

LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

WRITTEN QUESTION

Mr Higgins to the Treasurer:

Financial Management

1. Debt to Revenue is forecast to hit 320% by 2029/2030 according to the Interim Report of the Plan for Budget Repair. Under CLP it got down to 27% (TAFR 2015/2016). At what point will the Territory be unable to get bonds away. Have you started preparing for such an eventuality? If not, why not?
 2. Page 6 of the Interim Report states that “borrowing to fund infrastructure can be fiscally and economically prudent in circumstances where the assets deliver long term economic returns to the Territory in excess of financing costs”. This can only be ascertained if a cost benefit analysis projection has been done. Is a cost benefit analysis part of the infrastructure investment program? If not, why not? Can you see any advantages to conducting a cost benefit analysis before infrastructure investments? When have you done any? Please provide specific details of those undertaken.
 3. The Fraser Institute survey of mining investment for 2019 is a concerning read showing the Territory is losing competitiveness and attractiveness for mining investment. Is the Department concerned that 80% of respondents believe that approvals have slowed considerably in 2018?
 4. Page 16 of the Interim Report states that over the next 30 years the Territory population is set to grow by over 30%. Where is this figure coming from and what modelling underpins it? What is the sociodemographic make up of these additional people?
 5. Similarly, in the NT News on 24 June 2019, the population projection for 2046 according to Treasury and Finance, is 350,000. Please explain the underlying factors and methodology.
 6. How will a 50% renewables target affect the cost of generation? How will it affect the cost of electricity? What affect will it have on the T-Gen business model and ongoing funding requirements?
 7. Please advise the Treasury definition of a recession.
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ANSWERS

QUESTION 1:

The Interim Report provided scenarios to demonstrate what fiscal positions could eventuate under different sets of assumptions. This modelling was intended to inform the development of future budgets and government policies. The Territory Government is implementing a plan to fix the budget. The current fiscal strategy would return the Territory's budget to a sustainable position, and current estimates forecast a return to balance by 2027-28.

The Northern Territory Treasury Corporation has successfully completed its first major borrowing transaction for the 2019-20 financial year, and investor interest is expected to remain positive as the Territory's budget position improves.

QUESTION 2:

The Territory Government recognises the need for evidence-based policy making. Government has accepted most of the recommendations from the Fiscal Strategy Panel Report including adopting the Northern Territory Project Development Framework for all projects of total estimated value equal to or exceeding \$30 million. The Framework will also be used for other projects, where relevant, including to assist with business case development.

Certain projects will require a cost benefit analysis. It is a useful tool to conduct economic appraisal of a potential project, assessing whether the lifetime benefits will outweigh the lifetime costs. Cost benefit analysis is not always the best method of assessing the benefit of a project, as it does one factor that assists Government in the assessment of a project. This is also recognised at the Commonwealth level – for example, Infrastructure Australia recognises that other information beyond cost benefit analysis is required in assessing projects, for example impacts on communities, social and environmental benefits.

Agencies seeking funding for capital projects are required to complete a detailed business case for consideration by Cabinet, prior to inclusion on the Capital Works Program. The business case must identify the problem that needs to be solved, such as unmet need or increased demand for services, and why it cannot be addressed using existing facilities. The business case also outlines any assumptions that have been made about the project proposal and the reason the investment should be considered further, including qualitative and quantitative evidence of need (which may include a cost benefit analysis depending on the nature of the proposal). Other key components of the business case include stakeholder engagement strategies, capital and recurrent costings, risk management plans, implementation planning, evaluation, and legislative and regulatory implications. The level of detail in a business case is expected to be commensurate with the project's funding requirements and risk.

QUESTION 3:

The Department of Treasury and Finance (DTF) is not directly responsible for the process of mining approvals in the Territory.

The Fraser Institute's survey of mining investment, including its investment attractiveness index, policy perception index and best practices mineral potential index, all showed an improvement for the Territory in 2018 compared to 2017. The latest data from the Australian Bureau of Statistics on mineral exploration in the Territory shows a 25.4 per cent increase in the value of exploration in the year to March 2019.

QUESTION 4:

The figures provided in the Interim Report are based on DTF's Population Projections, the latest iteration of which was released in April 2019. These projections were developed in collaboration with the Demography and Growth planning team at the Northern Institute of Charles Darwin University. The projections, including a discussion of the underlying methodology, are publicly available and are largely based on trends derived from published and unpublished data from the Australian Bureau of Statistics (ABS).

DTF's population projection model is a cohort component model, similar to the model used by ABS to derive its own projections. Such models adjust a base population for births, deaths, migration (overseas and interstate, arrival and departures) and changes to Aboriginal identity (the components of population change) to arrive at a future population. DTF's projections apply this methodology to the sociodemographic groups of population disaggregated by age, gender and Aboriginal identity.

DTF's projections have the Territory's population growing at an average rate of 1.2 per cent from 2016 to 2046, which equal to the ABS Series B projections (medium growth rate) released in November 2018. DTF's projections differ slightly from the ABS in that the ABS has projected a steady rate of growth over the projection period, whereas DTF has projected a low growth rate over the near term, reflecting current economic conditions, before strengthening to a higher growth rate over the outer years of the projection period. DTF has also provided projections at the regional level (Alice Springs, Katherine, Barkly, etc.), which the ABS has not.

All Aboriginal and non-Aboriginal population broad age groups in the Territory are projected to grow from 2016 to 2046. Importantly both the Aboriginal and non-Aboriginal populations show steady population ageing, with the median ages and proportion of persons aged 65 and over projected to increase. However, the Aboriginal population is ageing faster, with the median age of the Aboriginal population increasing by 22.5 per cent from 2016 to 2046 compared with a 4.8 per cent increase for the non-Aboriginal population.

This follows from a greater increase in the proportion of Aboriginal persons aged 65 and over, increasing 5.5 percentage points from 3.6 per cent in 2016 to 9.1 per cent in 2046, compared with the non-Aboriginal proportion increasing 3.1 percentage points from 8.3 per cent in 2016 to 11.4 per cent in 2046.

This is a result of the model assumptions of greater increase in life expectancy of Aboriginal persons relative to non-Aboriginal persons, and greater out-migration of non-Aboriginal persons aged 65 and over.

QUESTION 5:

DTF's projections were developed using a cohort-component model. See response to Question 4 for further information on the model.

Projections are usually based on long-term trend data, and consequently are not accurate short-term forecasts, which may incorporate substantial volatility, or predictions of the future. Projections are also not targets, nor do they reflect the effects of current or future policies. Similarly, projections do not incorporate the effects of future developments such as land releases or major projects. The value of population projections is they provide information about how a population may change over the long term, based on assumed parameters.

The Territory's total population is projected to grow from 245 678 in 2016 to 351 607 in 2046, which equates to an annual average growth rate of 1.2 per cent. Over 2016-21 population is projected to grow annually at a rate of 0.5 per cent, reflecting the Territory's current below-trend population growth. The annual growth rate is then projected to increase over time, reaching 1.4 per cent by 2026-31, which represents a return to the Territory's long-term growth rate (the 20-year annual average growth rate).

The growth profile of the Territory's non-Aboriginal population is similar to the total Territory population, with growth dropping from 2011-16 to 2016-21 and then increasing to reach a relatively stable growth rate from 2026-31 to 2041-46. In contrast, Aboriginal population growth is relatively constant over all projection periods.

In the regions, the growth profile of greater Darwin (including Darwin city, Darwin suburbs, Litchfield and Palmerston) is similar to the total Territory population. In contrast, the growth profile for regions within the rest of the Territory start from low values in 2011-16 and were assumed to rise over the projection period.

QUESTION 6:

The Northern Territory Government is committed to 50 per cent renewable energy by 2030 for electricity supplied to Territory households and businesses, while at the same time ensuring secure and reliable electricity at least cost to consumers and taxpayers.

To help the Government determine how best to achieve the target, advice was sought from an independent panel of experts. The panel delivered its findings to Government in a 'Roadmap to Renewables' report. Government is committed to identifying and implementing a least cost pathway to achieve the renewables target.

Territory Generation will continue to have a role in the Territory's electricity sector. Like any Government Owned Corporation, Territory Generation is expected to operate as a sustainable business and will need to adjust its operations and business model as the Territory transitions to increased generation from renewable sources.

QUESTION 7:

A recession is generally defined to be two or more consecutive quarters of negative economic growth, as measured by Gross Domestic Product (GDP). GDP is the comprehensive measure of economic activity, including international trade. In Australia, the state and territory equivalent of GDP, Gross State Product (GSP), is only published once a year by the Australian Bureau of Statistics. A major component of GSP, state final demand, is published quarterly, but is an incomplete measure of economic activity as it does not include international and interstate trade. The Territory's latest GSP result from 2017-18 was 1.7 per cent growth.