



Northern Territory

# BUDGET OVERVIEW 1998-99

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# BUDGET SUMMARY

## NET PRESENTATION

	1997-98 Estimate	1998-99 Budget
	\$M	\$M
Current Expenditure	1 619	1 602
Capital Expenditure	306	245
<b>Total Expenditure</b>	<b>1 925</b>	<b>1 847</b>
less		
Territory Revenue	354	363
Commonwealth Grants	1 425	1 472
<b>Total Revenue</b>	<b>1 779</b>	<b>1 835</b>
equals		
Increase in Territory Debt	-69	-10
Decrease in Financial Assets	215	22
<b>Increase in Net Debt</b>	<b>146</b>	<b>12</b>

## GROSS PRESENTATION

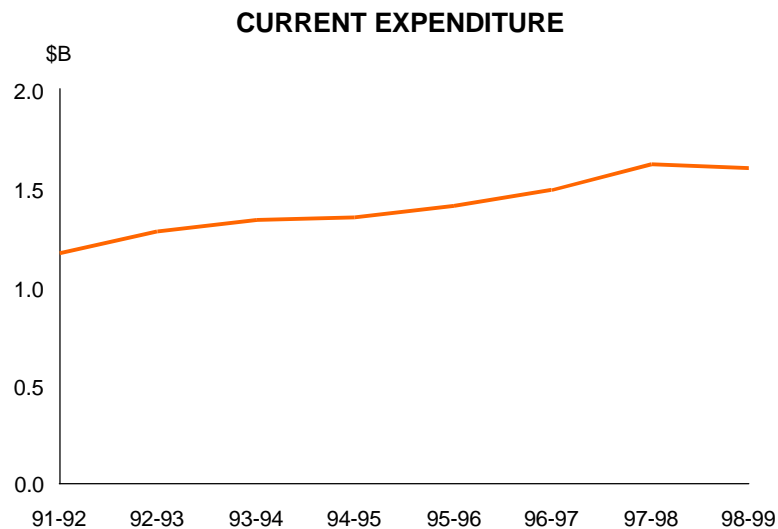
	1997-98 Estimate	1998-99 Budget
	\$M	\$M
Outlays	2 946	2 846
Receipts	2 740	2 837
Use of Balances	205	9

- ◆ Current expenditure to decline by 1.0% following substantial one-off expenditures in 1997-98.
- ◆ Capital expenditure to fall by 20.0% with the completion of Stage 1 of the new Port of Darwin.
- ◆ Territory Revenue to increase 2.4% from the level in 1997-98.
- ◆ An increase of 3.3% in Commonwealth Grants.
- ◆ Gross Debt to be further reduced in 1997-98 and 1998-99.
- ◆ Net Debt of the Budget Sector to increase by \$12 million.

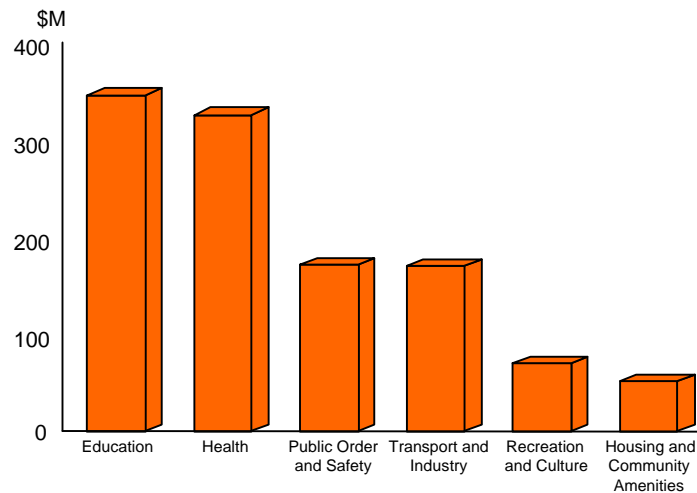
# HIGHLIGHTS

- ◆ Gross debt to be below \$2B in 1997-98.
- ◆ A further debt reduction policy of \$40M to be achieved over three years.
- ◆ Updated and enhanced fiscal strategy.
- ◆ Allocation of \$100M for the Darwin to Alice Springs railway to be held in trust until construction consortium appointed.
- ◆ Increase of \$28M to \$120M for repairs and maintenance.
- ◆ Increase in electricity, water and sewerage tariffs to generate an additional \$13M in revenue.
- ◆ Electricity tariffs to then be fixed for 4 years.
- ◆ Major initiatives in housing which provide for better targeting of assistance and increased home ownership.
- ◆ An increased public housing building program predominantly for pensioner housing.
- ◆ Increase in the construction program for staff accommodation in rural areas.
- ◆ Sale of the TAB.
- ◆ Increased investment in Communications and Information Technology.
- ◆ Comprehensive examination of the Northern Territory public sector to ensure fiscally sustainable budget growth.

# CURRENT EXPENDITURE



**CURRENT EXPENDITURE BY FUNCTION 1998-99**



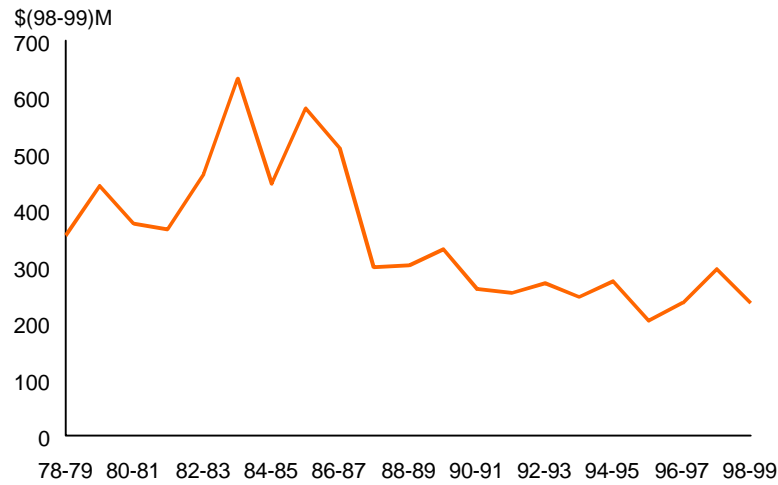
- ◆ Current expenditure is estimated to decline by 1.0% in 1998-99.
- ◆ The decline in 1998-99 is due to the one-off expenditures in 1997-98, notably the Katherine Region floods.
- ◆ Since 1991-92, real current expenditure has increased 21.9%. This has been the result of high population growth in the Territory and increased demand.
- ◆ Areas that have experienced large growth in current expenditure since 1991-92 are Health, and Public Order and Safety.
- ◆ In 1998-99, increases in current expenditure will occur in Health, Education, Public Order and Safety and Transport and Communications.

# CURRENT EXPENDITURE INITIATIVES

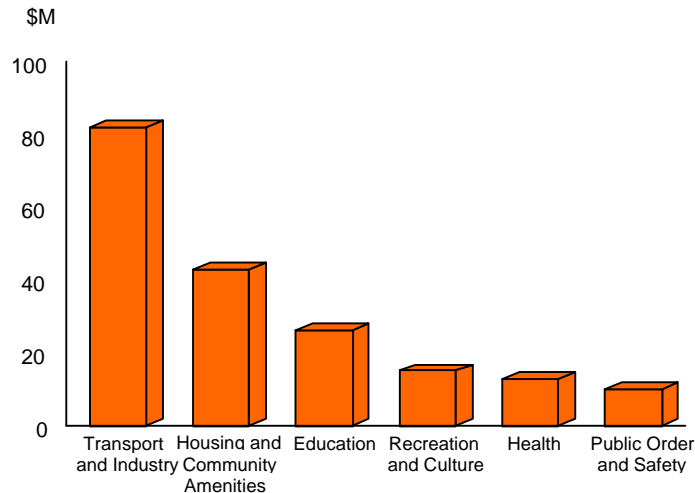
- ◆ Additional expenditure on health for an expansion in renal dialysis services, growth in hospitals and community health services and additional funds for non-government organisations.
- ◆ \$4M for Education for growth in student numbers.
- ◆ Outsourcing of legal services.
- ◆ Additional funds for quarantine services to support export industries.
- ◆ An increase of \$3M in repairs and maintenance for the Power and Water Authority.
- ◆ \$1M for airborne geophysical surveys.
- ◆ Financial support for major events:
  - Shell Australia Touring Car Championships
  - Honda Masters Games
  - Arafura Games
- ◆ Major information technology investments:
  - Integrated computer aided dispatch system for police
  - Library systems replacement program
  - New records management system across all agencies
  - Community care information system
  - Year 2000 solutions
- ◆ An additional \$1.5M for tourist promotion.
- ◆ Facelift for the Maritime Museum.

# CAPITAL EXPENDITURE

**NEW FIXED CAPITAL EXPENDITURE IN REAL TERMS**



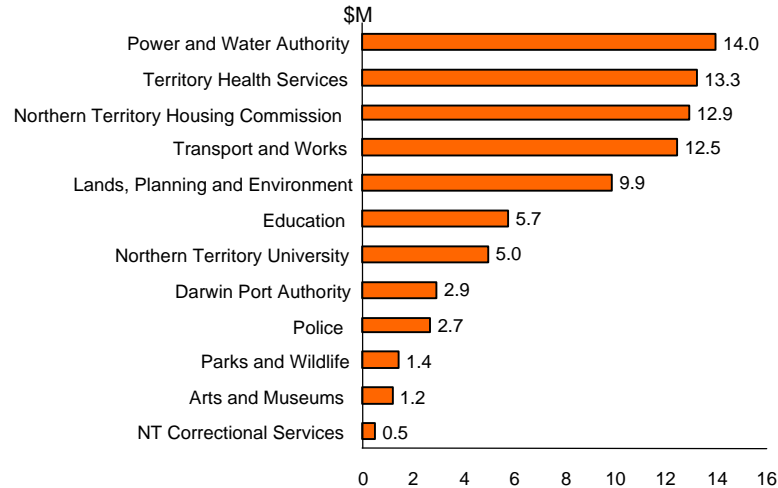
**CAPITAL EXPENDITURE BY FUNCTION 1998-99**



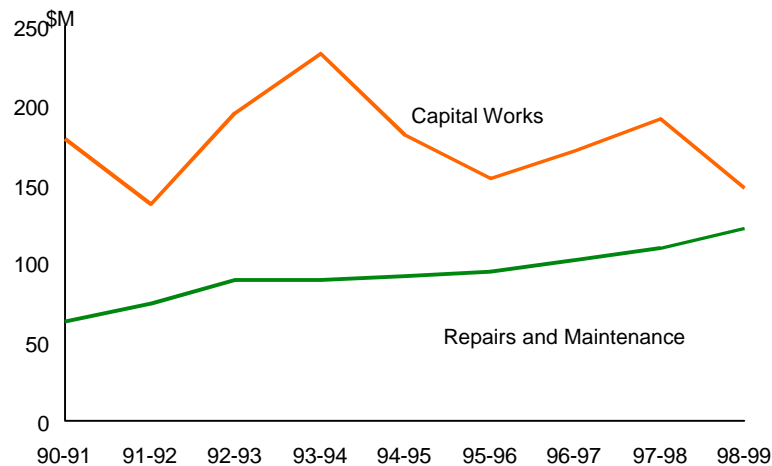
- ◆ New fixed capital expenditure has declined by 33.8% since 1978-79 as the requirement for new major infrastructure falls and is replaced by an increased requirement for maintenance of assets.
- ◆ The expenditure will continue to fluctuate from year to year with the timing of major projects.
- ◆ In 1998-99, increases in capital expenditure will occur in Housing and Community Amenities, Transport and Communication and Public Order and Safety.
- ◆ A \$5M program over 8 years for new fire and rescue vehicles across the Territory.
- ◆ An additional \$2M for new medical equipment in Territory hospitals.

# CAPITAL WORKS

**CAPITAL WORKS PROGRAM BY AGENCY 1998-99**



**CAPITAL WORKS AND REPAIRS AND MAINTENANCE**



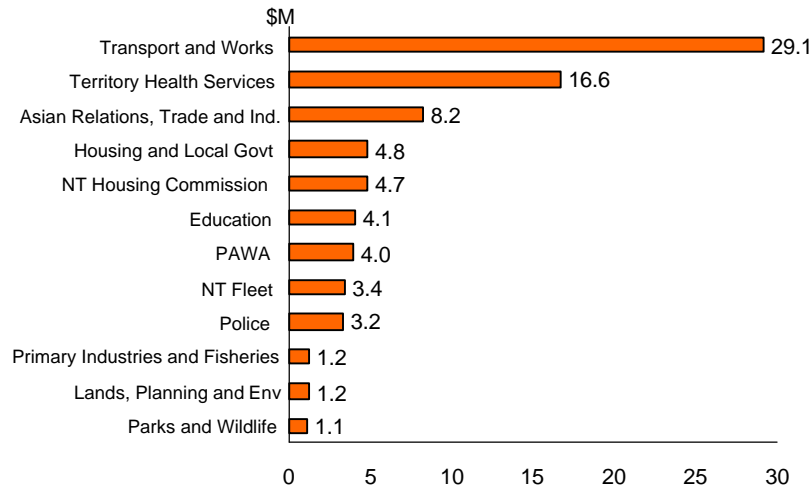
There is a decline in capital works expenditure in 1998-99 but it is offset by a large increase in repairs and maintenance. Major projects include:

- ◆ Major housing construction program in urban areas, particularly for pensioners (\$4.8M) and staff housing in rural areas (\$8.1M)
- ◆ Alice Springs Hospital Redevelopment, Stage 2 (\$11.0M)
- ◆ Construction of Distance Learning Centre at the NTU Palmerston campus (\$5M)
- ◆ Increase Student Capacity at Stuart Park Primary School, Stage One (\$2.2M)
- ◆ Augment Generation at Yulara Power Station (\$4.2M)
- ◆ East Arm Port Stage 2 (\$2.9M)
- ◆ Construct and upgrade Territory roads (\$10.8M)



# KATHERINE REGION FLOODS

## FLOOD EXPENDITURE OVER \$1M BY AGENCY 1997-98 AND 1998-99



## MAJOR EXPENDITURE COMPONENTS TO DATE

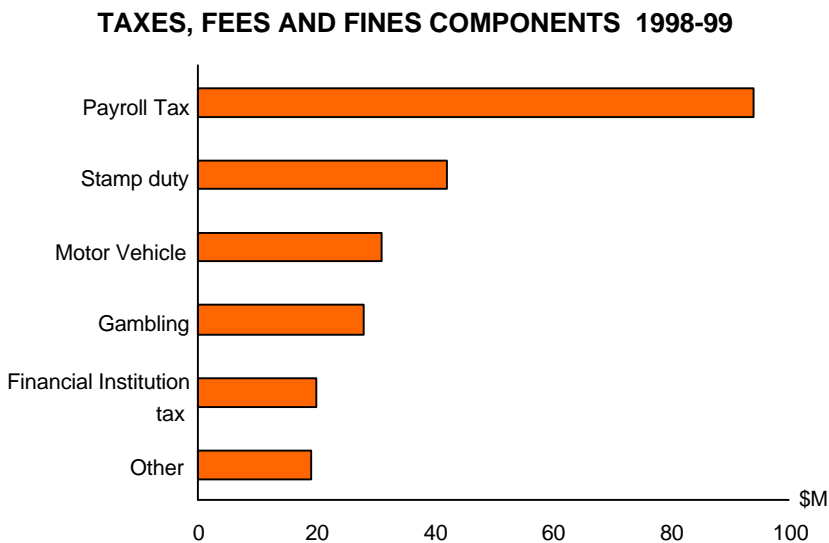
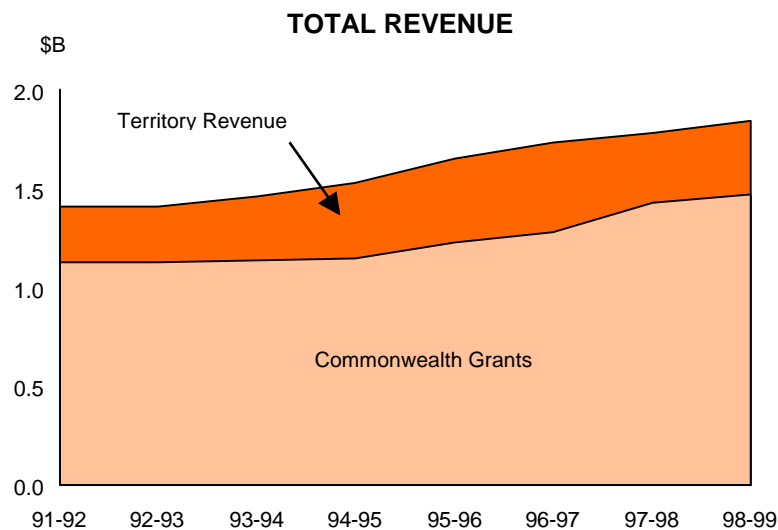
	1997-98 Estimate	1998-99 Budget
	\$M	\$M
Restoration of Public Infrastructure	16.4	10.6
Restoration of Other Assets	25.4	3.0
Personal Assistance Payments	13.8	2.6
Concessional Business Loans	5.8	0
Concessional Home Loans	2.3	0.8
Advances to Katherine Town Council	1.2	
Northern Territory Contribution to Business Re-establishment Fund	3.3	0
<b>TOTAL</b>	<b>68.2</b>	<b>17.0</b>

In late January 1998, the Katherine region was declared a disaster area as the full impact of Cyclone Les was felt. The Katherine River flooded causing widespread and intense flooding to the surrounding areas.

The expenditure required as a result of the Katherine floods has been substantial. The estimated budget expenditure in 1997-98 is \$68.2M and \$17.0M in 1998-99.

Financial assistance provided by the Commonwealth is determined under the Natural Disaster Relief Arrangements. The Territory estimates that the Commonwealth will provide approximately \$40M in assistance, \$30M of which will be provided in 1997-98.

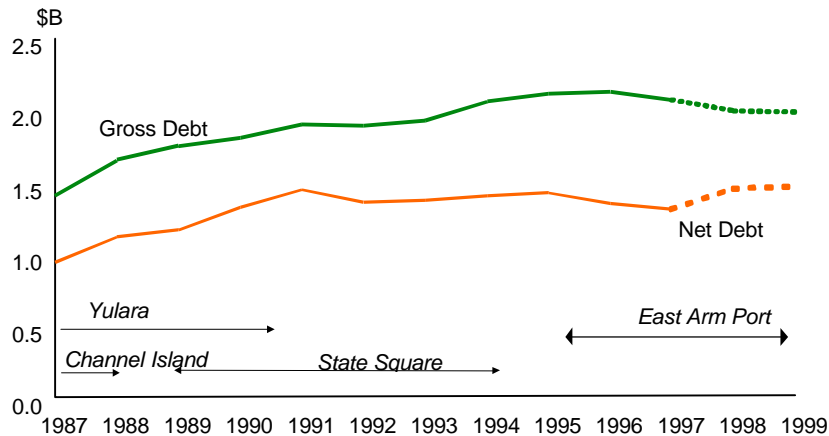
# REVENUE



- ◆ Total Revenue for 1998-99 is \$1.8B, an increase of \$55M.
- ◆ Commonwealth Grants account for 80% of total revenue. Total grants to the Territory have increased \$47M from 1997-98 to \$1.5B, an increase of 3.3%.
- ◆ Revenue replacement payments now paid as a result of the High Court's decision to declare invalid business franchise fees account for the large increases in 1997-98 and 1998-99.
- ◆ Increases in electricity, water and sewerage tariffs will result in an additional \$13M raised from within the Territory.
- ◆ Electricity tariffs to then be fixed for 4 years.

# GROSS AND NET DEBT

**NORTHERN TERRITORY GROSS AND NET DEBT AS AT 30 JUNE**



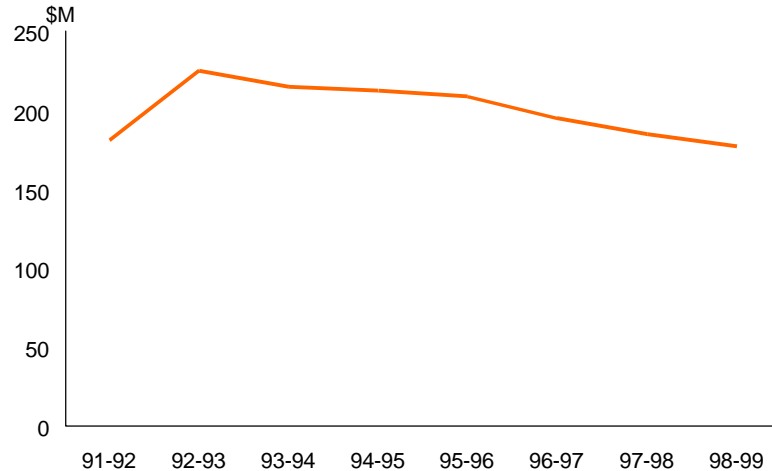
**GROSS AND NET DEBT**

	Gross Debt	Financial Assets	Net Debt
	\$M	\$M	\$M
<b>As at 30 June 1997</b>			
Consolidated Total	2 074	763	1 311
<b>As at 30 June 1998</b>			
Consolidated Total	1 999	542	1 457
<b>As at 30 June 1999</b>			
Consolidated Total	1 989	520	1 469

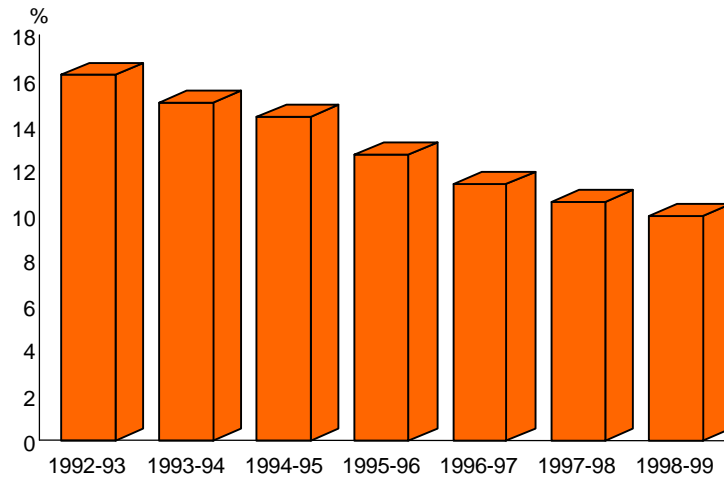
- ◆ The gross debt reduction policy that commenced in 1996-97 will be accelerated so that gross debt is below \$2B in 1997-98.
- ◆ A further debt reduction policy commencing from 1998-99 will reduce gross debt by a further \$40M over three years.
- ◆ The reduction in gross debt will be achieved largely through the use of cash balances and the repurchase of Northern Territory Treasury Bonds.
- ◆ Reduction in Territory debt as a proportion of economic output has been adopted as a target in the Territory's fiscal strategy.

# GROSS AND NET DEBT

**GROSS INTEREST PAYMENTS**



**GROSS INTEREST PAYMENTS TO TOTAL REVENUE**



- ◆ Despite this reduction in gross debt, net debt in 1997-98 is expected to increase \$146M to \$1 457M due to increased demand on the budget.
- ◆ By 30 June 1999, gross debt is expected to be \$1 989M offset by financial assets of \$520M, leaving net debt at \$1 469M.
- ◆ The Territory's interest payments as a proportion of total revenue has been declining over recent years, reflecting the Territory's improving capacity to service debt. In 1998-99, the percentage drops from 10.6% to 10.0%.
- ◆ The Territory's AA2 credit rating should be maintained, reflecting the Territory's healthy financial position given its size and stage of development.

## FISCAL STRATEGY

The Northern Territory Government is committed to the long term viability of the Territory through sound financial management of the Territory's resources. The Government's core strategies and fiscal targets are:

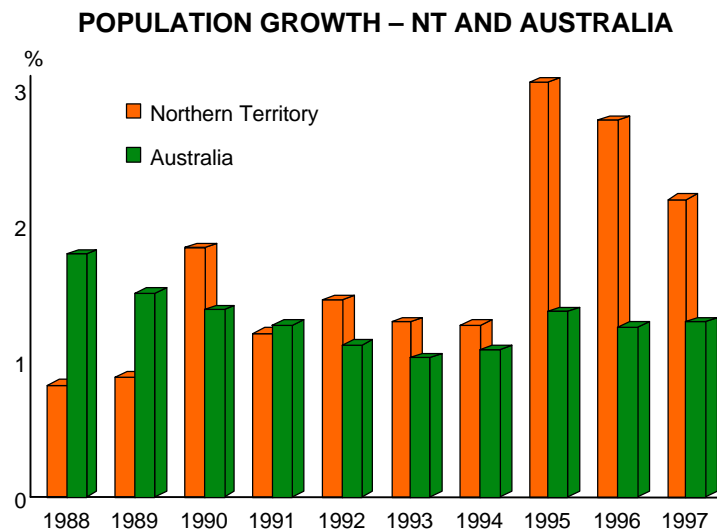
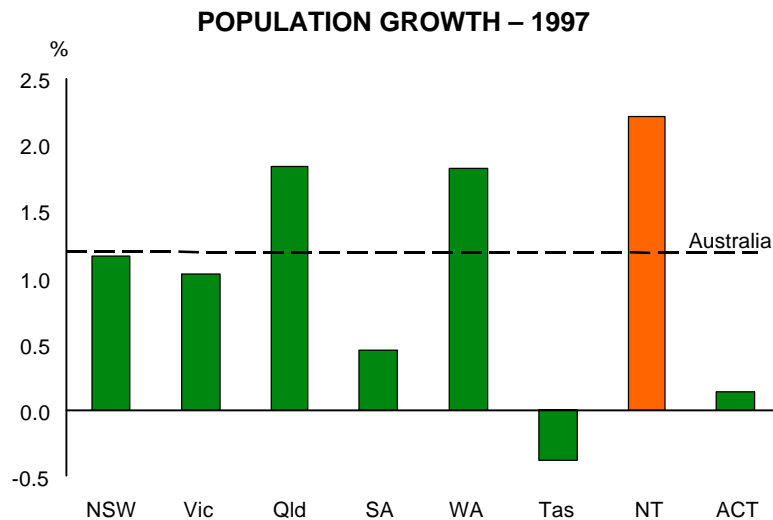
- ◆ Current expenditure per capita will not increase in real terms;
- ◆ Infrastructure will be maintained at levels sufficient to meet the Territory's economic and social needs;
- ◆ The Territory's own source revenue effort will be broadly comparable to the States;
- ◆ Territory debt as a proportion of economic output will decline over time; and

- ◆ Territory debt servicing as a proportion of total Territory revenue and Commonwealth grants will be broadly comparable to the States.

Provisos:

- ◆ In any given year, the percentage change in Commonwealth grants to the Northern Territory should not be significantly different to the change for the States;
- ◆ The Territory should receive adequate discretion in the application of funds to priorities determined by Territorians; and
- ◆ Assessment against the targets should exclude the budgetary impact of major one-off events, such as natural disasters.

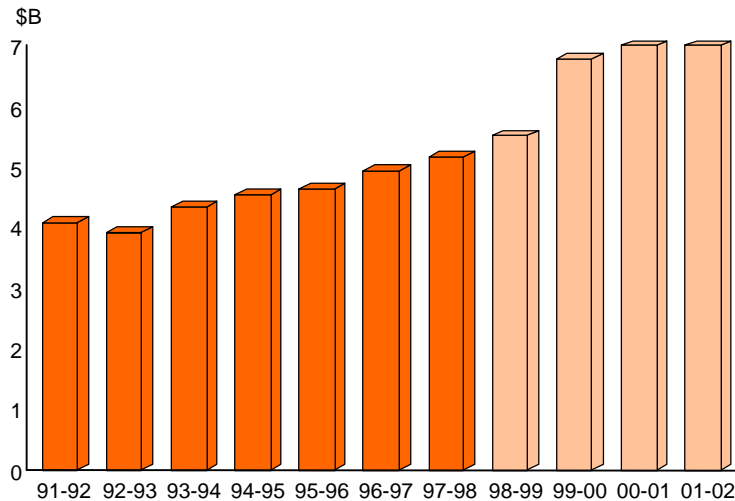
# POPULATION GROWTH



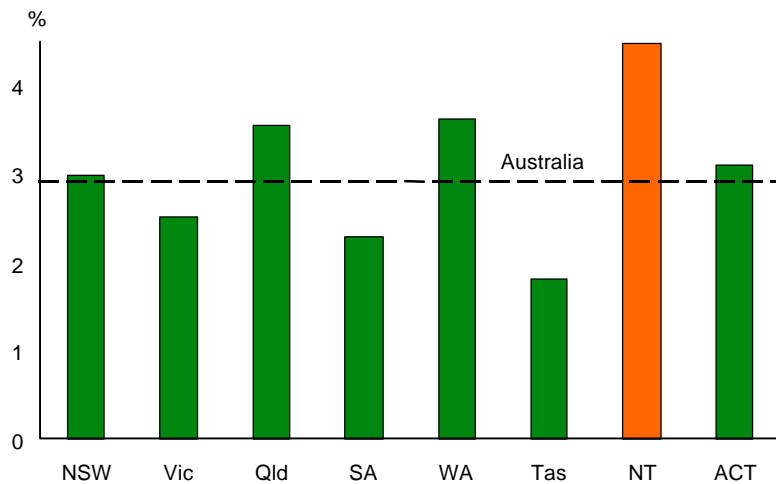
- ◆ The Territory population increased by 2.2% during 1997 to 189 400.
- ◆ For the third consecutive year, population growth was higher in the Territory than in any other State or Territory.
- ◆ Population growth during 1997 included positive gains from natural increase, net interstate migration and net overseas migration.
- ◆ Most areas of the Territory grew during 1997, with Palmerston the fastest growing centre in the Territory.
- ◆ The Territory population is forecast to continue to grow at a faster rate than the national average.

# ECONOMIC GROWTH

**GROSS STATE PRODUCT**



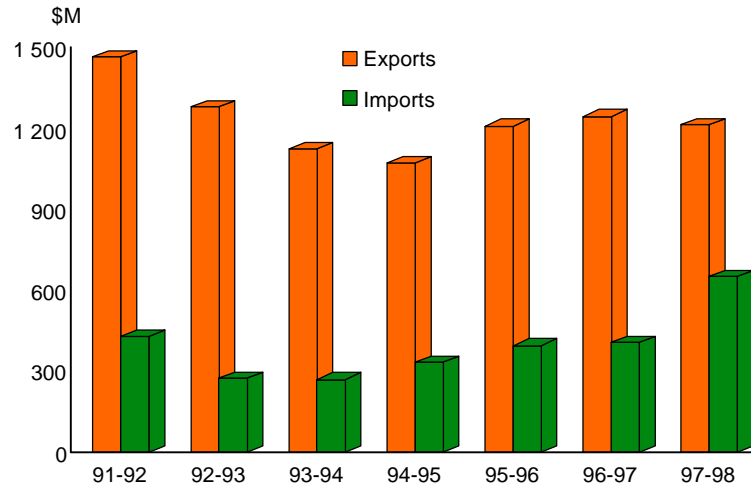
**FORECAST ANNUAL GROWTH  
1998-99 TO 2001-02**



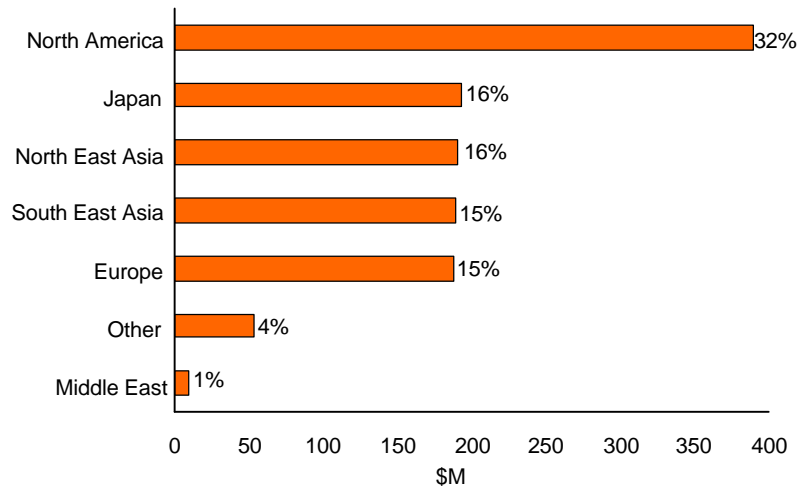
- ◆ The Territory economy is estimated to have grown by 4.7% in 1997-98 after growth of 6.3% in 1996-97, faster than any other State or Territory.
- ◆ Growth in 1998-99 is expected to be 6.5%, with significant contributions to growth from private sector consumption and capital expenditure.
- ◆ Access Economics have forecast annual average growth of 4.5% over the next four years. This is after incorporating the impact of the Asian crisis but not including the positive impact of the Adelaide to Darwin railway.
- ◆ A \$1B increase in Territory oil production is expected in 1999-00. This will provide a major stimulus to the Territory economy.

# INTERNATIONAL TRADE

**TERRITORY INTERNATIONAL TRADE**



**TERRITORY EXPORT DESTINATIONS**

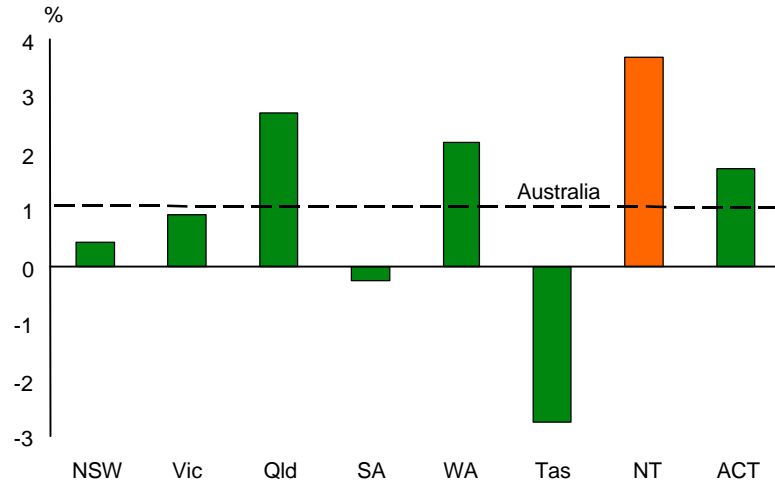


- ◆ The Territory continues to enjoy a large trade surplus with the value of exports almost double that of imports.
- ◆ Exports are estimated to have fallen slightly in 1997-98, largely due to the decline in live cattle exports to Asia in 1998.
- ◆ The Territory's largest export market is North America, followed by Asia and Europe.
- ◆ Exports per capita are higher than the national average and the second highest after Western Australia.
- ◆ Export of oil from a new field in the Timor Sea in 1999-00 is expected to almost double Territory exports.
- ◆ Imports increased significantly in 1997-98, with most of the growth in machinery and equipment.

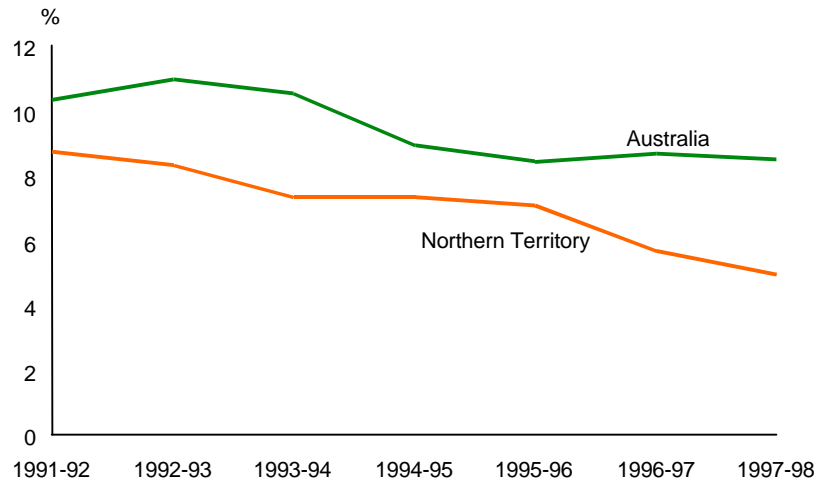


# LABOUR MARKET

**EMPLOYMENT GROWTH**



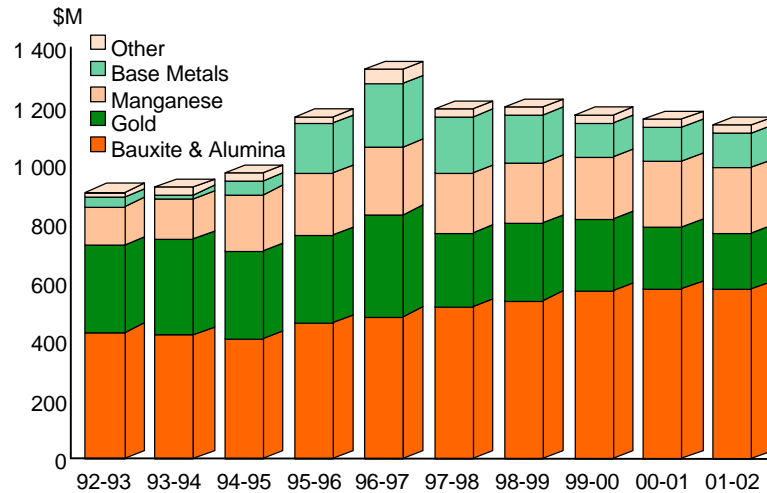
**UNEMPLOYMENT RATES**



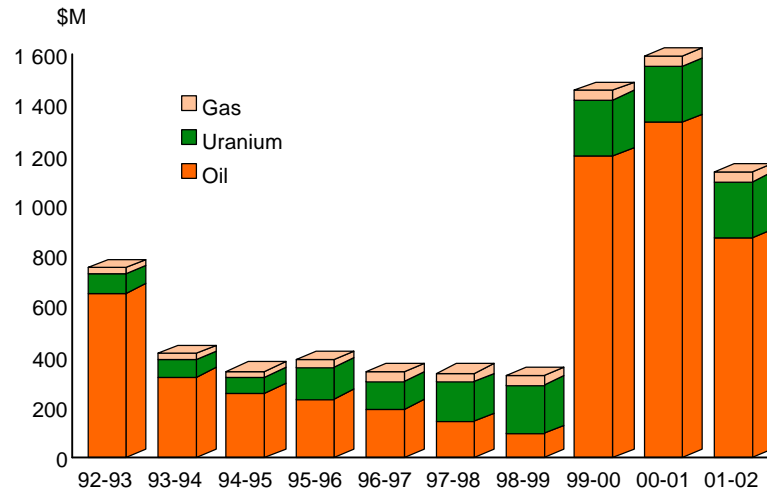
- ◆ Territory employment growth exceeded national growth for the second consecutive year in 1997-98. Over the past year, Territory employment growth was also faster than in any other State or Territory.
- ◆ The main areas of employment growth in the Territory over the past year have been construction, tourism, transport and retail trade.
- ◆ The Territory unemployment rate continued to be lower than the national average in 1997-98, continuing a trend evident over the past seven years.
- ◆ Territory average weekly earnings are now much closer to the national average with employment growth in recent years primarily in industries with lower earnings, particularly the service industries.

# MINING

**MINERAL PRODUCTION AND PROCESSING**



**ENERGY PRODUCTION**



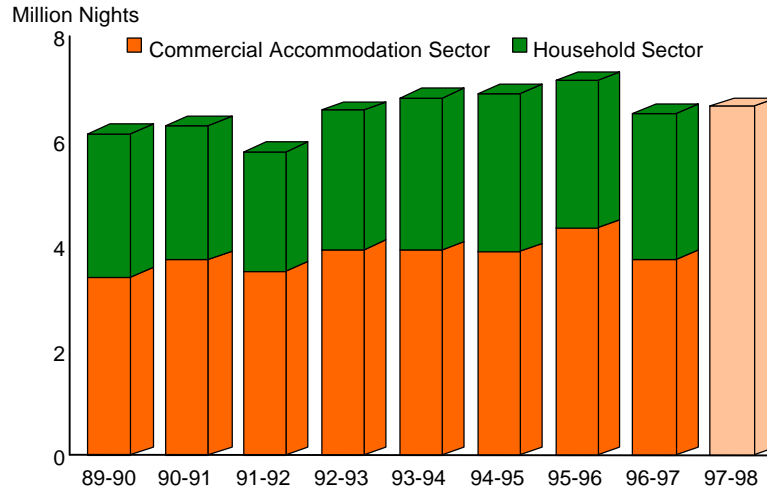
- ◆ The Mining industry is the Territory's largest contributor to GSP, accounting for 11.7%, more than double the national proportion.

- ◆ 1996-97 mineral production and processing was valued at \$1 328M. In 1997-98 output is estimated to have fallen to \$1 188M, largely a result of the fall in the value of gold production. Bauxite and alumina production recorded an increase in 1996-97 and 1997-98.

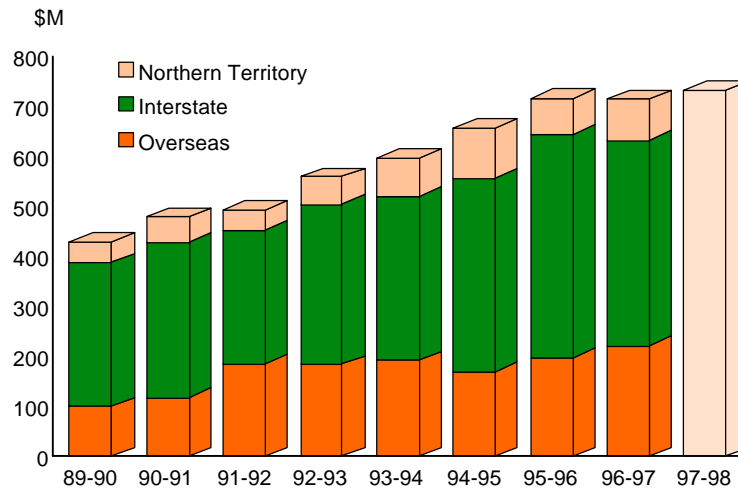
- ◆ The value of energy production in 1997-98 is estimated at \$337M, with oil production continuing to decline, offset by an increase in uranium production. Oil production is expected to increase tenfold in 1999-00, with commencement of production from the Laminaria/Corallina field in the Timor Sea. Uranium production is also expected to grow with the commissioning of the Jabiluka mine.

# TOURISM

**VISITOR NIGHTS**



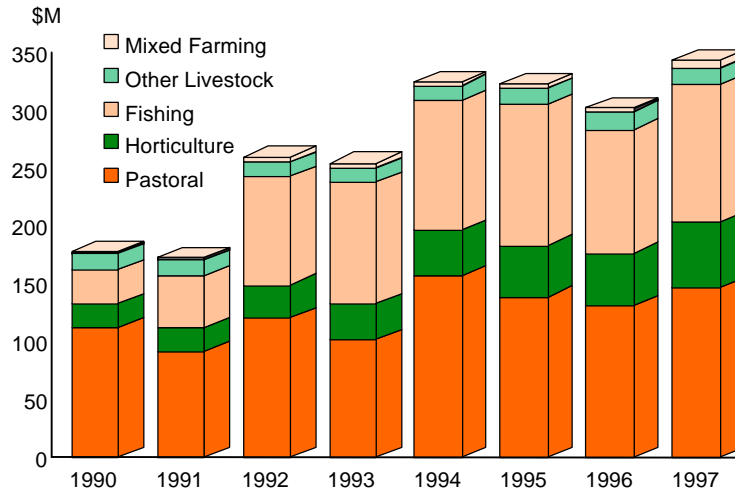
**TOURISM EXPENDITURE**



- ◆ The tourism industry accounts for about 6.6% of Territory GSP, a higher proportion than in any other State or Territory.
- ◆ After four years of growth, visitor nights fell in 1996-97, with renewed growth of about 2.3% per annum anticipated in 1997-98 and over the next four years.
- ◆ After a period of steady growth, expenditure by tourists fell slightly in 1996-97. The estimate for 1997-98 is for a return to positive growth of about 2.6%.
- ◆ During 1997: 455 rooms; an additional 50 Bed and Breakfast rooms; and 148 backpacker beds were added to the tourism accommodation stocks. No significant increase in stock is expected over the next two years.

# RURAL INDUSTRIES AND FISHERIES

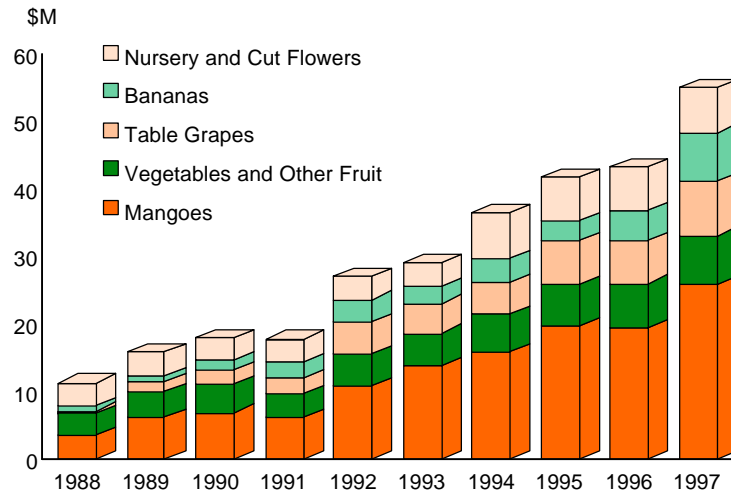
**RURAL INDUSTRIES AND FISHERIES PRODUCTION**



- ◆ Territory rural industries and fisheries account for 4.9% of GSP, while also having significant flow on benefits to other sectors of the economy.

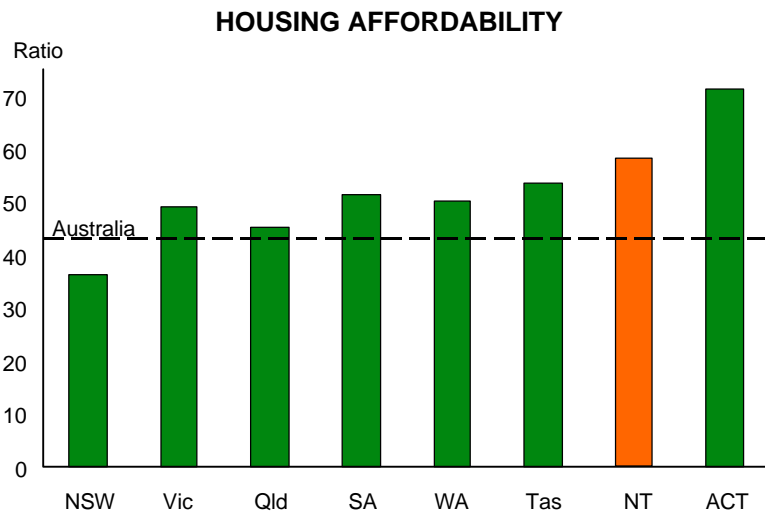
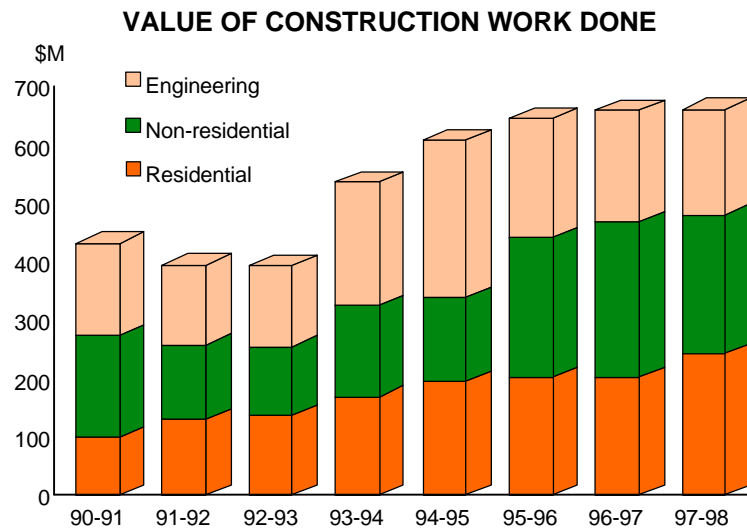
- ◆ The total value of production for 1997 was \$344M, a 12% increase over 1996. Significant increases were in the value of aquaculture (up 29%) and mango production (up 34%).

**HORTICULTURE PRODUCTION**



- ◆ The financial crisis in the South East Asian economies has dampened demand for live cattle, with the number of Australian cattle being exported through the Port of Darwin down 53% for the first three months of this year when compared to 1997.

# HOUSING AND CONSTRUCTION



- ◆ The Territory's housing and construction industry contributes over 9% to GSP, higher than any other State or Territory.
- ◆ The Territory housing industry has sustained high levels of activity over the past two years. Current residential activity is the highest for a decade and is expected to remain buoyant.
- ◆ Since 1994 the Territory has had the second most affordable home loans in Australia, after the ACT.
- ◆ The estimated value of non-residential building work done fell 11% in 1997-98, after a recent record year in 1996-97. Engineering work was down 5%. Construction of the Alice Springs to Darwin railway and other projects will boost the construction industry in the short to medium term.