

Part 1

# Speech

Delivered on

18 May 2004

by

The Hon. Syd Stirling, MLA

Treasurer

of the

Northern Territory of Australia

# Speech

I move the Bill be read a second time. I table the 2004-05 Appropriation Bill and related Budget Papers.

Budget 2004 keeps the Territory moving ahead.

This Budget delivers less tax, more jobs and great lifestyle.

It is pro-business, pro-jobs, pro-growth.

It delivers record tax cuts and the highest ever cash spend on infrastructure and jobs.

This Budget builds on the Territory's great lifestyle, at the same time delivering record health, education and police budgets.

2004 Budget tax reforms by the Martin Labor Government are the most significant ever delivered by any Territory Government.

They will stimulate economic growth and keep the Territory moving ahead.

Budget 2004 provides record tax cuts worth \$6.7 million in 2004-05, rising to over \$16 million in 2005-06.

The payroll tax threshold will increase to \$1 million over the next 14 months.

From 1 July 2004, the threshold will increase from \$600 000 to \$800 000.

From 1 July 2005, locally-based Territory businesses with a payroll of less than \$1 million will be exempt from payroll tax.

This will make the Territory's payroll tax amongst the lowest for small business in Australia.

162 businesses will not pay payroll tax from 1 July 2005, and 83 of those will be exempt from 1 July 2004.

Of these 162 businesses, 127 are locally-based Territory businesses.

Over 1 400 businesses will be better off – the biggest winners being locally-based Territory businesses, with an average saving of \$20 500 per year.

This gives businesses greater capacity to grow and expand. It's more jobs, more production – a great result for the Territory.

The Government will abolish the HIH levy immediately.

This will save over 6 600 private sector employers \$2.7 million a year.

From 1 July 2005, the Territory will also abolish debits tax, saving Territory business and the community \$6.2 million per year.

These are record tax cuts. The Territory will have the lowest taxes for small business anywhere in Australia.

For a business with about 20 staff, recurrent taxes will be reduced to approximately \$6 830 per year from 1 July 2004.

This compares with \$31 940 in New South Wales, \$32 144 in Victoria and \$11 444 in Western Australia.

Territory small business will pay less recurrent tax than interstate counterparts and will enjoy the most competitive business environment in Australia.

Tax cuts are not the only stimulus that Budget 2004 provides.

This Budget provides the highest ever spending on infrastructure. \$441 million will be spent on capital works, minor new works and repairs and maintenance.

This will sustain around 4 000 jobs in the construction industry and indirectly underwrite thousands more in support industries.

In Budget 2004, the Government's record infrastructure program is targeted at tourism, roads and strategic development projects.

Tourism will receive an infrastructure boost of more than \$60 million over the next three years. This excludes expenditure on the waterfront.

Combined with the additional \$27.5 million announced by the Government late last year, tourism will be the focus of around \$90 million of additional expenditure.

Over 950 jobs are anticipated to flow directly from the \$27.5 million injection, most of these in small business.

Even more jobs will directly result from the investment in tourism infrastructure.

Roads are another big winner in the infrastructure budget.

Funds will be directed at roads that lift economic growth and generate jobs.

In 2004-05, roads for capital works total \$70 million, including the Mereenie and Litchfield loops. In addition, expenditure on roads maintenance has been increased in 2003-04 and will be further increased in 2004-05 to almost \$30 million.

The third element of the Government's infrastructure program is strategic development projects.

Funds totalling \$52 million will be spent on the East Arm Port (completing the AustralAsia trade route), the Desert Knowledge Precinct, the Darwin City Waterfront redevelopment, and other strategic development projects.

This Government is proud of the Territory's great lifestyle – the best in Australia.

Budget 2004 will make it better, with more support for sporting and community events, arts and culture, enjoying our parks, and fishing.

This year the Budget will support the strongest ever program of major events in the Territory's history.

The good news doesn't stop there.

The Government continues to provide record budgets in the key areas of health, education and police.

In 2004-05:

- there is a record health budget of \$635.4 million – an increase of \$23.7 million;
- the education budget is a record \$540.6 million – an increase of \$13.2 million when one-off items are removed from 2003-04; and
- the police budget, another record – \$172.4 million, is up \$8.6 million.

The Martin Government's commitment to a healthier Territory, better educational outcomes and safer communities is well and truly reinforced by Budget 2004.

## The Territory Economy

The onshore economy continued to strengthen in 2003-04, with state final demand increasing by an estimated 4.4 per cent – a good result.

Investment was boosted by the start of construction of the liquefied natural gas (LNG) plant and private consumption maintained solid growth.

However, a greater than expected fall in offshore oil production means that Territory gross state product is estimated to increase by 0.3 per cent in 2003-04.

Population growth in 2003-04 is positive, although lower than we would like. Departures have remained constant, but arrivals have been lower than average.

Employment growth started to pick up in late 2003-04. The latest figures show that the level of unemployment has dropped each month for the past 11 months.

Dwelling investment and property markets continued to strengthen.

Darwin's annual inflation rate is estimated at 1.5 per cent, below the national rate of 1.8 per cent.

Treasury forecasts GSP growth to strengthen to 5.8 per cent in 2004-05, the major influences being strong employment growth, increased construction and tourism-related activity, and population growth.

Production from Bayu-Undan is expected to more than offset falling oil production from Laminaria-Corallina.

Engineering work for Bayu-Undan stage two will be the key driver of Territory investment in 2004-05.

With capital investment of around \$2.8 billion, the Bayu-Undan stage two LNG plant and pipeline is the largest project ever undertaken in the Northern Territory. It will take almost three years to complete and will employ around 1 200 people at its peak.

Employment is forecast to increase by 2.9 per cent in 2004-05, supported by construction of the LNG plant, increased residential and non-residential building work, and a strengthening tourism sector.

Further defence developments will also contribute to growth in 2004-05.

Annual inflation in Darwin is forecast to increase to 2.2 per cent.

## Fiscal Projections

When we were finalising the Territory Budget a week ago, 2003-04 was on target for a \$2 million deficit, consistent with the Mid Year Report.

The Commonwealth Budget, handed down last Tuesday, included an increase in national goods and services tax (GST) collections of which the Territory receives \$36 million in 2003-04, and \$28 million in 2004-05.

The additional GST revenue means a surplus of \$34 million for 2003-04.

Spending has increased by \$73 million during 2003-04, operating payments have increased by \$60 million with major boosts in the priority areas of tourism, police, jobs and training, corrections, justice and child protection.

Grants from the Commonwealth are up by \$115 million. \$23 million of this is in new and expanded specific purpose payments which carry related expenditure obligations.

GST grants have increased by \$92 million.

Territory tax receipts have increased by \$8 million. The significant variations are an additional \$14 million in stamp duty receipts due to increased economic activity and large one-off transactions, offset by a reduction in payroll tax of \$9 million due, in part, to waivers and refunds.

A number of commitments have been brought forward to 2003-04. These include:

- \$2 million to relocate the Palmerston Magpies to the Palmerston campus of the Charles Darwin University;
- \$500 000 to the Katherine Town Council for improved sporting facilities – a promise we made to the people of Katherine during the by-election and one we have delivered on immediately;
- \$3 million to the Charles Darwin University consisting of \$500 000 to assist with the merger of Centralian College and \$2.5 million to match Commonwealth funding for a new higher education facility in Central Australia;
- \$3.8 million to extend electricity to Dundee Beach;
- \$4 million for Indigenous essential services; and
- \$1 million for research grants recommended by the Territory's new Research and Development Council. This is a new and exciting policy direction by the Martin Government aimed at supporting Territory innovation.

Sound financial management over the past two and a half years and improved GST revenue has resulted in the Territory making good progress in achieving the fiscal targets established in the 2001 Mini Budget.

Three challenges arose during 2003-04, leading to a revision of the fiscal strategy.

First, the Government made a decision to provide additional support and stimulus for economic growth, both by increasing spending and by further reducing taxes in the 2004-05 Budget.

Second, the Commonwealth Grants Commission's 2004 review resulted in a \$48 million reduction in the Territory's GST revenue – the largest reduction to any state or territory.

Third, the Government decided to boost spending in priority service areas: police, health, tourism, education, jobs and training and correctional services.

This Government continues to increase spending in key areas long neglected by our predecessors.

As a result of the Government's response to these challenges, the targets for the 2004-05 Budget and forward estimates have been revised.

The general government deficit is projected to plateau in 2005-06 and then improve in line with the Government's commitment to achieving a balanced budget.

As seen in recent years, the volatility in GST revenue can significantly affect the Territory's outcome.

The general government sector is expected to be in balance in 2004-05 because of additional GST revenues.

It is expected the Budget will return to a deficit of \$16 million in 2005-06, based on current GST projections.

In 2004-05, general government operating receipts are unchanged from 2003-04.

Territory tax receipts are estimated to increase slightly by \$2 million, reflecting increased economic activity, offset by the tax cuts in this Budget.

Other receipts, predominantly dividends, are to fall by \$6 million in 2004-05.

Commonwealth grants, the Territory's major revenue source, will only increase by \$4 million because of the reduction in the Territory's relativity. GST revenues would normally increase by at least \$50 million.

Operating payments are estimated to increase by \$51 million, reflecting the effect of expanded programs.

Interest payments are expected to decline by \$14 million in 2004-05 as a result of lower interest rates achieved through refinancing.

Public sector infrastructure spending is a record \$441 million in 2004-05. Lower general government sector capital payments are offset by increased spending in housing and port-related infrastructure.

## Budget 2004 Initiatives

Budget 2004 delivers less tax, more jobs and a great lifestyle.

Budget initiatives are focused on the priority areas of:

- business, particularly small business;
- creating jobs;
- enhancing our lifestyle;
- safer communities;
- better educational outcomes; and
- a healthier community.

We have listened to business and this is definitely a pro-business budget.

Record tax cuts will act as a major stimulus for business activity that will impact across all business sectors. Small business, medium business and larger business all reap a benefit from these initiatives.

Earlier in this speech, I outlined the impact of the tax cuts in this Budget on small business and the comparison with our interstate competitors. Now, let me provide details of the impact on a medium-sized business.

For a business with about 40 staff and a payroll of \$1.6 million, the effect of this Budget will be to reduce recurrent taxes to \$48 320 from 1 July 2005. This will be a tax reduction of \$29 000 compared to their tax bill today.

As a result of this Government's tax initiatives a medium-sized business with 40 staff will be saving \$29 000 each year from 1 July 2005. This is a drop from \$77 348 to \$48 320 an outstanding result for business.

These changes will also make the Territory the lowest taxing jurisdiction for medium-sized businesses.

Compare this with the same sized business in New South Wales. Their recurrent tax bill is \$104 615. That's a difference of over \$56 300.

It is \$110 835 in Victoria and \$53 945 in the Australian Capital Territory.

Territory business will be in the best competitive position against its interstate counterparts ever.

The removal of the HIH levy adds to the business savings from this Budget. Small businesses with around 20 staff will save, on average, \$800 per annum from this measure. Businesses with around 40 staff will save around \$1 600 per annum.

Overall, the HIH liability has gone from the original estimate of \$50 million to around \$22 million. The Government will now absorb the full cost of outstanding claims left after the collapse of HIH.

In addition to record tax cuts, the Government will also improve its administrative processes.

An independent taxation and mineral royalty administrative appeals tribunal will be established. This will provide taxpayers with an inexpensive alternative to appeal decisions of a tax or royalty assessment.

The Martin Government will also reform the public liability insurance requirement for businesses supplying to Government. The current requirement of \$10 million for public liability insurance will be reduced to \$500 000 for the supply and delivery of goods 'off the shelf' and for items with a manufacturer's warranty.

As of 1 July 2004, the Government implements its policy of mandatory payment of undisputed accounts within 30 days. Businesses which have not been paid on time will be able to apply for interest penalty payments.

To further stimulate business, the Government is directing significant resources into tourism infrastructure including:

- \$38 million to seal the Mereenie Loop road over the next three years;
- \$15 million to seal the Litchfield Loop road over the next three years;
- \$2.5 million for a new cruise ship terminal at Fort Hill Wharf;
- \$500 000 for headworks for the Katherine Cultural Precinct;
- \$1.1 million for Gregory and Limmen National Parks;
- \$1 million to upgrade visitor facilities in Territory parks;
- \$280 000 for the Battery Hill facility in Tennant Creek; and
- \$390 000 to upgrade the Territory Wildlife Park and the Alice Springs Desert Park.

With this expenditure, tourism will receive an additional \$90 million over the next couple of years, an acknowledgement by this Government of the importance of tourism to our economy. Tourism impacts across all business from small to large business.

Roads funding is focused on those strategic roads that will boost economic growth and development. This includes:

- a further \$1 million towards sealing the Tanami Road;
- almost \$30 million on national highways and roads of national importance;
- \$4.8 million on stage one to improve access to Borroloola; and
- \$1 million on the beef roads – Dorisvale, Ooloo, Fleming and Cadell.

Almost \$30 million will be spent on repairs and maintenance of Territory roads, a \$4 million increase since the 2003-04 Budget.

Funds for strategic development projects include \$25 million at East Arm Port:

- \$5.7 million to complete stage 2a;

- \$10.3 million for oil pipelines and associated equipment for bulk fuel liquids to enable the removal of oil tanks from Stuart Park;
- \$7 million for a bulk loading facility; and
- \$2 million for a new incinerator.

The Desert Knowledge Precinct in Alice Springs will be constructed at a cost of almost \$30 million over two to three years. This will have a significant impact on the construction industry in Alice Springs. It will also impact on the long-term future of the town's economy as we focus on the 'smart economy' – providing Australia and the world with our desert knowledge and innovation.

\$8 million is allocated for the Darwin City Waterfront redevelopment. This project will change the face of Darwin. It will provide our capital city with a signature. This project will provide significant stimulus to the construction industry and, in the long term, add enormously to Darwin's appeal.

\$1.53 million is provided for Indigenous economic development strategies.

The online Territory Business Channel will be expanded at a cost of \$800 000 over two years.

The Business And Skilled Migration Strategy will be implemented at a cost of \$350 000.

*Making it in the Territory*, the Territory's manufacturing industry strategy, will be implemented in 2004-05 in partnership with industry and unions.

Creating jobs and providing training to Territorians is a key commitment of this Government. We believe that we must get training right for the future of the Territory.

The Government has placed a great emphasis on jobs since we took office in August 2001. Last November I announced the first ever Jobs Plan. More than \$160 million of funds will be focused on training over the next three years.

Under the Jobs Plan, the Government will train, prepare and support up to 7 000 apprentices and trainees over three years.

During 2004-2005 about 2 400 apprentices and trainees will be employed across 180 discrete qualifications in 16 industry sectors, with \$11.75 million provided for training purposes.

To date, this Government has lifted the number of trainees and apprentices by 30 per cent but, more importantly, we have focused effort on meeting the needs of the Territory workforce now, and into the future.

The Government will build on the Jobs Plan by allocating:

- \$38 million to registered training organisations to deliver a broad range of vocational education and training programs and courses in both urban and remote settings;
- \$12.39 million to support and train apprentices and trainees across the Territory;
- \$1.2 million over the next three years for pre-vocational training programs, which aim to better prepare Territorians for apprenticeships and traineeships;
- a further \$830 000, to a total of \$1.58 million in 2004-05, for the introduction of new labour market programs;

- \$980 000 per annum over the next three years for an additional 200 public sector trainees;
- \$390 000 to Footprints Forward to assist Indigenous youth in Alice Springs; and
- \$1 million ongoing for the Remote Workforce Development Strategy.

Education is another key priority of the Martin Labor Government.

This year, a record education budget includes:

- \$256.3 million for early childhood and primary education in Government schools;
- \$125.2 million for Government secondary schools; and
- \$72 million for assistance to non-government schools.

This year, we will meet our commitment to employ 100 additional teachers. We will also continue the student bursary scheme, alternative education provision, and the employment of eight school attendance officers.

These have been very successful Labor Government initiatives and will cost an additional \$3.5 million in 2004-05.

\$1.25 million has been approved to expand the Accelerated Literacy Program, from the current trials in lighthouse schools. The results of this program are outstanding. Young students are learning at the rate of 1.75 years for every year. They are catching up with their classmates and improving their chances of a full and meaningful future.

Funding of \$1.2 million in 2004-05, rising to \$2.56 million ongoing, will continue the Aboriginal Islander Education Worker program after withdrawal of Commonwealth funding.

Information technology infrastructure in schools will be improved with an extra \$2 million. A further \$250 000 is also provided for increasing bandwidth by 15 per cent.

\$5 million will be spent over the next four years to provide every classroom teacher in Government schools with a laptop computer.

\$750 000 is provided in 2004-05 to replace and upgrade domestic furniture in remote teacher housing. This follows \$1 million provided in February.

Increased funding of \$500 000 is provided to upgrade capital equipment in Government schools and community education centres. It supplements the additional \$1 million provided in February this year.

A new \$300 000 school grants program will commence in 2004-05 for Government schools in need.

Financial assistance to non-government schools under the capital assistance and interest subsidy scheme increases by \$500 000.

This year, around \$64 million is programmed for new and ongoing capital works, minor new works and repairs and maintenance, including:

- \$1 million each for stage one redevelopments at Nakara and Alawa Primary Schools;
- \$2 million for stage 3 of the remote schools upgrade program;
- \$220 000 for a disabled access lift at Casuarina Secondary College;
- \$250 000 to complete the airconditioning upgrade at Gillen Primary School; and

- ongoing works at Darwin High, Parap Primary, and a number of bush schools, including secondary facilities at Kalkaringi and Minyerri, and an upgrade at Maningrida.

There is an enormous backlog of work to be done on our schools across the Territory. We have and will continue to commit significant funds to address this backlog.

Community safety is an issue of importance to Territorians and to this Government.

We have taken a whole of government approach that is delivering results. We have put our money where our mouth is on this issue. Again this year, crime prevention and community safety receives a major boost in the Budget.

The O'Sullivan Report continues to roll out in 2004-2005. A further \$6.7 million has been provided, increasing to a total of \$27.9 million ongoing by 2006-07.

A further \$200 000 in 2004-05 and 2005-06 is provided to support the recruitment of Territorians into the police force.

\$1 million over three years has been approved to build on the northern Territory's counter terrorism capability.

A total of \$2.9 million in 2004-05, and \$2.6 million ongoing, has been allocated for patrol boat replacement and other equipment.

Additional funding of \$560 000 is included to a total of \$1.49 million ongoing, to meet the Government's commitment to employ an extra 16 fire officers.

\$210 000 will establish the new Arnhem Land Fire Control Region. An additional \$260 000 is provided for volunteer bushfire brigades.

\$2.7 million will be allocated to continue the success so far of the Community Harmony Strategy addressing itinerancy and anti-social behaviour.

Funding of \$3.06 million will be provided in 2004-05 to implement the recommendations of the Review of Adult Custodial Services, including rehabilitation programs and staffing.

The Office of Courts Administration will receive an additional \$1.3 million to meet increased demand, with a further \$110 000 for the Office of the Director of Public Prosecutions.

Significant capital projects for community safety include:

- \$8 million for a new low security section at the Darwin jail;
- \$1 million for a police post at Numbulwar; and
- \$680 000 to upgrade police cells at Batchelor, Maranboy and Ti Tree.

Again, a record health budget.

Health funding will receive a further boost in the 2004-05 Budget, as it has in every budget introduced by the Martin Government. The budget of \$635.4 million is an increase of \$23.7 million and includes:

- \$357.9 million for acute care services;
- \$109 million for community health services;
- \$80.8 million for aged, disability and mental health services;
- \$44.8 million for family and children's services;
- a further \$2.6 million for improved mental health services;

- additional recurrent funding of \$2 million for an expanded intensive care/high dependency unit at the Alice Springs Hospital; and
- \$2 million will expand the HIV/aids treatment and prevention program.

Last year the Government announced that funding for child protection services over the next five years will increase by 10 per cent per annum. The increase in Budget 2004 is \$1.8 million.

\$1.2 million extra is provided for expanded disability services. Dental health programs will receive an additional \$600 000.

Significant health capital projects for 2004-05 include:

- \$2.5 million for the Darwin Birthing Centre;
- \$1.5 million for a new health centre at Kalkaringi;
- \$900 000 for stage 2 community-based renal facilities; and
- fire safety upgrades costing \$900 000 at Alice Springs Hospital and \$750 000 at Tennant Creek Hospital.

Territorians enjoy a great lifestyle. This Budget will make it even better.

This year, the Government will support the most extensive program of major community and sporting events the Territory has ever seen. Events as diverse as international cricket and the International Guitar Festival, from arts festivals to Aussie Rules, Territorians will have a feast of national and international quality events at our fingertips.

Budget 2004 provides over \$6 million of support to major events. The Territory's great lifestyle is supported by:

- a \$19 million budget for sport;
- \$32 million for arts, museums and libraries;
- over \$90 million for parks, the environment and heritage; and
- \$142 million for housing.

\$300 000 is provided for the 'Bass in the Grass' concerts to be staged annually in Darwin and Alice Springs. These concerts were spectacular successes when the Martin Government introduced them last year.

Ethnic community groups will be able to access a new \$500 000 capital facilities grants program. This is the second major ethnic grants program introduced by this Government.

\$270 000 is provided in each of the next two years to stage Australian Football League matches in Darwin and Alice Springs, and to fund camps for players and coaches in the Territory.

Grants to sports organisations will be increased by \$500 000 to a total of \$5.58 million in 2004-05.

There will be an additional \$350 000 per annum to support the Festival of Darwin, the Alice Springs Desert Song, the Garma Festival and the International Guitar Festival.

Budget 2004 provides \$2.7 million to stage the Masters Games in Alice Springs later this year and the Arafura Games in Darwin next year.

\$370 000 in 2004-05 and \$120 000 ongoing has been provided for the first-ever Darwin Harbour Management Plan.

To continue our commitment to the environment, a \$200 000 environment protection grant program has been established to provide funding to community-based environmental organisations.

\$330 000 per annum for three years will fund the Government's litter abatement strategy.

Significant capital projects to enhance the Territory lifestyle include:

- \$1 million to upgrade the Hidden Valley Raceway;
- \$2.3 million for headworks for the Palmerston Recreation Centre and Katherine Cultural Precinct;
- \$500 000 for headworks for the 'home of Territory soccer' at Marrara;
- \$1.7 million as the last stage of a \$5 million upgrade of Traeger Park;
- \$3 million for the urban enhancement and heritage program;
- \$3 million for continuation of undergrounding of powerlines in Darwin;
- \$500 000 to improve access and facilities for recreational fishing; and
- \$160 000 for the Amateur Fishing Association of the Northern Territory (AFANT) and \$10 000 in small grants to fishing associations.

Housing amenity plays an important role in our lifestyle. The 2004-05 Budget includes:

- \$5.4 million for the new seniors village at the Kurringal site;
- \$2.3 million for security screens for public housing;
- \$4.3 million for community renewal of urban public housing;
- \$1.8 million for short-term accommodation projects, as part of the Community Harmony Program; and
- \$1 million for new public housing in Alice Springs.

Building stronger Territory regions receives continued emphasis in the 2004-05 Budget. \$360 000 will be provided to the Chief Minister's Priority Task Force, initially at Wadeye. Funding of \$220 000 in 2004-05 has been approved for a regional coordinator at Groote Eylandt.

In both of these communities the need to coordinate the delivery of services by the Commonwealth and Territory Governments and to invest in their future development is evident. The work being done in these programs will provide both immediate and long term benefits for the Territory community as a whole.

Significant capital projects for regional housing include :

- \$3 million for land servicing in remote communities; and
- \$22.6 million for construction and upgrade of Government employee housing in regional and remote areas.

## Conclusion

Budget 2004 keeps the Territory moving ahead.

It delivers record tax cuts, the highest ever cash spend on infrastructure and it supports our lifestyle – less tax, more jobs, great lifestyle.

It provides businesses with the most competitive environment in Australia and positions them well to expand and grow.

More jobs for Territorians will result from both our tax reforms and the infrastructure spending.

We have focused on supporting sport, major events, fishing and the great Territory lifestyle.

Budget 2004 continues to provide record funding for the key priorities of education and training, health and police.

I am proud to place before you Budget 2004.