

2015: Moving the Territory Ahead

Economic Development Summit

Theme 2: Promoting Investment

Investment, both public and private, is a key driver of economic growth in the Northern Territory. Investment both stimulates demand for goods and services and builds the future capacity of local businesses. Driven by a number of large projects including the Alice Springs to Darwin Railway and the Wickham Point LNG plant, investment in the Northern Territory has increased significantly in recent years. This upward trend will continue with the Alcan Gove expansion and the Darwin Waterfront projects now in construction.

The key question as we move forward is how to promote investment beyond the major projects to broaden the industry base and reduce volatility in Northern Territory economic performance. The challenge is to identify and resolve constraints, take advantage of new investment models, and diversify investment in the wider Northern Territory economy.

Questions for discussion include:

- As we move towards 2015, what do you feel are the key opportunities for promoting investment in the Northern Territory?
- Are there any key things constraining investment in the Northern Territory that need to be addressed?
- What do you think are appropriate roles for government and the private sector in capitalising on the opportunities and overcoming the constraints to investment?
- Are there any Indigenous and regional economic development, or related environmental sustainability issues related to promoting investment?

Key elements for consideration:

- Infrastructure for transport, communication, electricity, gas and water supply are the backbone of any economy. This primary infrastructure supports the delivery of essential services and underpins the development of the Territory's regions.

FACTS AND FIGURES

In the Northern Territory *business investment as a share of output* is well above the Australian average. This ratio is more reminiscent of an Asian Tiger economy than a typical Australian State.

Private Business Investment (2004-05)

Australia 13.3% of GDP
NT 23.0% of GSP

Since 2001-02 private business investment has remained at historically high levels and is forecast to rise further. Public investment was an important contributor to growth in 2004-05.

	NT *Public Capital Investment (\$m)	NT Private Business Investment (\$m)
1997-98	401	1113
1998-99	258	2123
1999-00	362	1270
2000-01	533	1296
2001-02	640	2010
2002-03	417	2189
2003-04	410	2367
2004-05	536	2395

*includes C'wealth, NTG and local govt.

Key overarching existing policy and strategy frameworks:

- Economic Development (2002)
- Territory Partnerships
- Tourism infrastructure
- Bringing Gas Onshore
- NT Aviation Strategy
- Indigenous Economic Development Strategy

- There has been significant public investment in recent years in infrastructure in the Northern Territory to support private investment, including the Darwin to Alice Springs railway, East Arm Port and utility services to the Darwin LNG plant. Investment in the Darwin Waterfront development over the next few years will also provide opportunities for private investors. However, as with other emerging economies, infrastructure constraints remain. The challenge is to **identify and resolve these infrastructure constraints** to ensure that the Territory economy remains on track and business and industry opportunities are not lost.
- Investors look at a range of factors when deciding whether to invest in a particular location. These include the general business environment (taxes, regulations), potential profitability, market opportunities and availability, security and cost of infrastructure and skilled labour availability among others. Generally market forces dictate that investment follows where best returns are to be found. Currently, government activity in **investment facilitation** has focused on creating an attractive business environment and providing specialised on-the-ground support to potential investors. Government also provides support to major projects through the provision of project related public infrastructure and appropriate partnership incentives, such as the funding of joint marketing initiatives with Tiger Airlines. As we move forward, the question is whether this model will continue to be appropriate, or whether alternatives should be considered.
- With a stable Government environment, abundant mineral resources, vast land resources, close proximity to Asia and emerging transport links, the overall outlook for the NT economy is sound. It is likely that the resources sector, particularly off-shore oil and gas development, will continue to dominate investment activity in the Northern Territory in the foreseeable future. The key question is how we can **leverage off our comparative advantages** to deliver on more opportunities and increase local industry participation in these projects.
- It is clear that there has been considerable under-investment on our Indigenous estates. This has been due to market failure stemming from a disjunction between the Indigenous land base and the broader economy, due to factors such as remoteness and group ownership leading to lack of access to finance. This is slowly changing as **new models of Indigenous investment** emerge and investment by Indigenous groups in regional areas becomes an important driver in the Territory economy. Many groups are exploring commercial business opportunities in a broad range of areas including mining, arts, tourism and primary industries. The challenge is overcome impediments to the development of commercial partnerships and clarify appropriate roles for the private sector and government in moving forward.
- Home-grown business investment is attractive as it avoids currency risks and political uncertainty concerns. Territory business has a good track record of reinvesting and diversifying. Domestic service industries in particular also help to create a more desirable lifestyle that will assist in the recruitment and retainment of a skilled labour force. The challenge is to examine the opportunities and constraints to **increasing investment in domestic business opportunities**.

Further information on this topic can be found in the ***Access Economics, Assessment of the Northern Territory Economy*** paper.