

Key Points

- The public sector continues to be a major contributor to the Northern Territory economy and provides a wide range of economic and social services. It consists of the Commonwealth, Territory and local governments.
- In 2002-03, government administration and defence, and the other predominantly public sector industries (health and education), together accounted for more than 21 per cent of the Territory's Gross State Product (GSP). About 36 per cent of Territory State Final Demand was attributable to public expenditure, of which 89 per cent was consumption related.
- The proportion of public sector-related industries in Territory GSP continues to be well above the national average, in part because the cost of public sector service provision is relatively high in the Territory as a consequence of a small and widely dispersed population, compounded by higher average cost of servicing people in remote communities.
- The importance of the public sector in the Territory has not diminished in significance over the past decade, reflecting the defence build-up and increases in local and Territory government employment (partially offset by reductions in other Commonwealth non-defence government employment).
- There is expected to be modest growth in public sector employment in the Territory in coming years, due partly to greater defence personnel numbers associated with further defence relocations and expanded Northern Territory Government service delivery initiatives currently being introduced.

The Public Sector

In the Territory, public sector expenditure as a proportion of State Final Demand (SFD) is significantly higher relative to other jurisdictions, with the exception of the Australian Capital Territory. Public sector expenditure in the Territory was 36 per cent of SFD in 2003, compared to 21 per cent nationally.

The difference is largely due to higher consumption spending associated with the relatively large defence presence in the Territory and high cost of government service provision, a consequence of the Territory's small and widely-dispersed population.

Table 15.1: Public Expenditure as a Percentage of SFD (2003)

	Consumption	Capital	Total Public
New South Wales	16.0	4.0	20.0
Victoria	15.8	3.2	19.0
Queensland	16.3	3.9	20.2
South Australia	17.6	2.7	20.3
Western Australia	15.8	3.9	19.6
Tasmania	19.4	5.2	24.6
Northern Territory	32.3	3.8	36.1
Australian Capital Territory	45.8	3.4	49.1
Australia	17.2	3.7	20.9

Source: NT Treasury, ABS Cat. No. 5206.0

2004-05 Public Expenditure

Consumption

Public consumption growth in the Territory has been boosted by the expanded defence presence in the Top End in the past ten years. In the ten years to December 2003, defence-related consumption expenditure increased at an average annual rate of around 11 per cent compared with 4.3 per cent for Commonwealth (non-defence) consumption and 3.5 per cent for State and local public consumption (and 4.6 per cent for private consumption).

Despite the significant increase in defence expenditure, Territory public consumption as a proportion of total consumption increased only slightly from 46 per cent in 1992-93 to 48 per cent in 2002-03. Nationally, over the same period, public consumption as a proportion of total consumption fell from 25 per cent to 23 per cent.

In calendar year 2003, consumption expenditure comprised about 89 per cent of total public expenditure, the remainder being gross fixed capital formation (that is, investment). The Territory and local governments accounted for around 55 per cent of government consumption expenditure in the Territory in 2003. Defence accounted for 31 per cent, with the remaining 14 per cent attributable to Commonwealth non-defence spending.

Investment

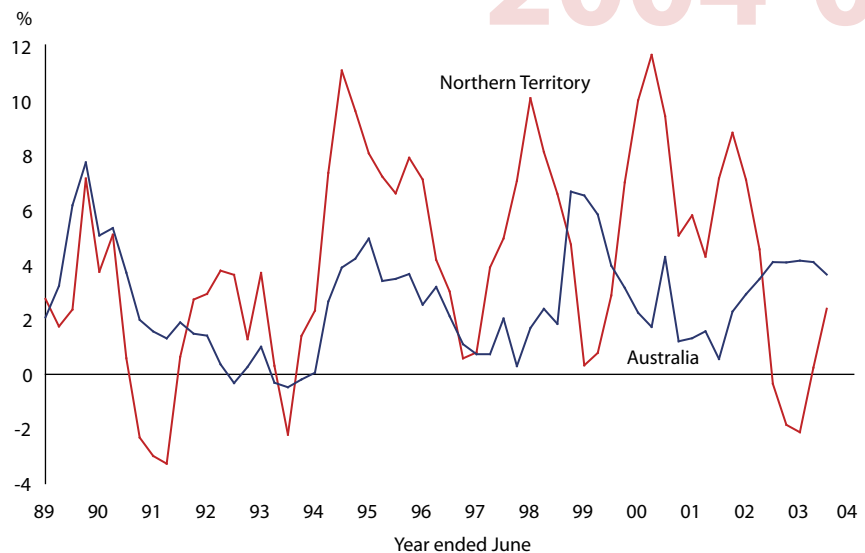
On a per capita basis, public sector capital formation in the Territory was around the longer term underlying average of \$2 000 per annum in 2003, compared to \$1 400 nationally. Swings in Territory Government outlays are heavily influenced by capital expenditure patterns, which can experience large fluctuations from year to year due to variability associated with funding for large one-off projects. In the year to December 2003, Territory capital formation fell from its high levels of the previous few years largely due to a fallback in investment related to the railway and East Arm Port.

Table 15.2: Total Public Sector Expenditure in the Territory (chain volume measure)

Year ended June	Consumption		Investment		Total	
	\$M	% Ch	\$M	% Ch	\$M	% Ch
1989	1789	2.4	369	4.5	2158	2.8
1990	1839	2.8	400	8.4	2239	3.8
1991	1864	1.4	308	-23.0	2172	-3.0
1992	1943	4.2	293	-4.9	2236	2.9
1993	2052	5.6	267	-8.9	2319	3.7
1994	2114	3.0	259	-3.0	2373	2.3
1995	2202	4.2	363	40.2	2565	8.1
1996	2426	10.2	322	-11.3	2748	7.1
1997	2410	-0.7	360	11.8	2770	0.8
1998	2651	10.0	399	10.8	3050	10.1
1999	2805	5.8	255	-36.1	3060	0.3
2000	3003	7.1	364	42.7	3367	10.0
2001	3032	1.0	531	45.9	3563	5.8
2002	3184	5.0	633	19.2	3817	7.1
2003	3341	4.9	395	-37.6	3736	-2.1
2004e	3401	1.8	363	-8.1	3764	0.7
Compound Annual Growth %						
1988-89 to 2003-04e		4.4	-0.1		3.8	
1988-89 to 1993-94		3.4	-6.8		1.9	
1993-94 to 1998-99		5.8	-0.3		5.2	
1998-99 to 2003-04e		3.9	7.3		4.2	

Source: NT Treasury, ABS Cat No. 5206.0

Chart 15.1: Public Expenditure (moving annual total, annual percentage change)



e: estimate
Source: NT Treasury, ABS Cat. No. 5206.0

Almost 60 per cent of total public gross fixed capital formation in the Territory in 2003 was undertaken by Territory and local governments, with another 15 per cent undertaken by Territory government business divisions. Commonwealth expenditure (defence and public corporations) comprised the balance, representing around 25 per cent of total public investment in 2003.

Public Sector Employment

ABS Employment Data

Excluding defence force personnel, ABS estimates that year average employment in the public sector in the Territory was 24 275 in 2002-03 (refer to Table 15.3). The Territory Government is estimated to have employed 17 925 people (an increase of 875 on the previous year), 3 450 people were employed by the Commonwealth (excluding defence force personnel) and 2 900 people were employed by local government. In 2002-03, the major employers, by industry, of the public service (excluding defence) in the Territory were government administration, education, and health and community services. These accounted for about 33 per cent, 27 per cent and 18 per cent of employment respectively.

The ABS reports the number of public sector employees in the Territory (excluding defence) increased at an average 1.2 per cent per annum from 1990 to 2003 (a total increase of 9 per cent over the period). Local government employment more than doubled, reflecting the growing number of local governing bodies (largely community governments in remote areas) declared under the *Local Government Act*. The number of Territory Government employees has remained relatively flat, increasing at an average rate of 1.1 per cent per annum or, in absolute terms, around 1 400 jobs (Chart 15.2). Commonwealth Government employment (excluding defence) fell by 1 075 to 3 450 employed people.

Table 15.3: Public Sector Employee Numbers (year average)

Year ended June	C'wlth	Territory	Local	Total (excluding Defence)	Defence*	Total
1989	4 850	15 425	900	21 175	1 680	22 855
1990	4 525	16 525	1 200	22 250	2 048	24 298
1991	4 400	16 500	1 200	22 100	2 086	24 186
1992	4 350	15 725	1 150	21 225	2 281	23 506
1993	3 900	14 950	1 200	20 050	2 561	22 611
1994	3 775	15 475	1 200	20 450	2 543	22 993
1995	3 975	15 775	1 300	21 050	2 524	23 574
1996	4 050	16 125	1 975	22 150	3 312	25 462
1997	4 175	16 050	2 150	22 375	3 384	25 759
1998	3 500	16 200	2 625	22 325	3 756	26 081
1999	3 550	16 000	2 600	22 150	4 111	26 261
2000	3 450	15 975	2 600	22 025	4 662	26 687
2001	3 550	16 675	2 600	22 825	4 641	27 466
2002	3 850	17 050	2 950	23 850	5 119	28 969
2003	3 450	17 925	2 900	24 275	5 191	29 466
2004e	3 350	18 700	3 300	25 350	5 211	30 561
Compound Annual Growth %						
1989-90 to 2003-04e	-2.4	1.3	9.0	1.2	7.8	2.0
1989-90 to 1993-94	-4.9	0.1	5.9	-0.7	4.4	-1.1
1994-95 to 1998-99	-1.2	0.7	16.7	1.6	10.2	2.2
1999-00 to 2003-04e	-1.2	3.2	4.9	2.7	2.3	2.7

*Defence numbers as at June for each year, not year average

Source: NT Treasury, ABS Cat No. 6248.0.55.001, Department of Defence

OCPE Employment Data

An alternative estimate from the Office of the Commissioner for Public Employment (OCPE) reports that, as at December 2003, Territory Government public sector employment, including the PowerWater Corporation, was 15 785 (14 788 employees in full-time equivalent [FTE] terms), an increase from 15 409 recorded in December 2002 (14 397 in FTEs).

As at December 2003, OCPE reports that within the Territory Government, Health and Community Services employed 3 860 persons, slightly more than Employment, Education and Training (3 816). Police, Fire and Emergency Services and Infrastructure, Planning and Environment were the next largest employers, with 1 374 and 1 340 staff respectively.

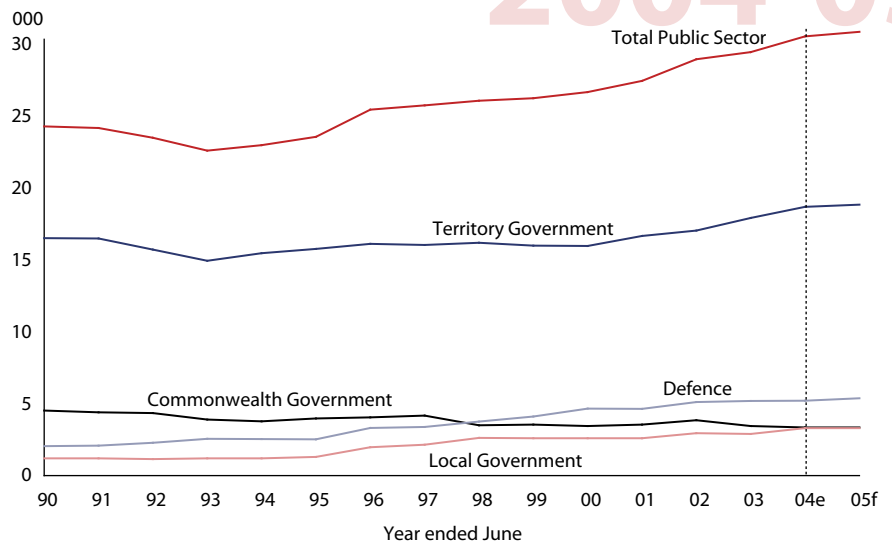
Indigenous Employment

The number of Indigenous employees, as a proportion of the Northern Territory Government, increased from 4.9 per cent (768) in June 2003, to 5.2 per cent (830) in April 2004, in line with Indigenous employment and career development efforts. This reflects increases in both Indigenous self-identification and Indigenous employment.

Defence Personnel

Department of Defence data show that full-time defence personnel stationed in the Territory increased from around 2 000 in 1989-90 to 5 200 in 2002-03. Together, with ABS data, total public sector employment, including defence personnel, increased from an estimated 24 300 in 1989-90 to 29 500 employees in 2002-03. The increase in defence personnel contributed more than half the increase in total public sector employment over that period, with local government the other main contributor.

Chart 15.2: Public Sector Employment



Source: NT Treasury, ABS Cat. No. 6248.0.55.001, Department of Defence

The strength of defence employment growth over the past has meant that the number employed by the public sector has remained at about 30 per cent of total employment (public and private). However, excluding defence personnel, public sector employment in the Territory has fallen from 29 per cent of total employment in 1989-90, to 25 per cent in 2002-03.

Public Sector Importance

The importance of the public sector to Territory employment has not diminished over the past decade, reflecting both the defence build-up, the developing status of the economy and the ongoing need to provide services to remote populations.

Public Sector Outlook

The public sector will continue to play an important role in the Territory economy. The number of people employed by the public sector is expected to increase slightly over the next couple of years, but to remain at about 30 per cent of total employment. More than 200 additional staff are expected to be recruited to the police force by the end of 2006 for the Territory Government's \$75 million 'Build your Police Force' initiative, and an extra 200 traineeship and apprenticeship positions are expected to be made available over the same time period. In addition, funding is provided for an additional 25 teachers and 37 nurses in 2004-05. This is the last stage of a four year program for an additional 100 nurses and 100 teachers in the Government's first term. The number of defence personnel stationed in the Territory can be expected to increase in the Territory in the next few years, mainly due to the formation of the Army's 1st Aviation Regiment (involving the relocation of about 200 extra personnel to the Territory).