

Part 1

Speech

Delivered on

2 May 2006

by

The Hon. Syd Stirling, MLA

Treasurer

of the

Northern Territory of Australia

Speech

I move that the Bill be read a second time, and I table the 2006-07 Appropriation Bill and related Budget Papers.

Budget 2006 builds the Territory's future.

It delivers jobs, growth and a stronger Territory.

It builds on the successful policies of the Martin Government over the last five years to:

- reduce taxes;
- provide high levels of infrastructure spending;
- invest in strategic economic drivers; and
- implement a strong social development program.

Budget 2006 delivers on the Government's priorities of:

- supporting and growing business;
- improving educational outcomes;
- building a healthier Territory;
- providing a safer community for all Territorians; and
- enhancing our great lifestyle.

It does so within sound and sustainable fiscal parameters.

This Budget grows the Territory's economy.

It creates jobs for Territorians through strategic investment in key areas.

Most significantly, Budget 2006 makes a strong commitment to the future development of the tourism industry.

In 2003, the Government responded to the then tourism crisis with a three-year tourism marketing package. Those funds helped turn around the tourism industry.

I am pleased to announce that the Government will now commit these funds on an ongoing basis.

In 2006-07 tourism marketing will total \$27.6 million and the tourism budget will reach \$38.3 million.

Tourism supports a wide range of small business. It accounts for 7500 jobs directly and thousands more indirectly.

The Government will also support business, grow the Territory economy and create more jobs by continued high levels of expenditure on infrastructure.

This year \$482 million will be spent.

Additionally \$100 million will be spent by the Darwin Cove Consortium at the Darwin Waterfront Development as a result of the Government's commitment to the project.

Since 2001, this Labor Government has invested over \$2.7 billion in cash in infrastructure-related works and construction jobs – an unprecedented commitment.

In Budget 2006, the Martin Government is also backing business and stimulating growth and jobs by continuing the most extensive tax reform program undertaken by any Territory Government.

This year the Government will further reduce payroll tax by lifting the threshold from \$1 million to \$1.25 million from 1 July 2006.

187 businesses will no longer pay payroll tax as a result of the threshold changes since 2004.

This will make our payroll tax arrangements the most competitive in Australia for businesses up to 100 staff.

The Government will also cut two more business taxes in Budget 2006.

Stamp duty on unquoted marketable securities and the grant or renewal of leases and franchises will be removed from 1 July.

Tax reforms in Budget 2006 will return \$5.6 million to the pockets of business this year.

It brings the Government's total tax reform reductions to \$74 million. A further \$134 million reduction has been committed over the course of the announced reforms.

The Martin Government's tax reforms made the Territory the lowest taxing jurisdiction in Australia for a small business with up to 100 staff.

We are very proud of that achievement, but there is more to do.

We will continue to ensure that business is supported with the most competitive taxation arrangements we can provide.

The Territory has experienced an unusual number of natural disasters during 2005-06 including flooding in parts of Central Australia, the recent floods in Katherine, the Daly and their regions, and Cyclone Monica.

The Government has incurred immediate disaster-related costs and will, over the next year, undertake additional repairs and restoration and, in some cases, build new facilities.

Budget 2006 also builds the Territory's future by supporting the Government's commitments to improved educational outcomes, a healthier Territory and a safer community.

Territorians can be in no doubt that improving education results is at the heart of the Government's second term agenda. It is critical that we provide the best possible opportunity for young Territorians now and into the future.

This year Employment, Education and Training will receive a record budget of \$630.7 million, an increase of 33 per cent since 2001.

Building a healthier Territory is also essential for the future of our community.

Investment in effective health programs will, over the longer term, return significant social and economic benefits to the Territory.

Budget 2006 provides a significant boost to Health and Community Services. This year the budget has been expanded to \$788.6 million, an increase of 64 per cent since 2001.

Since coming to office in 2001, the Martin Government has provided for a safer community.

We have made significant legislative changes toughening penalties, tackling antisocial behaviour and addressing substance abuse, particularly alcohol abuse.

Unprecedented financial commitment backs this effort. Budget 2006 provides a record Police, Fire and Emergency Services budget of \$212.4 million, a 55 per cent increase since 2001.

The Government will provide \$55.6 million in community service obligations to the Power and Water Corporation.

This payment subsidises the cost of providing power and water across the Territory. It keeps downward pressure on power, water and sewerage prices.

There is a significant and growing difference between the cost of producing power and water and the tariffs charged.

Following a five-year freeze on power costs, those cost pressures are so great that a CPI-based increase of 2.6 per cent will apply to the price of power, water and sewerage to take effect from 1 July 2006.

Before providing the detail of budget initiatives, I will turn to the broader Territory economic outlook.

The Economy

During 2005-06, the Territory economy has continued to go from strength to strength.

The estimated growth in gross state product in 2005-06 will be 6.7 per cent.

Investment expenditure has increased by an estimated 12 per cent, largely due to construction work on the Alcan G3 refinery expansion at Gove and completion of construction work on the LNG plant at Wickham Point.

Consumption expenditure increased by a solid 4.2 per cent.

Our population grew by 1.7 per cent in 2005, well above national growth rates of 1.2 per cent.

2005 saw positive net interstate migration – that is, more people moving to the Territory than leaving – for the first time since the major defence build up in the mid 1990s.

The Territory labour market continued to strengthen. An estimated 2000 new local jobs were created in this financial year, with ABS-reported resident employment up by an estimated 2.1 per cent.

Over the last two years, house prices in the Territory have increased by 33 per cent, the strongest growth since the mid 1990s. Unit prices are up 36 per cent over the same period.

Residential building approvals – a lead indicator for future residential construction work – have increased by 36 per cent over the last two years.

In 2006-07 the Government expects that the strength of the economy and economic activity will remain at a high level with growth set to moderate only slightly. Gross state product growth is forecast to be 5.8 per cent in 2006-07.

A full year of LNG production and export will be a major contributor to growth in 2006-07.

Growth will also be supported by increased alumina production and a full year of manganese production from the new Bootu Creek mine.

This will offset a decline in engineering construction as a result of the completion of the Alcan and LNG 'megaprojects'.

Engineering work for the Darwin Waterfront Development and new projects, such as the development of the Blacktip gas field and the condensate processing facility, will ensure that engineering activity remains well above historic levels.

Continued growth will also be supported by the positive employment and population outlook.

Local employment will be boosted by high levels of residential construction as the Territory property market continues to strengthen.

It will also be supported by the continuing rebound of international visitor numbers and increased domestic airline capacity into the Territory. Accommodation capacity is set to increase with a number of significant projects under way and planned.

Airline capacity is also increasing with new international and national carriers entering the Territory market.

Resident employment is forecast to increase by 2.3 per cent in 2006-07.

Forecast population growth of 1.5 per cent in 2006, again well above the national figure, will be supported by continuing positive net migration inflows as more people are attracted to new opportunities in the Territory.

The latest Sensis Consumer Report supports a positive outlook, with Territory consumers the most confident in the nation.

A net 72 per cent of Territory consumers reported feeling confident about their financial prospects for the year ahead, compared to a 56 per cent nationally.

Growth in new motor vehicle sales is also strong at 6 per cent, and well above national growth of 2 per cent.

The outlook for the mining and energy sector is positive, with continued strong commodity demand and high prices at least in the short term.

Retail turnover in the Territory is forecast to increase by 4.5 per cent next financial year.

In its March report, Access Economics said that the Territory is surfing two waves at once – a commodity boom and a housing boom.

The Territory economy is in the best shape it has been for over a decade, resulting in significant benefits for all Territorians.

Fiscal Outcome and Outlook

I now turn to the fiscal projections in the Budget.

As Members will recall, the Government revised its fiscal strategy in 2004-05 to provide a greater stimulus to the economy and to increase service capacity, particularly in health, education and law and order.

In the 2005-06 Budget, the cash targets were adjusted for three years to include the Government's contribution to the Darwin Waterfront Development.

The timing of the community infrastructure has been revised to align with the completion of the Darwin Convention and Exhibition Centre. The cash targets for those three years have been reset accordingly, although the Territory's contribution remains unchanged.

Also unchanged is the target to return to a balanced budget in 2008-09.

The estimated outcome for 2005-06 is a deficit of \$47 million, a \$21 million improvement due to the change in Waterfront timing.

During 2005-06, there have been significant increases in both receipts and payments, with more than half of these due to finalisation of specific purpose payments from the Australian Government.

Receipts have increased by \$220 million.

GST revenue remains unchanged but specific purpose payments increased by \$114 million.

\$36 million relates to the transfer of responsibility for Indigenous housing from IHANT to the Territory Government as part of the overarching agreement signed by the Chief Minister and the Prime Minister.

In addition a number of specific purpose payments have been finalised:

- \$27 million for education and training programs;
- \$21 million for the establishment of the National Trauma Centre at Royal Darwin Hospital;
- \$19 million for other health programs; and
- \$11 million for other agency programs.

The Territory's own-source revenue has increased by \$106 million, with \$50 million of this related to large one-off stamp duty transactions.

Of the remaining \$56 million, \$28 million is increased tax revenue due to further growth in the local economy, with \$14 million from payroll tax, \$8 million in stamp duty and \$6 million from gambling taxes. Mining royalties are expected to be \$4 million higher than projected last year.

Of the remaining \$24 million, \$7 million is due to the improved performance of the Government's trading entities in 2004-05 and \$17 million largely from health-related cross border charges.

Payments have increased by \$201 million, with \$105 million of this due to the increased specific purpose payments (SPPs) from the Australian Government.

The carryover from 2004-05 contributed \$39 million to the increase, while one-off legal costs accounted for \$17 million.

Other increases to improve services and help attract and retain teachers, nurses and police were:

- health: \$25 million;
- education: \$13 million; and
- police: \$10 million.

These increases were offset by reduced capital spending as a result of timing differences on the Darwin Waterfront Development project.

Turning to 2006-07, receipts are expected to be \$3.05 billion.

While GST revenue is expected to be \$138 million higher than 2005-06 due to increased relativities, population and GST national collections, other revenue will be lower.

Taxes are expected to be \$52 million less due to the large one-off transactions in 2005-06, along with the effect on revenue resulting from the threshold lifting from \$1 million to \$1.25 million and removal of two more business taxes.

Other differences include:

- cessation of \$8 million in National Competition Policy payments;

- \$5 million in lower taxes and dividends from trading enterprises; and
- the effect of higher SPP revenue in 2006-07 in Education, Health and Police (\$17 million).

It is likely that SPP revenues will increase during 2006-07 as future agreements are finalised.

When the effect of one-off payments in 2005-06 is removed, payments are projected to increase by \$53 million, with growth in the budgets of Health, Police, and Education.

Spending on the Waterfront Development in 2006-07 is expected to be \$42 million higher than that in 2005-06 as the development gathers pace.

The accrual result has worsened due to the revised actuarial assessment of the Territory's unfunded superannuation liability.

However, the forward estimates still show an improvement, with a small accrual surplus projected for 2009-10, as well as the cash balance in 2008-09.

The increase in the superannuation liability has resulted in higher net debt plus employee liabilities.

However the best measure of budgetary health – the ratio of debt to revenue – continues to improve with 111 per cent projected for 2009-10 compared with the 2001-02 ratio of 134 per cent.

Budget Initiatives

I turn now to the detail of the Budget initiatives.

Budget 2006 builds the Territory's future. It delivers jobs, growth and a stronger Territory. It delivers on the Government's commitments.

Support for Business

Budget 2006 supports business through:

- significant investment in key industries;
- infrastructure investment;
- continued programs supporting the skilling of Territorians; and
- tax reforms.

Significant investment in tourism will help drive growth in our economy and support business.

The Darwin Waterfront Development is another strategic investment.

Investment in the Territory's roads supports business and provides a significant boost to industry development.

This year an estimated \$134.9 million will be programmed for roads throughout the Territory, including national highways.

Key new and continuing road works include:

- \$13.9 million for the Mereenie loop road in Central Australia;
- \$4.5 million for the Litchfield Loop Road;
- \$1.3 million for the Maryvale road upgrade; and
- a further \$500 000 towards upgrading the Sandover Highway.

Upgrades will also occur to the Central Arnhem Road, the Point Stuart Road and the Lasseter Highway.

\$29 million will continue improvement of the Victoria Highway, especially the flood plain areas and bridges.

\$6.1 million will be spent on the Local Roads to Recovery Program and a further \$6.1 million upgrading sections of the national highways that have failed to meet current standards.

\$2 million will be spent on the Outback Highway Program for improvements to the Plenty Highway.

Significant strategic investment will also be made across the Territory strengthening power and water and essential services.

The Power and Water Corporation will invest \$87.1 million in capital works and \$39.8 million in repairs and maintenance.

Important projects include:

- \$25 million for an additional power generation unit at Channel Island power station;
- \$7.5 million for additional generation capacity in Alice Springs; and
- \$5 million for a new Archer zone substation at Palmerston.

The Government has agreed to bring forward \$6 million of its contribution to the undergrounding of power project to 2005-06 from 2006-07 and 2007-08 to allow more rapid progress.

A further \$2.1 million is provided over two years, having regard to the higher cost associated with the Dundee power project.

Indigenous essential services will also see important infrastructure investment across the Territory with:

- \$1.35 million to replace the power station at Canteen Creek;
- \$610 000 upgrading the sewer rising main and pump station at Milingimbi;
- \$410 000 for drilling new bores at Ngukurr; and
- \$350 000 for a replacement water tank at Yuelamu.

To provide further support to industry, the Martin Government will allocate:

- \$3.8 million for Building the Territory's Resource Base for mining exploration;
- \$500 000 to continue to assist with regional economic development throughout the Territory; and
- \$470 000 to continue delivery of business information and licensing services through the network of Territory Business Centres.

A new system for licensing, including the management of business names, will be introduced at a cost of \$250 000, to be funded by fees on business names.

The fee will be \$60 for a new three-year registration and \$50 for a three-year renewal.

The rate is around half that applying in the states and will also assist in the improved management of business names by providing a disincentive to retain unused business names.

The Government will provide \$650 000 to continue the highly successful and supported business management and capability programs, including UpSkills workshops, business coaching services, the Business Growth program and practical events during October Business Month.

Throughout the course of 2006-07, the Martin Government will fund \$1.15 million to peak Territory industry associations for specific development services.

The Government continues to support business by placing a strong emphasis on skilling Territorians. In Budget 2006 we will spend \$84 million on employment and training within the Department of Employment, Education and Training.

Last year the Martin Government committed to commence training for 10 000 Territorians over four years. One year on, more than 2600 have already commenced.

We will continue our announced Jobs Plan program throughout 2006-07. This year we will spend:

- \$1.1 million on a WorkWear WorkGear cash bonus providing up to \$1000;
- \$ 4.4 million on School to Work Transition programs – an important program strongly supported by business; and
- \$ 500 000 on Build Skills NT. This program lifts existing workers to new skill levels.

The Government will also provide around \$37 million to Charles Darwin University and \$8.9 million for the Batchelor Institute of Indigenous Tertiary Education.

The Martin Government's reform of Territory taxes has provided strong support for business. It has delivered an unprecedented reduction of \$74 million in taxation to Territorians since 2001 and will deliver a further \$134 million in reductions over the life of our announced reform package.

This year the Government's reduction in payroll tax will mean:

- the tax free threshold will have more than doubled from \$600 000 to \$1.25 million in just three budgets;
- 58 businesses will no longer pay payroll tax bringing to 187 the total number of businesses out of the payroll tax net; and
- the savings to Territory businesses still paying this tax will increase to a total \$66 182 since 2004.

Combined with this Government's rate reduction from 6.5 per cent to 6.2 per cent, this reform means that a business supporting \$2 million in wages in 2000 would have paid \$92 400 in payroll tax each year. Now it will be paying only \$46 500.

That is a substantial commitment to business by this Government.

Since coming to office, the Government has removed or reduced six stamp duties that affect small businesses. This year we will remove two more.

Over the next three years to 2009-10, the Government will remove stamp duty on hiring arrangements and on the non-land components of business conveyances. These will both provide substantial returns to business.

Budget 2006 gives Territory businesses a competitive edge. In New South Wales, a business with 50 staff will pay \$85 128 more in recurrent taxes than its Territory counterparts. In Western Australia, they will pay \$24 891 more.

Businesses with 100 staff in New South Wales will pay \$91 043 more than in the Territory and, in Western Australia, they will pay \$13 328 more.

This comparison clearly demonstrates the Government's substantial commitment to Territory business.

Other revenue changes include a range of equity and efficiency measures and the adoption of revenue units for fees and charges.

The previous Government introduced a framework for a unit-based system for fees and charges but it has not been activated.

We will move to adopt that system over the next six months, significantly improving administrative efficiency. Minor fee and charge increases will result as they are aligned with revenue units.

Achieving Better Education Outcomes

Let me turn now to our commitment to achieve better education outcomes. Specific programs and support includes:

- continuation of the \$42 million Building Better Schools program including the provision of an additional school counsellor to each secondary school across the Territory;
- \$8.1 million for continued funding of 100 additional teachers above formula; and
- \$850 000 for implementation of the community engagement of 15 Indigenous school communities.

The Government will continue its commitment to specialised literacy programs. In Budget 2006 we will spend \$4.4 million jointly with the Australian Government to continue the expansion of the National Accelerated Literacy Program.

In 2005 this program was run across 27 schools – including 14 in remote locations – teaching 3300 students. 150 classes were provided and 220 teachers received professional development and training.

We will also spend \$300 000 on bilingual education – an important literacy tool.

The Martin Government allocated almost \$2 million in calendar year 2006 for the implementation of our Back to School Payment – a key commitment made in the 2005 election.

This payment has been welcomed by Territory families and helps with the cost of living. Budget 2006 supports a further almost \$2 million for the payment to be made at the start of the 2007 school year.

Further recurrent funds for middle years have not been identified in this Budget however an allocation for infrastructure needs has been included on the Capital Works Program. Cabinet is yet to make its final decisions on the middle schools initiatives. When those decisions are made, the costs will be announced.

This year, around \$67.5 million is programmed for new and ongoing capital works, minor new works and repairs and maintenance including:

- \$8.6 million for the Desert People's Centre in Alice Springs;
- \$2.5 million to rebuild the Wugular school on higher ground; and
- \$800 000 for a new special education annexe at the Humpty Doo Primary School.

Budget 2006 will also fund repairs associated with Cyclone Monica to Maningrida school.

Health and Community Services

Building a Healthier Community will be advanced through a record Health and Community Services budget.

This Budget supports:

- \$196 million for the Royal Darwin Hospital – 75 per cent more than allocated in 2000-01;
- \$97 million for the Alice Springs Hospital – growth of 79 per cent over that period;

- \$23 million for the Katherine Hospital – up 66 per cent since 2000-01;
- \$17 million for the Gove District Hospital – an increase of 54 per cent; and
- \$10 million for the Tennant Creek Hospital – 57 per cent increase.

Budget 2006 also provides for key initiatives in Health and Community Services.

A further \$1.7 million will be provided in 2006-07 to meet the care and support needs of children and young people entering into care in the Northern Territory.

Funding of \$500 000 will be provided to establish a new Central Australian Mental Health Crisis Assessment Service.

\$2.2 million will be provided to support people with volatile substance misuse problems, including rehabilitation and treatment services.

Funding this year also provides significant support for families across the Territory.

\$8.2 million will be spent on pensioner concessions.

The Government will implement its election commitment to introduce the Northern Territory Carer's Card at a cost of over \$1 million. Recipients of the Australian Government Carers' Allowance will receive concessions for rates, power and water.

A new family service will be established in the Barkly region with funding of \$200 000.

The Martin Government has a strong record in support of child care. In Budget 2006 the Government will spend \$3.6 million on child care subsidies.

The Government will also provide a one-off \$500 000 grant this year to provide playground equipment to community-based child care services, fulfilling a 2005 election commitment.

Community Safety

Turning to initiatives aimed at fulfilling the Government's priority of building the Territory's future by providing a safer community.

Since coming to office the Martin Government has been committed to expansion of the Territory police, fire and emergency services. This year the Government will provide a record budget of \$212 million – an increase of 55 per cent since 2001.

This year total funding of \$32 million is provided to complete the O'Sullivan Review recommendations.

This will mean an additional 34 police and a total increase to 1130 in police strength.

These funds will also be provided to:

- establish dedicated traffic branches in Darwin and Alice Springs;
- provide increased capacity to develop, implement and promote educational road safety programs; and
- purchase a coastal vessel for the East Arnhem region.

\$440 000 will continue stage 2 of the Aboriginal Community Police Officer program – an initiative to ensure that ACPOs are provided with a police vehicle to carry out their duties.

The Martin Government is cracking down on antisocial behaviour and violence through this record growth in police numbers and in the police budget.

- \$630 000 is provided for the Community Patrol Service in Darwin to combat antisocial behaviour.

- \$560 000 will support the development and delivery of new treatment places for people who are subject to an alcohol intervention order or a prohibition order from the Alcohol Court.
- \$200 000 has been allocated to establish the Alcohol Court, implementing our 2005 election commitment.

The Government will provide \$1.1 million to the Office of Alcohol Policy and Coordination, to continue to tackle the underlying causes of alcohol abuse in the community including \$275 000 for the development of local area management plans for alcohol, particularly in Katherine, Tennant Creek, Alice Springs and the Darwin central business district.

Additional funding has been provided for increased costs associated with higher prisoner numbers including the opening of the low security facility.

Court fees will be increased to state levels, resulting in an additional \$385 000 to meet higher operating costs of courts.

Lifestyle and Environment

Territorians enjoy a great lifestyle.

Budget 2006 supports recreational fishing with an emphasis on research and protection of that resource.

More than \$1 million will be provided for a three year program of buying back fishing licences.

\$500 000 will be provided towards fishing infrastructure.

\$161 000 for continuation and enhancement of the world-leading Genetag project as featured on ABC TV's *The Inventors* program.

Protecting our environment is an important part of building the Territory's future. This year Budget 2006 delivers numerous election commitments.

In Alice Springs and Tennant Creek, up to \$50 will be provided as a subsidy for the purchase of water-saving devices.

In Darwin, the planned development of a Rapid Creek Environment hub will begin.

Budget 2006 also supports:

- \$3.1 million for the continued development of an Environment Protection Agency in the Territory;
- \$1 million for the Daly River protection as part of the Living Rivers initiative;
- \$566 000 for environment grants to community-based groups across the Territory;
- \$500 000 for Mary River Wetlands desalination works; and
- \$280 000 to protect the environment from cane toads. The Government will continue to provide a \$30 subsidy for each trap purchased this year.

The Territory Government supports 90 parks across the Territory. We are committed to protecting and enhancing these world class assets.

This year the Government will provide \$27.5 million for these parks. This will support 145 rangers and 37 support staff.

The Government will also implement its election commitment to provide \$90 000 for Indigenous rangers in the Ntaria area.

Budget 2006 continues the Territory Government's push to bring world class major events to the Territory.

In 2006-07 the Government will support:

- international cricket at Marrara in July 2006;
- high quality AFL matches including an August 2006 fixture between the Western Bulldogs and Port Adelaide and an Aboriginal All Stars match early in 2007;
- around \$2.3 million for the Arafura Games in May 2007;
- \$1.1 million for V8 Supercars in July;
- \$550 000 for the Alice Springs Masters Games in October 2006; and
- a National Basketball League match in 2007.

Budget 2006 provides almost \$6.8 million for the thoroughbred racing industry to support racing in Darwin, Alice Springs, Tennant Creek and rural areas and \$335 000 for the Darwin Greyhound Association.

The Territory's cultural diversity is supported by:

- \$740 000 for the Multicultural Affairs Sponsorship Grant; and
- \$400 000 for the multicultural facilities development program.

The arts enliven our community. The Territory has a proud creative tradition and a dynamic creative future. Budget 2006 supports that through:

- \$5.1 million arts sponsorship which includes Arts NT grants, NT Film Office grants and Public Arts grants;
- \$ 8.7 million for the Museum and Art Gallery at Bullocky Point;
- \$3.5 million for the Araluen and Alice Springs arts precinct; and
- \$3.8 million for 27 public libraries across the Territory.

Conclusion

Budget 2006 builds the Territory's future.

It delivers growth, jobs and a stronger Territory.

It backs business through strategic investment, industry support, tax cuts and a high infrastructure spend.

The Budget delivers better education outcomes, a healthier Territory and a safer community. It strengthens our great Territory lifestyle.

Most importantly it grows the economic base of the Territory and provides thousands of jobs for Territorians.

It achieves all of that within sound fiscal parameters.

It is a responsible Budget.

In my Budget speech last year, I said that the Territory Government had achieved a lot but there was more to do.

Budget 2006 makes great strides in delivering the Martin Government's second term agenda.

I commend this Budget to the House and to all Territorians.