximately \$1 billion, with a project life of at least 13 years; peak production is expected to be in excess of 150 000 barrels per day in 1999-00.

Also of relevance to the Northern Territory are developments in ZOC-A. This area is administered by a joint authority comprising officials of the Australian and Indonesian Governments. The joint authority has offices in both Darwin and Jakarta.

Projects emerging in ZOC-A are the Bayu-Undan oil and gas field, and the Elang/Kakatua oil fields. Oil production from the Elang/Kakatua fields is likely to commence in late 1997.

The commercial production of gas from off shore fields is expected to take longer to achieve than its petroleum counterparts. First gas from Bayu-Undan through a liquefied natural gas (LNG) plant could reach export markets by the year 2002. The main joint venture partners in Bayu-Undan (BHP and Phillips Petroleum Limited) are examining various options for the development of an LNG plant; a decision should be made in 1997. If the LNG plant proceeds and is constructed on shore in Darwin, the estimated development cost is about \$2 billion (including an undersea pipeline from the Bayu-Undan field to the LNG plant). The project would generate in excess of 1 000 jobs during the construction phase and several hundred in operation; the LNG plant will process approximately 3 million tonnes of LNG per annum. It is expected that an LNG development will provide a 'critical mass' which will encourage exploration and development of other gas resources within the Timor Sea.

To help facilitate commercial benefits to Darwin, and to maximise flow-on effects to local industry and businesses, an Offshore Oil and Gas Business Development Working Group has been created. This group is convened by the Department of Mines and Energy and comprises Northern Territory Government agencies and industry associations. It is developing and implementing strategies to promote Darwin's supply, service and construction capabilities.

The development of an integrated industry supply and service base at or near the new East Arm Port is being investigated. This is seen to be a key to consolidating Darwin's future as the region's most efficient supply and service centre. It is anticipated the supply base will be able to cater for the off shore oil and gas industry, mining and petroleum operations in eastern Indonesia and Papua New Guinea and regional marine and defence support activities.

Tourism

Tourism is not separately identified as an industry in the State Accounts with expenditure by tourists spread over a number of production classified industries. The “Accommodation, Recreation, Personal and Other Services” industry captures a significant proportion of tourism expenditure although tourists also contribute directly to other industries such as retail and transport.

Using “Accommodation, Recreation, Personal and Other Services” as a proxy for the tourism industry indicates that tourism contributes more to the Territory economy than in any other State or Territory (see Table 9.1), while employing 20.3% of employed persons. The strong growth achieved in recent years continued during 1995-96 and prospects are very good

Table 9.1

Accommodation, Recreation, Personal and Other Services

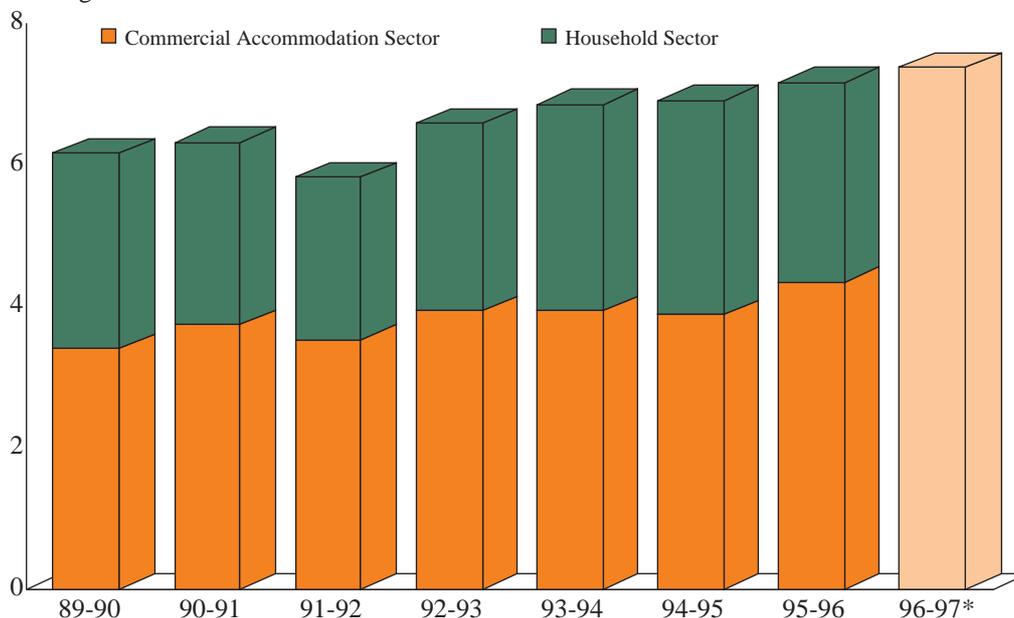
	% of GSP
Northern Territory	8.5
Australian Capital Territory	7.4
Queensland	6.7
New South Wales	6.2
Tasmania	6.1
South Australia	6.1
Victoria	5.4
Western Australia	5.2
Australia	6.0

Source: ABS Cat. No. 5220.0, 1994-95

Figure 9.1

Visitor Nights

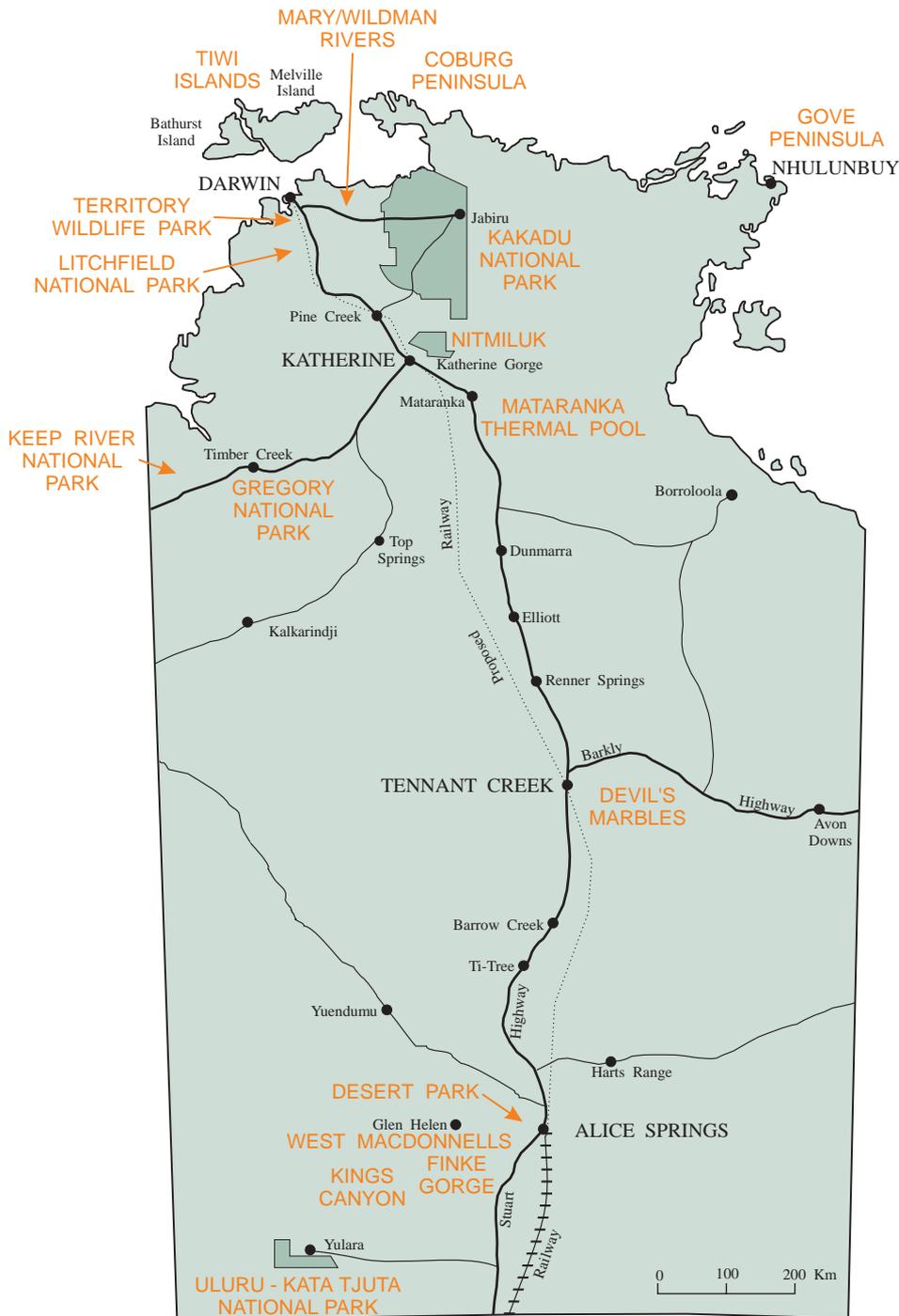
million nights



Source: Northern Territory Travel Monitor

* NT Treasury estimate

Tourist Destinations

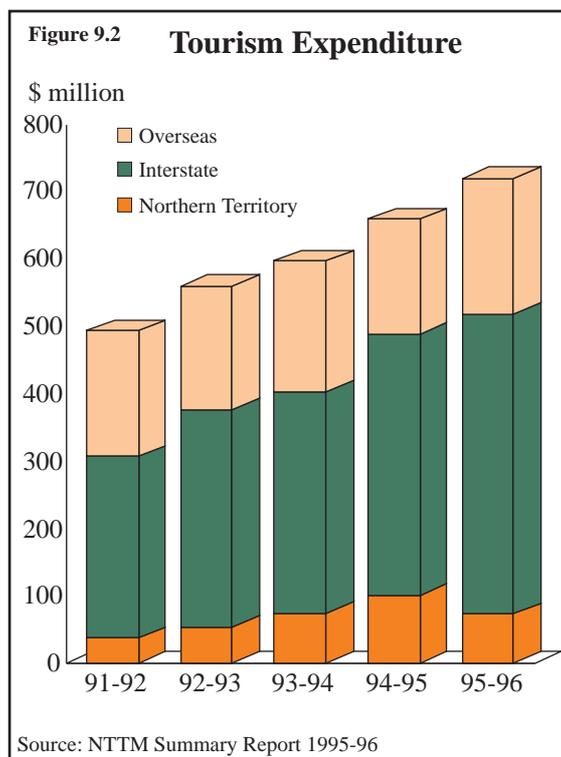


for further growth based on the demonstrated commitment shown by the Territory Government and private operators to develop the industry and the confidence of investors as evidenced by infrastructure developments.

The Territory tourism industry has a distinct peak season from June to September, coinciding with the “dry season”. In order to raise the level of visitation outside this period, the Northern Territory Tourist Commission (NTTC) has conducted a “Tropical Summer” advertising campaign over the past two “wet seasons”. This campaign has proved to be a success, with tourist accommodation statistics published by the Australian Bureau of Statistics (ABS) for the December quarter 1996 recording the highest December quarter room occupancy rates since 1980, and despite a large increase in the supply of rooms over the year.

The Northern Territory Travel Monitor Summary Report 1995-96 prepared for the NTTC shows that the total number of overnight visitors travelling within the Territory increased by 11.0% (to 1.3 million) in 1995-96 compared with the figure a year earlier. This increase was the net result of large increases in overseas visitors (up 32.9%) and interstate visitors (up 26.5%) offset by a 17.9% decline in Territorians travelling overnight within the Territory. This decline may reflect improved transport services leading to reduced travel times.

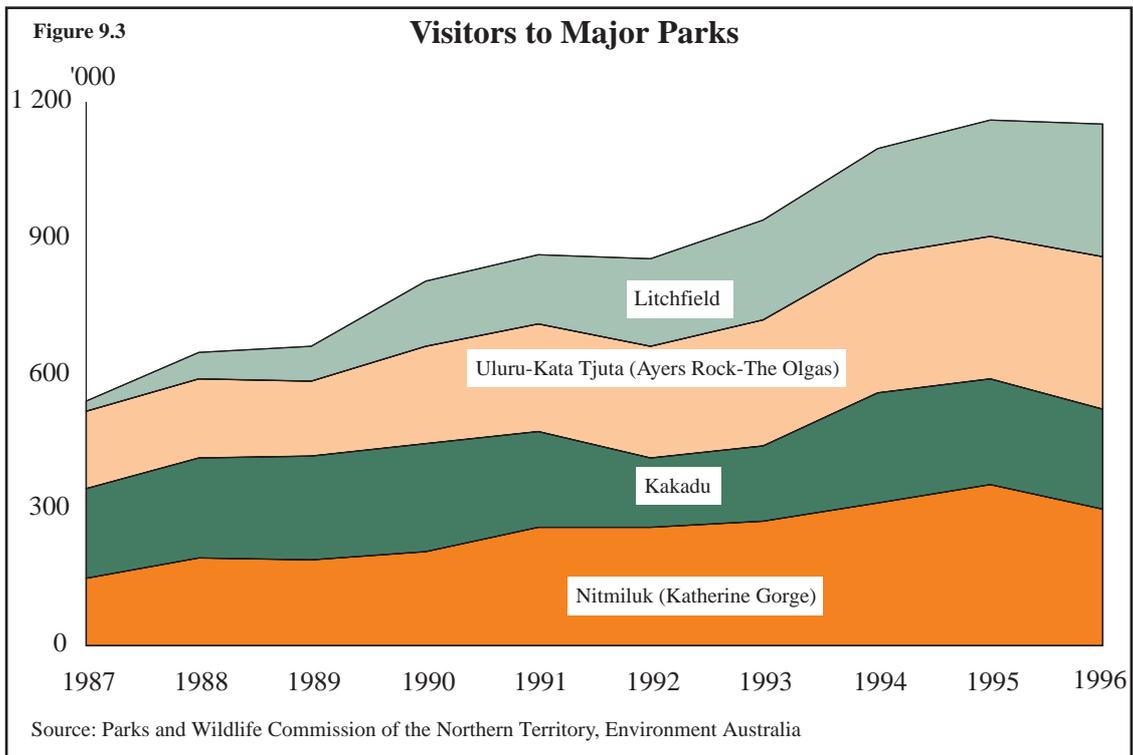
During 1995-96, visitors are estimated to have spent \$718.4 million in the Northern Territory on accommodation, tours, food, souvenirs and other goods and services. This represents an 8.0% increase on 1994-95. Over this period, expenditure by overseas visitors and interstate visitors both increased strongly by 17.8% and 14.8% respectively. Expenditure by Territorians declined by 27.6%, after a sharp increase of 36.8% in the previous year. Similarly nights spent in the Territory by overseas visitors and interstate visitors increased during 1995-96, while visitor nights for Territorians decreased. Although interstate visitors continue to make up the largest component of demand for accommodation in the Territory, future growth in accommodation demand is likely to be underpinned by the international market.



Interstate visitors from New South Wales, Victoria and South Australia accounted for almost three quarters of total interstate visitors to the Territory. Among international visitors, UK/Ireland represented 16.8% of overseas visitors while Japan (15.7%), Germany (14.9%) and the US (6.8%) were the next most common countries of origin. Average per capita expenditure for overseas visitors was \$577 with German visitors spending the most at \$751 per person, followed by New Zealand visitors spending \$747 per person.

During 1995-96, increases in tourist expenditure were recorded in all regions with Tennant Creek (up 15.2%) recording the highest increase, followed by the Top End (up 10.3%), Katherine (up 10.0%) and the Centre (up 6.9%). The Top End region accounts for 48% of total expenditure, followed by the Centre 40%, Katherine 9% and Tennant Creek 3%.

The Territory's unique flora, fauna and geographical features are key attractions for visitors. The Territory's most popular national park in 1996 was Uluru Kata Tjuta National Park with 337 018 visitors. The park features the worlds largest monolith (Uluru - Ayers Rock), unique rock formations (Kata Tjuta - The Olgas) and spectacular desert scenery to the south of Alice Springs. In 1996, Litchfield National Park experienced the greatest increase in visitors (up 13.4%). 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. Visits to Nitmiluk (Katherine Gorge and Edith Falls) declined by 15.3% in 1996, after substantial growth in the previous two years. The number of visitors to Kakadu declined 5.4% in 1996, after a slight decline of 1.9% in 1995 and a sharp increase of 44.7% in 1994. Other excellent parks in the Centre, such as Glen Helen Gorge Nature Park, Ormiston Gorge and Pound National Park, Watarrka National Park and Finke Gorge National Park also received a significant number of visitors during this period.

Cruise ship visits to Darwin are a significant component of the Territory's tourism industry as these visitors tend to spend more and their visits are spread throughout the year. The number of cruise ship visits to Darwin is expected to double over the next five years.

The key constraint to tourism in the Territory is the significant distance between tourist attractions and centres within the Territory. It is therefore imperative to provide an efficient, affordable and accessible transport infrastructure for tourists. The Territory Government's commitment to the upgrading of tourist roads continued throughout 1996, the Upper Finnis River Bridge on the Litchfield Park Road was sealed in time for the 1997 tourist season. This will provide year round access to the waterfalls of Litchfield. The final stage of sealing for the Kakadu Highway was also completed which means that the Territory now has a high standard sealed road network to all the major tourist destinations. Although still gravel, the Mereenie Loop Road provides two wheel drive access between Kings Canyon and the West MacDonnell ranges.

While activities associated with Aboriginal art/culture are by far the most popular activities for overseas visitors during their visits, bushwalking activities appeal to both interstate and overseas visitors. Scenic flights, 4 wheel driving, camel riding and fishing are also very popular among visitors to the Northern Territory.

Visitor numbers for the Territory Wildlife Park, located 40 kilometres south of Darwin, have increased rapidly from 29 109 in 1989 to 105 055 in 1996. Ongoing development is still taking place at the Park in order to enhance opportunities to view the Territory's unique wildlife. The \$20 million Alice Springs Desert Park opened in March 1997 featuring the Territory's desert habitat, a fascinating array of plants and animals as well as stories from Aboriginal culture.

A Tourism Aviation Committee was formed after the Minister for Tourism publicly launched a 'Tourism Aviation Strategy' in 1995. The primary role of this committee is to increase the international aviation capacity of the Northern Territory. During 1995-96, domestic air services to and from the Northern Territory increased 13% over the previous financial year while weekly international air services increased 11% over the same period. Seat capacity increased 6% for both domestic and international air services.

In response to the rapid growth in visitor numbers to the Territory, tourism infrastructure investment recorded strong growth during 1996 and early 1997. In Darwin, the 78 room Luma Luma Holiday Apartments, the 208 room Holiday Inn and the 85 room Primavera Resort commenced operation in March 1997 while the 132 room Darwin Central Hotel will be ready for the 1997 tourist season. At Ayers Rock, a \$30 million upgrade including 62 rooms at the Desert Gardens and additional rooms at Emu Walk were completed in 1996.

Tourism Outlook

The NTTC's strategy for tourism development in the coming year will focus on promoting all tourist attractions in the Territory and developing Alice Springs and Darwin as hubs for touring and exploring within Central Australia and the Top End.

The Government has allocated \$400 000 under its capital works program, to open up the Mary River waterways system which offers some of the best fishing and bird watching opportunities in the world. The program includes the development of three new sites in the Mount Bundy area and two wheel drive access to these sites. Additionally, a \$1.5 million cruise ship terminal is planned for construction in 1997-98.

The opening of the Alice Springs Desert Park will boost the range of activities available for visitors to the Centre and negotiations to acquire land tenure for the development of a visitor information centre at Watarrka National Park (Kings Canyon) is progressing. In addition, the Araluen Centre which features art galleries, a state of the art theatre, a sculpture garden and sites of cultural and historic significance is developing into a significant tourist attraction in Alice Springs.

The establishment of three Tourist Drives, namely the Stuart Highway, the Alice Springs/Ayers Rock/Kings Canyon/West MacDonnell route and the Arnhem/Kakadu/Stuart Highways triangle over the next three years under the "Drive Market Strategy" will promote the image of tourism driving in the Territory.

In addition to the significant increase in tourist accommodation in Darwin over the last two years, 600 new hotel and holiday apartment rooms will be available for the 1997 tourist season. Furthermore, a number of tourist accommodation development projects are proposed to provide an additional 380 rooms in Darwin City and Cullen Bay in the next year. These developments will satisfy the increasing accommodation demand from tourists until 2000, after that further development will be required.

The 1995 Tourism Development Masterplan has been largely implemented and is now producing results. With some finetuning, continuation of the Masterplan will ensure that the strong growth in the Territory's tourism industry is maintained.

Rural Industries and Fisheries

In the Territory rural industries and fisheries account for 3.7% of Gross State Product. Rural industries in the Northern Territory include pastoral, other livestock (including buffalo, 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. There are flow on benefits to the other sectors of the economy (for example, abattoirs, fish retail trade and post-farmgate expenditure on the live cattle export trade).

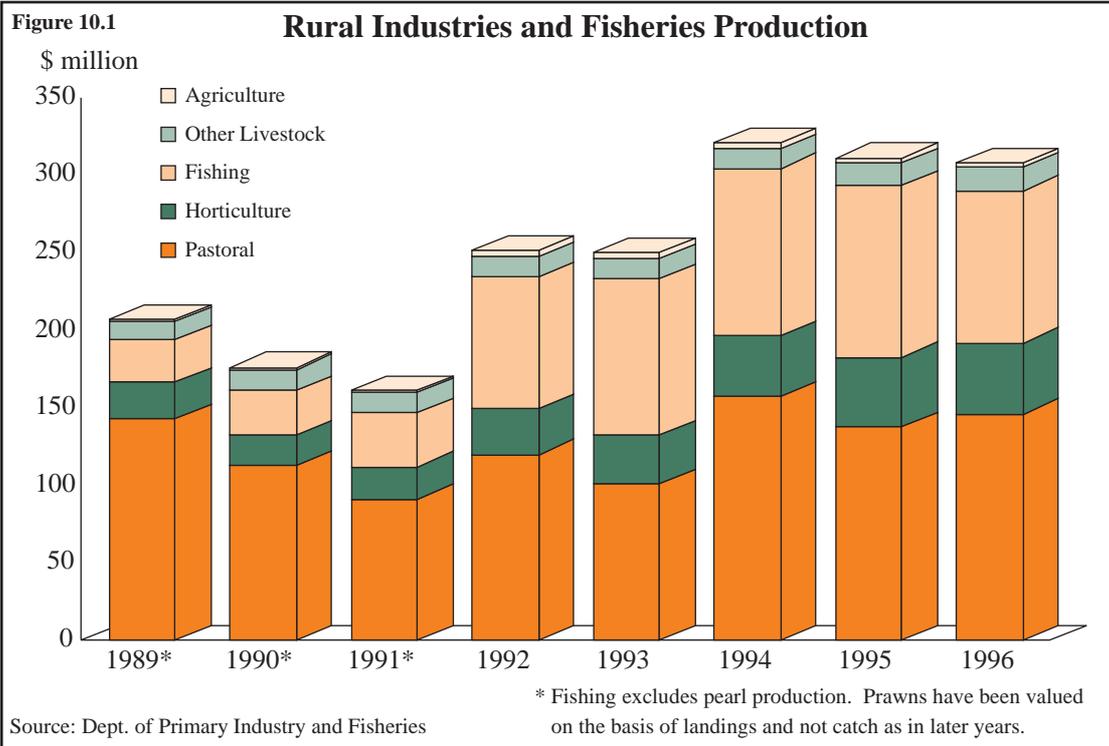
Table 10.1

Agriculture, Forestry and Fishing

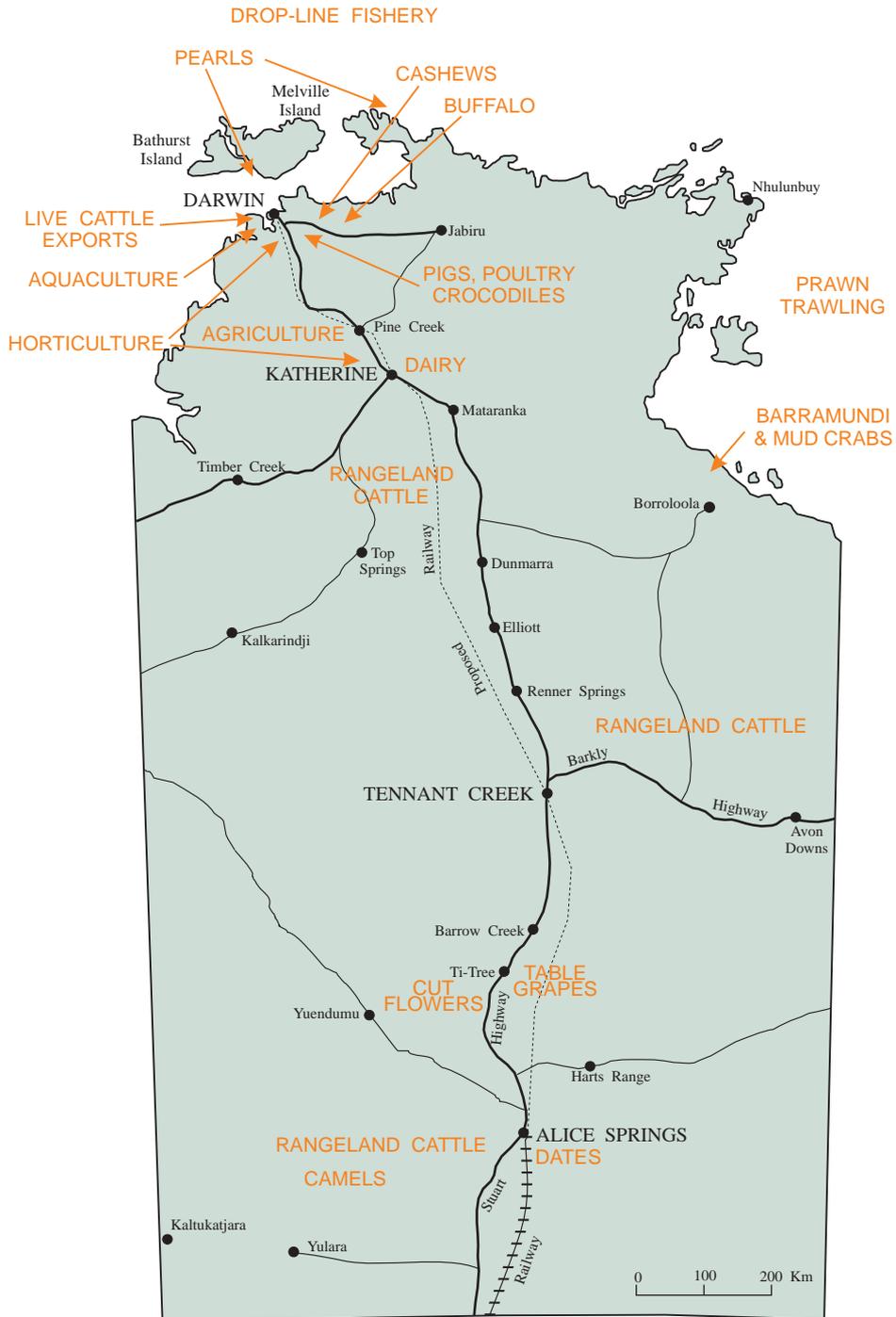
	% of GSP
Tasmania	6.5
Western Australia	4.9
Queensland	4.6
South Australia	4.4
Northern Territory	3.7
Victoria	2.7
New South Wales	2.0
Australian Capital Territory	0.1
Australia	3.2

Source: ABS Cat. No. 5220.0, 1994-95

The preliminary estimate of the 1996 gross value of production in the rural and fishing industries



Rural Industries and Fishing



is \$308 million, a 1% decline over 1995. The increase in the value of cattle production (6%) in 1996 was offset by a significant decrease in prawn production (41%).

Pastoral

In 1996, the cattle industry was worth an estimated \$146 million, about 47% 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.

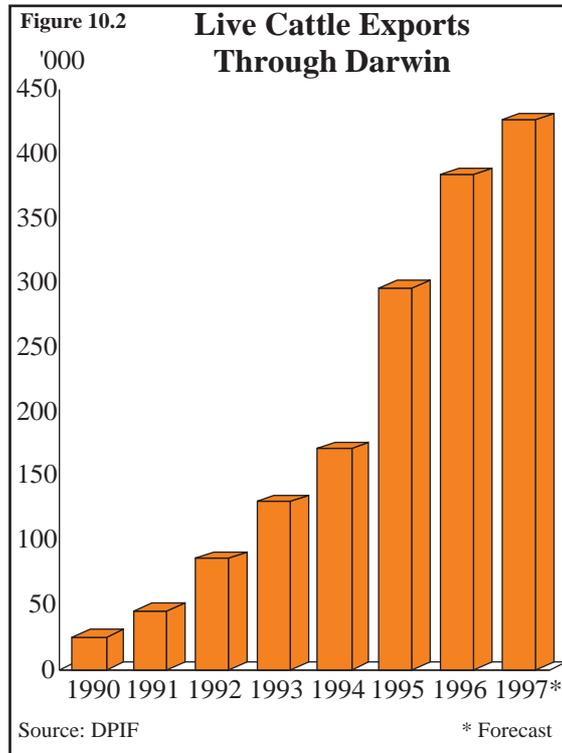
In 1996, about 423 000 head of cattle were turned off from Territory pastoral properties to abattoirs, interstate and overseas markets.

The number and the value of cattle turned off in 1996 were higher than in 1995 due largely to an increase in the number of cattle exported live to South East Asian markets. The increasing demand for live cattle in the South East Asian markets is impacting on the number of cattle sent to interstate markets, which in 1996 declined by 14%.

The Northern Territory's live cattle export trade has been growing rapidly both in terms of volume and value. In 1996, 199 571 head of Territory cattle were exported, an increase of 39% over 1995 exports. Indonesia and Philippines are the major markets taking over 90% of Territory live cattle exports. Exports to Indonesia in 1996 reached 108 819 head (double 1995 exports) and exports to Philippines were 73 505 head (an increase of 4.5% on 1995). Exports comprise primarily feeder steers destined for feedlots prior to slaughter.

In addition, 193 617 head of interstate cattle (96.5% from Queensland) were exported through the Port of Darwin, an increase of 20% over 1995 figures. This brings the total number of live cattle exported through the Port of Darwin to 383 535 during 1996.

The Northern Territory is at the centre of Australia's burgeoning live cattle trade into South East Asia. In 1996, the Territory provided 31% of all live cattle exported to South East Asia and approximately 60% of all live cattle exports to Asia were shipped through the Port of Darwin.



Pastoral Outlook

The outlook for the pastoral industry, which is well established relative to other land based rural industries in the Territory, is promising. The live cattle export trade to South East Asia is expected to be the driving force behind the growth in the pastoral industry. The increasing demand and growth in live cattle trade to South East Asia are due largely to rising disposable incomes, growing demand for animal protein, declining national herds and a decreasing availability of land for pastoral purposes in the ASEAN region. In short, the demand for beef has been growing faster than domestic supply in those countries and hence continued growth in imports of live cattle is anticipated. The growth in live cattle exports is expected to remain stronger than exports of fresh, frozen or chilled beef.

One in four specialist beef properties across 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.

Territory pastoral properties north of Tennant Creek have been rebuilding herds with more appropriate types of cattle (Brahman and Brahman cross) and thus improving the genetic make up of the Territory's cattle herd. Genetic improvements together with improved husbandry methods including supplementary feeding and improved rangeland grazing management are contributing to increasing productivity levels evident in the pastoral industry.

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

Other Livestock Industries

The Northern Territory has a number of other livestock industries contributing to Gross State Product. These industries supply eggs, poultry meat, pork, buffalo and camel meat, fresh milk, live exports (buffalo, deer, horses, camels and pigs) and crocodile skins and flesh. In 1996 the gross value of the total 'other livestock' industries was estimated at \$15 million. The increase of \$1.3 million since the previous year is due to the inclusion of buffalo in 'other livestock' and the growth in the crocodile industry.

Mixed Farming

Mixed farming areas around Katherine, the Douglas/Daly region and Darwin are focused on servicing the live cattle export industry. Areas cleared for grain cropping now provide the basis

for fodder production and there is demand for more farming land for this purpose. As well as growing hay for local markets, fodder crops are grazed by cattle destined for live export to South East Asia through Darwin. The demand for higher quality hay production continues to increase for the live cattle trade and for input into the other animal industries.

Although the value of field crop production (sorghum, mungbeans, sesame, rice and maize) declined from \$0.6 million in 1994-95 to \$0.5 million in 1995-96, there was an increase in the estimated value of hay and seed production from \$2.1 million to \$2.4 million during the same period.

The potential for irrigated crops of cotton and peanuts in addition to fodder and seed is being tested.

Horticulture

Horticulture production continued to register positive growth in 1996, despite a rather disappointing mango season due to unfavourable weather and flowering/fruiting conditions. The preliminary estimate of the total value of horticulture production (including the nursery and cut flower industry) is \$46.0 million compared to \$44.8 million in 1995, an increase of approximately 2.7%. Most horticultural commodities achieved good prices especially mangoes, table grapes, melons, rambutan and most vegetables.

During 1996, mango flowering was poor, staggered and extended to August. In many instances, this was accompanied by vegetative flush with heavy fruit drop especially from late flowering. Consequently, overall yields were low, resulting in slightly lower total production for 1996 at around 5 515 tonnes compared with 5 598 tonnes in 1995. The total value of the mango industry in 1996 is tentatively estimated at \$18.9 million, about 3.9% lower than the 1995 value of \$19.7 million. Northern Territory mango quality during last year was further improved with the implementation of the "Northern A-peel" trade mark and the continuation of the quality assurance scheme (that is, monitoring and feedback by independent market assessors).

With better domestic prices received during the year, exports of Territory mangoes to overseas markets were well down, from 214 tonnes in 1995 to approximately 33 tonnes in 1996. Quarantine protocol against Queensland papaya fruit fly for the export of mangoes to Japan by vapour heat treatment has been tested and accepted by Japan since last year. Therefore, export of mangoes to Japan can now be resumed normally.

A total of about 1 400 tonnes of table grapes was produced in 1996, a decrease of around 12.5% compared with 1995. However, the value of the table grape crop is estimated to be similar to last year at around \$6.4 million, due to better prices received in the 1996-97 season. Most of the

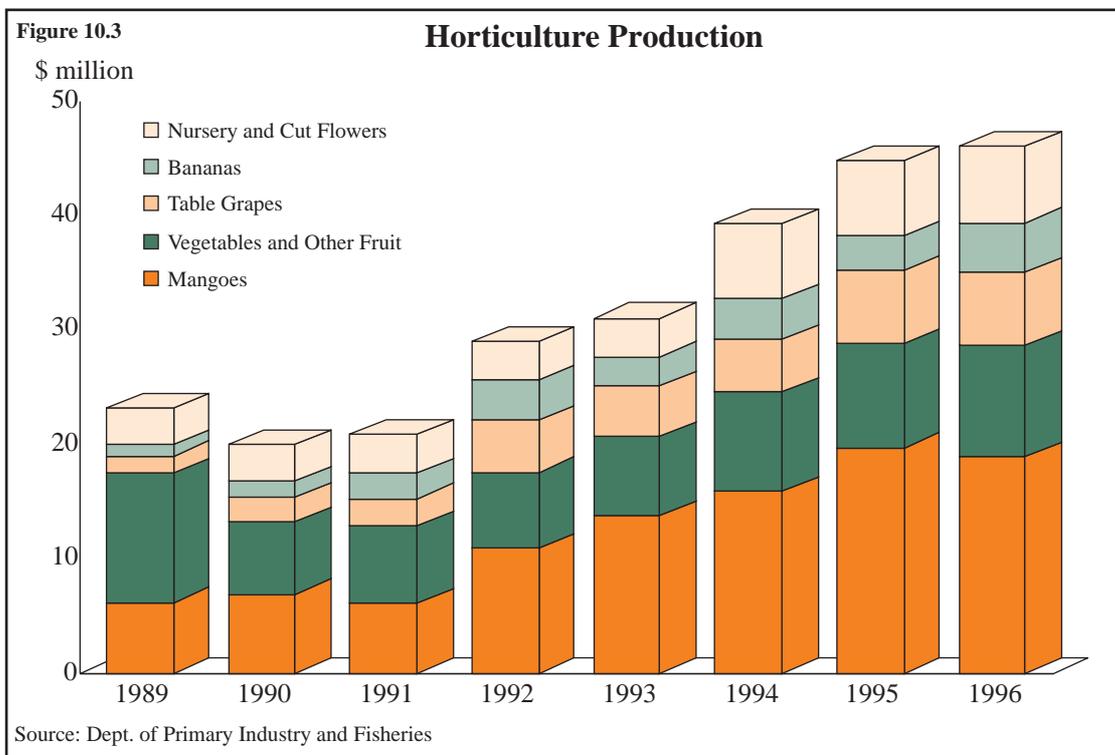


table grape crop was sold at interstate markets, although a small quantity of the crop is exported to overseas markets from Sydney.

Banana production in 1996 at 3 768 tonnes was 27.4% higher than in 1995 (2 957 tonnes). Also, due to higher prices experienced during the year, the overall industry value increased to \$4.3 million (up 44.6%) from \$3.0 million in 1995.

The value of vegetable production in 1996 is estimated to have increased by about 10% from \$4.0 million in 1995 to \$4.4 million in 1996. The increase was mainly in Asian vegetables especially snake beans, gourds (or long melons), luffas and bitter melons.

An estimated 78% of the value of horticultural production was exported interstate, 7% exported to overseas destinations and 15% was consumed within the Territory during the year.

Horticulture Outlook

Horticultural production has increased and diversified markedly in recent years, illustrating a progressive realisation of the industry's potential. The Territory enjoys certain comparative advantages due to its ability 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 the southern and overseas markets.

In recognition of the demand from these diversified markets, areas planted to fruit trees is steadily increasing. Prospects for increased mango, banana, table grapes, melons, other cucurbit crops, citrus and cut flower production are particularly promising. Increasing numbers of mango trees have been planted, particularly in the Top End region, which will increase future production from the Territory. The Department of Primary Industry and Fisheries (DPIF), in conjunction with the Northern Territory Horticultural Association (NTHA), continue to examine alternative markets including mango exports to overseas markets and mango downstream processing to lessen the pressure on the limited fresh fruit domestic markets. The DPIF 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 communications between growers, packers and wholesale agents in southern markets. A trade mark for Territory mangoes called "Northern A-peel" was launched last year as a part of the quality assurance scheme.

During 1996, a locally owned road transport company, Territory Produce Freight Management, started to provide refrigerated road services for vegetable producers as a cheaper alternative to air freight. As a result, most heavy/bulky horticultural products are now shipped to southern markets by road. This not only means considerable savings on freight costs for horticultural producers but it also frees up valuable air-cargo freight space for other Territory perishable products.

During 1996, further banana plantings occurred at Lambells Lagoon by two large banana companies (Chiquita and Top Banana). A total of 200 hectares (ha) will eventually be planted over the next two years. This will see the Territory become a significant banana production area in Australia. Last year, the Territory Government offered around 350 ha of land near Lambells Lagoon for horticultural development. This will see the area become one of Territory's main commercial horticultural production regions in the future.

Good prospects also exist for the nursery and cut flower industries. The nursery industry, in particular, is believed to possess 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.

A Taiwanese company, Nan Pao, is proposing to establish a spirulina cultivation and processing plant near Darwin in mid 1997. The Territory's tropical weather and low pollution environment

provide the essential requirements for the cultivation of spirulina. It is expected that the company will commence cultivation by December 1997 and is expected to export 25 tonnes of spirulina at \$45 per kilogram to Taiwan, Japan, Hong Kong and China during 1998.

Volume of production and prices for the fledgling exotic tropical fruits like durian, jackfruit, guavas, star apples and others have also increased. New plantings of durian, mangosteen and long kong are also being established by private growers.

On the whole, the relative stage of development of the Territory's horticulture industry together with specific natural advantages augers 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 further industry growth in the future.

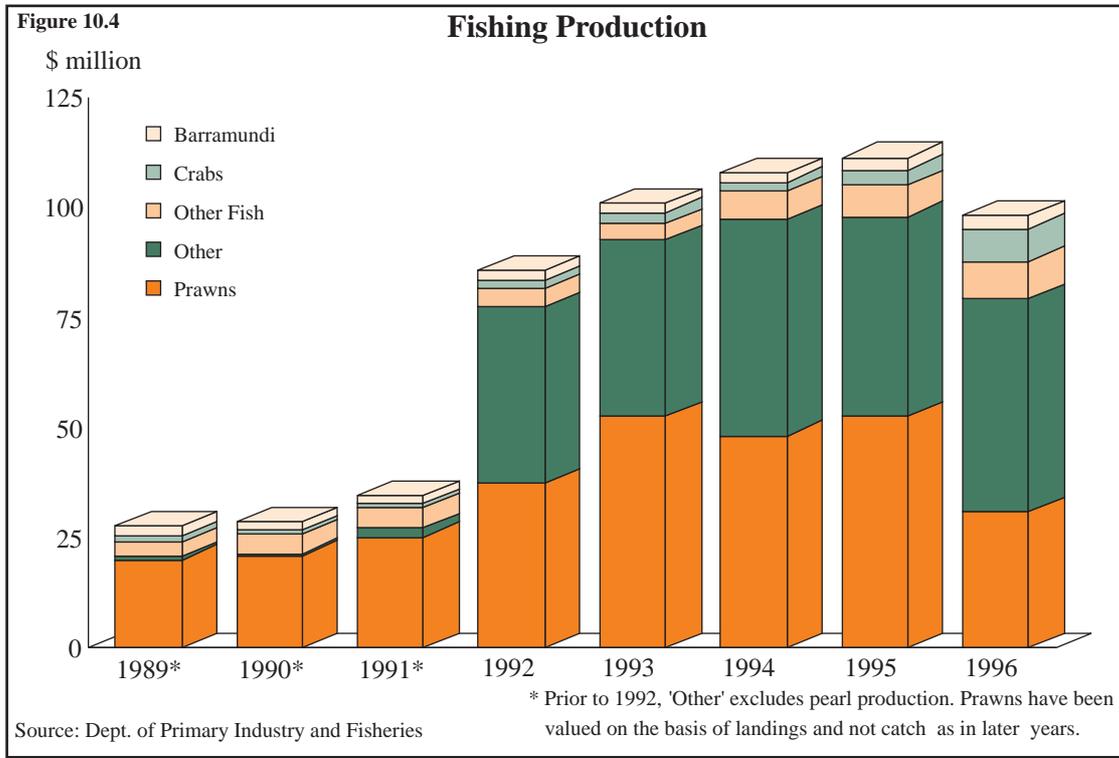
Fishing

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 1996 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 shows Territory fishing industry production from 1989 to 1996. The significant increase in 1992 reflects two factors. Prior to that year prawns were valued on the basis of landing at Territory ports rather than on the basis of location of catch. Secondly, the category "Other" previously excluded aquaculture, of which pearl production is a significant component.

A preliminary estimate of the value of production of the Territory's commercial fishing industry is \$98.1 million in 1996. Of this, wild stock prawns and pearl farming are estimated to account for 77%. The value of production for 1996 decreased 12% from the previous year, principally due to a 41% drop in the value of prawn production. The decline in the value of the prawn catch in the 1996 season was due to lower rainfall in the 1995-96 wet season. An improvement in the 1997 catch is expected due to more favourable rainfall.

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 by approximately 350 boats from 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 now 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 the 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 red snappers and shark.

The outlook for aquaculture is bright with successful prawn culture occurring since 1996 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.

The Darwin Aquacultural Centre will be moved from the old Stokes Hill Power Station to Channel Island by December 1997. The roles of the Centre include: research into barramundi, golden snapper, mudcrabs, pearl oysters and zooplankton; and to provide support for the aquaculture industry. This move will significantly improve the operation of the Centre and hence provide better support to the industry.

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.

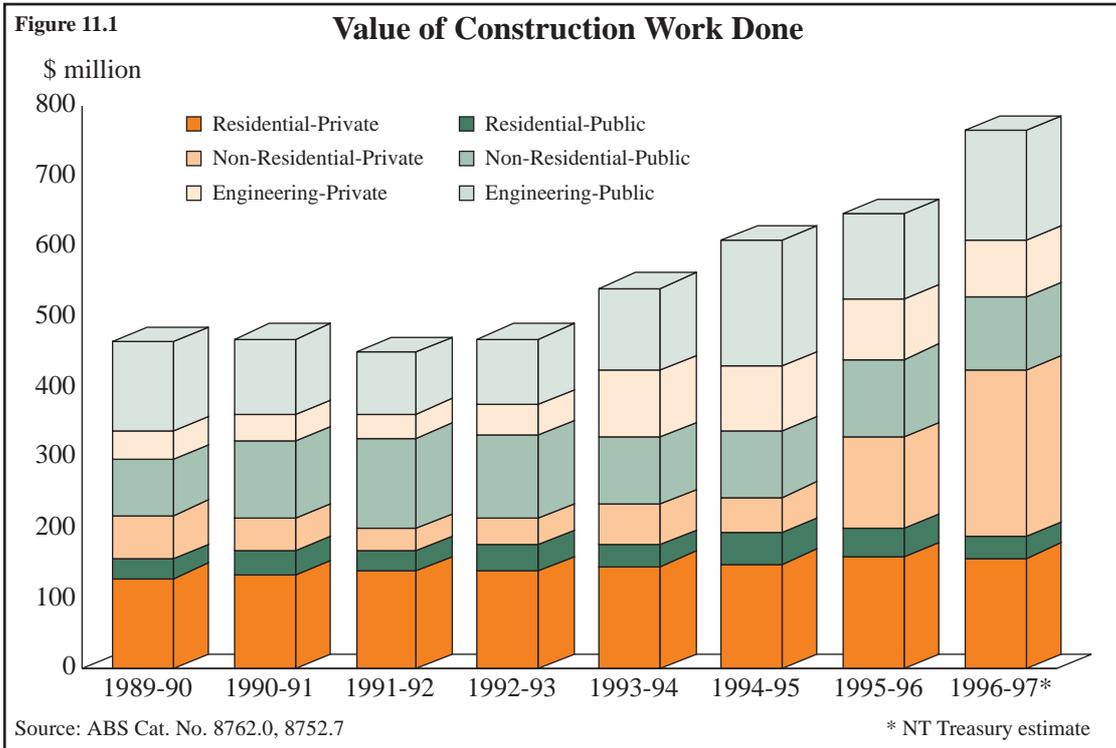
Housing and Construction

The housing and construction industry is a major contributor to economic growth in the Northern Territory. The industry contributes over 9% to Territory GSP, which is higher than in any other State or Territory, (see Table 11.1) and employs approximately 6.5% of all employed persons. The overall industry comprises residential and non-residential building activity, as well as engineering construction, which includes the construction of bridges, ports and roads.

The relatively high contribution the construction industry makes to Territory GSP is consistent with high rates of population expansion and economic growth. This positive relationship has been observed across all jurisdictions at similar stages of development.

Construction	
	% of GSP
Northern Territory	9.1
Western Australia	8.0
Queensland	7.6
Australian Capital Territory	7.2
New South Wales	6.9
Tasmania	6.8
South Australia	6.2
Victoria	5.8
Australia	6.8

Source: ABS Cat. No. 5220.0, 1994-95

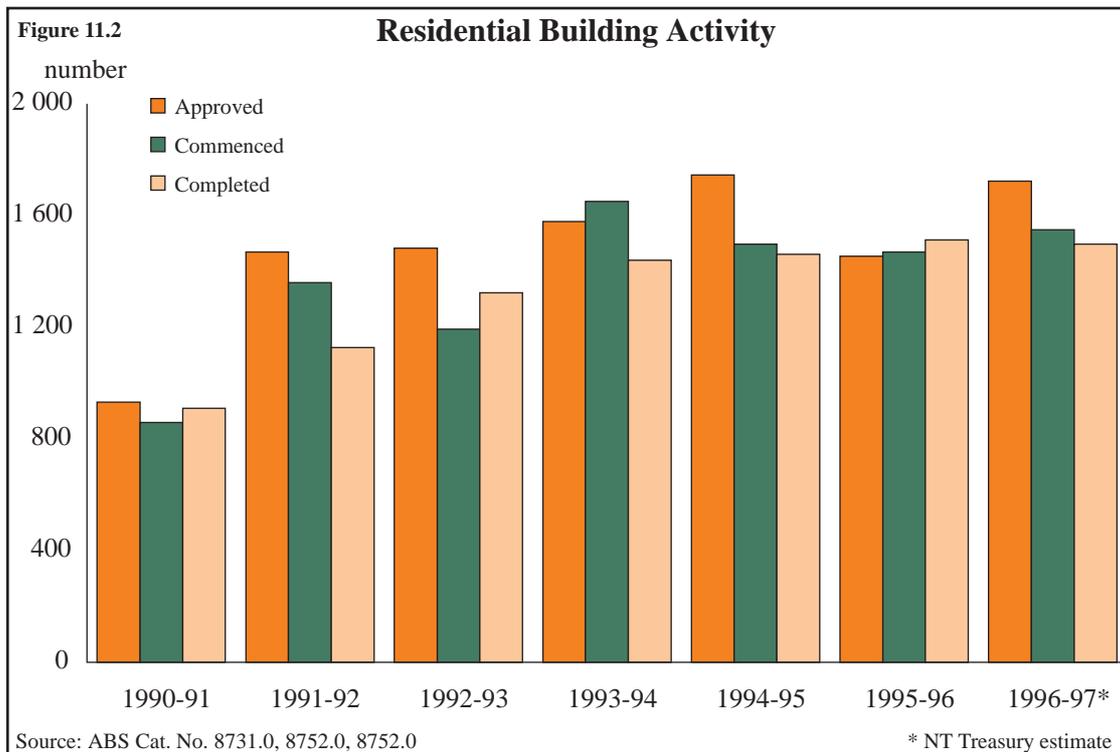


Residential Building

The structure of the housing industry in the Northern Territory differs significantly from other jurisdictions. A relatively young and mobile population results in a higher proportion of Territory households renting and buying, and a correspondingly lower proportion of Territory households own their homes, when compared to other jurisdictions. Growth in demand for dwelling construction during 1996-97 has been induced by strong population growth, lower interest rates and high levels of investor confidence in the local housing industry.

The Australian Defence Force is midway through a significant relocation to the Northern Territory, including the Army Presence in the North (APIN) project. Already 3 100 full time Defence personnel are located in the Territory; this figure is estimated to reach 4 400 by 2001. This source of population growth has, and will continue to have, a significant impact on the Territory construction industry. Over \$150 million has already been spent on residential construction with another \$200 million allocated to the Defence Housing Authority (DHA) to provide housing for married couples and single personnel living off base.

The Northern Territory housing industry has stabilised over the past four years after recording



strong growth during the early 1990s. Estimates for 1996-97 indicate residential building activity has gained momentum in response to lower official interest rates, improved business confidence and strong population growth.

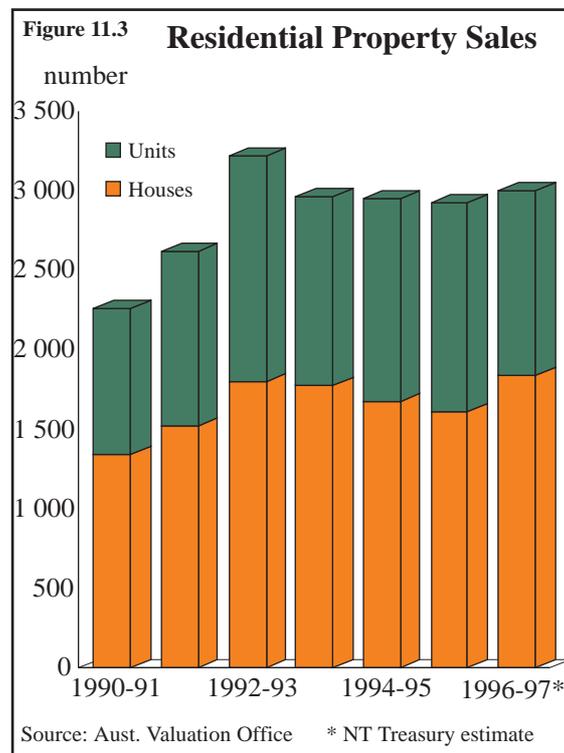
Residential building approval estimates provide an important leading indicator for construction activity. The estimated number of residential approvals for 1996-97 are up 20% over the previous year suggesting residential building activity should remain buoyant over the short term. The growth in the number of residential units commenced and completed for 1996-97 is moderate compared to the previous year reflecting the relatively low level of approvals in 1995-96.

Housing finance data is an indicator of demand for dwellings and provides evidence of demand for newly constructed dwellings as well as existing buildings financed by owner-occupiers. It does not cover the activity of private investors. After declining during 1995-96, the number and value of Territory housing finance commitments increased in 1996-97, continuing an upward trend evident since 1990-91. Current data indicates the level of housing finance may be reaching more sustainable levels.

For 1996-97, approximately two thirds of the total number of housing finance commitments were for the purchase of existing dwellings, while 21% of commitments represented the purchase and construction of new dwellings.

Refinancing in the Territory featured prominently during the same period, representing 15% of total finance commitments, although the level has been falling over the past few months. Refinancing is expected to abate due to the expectation that official interest rates have stabilised in the short term.

Housing finance data for the construction and purchase of new dwellings has shown subdued growth over 1996-97, while building approval figures suggest the opposite (see Figure 11.2). This apparent anomaly is explained by the fact that housing finance data records secured finance commitments for owner-occupiers only and excludes dwelling finance secured by investors. In

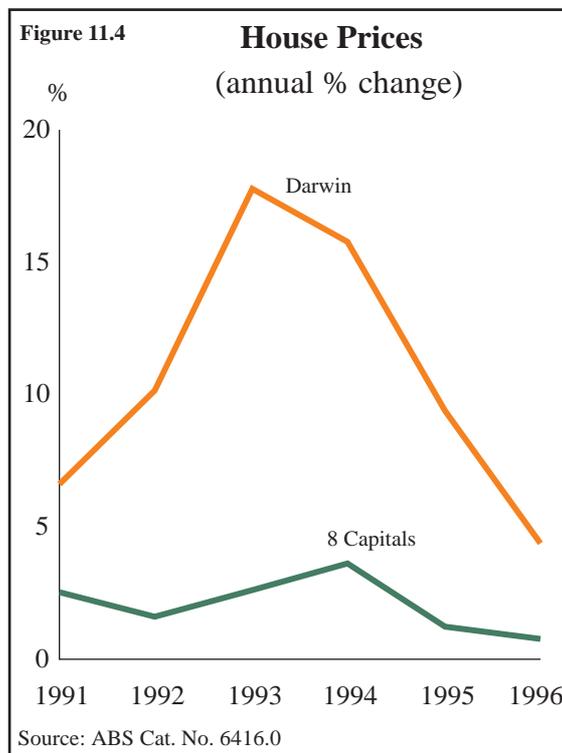


addition, housing finance data generally lags behind building approval figures.

Australian Valuation Office statistics show substantial increases in residential property sales during the period 1990-91 to 1992-93, followed by more modest levels of activity to 1995-96 (see Figure 11.3). House sales declined over the four years to 1995-96 as a result of relatively high prices and interest rates, encouraging consumers to seek rental accommodation. Unit and townhouse sales have shown steady growth over the three years to 1995-96, reflecting more favourable investment opportunities in units/townhouses and general consumer preferences during this period. Estimates for 1996-97 indicate house purchases are likely to increase significantly due to slower growth in house prices and lower home loan interest rates. Upward pressure on house prices has eased during 1996-97 as the supply of residential land expands in the Palmerston/rural area and inner city allotments become available for residential development. Areas in the Territory that did record strong growth in house sales were Palmerston, Tennant Creek and Alice Springs, while unit transactions were strongest in the inner and northern suburbs of Darwin.

Figure 11.4 illustrates the substantial growth experienced in house prices in Darwin over the previous five years as a result of considerable growth in demand for established dwellings. Average house prices in Darwin have increased by approximately 70% since 1991. This contrasts with the weighted average of the eight capital cities which increased by only 10% over the same period.

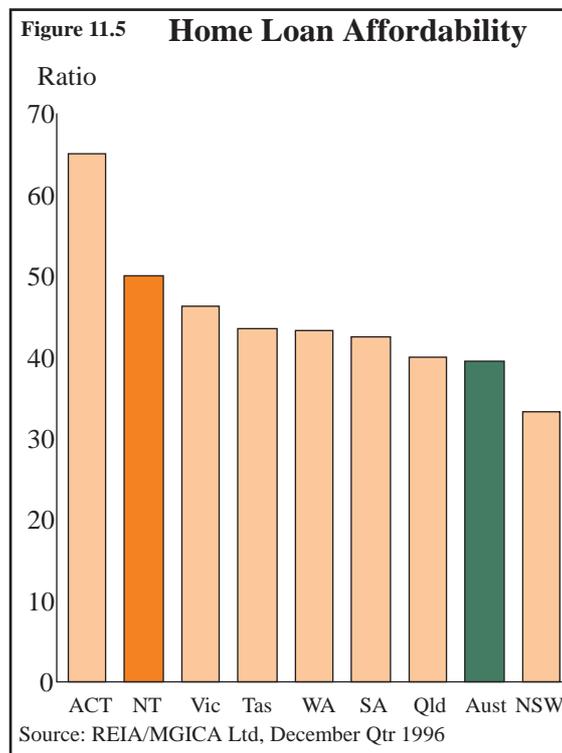
The growth in Darwin house prices, which far exceeds the national average, has been largely the result of very strong population growth coupled with high housing affordability. The rapid growth in house prices has provided considerable incentive for investors seeking capital gains. Over 1996 the rate of growth in house prices declined to 4.4% per annum. This decrease, caused partially by the release of land in Palmerston, Darwin and the rural area, represents a market adjustment to more sustainable growth in the value of established dwellings.



After investing significant resources in housing infrastructure following Self-Government in 1978, the Territory Government has gradually withdrawn from the housing industry placing greater reliance on the private sector for the provision of housing.

The Territory Government has undertaken a program to rationalise the supply of public sector housing and consequently the stock of public sector housing has been declining over time. The reduction in public housing assets has been achieved, largely through sales to tenants, facilitated by Government sponsored loan assistance schemes, and conversions (for example, two one bedroom flats into one two bedroom unit). This reflects current Territory Government policy of reducing public intervention in the housing industry as private sector investment has increased as a proportion of total housing expenditure. Current public housing policy is restricted to the provision of low income housing, crisis shelter and Aboriginal community housing requirements. The DHA is also active in the provision of housing for defence personnel.

The Home Loan Affordability Ratio is produced jointly by the Real Estate Institute of Australia and MGICA Limited, a specialist mortgage insurer. As shown in Figure 11.5, the ratio of median family income to the average loan repayment (multiplied by ten) for the Territory in December 1996 was 49.9; this indicates that Territory home ownership is the second most affordable in Australia behind the ACT. The home loan affordability ratio in the Northern Territory is significantly above the national ratio despite relatively high house prices. This indicates that high median family incomes in the Territory more than compensate for higher housing costs. Current data shows 20.0% of median family income is required to meet average mortgage requirements; this compares favourably with the national figure of 25.2%. Home loan affordability in the Territory increased over the twelve months to December 1996. Lower home loan interest rates, which resulted in a 9.0% decline in average monthly loan repayments and a 1.0% increase in median family income resulted in a significant increase in the Territory Home Loan Affordability Ratio for 1996. The recent slowdown in the growth of house prices has also contributed to more favourable housing affordability in the



Northern Territory.

Residential Building Outlook

Residential building activity is expected to remain strong in 1997-98 after achieving more sustainable growth rates during 1996-97. The considerable increase in building approvals for 1996-97 should generate significant residential building activity through 1997-98. Demand for dwellings will continue to be driven by strong population growth and favourable investment conditions.

Defence Force relocations are planned to continue to the beginning of the next century, while population growth and net migration are forecast to remain positive. The United States Air Force plans to build two hundred dwellings in Alice Springs over the next two years, this should ensure residential building remains buoyant in the region over this period.

Official interest rates were reduced three times by a total of 1.5 percentage points in the second half of 1996 and are expected to remain stable in the short run. Home loan interest rates have been the subject of further cuts, independent of adjustments by the Reserve Bank of Australia. The lag associated with monetary policy movements implies the positive impact on the housing industry of lower interest rates should be realised during 1997.

Regions in the Northern Territory which are expected to experience considerable growth in residential building activity are those where demand for housing is strong and the supply of land is not restricted. New suburbs in Palmerston (Rosebery, Bakewell, Gunn and Fairway Waters), residential developments adjacent to the Darwin CBD (Bayview Haven, Cullen Bay, Stuart Park North and the Frances Bay Tank Farm) and Alice Springs will support continuing construction activity.

Non-Residential Building and Engineering Construction

The incidence of private sector investment in non-residential building is determined by several variables. Existing capital stock, interest rates, predictions of future demand and general business confidence, are all factors which influence decisions to invest. Public sector expenditure on non-residential and engineering construction is directed by non market factors such as providing for the administrative needs of government and meeting the demand for social and economic infrastructure such as schools, hospitals and roads.

It is estimated that the value of non-residential building approvals increased 55.4% during 1996-97, compared to the previous year. Growth in private sector non-residential building

approvals was remarkably strong, increasing 110% in response to declining interest rates and strong growth in the demand for tourism and retail trade facilities.

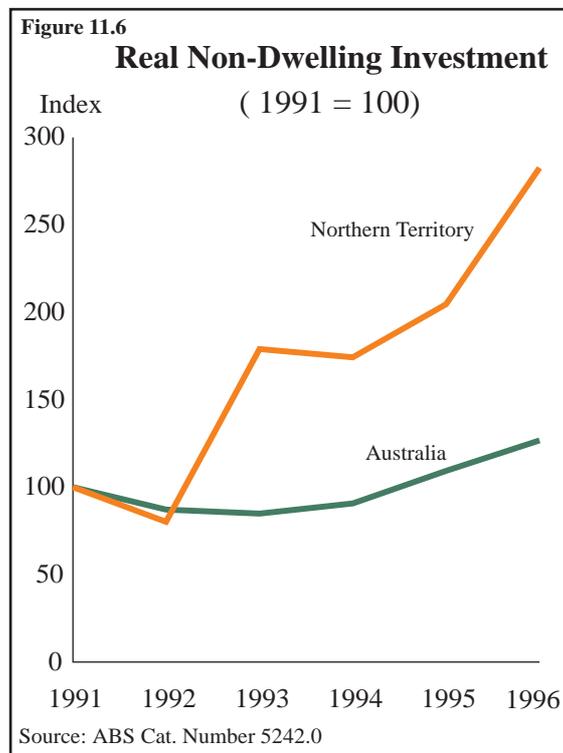
In 1996 the value of non-residential building construction in the Territory continued its strong growth recorded over the previous two years. For 1996 the value of non-residential construction increased by 44.4%. Growth was strongest in the construction of hotels, holiday apartments, shopping centres and business premises. This is indicative of the high rate of economic growth and development experienced in the Northern Territory over the last few years, particularly in the tourism industry.

Engineering construction includes all construction activity other than building, either residential or non-residential. It is estimated that the value of work done will increase by 14% during 1996-97 after declining slightly in 1995-96. Due to the relatively small size of the Territory economy, individual large scale engineering projects can have a significant impact on the total value of engineering work done in any year. Significant contributors to the growth in engineering construction were construction of roads and highways, infrastructure associated with defence force expansion, the construction of the new flight control tower at Darwin Airport, construction associated with the McArthur River mine, phase two of the Mt Todd gold mine and the new port facility at East Arm.

Constant price estimates of private investment in non-dwelling construction from the State Accounts include both non-residential building and engineering construction (see Figure 11.6). Real growth in non-dwelling investment has been strong for the last two years reflecting the high rate of development and substantial demand for infrastructure in the Northern Territory. National increases were much less pronounced, illustrative of subdued national economic growth over the same period.

Non-Residential Building and Engineering Construction Outlook

Non-residential building and engineering construction in the Northern Territory will



continue to record robust growth through 1997-98. A number of capital intensive projects are expected to commence or continue during 1997-98. Five major new mines are planned to open and major upgrades are planned for two more, resulting in considerable flow on effects to the construction industry associated with establishment and upgrade of mines. Detailed planning has commenced for further upgrades of RAAF Base Tindal in Katherine and Stage Two of construction of the East Arm Port in Darwin is due to start in early 1998. Work has commenced on a major extension of Casuarina Shopping Square which is expected to be completed by early 1998. These developments should have a significant impact on the engineering and non-residential construction sectors.

Forecasts of an increasing influx of tourists to the Territory will continue to stimulate demand for tourism infrastructure. Continuing strong population growth will maintain the ongoing demand for social infrastructure, particularly in Palmerston where demand for schools, medical facilities, roads, electricity distribution and similar services will be high. In the medium to long term major proposed projects which will provide significant contributions to the non-residential and engineering construction industry are the Alice Springs to Darwin rail link, the Asia Pacific space launch facility at Gunn Point and a liquefied natural gas plant in 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 accounted for 5.4% of the economy in 1994-95 compared to 14.8% nationally. This represented an increase of 0.7 percentage points over 1993-94. 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.

Table 12.1

Manufacturing	
	% of GSP
Victoria	18.3
South Australia	17.5
New South Wales	15.3
Tasmania	14.8
Queensland	12.4
Western Australia	10.4
Northern Territory	5.4
Australian Capital Territory	2.5
Australia	14.8

Source: ABS Cat. No. 5220.0, 1994-95

The Territory has capability in most manufacturing segments although activity is dominated by the secondary processing of minerals and the production of materials used in construction. In addition, Territory firms are involved in aluminium fabrication, concrete moulding and construction, cabinetmaking, fibreglassing, plastics, timber, chemicals, glass, canvass, leather, fertiliser, electrical components, clothing and solar energy products. Figure 12.1 shows the proportion of employment in the various manufacturing sectors. In many areas, the full conversion process from raw materials to finished product is undertaken in the Territory and in other cases, Territory businesses value add by assembling intermediate goods into final form.

The conversion of bauxite to alumina at Gove is the dominant secondary processing activity in the Territory. With a value of \$345 million in 1996, 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 accounts for a significant share of the Territory's meat and meat preparations exports (valued at \$11.0 million in 1995-96).

Trade Development Zone

The Trade Development Zone (TDZ) is a purpose-built industrial estate that was established in 1985 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

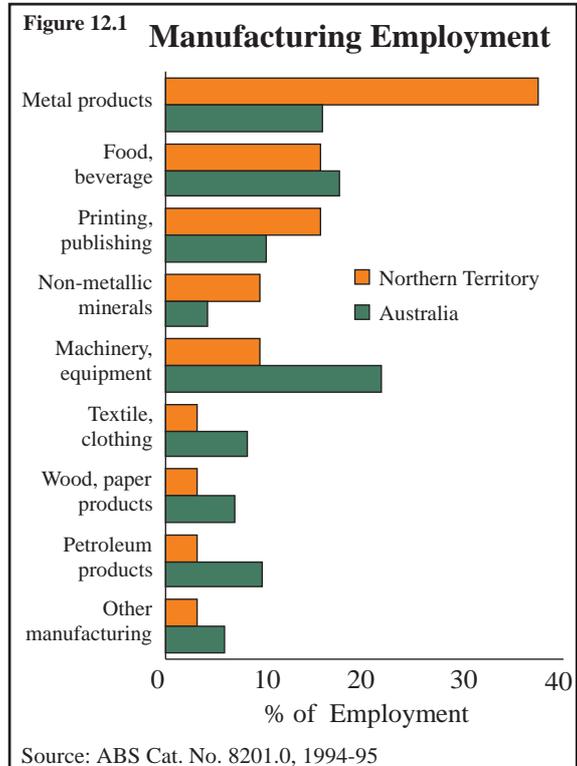
region of Darwin, close to both the city's Central Business District and the new Darwin port. The TDZ offers bonded warehouse facilities (where import duties are rebated on imported inputs to the manufacturing process if the final product is exported), as well as tax concessions and coordinating functions. Currently 27 businesses operate in the TDZ providing employment for 150 people. Enterprises presently established provide a wide range of manufactured products including precision engineered components and chemicals for mining, power systems for remote areas and the processing of seafood products for Asian markets. In March 1997, the CUB brewery (formerly operated by Goldchill) commenced production.

Manufacturing Outlook

Manufacturing in the Territory is expected to continue expanding in future years. The Australian Bureau of Agriculture and Resource Economics has forecast an increase in alumina prices in 1997 and a domestic increase in demand which should raise the value of alumina produced in the Territory. There are also several large projects such as the proposed LNG plant and Space Base that will generate many new opportunities for manufacturers in the Territory. Strong growth in population and consumer demand is expected to consolidate growth in food and beverage processing.

While manufacturing has generally developed in response to Territory demands, local manufacturers are increasingly exploring opportunities in external 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 a factory is planned to grow and semi-process spirulina (an algal product) for export to Taiwan.

The Northern Territory Department of Asian Relations, Trade and Industry and the Manufacturer's Council are currently developing a manufacturing policy. In conjunction with the Territory Government's promotion of Darwin as the gateway to Asia and its commitment to facilitating export infrastructure (including the Darwin to Alice Springs railway), it will lay the groundwork for the industry's continued success and expansion.



Wholesale and Retail Trade

Wholesale and retail trade accounts for about one eighth of Territory economic activity (see Table 13.1) while employing approximately 16.9% of employed persons.

Retail Turnover

After exceptional growth in 1995, growth in retail turnover in the Territory in the twelve months to January 1997 has been weaker, increasing by 2.4% (to \$1.4 billion). All categories recorded weak or negative growth, with Food (up 5.7%) being the largest contributor to growth, while the largest declines in retail turnover were reported in Clothing and Soft Goods (down 13.1%) and Household and Recreational Goods (down 7.8%). Nationally,

Table 13.1

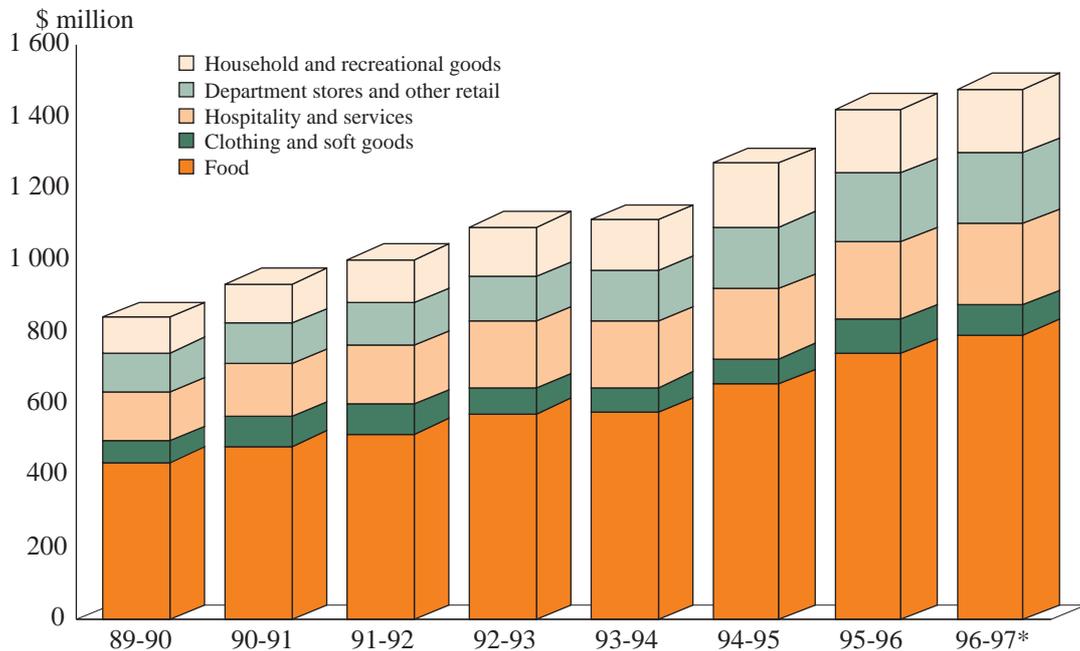
Wholesale and Retail Trade

	% of GSP
Queensland	15.0
Tasmania	14.6
New South Wales	14.3
Victoria	13.8
South Australia	13.5
Western Australia	13.3
Northern Territory	12.5
Australian Capital Territory	9.3
Australia	14.0

Source: ABS Cat. No. 5220.0, 1994-95

Figure 13.1

Retail Turnover



Source: ABS Cat. No. 8501.0

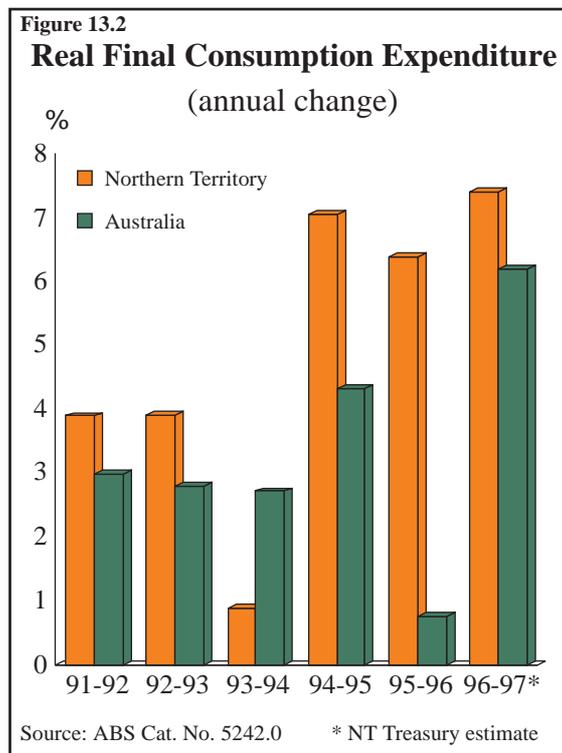
* NT Treasury estimate

retail turnover was similarly weaker compared with one year earlier, increasing by 4.5% (to \$122.9 billion) in the year to January 1997. Categories contributing most to national growth were Food (up 7.3%) and Household and Recreational Goods (up 5.5%).

The small growth in retail trade reflects the slow down in economic activity recorded over 1995-96, and in the first half of 1996-97, and is consistent with a shift in consumer spending from consumables to investments such as home purchase, encouraged by falling interest rates.

Retail vacancy rates for Territory urban centres are low (3.2% for all shops). In 1996, and for the second consecutive year, Casuarina Shopping Square, the Territory's largest shopping complex, achieved the highest national sales turnover per square metre of floor space for all shopping centres in excess of 30 000 square metres. A shopping complex extension and new development were completed and began trading in Palmerston in late 1996, while several new retail outlets in the Mitchell Street tourist precinct, Cullen Bay and Coolalinga (located in Darwin's rural area) have added to the retail options available to consumers.

Further retail developments are underway in both the city and northern suburbs of Darwin. Darwin Central, a mixed use development which includes All Season's Darwin Central Hotel, opened in the city in April 1997, while the Smith Street Mall will be upgraded at an approximate cost of \$4 million. The Mall upgrade is aimed at encouraging further retail investment; work is expected to commence in August 1997 and will include alfresco cafes, performance areas and an information booth. Extensions costing \$60 million to Casuarina Shopping Square commenced in October 1996 and when completed will increase the retail floor space by approximately 21.3% from 36 700 square metres to 44 500 square metres. Factors that have influenced the decision to expand include strong population growth, higher per capita incomes in the Territory when compared with the Australian average and the current performance of the Square's specialty retailers. A further indicator of retailer's confidence, despite the weaker growth recorded in the year to January 1997, is the expansion of the Jape HomeMaker Village in suburban Darwin.

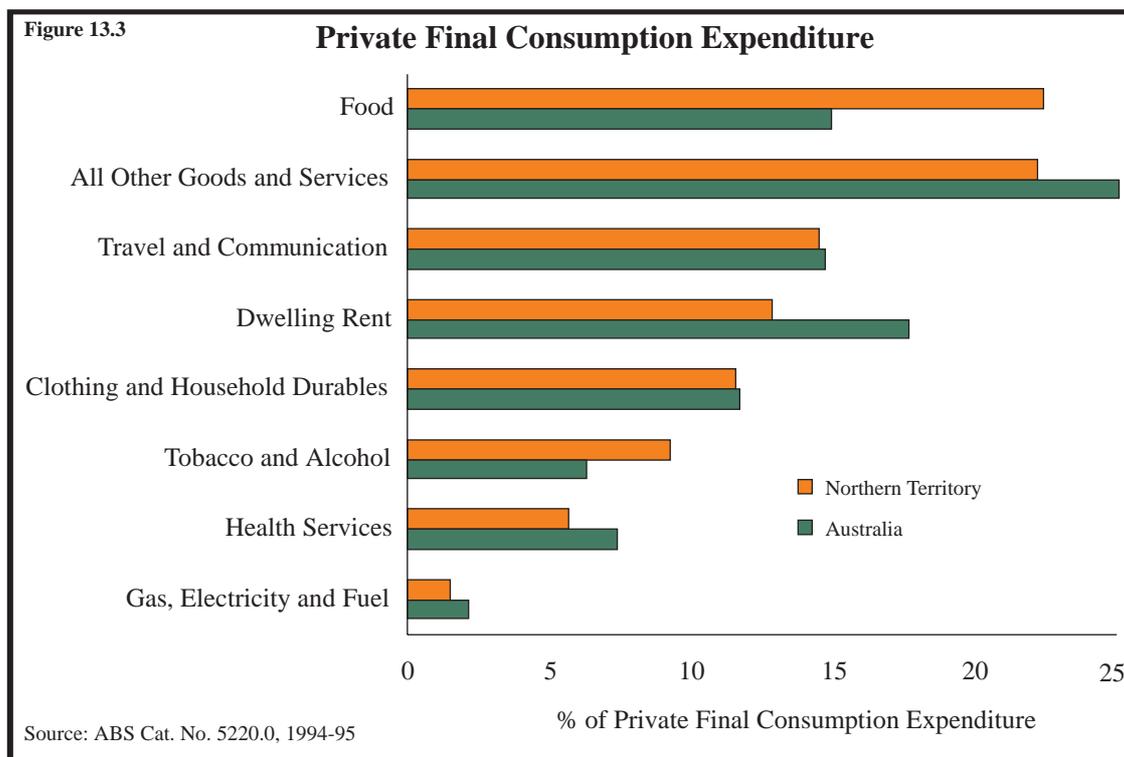


Final Consumption Expenditure

Private 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. With the inclusion of public consumption expenditure, total final consumption expenditure provides a broad measure of goods and services sold and is hence an indicator of government and consumer demand.

In 1996-97, total final consumption expenditure in the Territory is estimated to account for approximately 85% of the Territory's GSP; this is higher than the national economy where total final consumption expenditure contributes about 76% of GDP. In the Territory, public final consumption represents approximately 30% of GSP compared to 17% for the national economy.

For 1996-97, real final consumption expenditure in the Territory is estimated to increase at a faster rate than nationally. As in the previous year, growth in final consumption expenditure in the



Territory in 1996-97 will predominantly occur in the private sector. While growth in private final consumption is estimated to increase by 10%, public final consumption is estimated to increase by only 3%, reflecting the Northern Territory Government's prudent budget management targets and Commonwealth Budget restraint.

Compared to the national average, Territory consumers and businesses spend relatively more on food and alcohol, and relatively less on rent and health services. This is indicative of both the higher cost of freighting most lines of food products into the Territory and the Territory Government's levy based on alcohol content, while the relatively young age profile of the Territory population reduces health expenditure.

New Motor Vehicle Registrations

The number of new motor vehicle registrations in the Territory decreased by 7.3% in the twelve months to February 1997, while nationally there was a 2.0% increase over the same period. The decline in new motor vehicle registrations in the Territory follows four consecutive years of double digit growth, and is attributable to fewer private and rental car registrations.

In the Territory, registrations of motor vehicles by the public sector accounts for a large proportion of total registrations (at an average of 19.3% over 1995 and 1996). Rental car companies also have a substantial influence on total registrations (accounting for approximately 7.3% of total registrations over 1995 and 1996), 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.

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 1996, new personal finance commitments rose 11.7% in the Territory, compared to an increase of 7.8% nationally. This is the fourth consecutive year in which Territory personal finance levels have shown double digit growth.

Commitment categories which showed a significant increase in the Territory include boats, caravans and trailers (up 45.0%), refinancing (up 34.7%) and alterations and additions to dwellings (up 26.9%). Continued competition amongst credit providers has resulted in an increasing number of financial products becoming available in the market place, such as store credit cards, credit facilities provided by car manufacturers, and credit facilities offered through educational institutions which attract certain concessions. 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 continues to provide consumers with a greater degree of flexibility and has assisted in promoting growth in wholesale and retail trade.

Outlook

Territory wholesale and retail trade and new motor vehicle registrations are expected to record steady growth through 1997-98. Strong population growth, continued low interest rates and high average weekly earnings, coupled with greater flexibility in obtaining credit and further expansion in tourism activity, will underpin further increases in wholesale and retail trade and motor vehicle registrations. The completion of current retail developments will increase the range of retail outlets available to consumers and this is likely to result in higher levels of consumer expenditure.

The Northern Territory Government's objectives for the planning and development of Central Darwin for the next 25 years have been set out in two related documents - *Central Darwin Planning Concepts and Development Opportunities*, and *Central Darwin Land Use Objectives*. The greater residential component planned for Central Darwin should revitalise its retail activities and increase the demand for retail variety.

The Territory's continued fiscal restraint, and the Commonwealth's objective to reduce outlays in order to return its budget to surplus, will result in public final consumption growth remaining low during 1997-98. Meanwhile, private sector consumption expenditure in the Territory is expected to grow strongly in 1997-98.

Transport and Communications

A feature of the Territory is that it has a small population distributed over a large area. This has necessitated the development of efficient Transport and Communications links. As a share of Gross State Product, communications, transport and storage accounts for 8.2%, slightly lower than the national average.

Transport

The Northern Territory Government has identified the development of Darwin as a multi-modal transport and logistics hub as a priority. This involves positioning Darwin as a gateway between Asia and the rest of Australia and relies on the existence of comprehensive and efficient transport links. Consequently, the Territory Government has instigated several large transport infrastructure projects in recent years.

Stage One of the new East Arm Port, costing approximately \$80 million, is due to be completed in late 1997 and will more than double Darwin's present port capacity. The new port will provide facilities for handling general cargo, livestock exports and bulk liquids while the existing port will continue to service container vessels, roll on - roll off vessels and bulk cargo exports. One of the features of the new port is the provision of a terminal for the proposed Alice Springs to Darwin railway.

The volume of both exports and imports shipped through the Port of Darwin (excluding private berths) increased by 31.2% in 1996. Growing demand for Territory live cattle in Malaysia and Indonesia and mineral exports to China were major contributors to growth in export volumes of 32.8% over the year. Live cattle exports through the Port of Darwin (including private berths) totalled 383 535 head in 1996, an increase of 30% over the previous year.

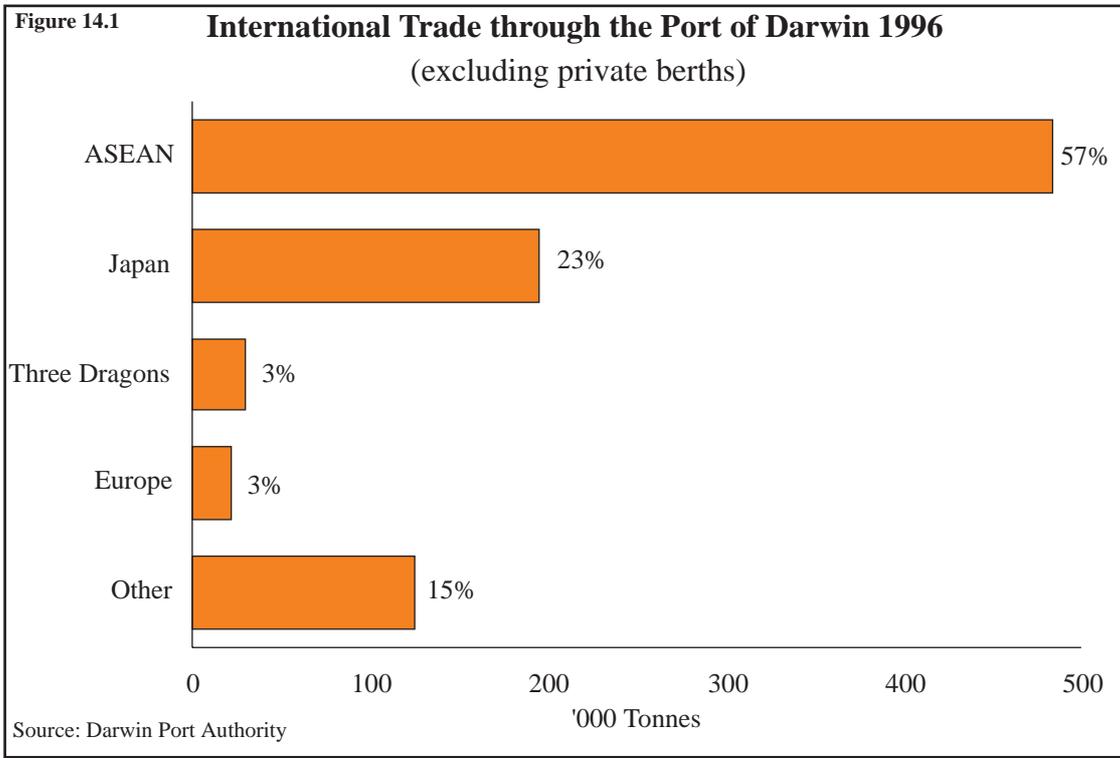
Darwin has shipping links to Singapore, Papua New Guinea, Malaysia, Brunei and several Australian ports. Figure 14.1 shows that the overwhelming majority of international freight movements through the Port of Darwin (excluding private berths) are to and from Asia and in particular members of ASEAN. In total ASEAN accounted for 57% of freight movements, while Asia as a whole accounted for 90%. Visits by trading vessels continue to increase, particularly livestock vessels, although non-trading vessel visits to Port Authority facilities have declined

Table 14.1

Communication, Transport and Storage

	% of GSP
Queensland	9.7
New South Wales	8.8
South Australia	8.6
Victoria	8.3
Northern Territory	8.2
Western Australia	7.7
Tasmania	7.0
Australian Capital Territory	5.8
Australia	8.6

Source: ABS Cat. No. 5220.0, 1994-95



recently in response to reduced visits by fishing boats due to changes in fisheries management policies and increased usage of marina facilities at Cullen Bay.

International traffic growth at Darwin Airport was a modest 2.5% in 1995-96, although domestic passenger growth was 15.2%, making Darwin the Federal Airport Corporation's fastest growing domestic airport for the third consecutive year. The number of food, beverage and retail outlets at Darwin Airport also increased throughout the year. This expansion reflects the continued prosperity of tourism in the Territory.

The domestic airline market is predominantly serviced by Ansett and Qantas, which respectively provide 157 and 203 services to the Territory each week. The international market is served by seven carriers: Qantas; Ansett; Royal Brunei; Garuda Indonesia; Merpati Nusantara; Singapore Airlines; and Malaysia Airlines, with 23 international services per week. Local company, Air North, will be introducing a twice weekly service to Ambon in May 1997.

Both major domestic airlines have increased services to the Territory in the past year to cater for rising demand. Ansett has added new non-stop flights from Darwin to Perth (and return), Brisbane to Ayers Rock and Ayers Rock to Sydney and increased capacity on its flights through

Nhulunbuy and Groote Eylandt. Qantas schedules have increased in excess of 40% with extra services being provided from Darwin to Adelaide, Cairns and Alice Springs.

International air freight through Darwin Airport increased 5.4% in 1995-96. In contrast, domestic air freight through all Territory airports declined by 4.5%.

There is also an extensive network of small regional airlines in the Territory. There are 45 major communities with airstrips and many properties and outstations have airfields. The provision of air services to remote areas of the Territory is particularly important in the Top End where roads are regularly rendered impassable during the wet season.

The Territory is linked to the rest of Australia by three main roads, the Stuart, Barkly and Victoria Highways. Historically, development of the road network has been based on defence and primary industry needs. However, tourism is now the major impetus for new developments. Recent years has seen the completion of several major arterial road projects including the Kakadu Highway from Pine Creek to Jabiru, the access road to Kings Canyon, the Central Arnhem road to Nhulunbuy and sealed access to the major attractions in Litchfield Park. In 1996 it was estimated by the Northern Territory Department of Transport and Works, using road count figures and average payloads, that 1.2 million tonnes of freight moved in and out of the Territory by road transport, this is a 32.5% increase on the 1995 estimate of 926 000 tonnes.

The most significant development in transport in the Territory will be the completion of the Alice Springs to Darwin railway. Construction cost is estimated to be \$1 008 million and take four years to complete, commencing in 1998. The route survey and land title to the railway corridor are expected to be completed in 1997. Presently the railway is planned to predominantly offer freight services; and the addition of the major centres of Darwin, Katherine and Tennant Creek to the rail network is expected to at least double the present rail task of approximately 500 000 tonnes per year into and out of Alice Springs.

Transport Outlook

The completion of the East Arm Port will facilitate the more expedient transshipment of goods through Darwin to Australia's southern centres. Export services will be similarly enhanced. It is anticipated that when landbridging (moving freight by road or rail to Darwin and then by sea to Asia) takes full effect, up to seven days can be saved in transit times between some Australian and Asian cities.

The new Port has been strategically located on a site close to Darwin's Trade Development Zone with ample room for expansion of port and industrial facilities. Potential developments are an automated high capacity container facility, chiller facilities, live cattle export yards and oil

industry tendering and resupply bases. The construction of the railway will accelerate activity in this regard.

The Northern Territory Department of Transport and Works has forecast that cargo movements through the Port of Darwin will triple over the next fifteen years. Over the same period, cruise ship visits are projected to more than double and passenger numbers at Darwin Airport are expected to increase to 1.7 million per year from the present 855 000. This confirms the need for continued expansion of the Territory's transport infrastructure.

Other more ambitious projects currently under investigation include a space base that has been proposed at Gunn Point, about 35 kilometres from Darwin, or another suitable site. An Environmental Impact Study is nearing completion and assessment of its viability is continuing. Innovative high speed freight vessels are also being developed to meet the needs of time-sensitive cargo. Transit times will be dramatically reduced, although they will require high volume, high value routes to make them economically viable.

Communication

The Territory has benefited more than most jurisdictions from the continued advancement of communications technology. The advent of teleconferencing and satellite communications has enabled government and other services in remote areas to be carried out more effectively than before. It has also helped reduce the barriers of distance experienced by many Territorians. The full benefits of this technology will be realised as its cost falls and developments expand its uses.

The introduction of competition in the telecommunications market has resulted in reduced costs and an expanded range of available services. The major competitor to Telstra, Optus, has invested approximately \$5.6 million in the Territory, mainly for six mobile phone base stations, and now offers long distance, mobile and satellite services. Optus also plans to provide a satellite pay television service in the Territory in mid 1997.

Mobile phone services have now been expanded into Nhulunbuy and Tennant Creek. This is in addition to Darwin, Palmerston and surrounding areas, Katherine, Alice Springs and Yulara which were already covered. Darwin is presently serviced by three providers (Telstra, Optus and Vodafone) and Alice Springs, Katherine and Yulara are serviced by two (Telstra and Optus).

A variety of services are also provided via satellite to rural and remote Australia. Both Optus' MobileSat and Telstra's Satcom-M provide voice, fax and data transmission to the whole of Australia including 200 kilometres out to sea.

A second commercial free-to-air television license for Darwin has been awarded to Telecasters, with broadcast expected to begin within 12 months. This will be the fourth television station available in Darwin along with ABC, SBS and Channel 8. Other areas of the Territory are also able to receive Imparja, Queensland Satellite Television and Channel 10. Darwin is also the base for Australian Television International broadcasts into South East Asia, with the news service prepared in the ABC's Darwin studios.

In the past year, a new commercial radio station, Mix 104.9, was launched in Darwin along with the ABC's Parliamentary News Network. They join Hot 100, 8 Top FM, SBS and the four ABC stations (Classic FM, 8DDD, Triple J and Radio National) in Darwin. There are two commercial radio stations in Alice Springs and community radio and ABC services are available in many communities. In addition, there are several narrowcast services broadcasting TAB and tourist information.

Cable television services were commenced in 1996 by Austar, formerly trading as CETV. Services are already available in several Darwin suburbs and construction is ongoing to include all areas in Darwin and Palmerston. Total investment is expected to be in excess of \$18 million and will involve 438 km of cabling. Presently, sixteen channels are offered including news, music, sports and movies. New channels will be offered as they become available from satellites.

Remote areas in the Territory are also connected by the Tanami Network which is an Aboriginal owned and directed company that offers video-conferencing facilities. Services are available at six sites, with the main users being people studying by correspondence and family members of inmates of the Alice Springs and Darwin Correctional Centres.

The number of internet service providers in the Territory has increased over the last year. National providers, OzEmail, Access One, Telstra, Ausnet, IBM and Optus now offer services in competition with three local providers, Taunet, Dayworld and Top End. In addition, the Northern Territory University and the Northern Territory Government operate significant computer networks, and several large corporations in Darwin are linked via intranets to offices in other States.

Communications Outlook

There are several important government initiatives in the communications area, the most significant of which is the Regional Telecommunications Infrastructure Fund, announced in December 1996. The aim of the fund is the development of regional Australia through improved information and communication services and a minimum of \$16 million is to be spent on communications infrastructure in the Territory in the next five years.

From 1 July 1997 the telecommunications industry will be deregulated, ending the virtual duopoly that exists now. One major consequence of deregulation is that other providers can offer local telephone calls, although there are no plans for this in the Territory as yet. The partial privatisation of Telstra is also likely to commence within the next 18 months.

Telemedicine trials were conducted using the Tanami Network in November 1996 and it is hoped that improvements in the Network will enable it to offer these services along with judicial hearings, interviews and other commercial services on a more regular basis. A network similar to the Tanami Network has also been proposed for use across the Top End of the Territory.

Public Sector

The public sector makes a significant contribution to the Northern Territory economy. In 1995-96, 32.4 per cent of Territory Final Demand was attributed to government expenditure (see Table 15.1), indicative of the relatively high cost of providing state-like services to a small and widely dispersed population. The Territory's stage of development and sparse population base limit the ability of the Government to exploit 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.

Table 15.1

Public Expenditure as a Proportion of Final Demand

	%
Australian Capital Territory	54.2
Northern Territory	32.4
Tasmania	26.0
South Australia	22.4
Queensland	21.1
New South Wales	20.1
Western Australia	19.7
Victoria	19.4
Australia	21.4

Source: ABS Cat. No. 5242.0, 1995-96

While the public sector accounted for just under one third of Final Demand in 1995-96, this is down considerably from 1985-86 when 40.4% was attributed to the public sector. The 8 percentage point reduction between 1985-86 and 1995-96 is the largest drop in public sector contribution to final demand of any Australian jurisdiction and double the decline nationally, highlighting the growing contribution to final demand by the private sector in the Territory economy over the period. This trend has moderated in recent years with the transfer of defence force personnel to the Territory.

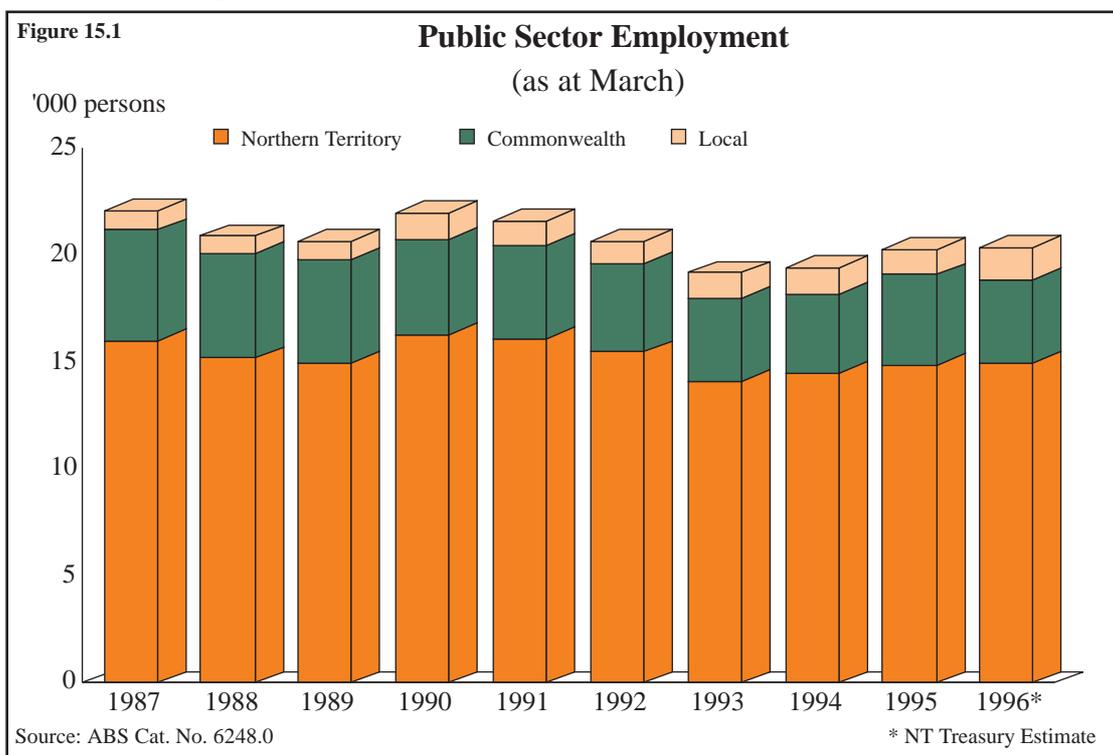
There has been a fall in the number of public sector employed wage and salary earners in the Territory over recent years (see Figure 15.1). The decrease has occurred mainly in Commonwealth employment. Estimates of public sector employed wage and salary earners (excluding defence personnel) for 1996 show that the public sector accounted for 20 400 of all employed wage and salary earners in the Territory. This comprised 15 000 Territory public servants, 3 900 Commonwealth public servants and 1 500 local government employees.

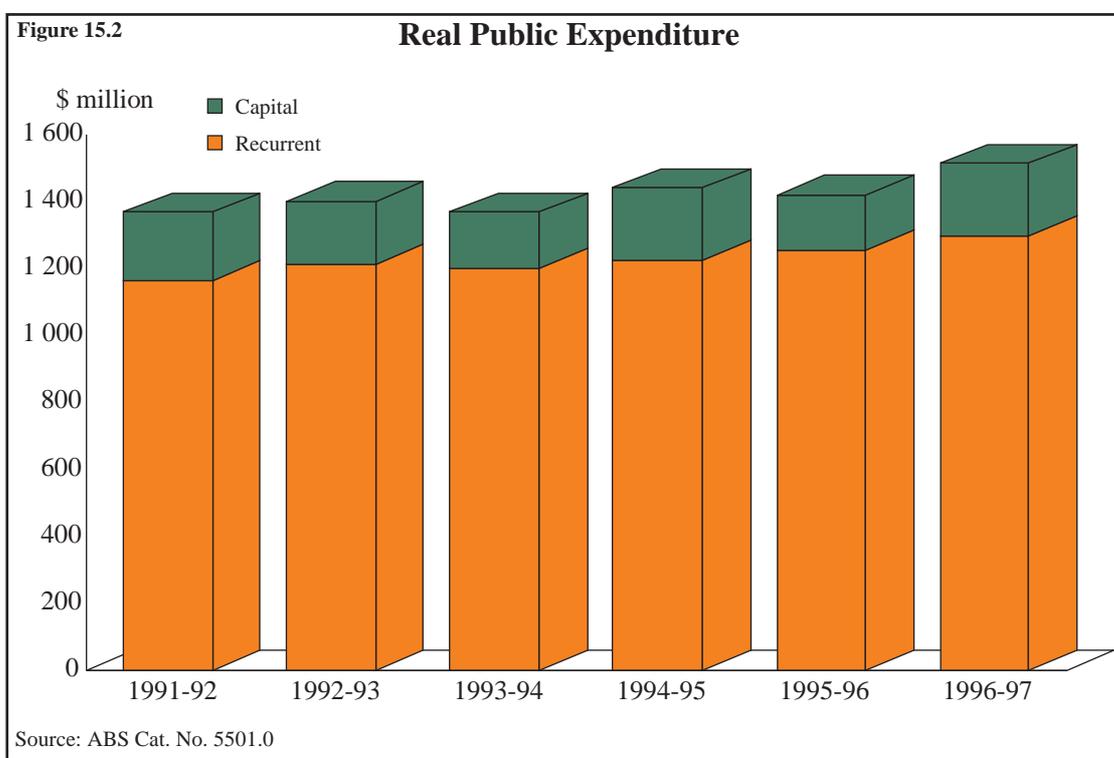
Government outlays in the Northern Territory (see Figure 15.2), influenced in the past by major capital works projects such as the new Parliament House and more recently the new port and expenditure related to defence force relocation, have been rising gradually in real terms.

At the Council of Australian Governments meeting of April 1995, heads of government signed agreements to implement the national competition reform package. The package extends the

competitive disciplines of the *Trade Practices Act 1974* to Territory Government business divisions (GBDs), statutory marketing organisations and unincorporated enterprises. In response to this agreement the Northern Territory 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 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 services to other Government agencies (such as NT Fleet, NCOM and the Government Printing Office).

The commercialisation process seeks to improve the efficiency of GBDs by increasing reliance on market based mechanisms and competition in order to promote allocative efficiency. Commercialisation is based on the concept of “competitive neutrality” which requires that GBDs not exploit their legislative or fiscal functions to advantage their own businesses over real or potential private sector competitors. In simple terms this means that public sector enterprises will be subject to the same levies, taxes and charges as their 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 Commonwealth Government is committed to fiscal consolidation and plans to reduce the underlying budget deficit to \$3.5 billion by 1997-98, down from \$9.3 billion in 1996-97. A key part of this objective is the elimination of duplication between the Federal and State Governments. This will undoubtedly have some impact on Territory and Commonwealth employment and expenditure, as evidenced by the reduction of Commonwealth employees during 1996-97, but the Federal 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.

The Territory Government has in place a fiscal strategy which underpins financial and economic management. Key objectives of the fiscal strategy are to constrain real current expenditure growth in per capita terms; to maintain the Territory's revenue raising relative to the States; and to control debt levels and debt servicing costs. However, the strategy also recognises the Government's role in ensuring that infrastructure investment is sufficient to support economic and social development requirements.

Public Sector

Territory Government activity within the economy will largely reflect the operation of the fiscal strategy and can therefore be expected to increase in line with rising activity in the economy generally and the increasing demand for social infrastructure and services of a growing population.

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Appendix A: Population					
('000 persons as at December)					
	1992	1993	1994	1995	1996
Northern Territory	168.6	170.6	172.1	176.9	180.8
<i>Percentage Change</i>	<i>1.3</i>	<i>1.2</i>	<i>0.9</i>	<i>2.8</i>	<i>2.2</i>
Australia	17 573.2	17 746.6	17 932.1	18 171.4	18 397.7
<i>Percentage Change</i>	<i>1.1</i>	<i>1.0</i>	<i>1.0</i>	<i>1.3</i>	<i>1.2</i>

Source: ABS Cat. No. 3101.0

Appendix B: Labour Market					
(annual average)					
	1992	1993	1994	1995	1996
Employed ('000)					
Northern Territory	78.8	76.1	76.5	81.1	83.3
Australia	7 636.9	7 679.6	7 920.7	8 234.9	8 344.3
Unemployed ('000)					
Northern Territory	6.8	6.4	6.2	6.4	5.3
Australia	925.1	939.2	855.5	766.3	782.6
Labour Force ('000)					
Northern Territory	85.6	82.5	82.7	87.5	88.6
Australia	8 562.1	8 618.8	8 776.2	9 001.2	9 126.9
Unemployment Rate (%)					
Northern Territory	7.9	7.8	7.5	7.3	6.0
Australia	10.8	10.9	9.7	8.5	8.6
Participation Rate (%)					
Northern Territory	72.1	69.2	68.5	71.1	70.3
Australia	62.9	62.6	63.0	63.7	63.6

Source: ABS Cat. No. 6202.0

Appendix C: Consumer Price Inflation
(annual % change)

	1992	1993	1994	1995	1996
Darwin	0.9	2.3	1.8	4.8	2.1
8 Capital Cities	0.3	1.9	2.5	5.1	1.5

Source: ABS Cat. No. 6401.0, December Quarter

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

	1992	1993	1994	1995	1996
Full-time adult earnings					
Northern Territory	663.35	678.08	688.05	708.48	723.15
<i>Percentage Change</i>	6.3	2.2	1.5	3.0	2.1
Australia	618.73	634.88	659.40	690.48	717.43
<i>Percentage Change</i>	3.2	2.6	3.9	4.7	3.9

Source: ABS Cat. No. 6302.0

Appendix E: Mining Production

	1995		1996	
	Quantity (’000)	Value (\$M)	Quantity (’000)	Value (\$M)
Metals/Minerals				
Bauxite (tonnes)	5 749.5	139.7	6 238.8	114.5
Copper Concentrate (tonnes)	23.6	22.9	58.0	46.4
Gold (grams)	16 271.0	290.8	19 843.5	341.7
Lead Concentrate (tonnes)	19.2	5.1	31.9	6.3
Manganese (tonnes)	1 794.7	186.1	1 826.1	216.1
Silver (grams)	12 506.4	2.7	10 071.3	2.4
Uranium Oxide (tonnes)	3.0	116.8	5.1	155.3
Zinc Concentrate (tonnes)	61.0	34.2	109.6	48.9
Zinc/Lead concentrate(tonnes)	65.5	23.5	214.8	100.5
Hydrocarbons				
Crude Oil (kilolitres)	1 647.5	244.6	1 332.4	216.7
Natural Gas (kilolitres)	395 831.2	26.6	442 513.1	28.4

Source: Dept. of Mines and Energy

Appendix F: Rural Industries and Fisheries Production

	1992	1993	1994	1995	1996
Cattle					
Live Cattle Exports (head)	81 353	79 239	119 592	143 321	199 571
<i>Percentage Change</i>	53.4	-2.6	50.9	19.8	39.2
Value (\$m)					
Cattle	118.0	99.9	155.6	137.9	146.2
<i>Percentage Change</i>	34.4	-15.4	55.9	-11.4	6.0
Fisheries	85.7	101.2	108.1	111.4	98.1
<i>Percentage Change</i>	148.8	18.0	6.8	3.1	-11.9
Horticultural	29.0	31.1	39.3	44.8	46.0
<i>Percentage Change</i>	38.7	7.2	26.6	13.9	2.7

Source: Dept. of Primary Industry and Fisheries

Appendix G: Residential Building Approvals
(annual total)

	1992	1993	1994	1995	1996
Number					
Northern Territory	1 471	1 568	1 746	1 502	1 703
<i>Percentage Change</i>	23.0	6.6	11.4	-14.0	13.4
Australia	162 485	176 761	188 252	135 628	124 182
<i>Percentage Change</i>	2.7	8.8	6.5	-28.0	-8.4
Value (\$m)					
Northern Territory	129	140	222	166	171
<i>Percentage Change</i>	17.1	7.8	59.0	-25.2	3.0
Australia	13 029	14 836	16 815	12 912	12 440
<i>Percentage Change</i>	2.8	13.9	13.3	-23.2	-3.7

Source: ABS Cat. No. 8731.0

Appendix H: Non-Residential Building Approvals
(annual total)

	1992	1993	1994	1995	1996
Value (\$m)					
Northern Territory	78	115	134	223	289
<i>Percentage Change</i>	-55.9	47.8	16.7	66.7	29.6
Australia	7 176	8 352	8 565	10 889	12 674
<i>Percentage Change</i>	-10.1	16.4	2.6	27.1	16.4

Source: ABS Cat. No. 8731.0

Appendix I: Housing Finance Commitments

	1992	1993	1994	1995	1996
Number					
Northern Territory	3 244	4 072	4 187	4 394	3 928
<i>Percentage Change</i>	48.3	25.5	2.8	4.9	-10.6
Australia	417 621	491 972	532 276	430 908	468 453
<i>Percentage Change</i>	25.6	17.8	8.2	-19.0	8.7
Value (\$m)					
Northern Territory	233	332	369	434	409
<i>Percentage Change</i>	73.9	42.3	11.3	17.6	-5.8
Australia	32 830	41 507	48 017	41 379	46 435
<i>Percentage Change</i>	34.8	26.4	15.7	-13.8	12.2

Source: ABS Cat. No. 5609.0

Appendix J: Retail Turnover
(\$ million)

	1992	1993	1994	1995	1996
Northern Territory	1 040	1 108	1 177	1 366	1 403
<i>Percentage Change</i>	9.2	6.5	6.2	16.1	2.7
Australia	95 269	99 985	108 259	116 716	122 534
<i>Percentage Change</i>	3.8	5.0	8.3	7.8	5.0

Source: ABS Cat. No. 8501.0

Appendix K: New Motor Vehicle Registrations
(annual total)

	1992	1993	1994	1995	1996
Northern Territory	5 367	5 946	6 516	7 952	7 462
<i>Percentage Change</i>	<i>17.1</i>	<i>10.8</i>	<i>9.6</i>	<i>22.0</i>	<i>-6.2</i>
Australia	543 179	547 767	608 370	633 483	648 496
<i>Percentage Change</i>	<i>9.0</i>	<i>0.8</i>	<i>11.1</i>	<i>4.1</i>	<i>2.4</i>

Source: ABS Cat. No. 9301.0