

Introduction

Background

Budget Paper No. 4 details the Territory's Infrastructure Program for 2006-07.

The infrastructure program covers the development and maintenance of Northern Territory infrastructure. The program comprises capital projects, both capital works and capital grants, repairs and maintenance, and infrastructure-related payments across Territory Government sectors. Capital projects may span more than one budget year, whereas repairs and maintenance, and infrastructure-related payments are usually completed in the budget year.

Total Infrastructure Payments

Payments for the total infrastructure program in 2006-07 are estimated to be \$482 million, with some 63 per cent (\$303 million) assigned to capital projects and the remaining \$179 million funding repairs and maintenance and infrastructure-related activities.

These amounts do not include the Territory's contribution towards expenditure to be undertaken on community infrastructure and the Darwin Convention and Exhibition Centre, as part of a public private partnership project. This expenditure is expected to be around \$100 million in 2006-07.

Table 1: Total Infrastructure Program and Payments

	2005-06		2006-07	
	Program	Cash	Program	Cash
	\$M	\$M	\$M	\$M
CAPITAL				
Budget Sector				
Capital Works	321	202	268	167
Capital Grants		71		53
Government Owned Corporations				
Power and Water Corporation		61		83
TOTAL CAPITAL PAYMENTS		334		303
REPAIRS AND MAINTENANCE				
Budget Sector				
Repairs and Maintenance Expense		115		122
Repairs and Maintenance Grants		10		10
Government Owned Corporations				
Power and Water Corporation		38		40
TOTAL REPAIRS AND MAINTENANCE PAYMENTS		163		172
INFRASTRUCTURE-RELATED				
Budget Sector				
Urban Enhancement Program		3		2
Asset Planning and Delivery		5		5
TOTAL INFRASTRUCTURE-RELATED PAYMENTS		8		7
TOTAL INFRASTRUCTURE PAYMENTS		505		482

Total infrastructure payments are a significant element of the budget and demonstrates the Government's commitment to developing and maintaining infrastructure critical to supporting economic development and the delivery of core Government services across the Territory. Both infrastructure program and payments will be slightly lower in 2006-07 than 2005-06. However, this excludes the Government's commitment of around \$100 million for the community infrastructure and the Darwin Convention and Exhibition Centre at the Darwin Waterfront Development. This, and the significant private construction projects under way or about to commence, means that the construction industry will continue to be very busy. During 2006-07, capital expenditure levels, as a result of Government initiatives, remain high.

In 2006-07, additional repairs and maintenance funds are provided across the budget sector in recognition of the ongoing need and higher costs to adequately maintain the Territory's infrastructure assets. The Power and Water Corporation's repairs and maintenance are also increased. The continued increase for repairs and maintenance reflects an ongoing commitment to supporting infrastructure and ensuring assets can continue to be used for their intended purposes.

Overall, 2006-07 will see 63 per cent of total infrastructure expenditure directed to capital expenditure, and 37 per cent to repairs and maintenance and infrastructure-related costs, which are the same as 2005-06.

Capital Works for Budget Sector

The 2006-07 capital works program for budget sector agencies, excluding the Power and Water Corporation, is \$268 million with a cash allocation of \$167 million, a cash to program ratio of 62 per cent. The total estimated program for 2006-07 is \$53 million lower than the 2005-06 program due to a lower level of new major projects. This reflects the commitment to the Darwin Waterfront Development, and provides a counter-cyclical offset to the continued high level of private sector development.

The Government's focus for the 2006-07 capital works program is to initiate and progress the development of key projects that will facilitate a longer term economic stimulus for the Territory. Examples of such projects include the further stages of the Mereenie and Litchfield loop road projects, which will assist the tourism industry and provide improved access to key tourist attractions, the development of the Desert Knowledge Precinct in Alice Springs to encourage research and innovation focused on improving life in a desert environment, and the further stages of the Darwin Waterfront Development in support of the development of the site, the Darwin Convention and Exhibition Centre and the community infrastructure.

Important service delivery assets have been incorporated into the 2006-07 capital works program, including:

- substantial school projects in support of the middle years schooling initiative;
- new school facilities at Wugular (Beswick) following the floods in April this year;
- upgrades of the health clinics at Kalkarindji and Yirrkala;
- further renal facilities upgrades in Alice Springs;
- continued improvements of the facilities at Royal Darwin Hospital;
- roads projects across the Territory, including major highways and local roads;
- development works at Nitmiluk National Park;
- continued improvements at Hidden Valley;
- redevelopment of public housing complexes in Darwin and Tennant Creek; and
- tailored upgrade of public housing across the Territory.

The 2006-07 capital works program includes a number of projects that were previously planned for 2005-06. These projects had not proceeded as quickly as planned as a result of revised

scopes of work or impediments to progression that were taking longer than expected to finalise. Most of these now form part of the 2006-07 program and the remainder will be considered for the 2007-08 program.

The total minor new works planned for 2006-07 is \$33 million, and is made up of \$10 million in revoked works and \$23 million in new works. This total is marginally lower than the \$36 million planned for 2005-06, the year in which minor new works was boosted by 40 per cent. A review of minor works projects planned for 2005-06 has shown a delay in achieving this level of program, largely due to the competition for resources within the construction industry. Those minor works projects planned for 2005-06, but not yet started, will be progressed in 2006-07 as revoked works.

The Government's framework for construction management is different to that followed by most jurisdictions. For general government agencies, the Department of Planning and Infrastructure has primary responsibility for delivery of the capital works program. The total program managed by the Department of Planning and Infrastructure will be \$233 million in 2006-07. The Darwin Port Corporation, Territory Housing and Power and Water Corporation are responsible for the delivery of their programs, which will be \$5.1 million, \$30.2 million and \$83.2 million respectively in 2006-07. Darwin Port Corporation and Territory Housing direct a significant portion of their project management to the Construction Division of the Department of Planning and Infrastructure.

Capital Grants

Capital grants are provided to fund the construction or upgrade of significant assets that are owned by entities outside the budget sector (grant recipients). Capital grants are generally provided in one of two ways:

- projects managed by grant recipients – funds provided directly to the grant recipient which manages the construction project and acquits the grant; or
- projects managed by the Government for grant recipients – the Department of Planning and Infrastructure manages the construction project on behalf of the grant recipient, and the asset is handed over to the recipient on completion.

For projects in this latter category, the Government will let tenders and contracts and supervise construction work, observing the same procedures and requirements as for Government's own capital works projects.

The major capital grants in 2006-07 are:

- Indigenous housing – \$41.7 million to fund the construction and upgrade of Indigenous housing across the Territory;
- Indigenous essential services – \$10.6 million grant to the Power and Water Corporation to provide power, water and sewerage infrastructure to remote Territory communities; and
- Dundee Beach power – \$0.9 million to the Power and Water Corporation to complete the electricity connection to Dundee Beach.

Funding for some capital grants has been brought forward to 2005-06, reflecting project timing to provide for more effective contracting. These are:

- undergrounding powerlines – \$9 million grant to the Power and Water Corporation to progress the undergrounding of electricity lines in Nightcliff and Rapid Creek;
- Palmerston Recreation Centre – \$8.7 million to fund the development of the new multi-purpose sport and recreation centre in Palmerston;
- Dundee Beach power – \$1.2 million to the Power and Water Corporation as a second contribution to progress the electricity connection to Dundee Beach;
- Tracy Village Social and Sports Club – \$0.8 million to add lighting to the sports oval; and
- Purkiss Reserve – \$0.5 million to add lighting to the reserve.

Repairs and Maintenance

As the Territory progresses with the development of infrastructure assets, its repairs and maintenance program increases in prominence.

The repairs and maintenance program has again been escalated at 5 per cent in recognition of a growing infrastructure asset base and the need to maintain this base in order to preserve the benefits of prior investment decisions.

The significant repairs and maintenance allocations are:

- Territory roads maintenance – \$35.9 million;
- schools and education facilities maintenance – \$20 million;
- AusLink Network maintenance – \$15.6 million;
- public and Government employee housing maintenance – \$15.5 million;
- hospital and health facilities maintenance – \$8.6 million; and
- parks, conservation and arts facilities maintenance – \$6.7 million.

In some instances, agencies provide grants to non-government entities specifically to allow these entities to fund the repair and maintenance of their assets. Both repairs and maintenance costs for Government assets and grants are treated as operational expenses.

Infrastructure-Related Expenses

The Territory's infrastructure program includes a series of projects that are infrastructure-related but are not capital in nature from an accrual accounting perspective. These projects closely support the other infrastructure programs, and as such are integral to the infrastructure program overall. The projects in this category are:

- urban enhancement – \$2 million to fund landscaping projects, including at shopping centres and along major urban traffic routes, and for improvements to parks, including the provision of playground equipment;
- asset planning studies – \$2 million to fund strategic asset studies and masterplans; and
- operational program delivery costs – \$3.1 million for delivery and consultancy costs that are not specific to an asset and thus are required to be expensed.

Government Owned Corporations

The Power and Water Corporation, as a government owned corporation, determines its own capital program after consideration of demand projections, strategic priorities and the condition and suitability of existing infrastructure. Its projected capital payments in 2006-07 are greater than its 2005-06 estimate by more than \$20 million, primarily due to the planned increase in generating capacity for Darwin and Alice Springs. The Power and Water Corporation's planned payments for repairs and maintenance reflects an increase of \$1.6 million between 2005-06 and 2006-07, a 4 per cent increase and consistent with the budget sector increase.

Information Presented in this Budget Paper

Total Infrastructure Payments – the main summary table showing payments for the infrastructure program across all sectors (budget sector and government owned corporations sector) for 2005-06 and 2006-07. This is the primary infrastructure budget table, with subsequent tables illustrating increasingly disaggregated information that forms part of the overall total.

Capital Projects and Estimated Capital Payments – summary tables for budget sector capital works and capital grants for both 2005-06 and 2006-07, categorised into the general government and public non financial corporations sectors, and capital payments for the government owned corporations sector (comprising the Power and Water Corporation). Details are presented according to the functional classification for the construction activity.

The capital works section of the tables provides information on the following components:

- Revote In – estimated value of capital works not completed in the previous year;
- Minor New Works – projects of a capital nature, with an estimated cost of \$300 000 or less;
- Major New Works – capital projects with an estimated cost greater than \$300 000;
- Program Delivery – the cost of delivering capital projects, including design and project management costs;
- Total Capital Works – totals the above components;
- Estimated Cash Payments – the amount of capital works cash allocated to the program; and
- Revote Out – the balance of total capital works not completed at the end of the year. This is the difference between the total capital works and the cash payments.

For capital grants and Power and Water Corporation projects, only capital payments are shown. Grants are paid during the year and, as such, a revote item is not required.

Capital Projects Summary – provides a list of all agencies with capital projects (major and minor), including both capital works and capital grants projects. Information is provided for 2005-06 and 2006-07.

Repairs and Maintenance Summary – provides repairs and maintenance costs for each agency, including 2005-06 and 2006-07 repairs and maintenance expenses directly recorded by the agency and grants made by the agency to other entities to fund the recipient's repairs and maintenance costs.

Program Details by Agency – provides details of each agency's 2006-07 infrastructure program. Each major project is identified, with the total program provided for minor projects. Revoted and new works are separately presented for each agency. Capital grants provided by agencies to other entities are also identified in the agency section, categorised according to whether the Government or the grant recipient undertakes the project management function. Estimated costs within major repairs and maintenance categories are disclosed, where relevant.

Committal Target Dates for Major Capital Projects – details significant major new works of \$1 million or more, and provides an indicative project commencement date. These dates may vary due to changes in circumstances during the year, which can require a rearrangement of priorities.

Explanatory Terms – provides a guide to further explain more technical or specific terminology used in this Budget Paper.

Where appropriate summary tables have been rounded to one decimal place.