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Opening address to the Accounting at the Top Conference
Hon Clare Martin MLA
Chief Minister

Speeches

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Distinguished guests, ladies and gentlemen

It is good to be with you at an exciting time in the Territory's history.

I would like to cover two themes in this morning’s talk with you.

One is the "big picture" that confronts the Territory, with fundamental changes facing our economy over the next decade.

The other relates to the reform of Government finances to improve the efficiency, effectiveness and accountability of Government in the Territory. Given the Territory Government's continued role as key driver of the economy, the reforms my Government is implementing will have considerable benefits for the economy at large.

I will deal the reform of Government finances first.

I want to talk with you about the challenges we faced on taking government last August, and the steps we have taken to meet those challenges, and still implement the program of reform to which we are committed.

One of the earliest, and most serious challenges we were confronted with following the election was the huge disparity between what had been published in the 2001-02 Budget and what was the reality of the situation we inherited.

The Budget was passed by the Parliament just six weeks before the election and predicted a Budget deficit of about $12 million.

When we got to office we were presented with the news by Treasury that the real Budget deficit was likely to nine times as high as that -- a "black hole" in excess of $100M. Further, we were informed that the Budget outlook for the Territory was "unsustainable".

This was a big setback to our plans for better Government programs, particularly in the area of health and education.

It meant that the platform of election promises that we had had costed by Access Economics was based on flawed information.

We called in the former head of the NSW Treasury, Professor Percy Allan, and his report has formed the basis for a series of reforms that bring the Territory’s budget accountability and transparency into line with best practice around Australia. He also recommended a deficit reduction strategy, that by and large has been adopted by my Government -- although a little less hair-shirted than Percy Allan wanted. It was vital that we did not send the Territory economy into a tailspin in the pursuit of fiscal stringency. So we have taken a fair and balanced approach to getting our finances back on track.

As many of you would know, the Parliament's Public Accounts Committee has also inquired into Budget processes, and their report has been extremely critical of the way our predecessors determined the Budget bottom line in the Treasurer's office, rather than properly by Treasury itself. You may recall that the PAC also had some rather harsh things to say about the way our predecessors had made artificial reductions to the Budget estimates.
The Committee has been very critical of the previous method of reporting budgetary information.

We have already passed legislation last November, to bring more integrity into our Budget processes and it is worth looking at that legislation in a little detail to understand the difficulties we faced on taking government.

Essentially, until that legislation was introduced, the Territory did not abide by national accounting standards, particularly Australian Accounting Standard 31, concerning “whole of government” reporting of financial information.

We were way behind Australia in terms of both accountability and transparency. Access Economics regularly gave the Territory a score of D- -- a fail - in its assessment of transparency and accountability of all jurisdictions’ budget information.

Our new legislation means in future our Budget Papers and financial reports will comply with AAS31, and the Australian Uniform Presentation Framework, which requires all Governments to report key financial information in a consistent format.

The *Fiscal Integrity and Transparency Act* is a comprehensive framework for planning, targeting and reporting of the Territory’s public sector finances. It has been modelled closely on relevant interstate legislation.

The planning and reporting framework enshrined in the bill will go a long way towards restoring confidence in government budgetary practices.

The framework establishes a legislative requirement for a regular fiscal reporting cycle with updated financial projections to be published at least twice a year, at budget time and mid-year; the final result for a year to be published annually; and updated financial projections to be published immediately prior to general elections.

The framework adopts external fiscal reporting standards that are independent of the government of the day.

A key area included in the Act is that changes in forward estimates from report to report, or significant differences between budgeted data and actual outcomes must be comprehensively explained.

This requirement complements the change in budgetary culture we are implementing across Government. In the past, as Professor Allan identified, budgets were introduced that deliberately, and deviously, underestimated growth, with agencies coming back through the year to top up their unrealistically low allocations.

What my Government is doing is providing appropriate levels of funding within the overall budgetary constraints that are required to reduce the deficit, and agencies will have to live within that allocation. However, in turn we are providing the CEOs more flexibility in rearranging their budgets to deliver Government’s policy outcomes.

Crucially, the framework obliges the Under Treasurer of the day to be responsible for the preparation and integrity of all the financial projections contained in the statements and reports required to be published under the framework.

The framework ensures that the Government is responsible for setting fiscal strategy including appropriate targets and benchmarks, and that the Treasury is responsible for the integrity of the financial projections.

In other words, with effect from last year’s Mini Budget, Government determines the policies that departments and agencies will adopt, but Treasury will
ultimately be responsible for the costing of those policies. Gone are the days when the Treasurer can manipulate the financial data for his or her own political advantage.

It is also important to emphasise that we have decided that fiscal reporting in the Territory will move onto an accrual basis.

This means that transactions will be recorded on an accrual basis and the Government will move away from its current cash-based system. All other States use accruals for budgeting, accounting and reporting.

Apart from the issue of the timing of how transactions are recorded, importantly the accrual framework also recognises and accounts for assets and liabilities in a comprehensive suite of financial statements.

Accrual reporting will begin in earnest in the 2002-03 year meaning our next budget will be brought down in August on an accrual basis.

In the meantime, to assist in the move towards accrual accounting with its emphasis on outcomes, we are introducing a new financial and performance management framework across Government.

We call it *Working for Outcomes*.

This is a comprehensive and modern financial framework that is based on assessing and improving agency performance in the delivery of its services. Its principal objective is to provide a better basis for resource allocation within the Territory by:

- Focusing on performance;
- Clearly defining links between outputs and the Government’s desired outcomes; and
- Providing full cost information for outputs.

*Working for Outcomes* will apply from the 2002-03 financial year, with further elements gradually implemented and improved over a number of years using a staged implementation approach.

Given the experience of other jurisdictions, and the central accounting environment used by the Territory, we are confident that the process of shifting to accrual budgeting will be somewhat faster, ...and hopefully less traumatic for staff, managers, and Ministers..... than elsewhere.

Performance targets will be published for each output, specifically the quantity, quality, timeliness and cost for output delivery. Actual performance will be monitored throughout the year and compared to the targets, with agency CEOs accountable to the Government for achieving their performance measures.

*Working for Outcomes* represents a major financial reform initiative, the implementation of which will extend over a number of years with further refinements anticipated in the future. Due to the magnitude of the change and its fundamental and pervasive effect on all Government operations, it will realistically take a number of years for the full benefits to flow through and for the information quality to reach a high standard. Nonetheless, improvements will be evident immediately.

Access Economics have already indicated that, together with the implementing of the *Fiscal Integrity and Transparency Act*, the move to accrual accounting will shift the Territory from the bottom of the league table to around the top in terms of budgetary transparency.

One of the other reforms we are implementing is the Parliamentary Estimates
Committee process.

The Commonwealth and most other States have a system whereby the Parliament can scrutinise aspects of the Budget in order to increase the Government’s accountability. We believe it is time for the Territory to adopt such a system and we are currently in the process of working out the best system for the Territory.

The 2002-03 Budget will be scrutinised this year for the first time utilising an Estimates Committee process. We are not enshrining our proposals yet in legislation, as I believe that this year’s process will provide a “test case” from which we can develop effective and appropriate processes to be adopted over the longer term.

Ladies and Gentlemen,

As I indicated earlier, the Territory faces an exciting decade ahead, which will fundamentally change our economic prospects. This will provide new opportunities for many Territorians. It will change the way we view ourselves, and how the rest of the country and the world see us as well.

The century-old dream of a rail link to the rest of the country is now well and truly approaching reality. While the visual impact of this $1.3B project is perhaps not apparent to most residents of Darwin, one only has to take off in a plane, or drive a short distance south of Darwin to grasp the enormity of the Railway.

It is on scheduled to open in early 2004, only around 18 months away. Local businesses are currently benefiting from around $400M of contracts placed locally, but more significantly for the longer term, more and more interstate and overseas businesses are now grasping the opportunities that this link will provide.

Just last week I attended a business breakfast where the sense of enthusiasm for the logistics and warehousing opportunities was palpable. Here we will have a Port, a Rail Head, space for associated freight and distribution warehousing, and close access to air transport, all for a fraction of the cost of combining these operations in established capital cities.

The other major event tantalisingly on the horizon is Timor Sea Gas. There is a confirmed 22Tcf of gas in the waters surrounding the Territory, enough to supply export markets, major local manufacturing, and supply to southern Australian markets. My Government, in co-operation with local business through Team NT, is working tirelessly to ensure that gas comes on shore.

I have every confidence that Phillips Petroleum will announce the commitment to a pipeline to bring Bayu-Undan gas to Wickham Point shortly. As for gas from the larger Sunrise field, owned collectively by Shell, Woodside and Phillips, time will tell.

But Team NT has had amazing success at bringing the huge national benefits of bringing this gas onshore to Darwin to everyone’s attention -- in other States, in Canberra, and in the press. I am heartened by the news that Woodside is prepared to review again the option of bringing this gas onshore, rather than going down the path of a floating offshore gas plant.

While these fundamental building blocks of our economy are crucial, so too is the development of our intellectual expertise.

40% of the world’s population lives within the tropics, and I believe the Territory is well placed to develop its knowledge and skills in tropical and desert environments for commercial benefit. That is why we are fast-tracking the development of the Desert Knowledge project in Alice Springs, together with a similar Tropical Knowledge centre in Darwin.

These key themes, among others, emerged from the Economic Development
Summit my Government hosted last November. Reflecting many of the issues and ideas contributed by a wide variety of attendees to the Summit, the Government will be releasing its Economic Development Strategy next Tuesday, which spells out our vision for *Building a Better Territory* in greater detail.....and more importantly, the practical steps we are taking to get there.

I just want to raise the issue of public/private partnerships this morning. This is an important issue and I see Wayne Goss, the former Queensland Premier and now managing partner at Deloitte’s is going to speak on this subject following my address.

This is a very important issue for the Territory. We have budgetary problems as I said at the start of my address today, we expect to get the Budget back into the black in 2004-05.

But in the meantime we have many infrastructure and other projects that must go ahead, and one of the ways of pursuing these is public/private partnerships.

Of course, the Railway project is but one, although highly relevant example, of a public private partnership. There may also be opportunities for such ventures in areas associated with infrastructure provision for gas-based industries.

Consequently, we are working hard on the development of a policy framework to ensure we are able to seize the opportunities as they arise in a consistent and appropriate manner, that provides for the appropriate sharing of risk between the public and private sectors. That policy framework will be finalised before the end of this year.

Finally ladies and Gentlemen,

My Government, through the Department of Business, Industry and Resource Development (or DBIRD as we call it), is proudly sponsoring two sessions at your conference. We are very interested in your conference theme, Challenges in the E-Age.

As some of you may know, the Department provides a program of eBusiness awareness, support and information to increase the level of understanding and uptake of online business management technologies by Northern Territory businesses.

We work in collaboration with industry associations to identify eBusiness needs within those industries, developing programs and facilitating events and activities for those businesses..

The Department’s support and information services provided 247 businesses with individual confidential consultations to assist them with their eBusiness implementation strategies.

A directory of Territory based, owned and operated ICT products and services businesses has been developed to provide an easy register for businesses searching for locally supplied products and services. Participation in the directory, eDirect, is provided free to the ICT industry and access is available through the Department’s Web site.

An electronic newsletter is published every two months and subscriber option is available through the Department’s Web site, as well as copies of the previous editions.

The Department has implemented a Regional and Remote eBusiness Program, which provides an ongoing travel program throughout the Territory to assess the needs and usage of eBusiness by businesses within the regions. The program also provides for the facilitation of seminars within the regions.

The Department liaises with the National Office for the Information Economy (NOIE) to ensure that the Northern Territory business community requirements
are taken into consideration in the development of national strategies. The Department also disseminates information from NOIE to the Northern Territory business community in print form and via the Department's Web site.

We all know that so-called E-commerce not only cuts costs, but has transformed the way we do business, and indeed business itself.

In recent years, the information technology industry has emerged as an engine of growth and opportunity. The global market for IT products and services will top $1 trillion in 2002, generating millions of highly skilled, high wage jobs and tens of billions in annual tax revenues. At the same time, businesses across the economy are using IT to become more productive and competitive, thereby promoting economic growth and rising standards of living.

Here in the Territory it is imperative we use all the tools at our disposal to make up for the distance from other Australian capitals, and the isolation Territory centres have from one another.

I wish you well with this conference, and look forward to many new and innovative ideas from you all.

It is with great pleasure that I declare the Conference open.