

Construction Sector

Overview

The **Construction** sector is highly diverse with two main sub-sectors:

- General Construction** of building (residential and non-residential) and engineering construction (non-building construction such as roads, bridges and engineering works)
- Construction Trade Services** (concreting, bricklaying, roofing, structural erection, plumbing, electrical, plastering, tiling, painting and carpentry).

The Construction sector is one of the largest sectors of the Northern Territory economy and is a key indicator for economic growth. It is the sixth largest contributor to Gross State Product (GSP) in the Northern Territory.

Historically, building and engineering construction have had a similar value-of-work-done, but since 2001-02 engineering construction has jumped markedly due to major private sector construction projects.

Due to the small size of the Northern Territory economy, large construction projects (such as the Defence Force build up, Alice Springs to Darwin Railway, Darwin Port expansion and Timor Sea gas developments) can have a significant impact on the total value-of-work-done in any year.

Non-residential and engineering works tend to be particularly 'lumpy' over time whereas residential building activity is more consistent.

Outlook and opportunities

The value of Northern Territory construction work in 2005 increased by 21.7% to \$2.3b, with engineering construction accounting for 78% (increased by 20.5% to \$1.8b) and the balance in residential (increased by 20.1% to \$288.4m) and non-residential construction (increased by 34.6% to \$224.7m)¹.

This increase was due to engineering construction work from major projects such as the ConocoPhillips Wickham Point Liquefied Natural Gas (LNG) plant, the Australian Natural Fuels biodiesel plant, and the Alcan G3 refinery expansion project.

Engineering construction is forecast to decrease by 52% in 2006-07 due to completion of the Wickham Point LNG plant. The Alcan G3 expansion will remain the major contributor in 2006-07¹.

Residential and non-residential construction activity increased in 2004-05 and this increase is expected to continue in 2005-06 due to the large number of building approvals since late 2003 and the start up of a number of major development projects. These projects include the:

- \$1b Darwin Waterfront Development project
- tank farm redevelopment in Stuart Park
- \$170m Defence Housing project (suburb of Lyons development at Lee Point)
- Stirling Heights development in Alice Springs
- various high rise apartment complexes in the Darwin CBD.

The following factors will **challenge the growth** of the sector:

- Uncertain timing of major construction and development projects.
- Peaks and troughs in construction activity.
- Retention of a skilled workforce during periods of low construction sector activity.
- Current low occupancy rates of office & commercial buildings in Darwin CBD. With the completion of a number of major office buildings around Darwin, unless the net absorption rate picks up, vacancy rate for office building will rise.

Performance

At a glance

Value of work done (2004-05)

\$2.25b

- \$1.73b engineering construction
- \$0.5b building construction

Industry Value Added (2004-05)

\$750m (7.6% of GSP)

Employment (2004-05)

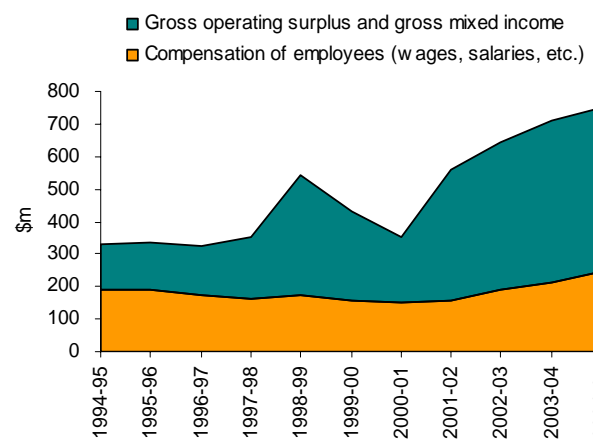
8194 (8.7% of NT jobs)

Number of businesses (2004*)

4847

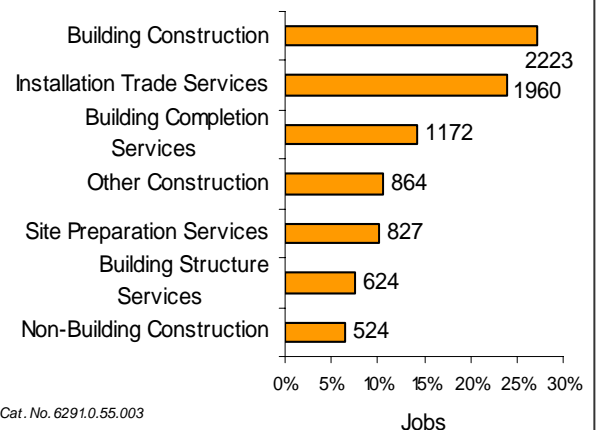
* latest ABS data available

Contribution to Gross State Product (1994-95 to 2004-05)



ABS Cat. No. 5220.0

Contribution of sub-sectors to sector employment (2004-05)



ABS Cat. No. 6291.0.55.003

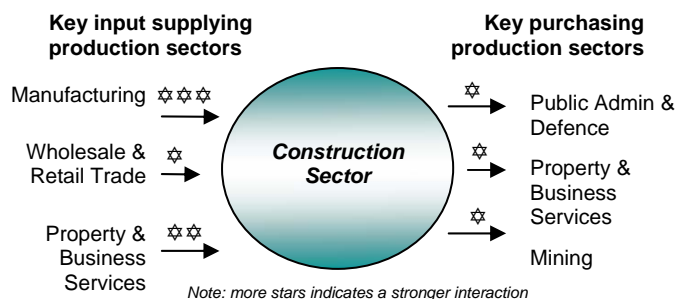
¹ Northern Territory Treasury



Sector multipliers and linkages

For every \$1m invested in the Construction sector in the Northern Territory, an estimated \$770 537 of output (GVP) is created in the rest of the Northern Territory economy. For every 100 jobs created in the sector, an estimated 54 jobs are created in the rest of the Northern Territory economy.

The Construction sector typically has weak linkages with other production sectors of the Northern Territory economy. Its strongest link is to the manufacturing sector.



Sector contribution to regional development and Indigenous employment

The majority of construction businesses are located in Darwin and surrounding areas, however there is still a strong regional presence with 23% of Northern Territory construction businesses located in regional areas.

Number of businesses and employment by region (2001)

	No.*	Employment	% Indigenous
Darwin	2880	3395	2.5%
Darwin region balance	30	147	15.6%
East Arnhem	81	275	6.2%
Katherine Region	198	431	10.4%
Barkly Region	48	128	19.5%
Central Region	547	1161	4.7%
	3784	5556	4.5%

Source: *ABS Cat. 8136.0.55.001 ABS 2001 Census
Note: Data is not directly comparable

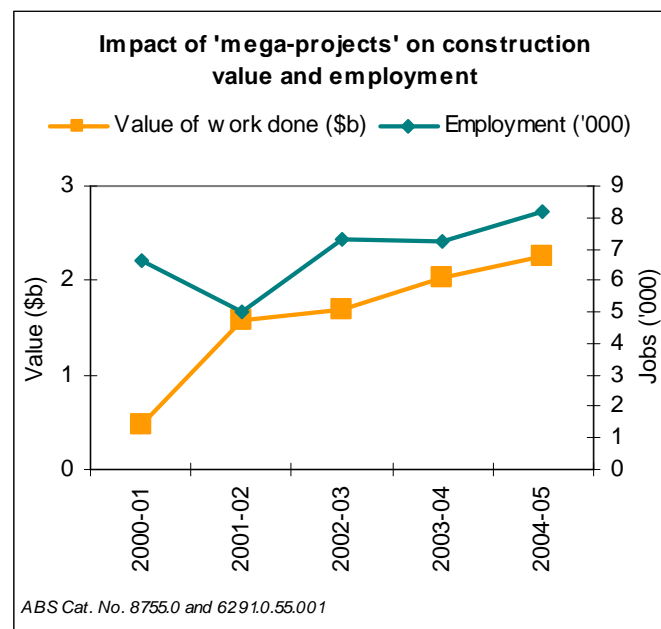
Impact of 'mega-projects'

Engineering construction in the Northern Territory has been volatile over the early part of this decade in response to 'mega-projects' including Bayu-Undan oil and gas, and the Alice Springs-Darwin railway construction.

Construction sector value-of-work done can be misleading in terms of its actual benefit to the Territory economy, as economy-wide benefits may be diminished by factors such as high levels of foreign investment, high levels of imported inputs from overseas/interstate and utilisation of fly-in fly-out labour.

For example, Bayu-Undan Stage 1 is estimated to have contributed around 65% of total engineering work done in 2001-02. However there were lower flow-on effects, as the majority of work was done overseas with installation only in the NT. Bayu-Undan Stage 2 has had a broader impact on the Northern Territory economy, due to increased on-shore activity.

During the construction of the \$1.6b ConocoPhillips LNG Plant in Darwin, purchases were made from over 280 businesses and the project workforce peaked at over 2000 employees, 47% of whom were Territorians².



² Northern Territory Industry Capability Network

Government activity in the Construction sector

The Northern Territory Government has commenced implementing a suite of reforms for the construction industry. These reforms will protect consumers and workers, and further increase the level of professionalism in the industry. Security of payments to construction contractors and portable long service leave reforms were implemented during 2005. Home warranty insurance and builder registration for residential construction will be implemented during 2006.

The Department of Planning and Infrastructure administers legislation covering the building industry in the Northern Territory, including registration of domestic dwelling builders, plumbers and electricians.

The Department of the Chief Minister also has a key role in the sector through its major projects portfolio.

The Northern Territory Government, along with the Commonwealth Government, funds construction activity in the Northern Territory through provision and construction of public housing, in particular Indigenous housing via the Indigenous Housing Authority NT.

Territory Business Centres, located in major regional centres, are the initial contact and referral point for starting a business, business & industry licence information, business planning assistance and links to departmental assistance programs.

For Further Information

Contact: Please contact the Department of Business, Economic and Regional Development, Economic Development Division, for further information.

Phone: 1800 193 111

Website: www.nt.gov.au/business

Information current as at: June 2006

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Northern Territory Government

Department of Business, Economic and Regional Development