

Part 2

Community Service Obligations

Community Service Obligations

This part of Budget Paper No. 3 provides information on community service obligation (CSO) payments to the Territory's government business divisions (GBDs) and government owned corporations (GOCs).

Where Government specifically requires a GBD or GOC to carry out activities which the GBD or GOC would not elect to do on commercial grounds or would only undertake commercially at higher prices, such functions are designated as CSOs. CSOs allow the Government to achieve identifiable community or social objectives which would not be achieved if left to economic or market forces.

Government CSO policy is aimed at clearly identifying the non-commercial functions performed by GBDs and GOCs, making the functions transparent and their delivery accountable to the community. To ensure that non-commercial functions do not adversely impact the financial performance of the GBD or GOC, the policy provides compensation for the provision of the CSO.

The provision of CSOs through budget funding or acceptance of a lower shareholder return has three important implications:

- it enables GBDs and GOCs to manage commercial activities without having to cross subsidise non-commercial activities, promoting the development of a commercial culture within GBDs and GOCs;
- transparent budget funding and reporting provides confidence to competitors that CSOs are not being used to underwrite commercial operations at the expense of competitors; and
- it provides an opportunity for regular review of activities funded as CSOs.

CSO payments are provided to the GBD or GOC by the 'purchasing' agency. Territory Government CSO payments for 2007-08 and 2008-09 are listed by purchasing agency and presented in the table below, with discussion on CSOs outlining the key components to follow.

Community Service Obligations

PURCHASING AGENCY/Provider/Description	2007-08 Estimate	2008-09 Budget
	\$000	\$000
NORTHERN TERRITORY TREASURY	52 662	55 903
Power and Water Corporation		
Gazetted Tariffs	52 662	55 903
DEPARTMENT OF PLANNING AND INFRASTRUCTURE	2 426	2 306
Darwin Port Corporation		
Small Craft Services (Marine Industry Support)	280	280
Cruise and Defence (Wharf Precinct)	1 546	1 546
Tourism and Real Estate (Wharf Precinct)	480	480
MOCEAN Shipping	120	
DEPARTMENT OF HEALTH AND FAMILIES	4 268	4 460
Power and Water Corporation		
Pensioner Concession Scheme	4 268	4 460
TOURISM NT	793	833
Territory Discoveries		
Tourism Marketing	793	833
DEPARTMENT OF NATURAL RESOURCES, ENVIRONMENT AND THE ARTS	7 915	7 915
Territory Wildlife Parks		
Territory Wildlife Park – Tourism	4 033	4 033
Territory Wildlife Park – Threatened Species	475	475
Territory Wildlife Park – Education	222	222
Alice Springs Desert Park – Tourism	2 147	2 147
Alice Springs Desert Park – Threatened Species	118	118
Alice Springs Desert Park – Education	277	277
Alice Springs Desert Park – Botanic Gardens	643	643
DEPARTMENT OF LOCAL GOVERNMENT, HOUSING AND SPORT	31 378	32 508
Territory Housing		
Rent Subsidies	29 570	30 435
Low Interest Home Loans	966	1 267
Fringe Benefits Tax on Employee Loans	48	48
Interest Subsidy	61	25
Stamp Duty Differential	60	60
Police Rent Forgone	673	673
TOTAL	99 442	103 925

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Treasury provides CSO funding to the Power and Water Corporation in accordance with Government policy regarding the provision of:

- electricity supply to domestic customers, small businesses and other organisations across the Territory at uniform tariffs;
- electricity supply services to tranche 4 electricity customers (primarily medium size businesses and other organisations) at a subsidised tariff; and
- water and sewerage services to all customers at uniform tariffs.

Treasury CSO funding for gazetted tariffs is budgeted to be \$55.9 million in 2008-09.

The Darwin Port Corporation (DPC) receives CSO funding from the Department of Planning and Infrastructure for non-commercial activities related to the development, operation and maintenance of wharf facilities that support the cruise ship and naval presence in the Northern Territory, the Darwin fishing and tourism industry and some international trade through the Darwin Port.

It is estimated that a total of \$2.3 million in CSOs will be paid to DPC in 2008-09.

The Power and Water Corporation also receives CSO payments to fund subsidised electricity, water and sewerage tariffs for pensioners under the Department of Health and Families' Pensioner Concession Scheme (\$4.46 million in 2008-09).

Tourism NT provides Territory Discoveries, the Territory Government-owned tourism product wholesaler, with CSO payments to fund net costs incurred by the Northern Territory Holiday Centre in Alice Springs, specific shoulder season campaigns which assist in promoting the Territory as a year-round tourist destination, and the inclusion of small tourism operators in its reservation system (\$0.83 million in 2008-09).

The Department of Natural Resources, Environment and the Arts provides CSO funding for four non-commercial functions carried out by the Territory Wildlife Parks. These functions relate to:

- maintaining the parks' assets to a high standard to assist the growth and development of the Territory's tourism industry;
- supporting the Territory's biodiversity through captive breeding of endangered, rare and threatened species;
- enhancing the education of school children through teaching the benefits of the natural environment; and
- management of the Botanic Gardens at the Alice Springs Desert Park.

It is estimated that a total of \$7.9 million in CSOs will be paid to Territory Wildlife Parks in 2008-09.

Territory Housing receives CSO payments from the Department of Local Government, Housing and Sport for non-commercial activities such as:

- rental rebates for low income families to enable them to access secure, safe and affordable accommodation;
- providing incentives for people with medium to low incomes to increase the level of home ownership within the Northern Territory;
- reducing up-front costs for public housing tenants purchasing their homes through the provision of a stamp duty grant; and
- rental subsidies for Northern Territory police personnel.

It is estimated that a total of \$32.5 million in CSOs will be paid to Territory Housing in 2008-09.