



# Overview

This Budget Paper presents whole of government financial information and related issues and brings together information included in other Budget Papers in a consolidated form. It also meets the requirements of the *Fiscal Integrity and Transparency Act (FITA)* and complies with the Uniform Presentation Framework, as agreed by all Australian jurisdictions.

## Fiscal Position and Outlook

Table 1.1 presents the Territory's key aggregates at the time of the 2005-06 Budget and the 2006-07 Budget.

Table 1.1: Estimated Outcomes

	2005-06	2006-07	2007-08	2008-09	2009-10
	Estimate	Budget	Forward Estimates		
	\$M	\$M	\$M	\$M	\$M
<b>General Government</b>					
<b>Cash Outcome</b>					
2005-06 Budget	- 68	- 53	- 21	0	na
2006-07 Budget	- 47	- 56	- 40	0	17
<b>Operating Result</b>					
2005-06 Budget	34	51	11	6	na
2006-07 Budget	- 19	17	- 18	- 15	4
<b>Fiscal Balance</b>					
2005-06 Budget	- 85	- 71	- 16	- 6	na
2006-07 Budget	- 129	- 105	- 98	- 56	- 35
<b>Non Financial Public Sector</b>					
<b>Net Debt</b>					
2005-06 Budget	1 718	1 761	1 787	1 781	na
2006-07 Budget	1 708	1 776	1 804	1 794	1 770
<b>Net Debt plus Employee Liabilities</b>					
2005-06 Budget	3 557	3 612	3 646	3 647	na
2006-07 Budget	3 814	3 943	4 028	4 069	4 091

Source: Northern Territory Treasury.

In 2005 revised cash targets were set to reflect the Government's contribution to the Waterfront. These reinforced the 2004 target of a balanced budget by 2008-09, varying only by the Territory's contribution to the Waterfront project in 2005-06 through to 2007-08.

Consistent with this approach, the cash targets for 2005-06 to 2007-08 have been updated to reflect revised timing of the completion of the community infrastructure at the Darwin Waterfront, but there is no change to the Territory's total contribution to the project. This revised timing aligns the completion of the community infrastructure with the Darwin Convention and Exhibition Centre. This results in an improvement of \$21 million in 2005-06 to a deficit of \$47 million, with a corresponding change in 2006-07 and 2007-08. The Budget is still projected to return to balance in 2008-09. A surplus of \$17 million is currently projected for 2009-10.

The operating result has worsened in all years since the 2005-06 Budget, largely due to an actuarial reassessment of the Territory's superannuation liability in 2005. Despite this, the operating result is expected to record a small surplus in 2009-10.

The fiscal balance is calculated by removing depreciation from the operating result and including capital spending. Consistent with the effect of the superannuation expenses on the operating result, the fiscal balance has also worsened in all years since the 2005-06 Budget. As at 2005-06 Budget time, the deficit peaks in 2005-06 through 2007-08 due to the Territory's significant capital contributions to the Darwin Waterfront Development.

The trend of net debt levels has remained largely consistent with that projected at the time of the 2005-06 Budget, peaking in 2007-08 at \$1804 million due to the significant investment in the Waterfront project before declining to \$1770 million by 2009-10.

Net debt plus employee liabilities have worsened since the time of the 2005-06 Budget as a result of the actuarial superannuation reassessment. However the measure of net debt plus employee liabilities as a proportion of revenue is projected to fall from the 134 per cent recorded in 2001-02 to 111 per cent by 2009-10.

Chapter 2 provides a more detailed discussion of the movements during 2005-06 and 2006-07 and across the three forward estimate years. This chapter also includes a Statement of Risks, as required by the FITA.

Chapter 3 outlines the Territory Government's fiscal strategy, setting out its medium-term fiscal objectives and financial targets. The 2006-07 Fiscal Strategy and underlying targets remain unchanged from the 2005-06 targets and a detailed discussion of the Fiscal Strategy is presented in Chapter 3 of this Budget Paper.

Chapter 4 outlines the new and expanded expenditure and revenue initiatives included in the 2006-07 Budget contributing to the outcomes set out above.

Chapter 9 provides detailed consolidated financial statements, by sector, on a uniform presentation framework basis, including tables presenting general government sector expenses by function, general government sector taxes and Loan Council allocations. These financial statements form the basis of all analyses presented in this Budget Paper.

## Revenue Issues

Chapter 5 provides information on revenue from the Australian Government, including the framework within which this is provided. This includes a discussion of national tax reform issues with an emphasis on GST revenue and the significant effect this revenue has on the Territory's fiscal outcomes. Key specific purpose payment agreements negotiated since the 2005-06 Budget are also discussed.

Chapter 6 presents information on the Territory's own-source revenue, including comparisons with other Australian jurisdictions, by tax type. This chapter also complies with the FITA by including a Statement of Tax Expenditures and presents information on non tax-related household charges.

## Commercial Issues

Chapter 7 outlines a number of the Government's commercial issues including a discussion of community service obligation payments to Territory government businesses and dividends and taxes paid by Territory government businesses.



This chapter also provides updated details on the Darwin Waterfront Development project, part of which is funded as a public private partnership. The chapter complies with the FITA by including a discussion of contingent liabilities.

## Economic Outlook

Table 1.2: Summary of Territory Economic Indicators

Year on Year % Growth	2001-02	2002-03	2003-04	2004-05	2005-06e	2006-07f
Real GSP	1.2	0.1	0.2	3.6	6.7	5.8
Employment	5.4	-0.1	-2.2	-2.0	2.1	2.3
Population <sup>1</sup>	0.9	0.1	0.3	1.1	1.7	1.5
Darwin CPI <sup>2</sup>	3.6	2.2	2.1	1.6	2.6	2.9

e: estimate; f: forecast.

<sup>1</sup> As at December, annual percentage change.

<sup>2</sup> As at December; CPI means Consumer Price Index.

Source: Australian Bureau of Statistics and Northern Territory Treasury.

Economic growth is forecast to remain strong at 5.8 per cent in 2006-07. Growth will be predominantly driven by production of liquefied natural gas (LNG) for export. Increased alumina production from the Alcan G3 refinery expansion and a full year of production at the new Bootu Creek mine near Tennant Creek will also boost output.

The strong growth in exports will act to largely offset the significant decline in business investment resulting from the completion of work on the Alcan G3 refinery expansion and the LNG plant. These projects were substantial, and investment on this scale again is unlikely, at least in the short term. Continued growth will be supported by the positive employment and population outlook, linked to the strengthening outlook for the tourism industry, residential construction and major employment-creating projects such as the Darwin Waterfront Development and the condensate processing facility.

Resident employment is forecast to increase by 2.3 per cent in 2006-07, supported by construction work on the Darwin Waterfront Development, continuing high levels of residential construction and the continuing rebound in international visitor numbers. The increase in resident employment will be partially offset by an expected decrease in fly in fly out employment associated with the Alcan G3 refinery expansion and construction of the LNG plant.

The positive economic outlook, employment opportunities and continuing net migration inflows underpin forecast population growth of 1.5 and 1.2 per cent in 2006 and 2007 respectively.

Strong prices and wages growth experienced in 2005 is expected to continue. The Darwin CPI is expected to remain at the higher end of the Reserve Bank's target band of 2 to 3 per cent in the short to medium term.

Chapter 8 presents a more detailed overview of the economy, with greater detail provided in the *Northern Territory Economy* paper.

