

January 2022

Report to Property Council Northern Territory

Recovery and Beyond

A Renewed Northern Territory Population Strategy



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Executive summary

Northern Territory's slow population growth and outflow of young families interstate has constrained the Territory's economic growth and poses a significant threat to future economic growth if left unchecked.

In recent years the Northern Territory has been faced with:

- an annual average population growth rate for the five years prior to COVID-19 (2014-2019) of 0.27 per cent compared with 1.57 per cent growth for Australia
- several years of negative or low population growth, including a continuing net loss of people interstate
- increased departures of early career workers, those nearing retirement age and those who have recently retired
- dramatic declines in children and teenagers migrating to the Northern Territory arising from fewer families moving to the Northern Territory
- a continuing outflow of young people interstate with the loss of over 1,000 people in the year to March 2021 and over 4,000 people in 2018-19 due to the wind-down of construction of the Ichthys LNG project
- lower interstate migration from traditional key markets such as South Australia, New South Wales and Victoria
- declining levels of overseas migration in recent years with overseas migration now largely halted as a result of COVID-19 restrictions.

While the total population of the Northern Territory declined in 2018 and 2019, over the past two years the Northern Territory has returned to positive population growth and the gap between the Northern Territory and national population growth rate has narrowed.

Annual population growth for the Northern Territory in the year ending June 2021 was 0.04 per cent, compared to 0.18 per cent for Australia. The return to positive population growth in the Northern Territory was supported by natural increase, as well as the relatively lower net interstate outflows due to COVID-19 restrictions in other jurisdictions.

The Northern Territory Government is forecasting that population growth will strengthen to around 0.70 per cent per annum over the next five years to 2024-25 supported by increasing investment in major projects.¹

¹ Department of Treasury and Finance, 2019, *Northern Territory Economy Outlook*

<https://nteconomy.nt.gov.au/outlook#population>

The Northern Territory has managed the health pandemic created by COVID-19 well with relatively few restrictions, but the closure of interstate and overseas borders has had a significant impact on the economy especially the tourism and hospitality sectors.

In 2020-21 the Northern Territory economy decreased by 0.6 per cent to \$26.2 billion, down from an increase of 6.0 per cent in 2019-20, this was the largest decrease of any State or Territory.²

The opening of borders presents an opportunity for the Northern Territory to implement measures to increase the medium to longer term population growth trends in the Northern Territory. A key challenge for the Territory's economic recovery will be to meet skill shortages and attract and retain labour.

A **Renewed Northern Territory Population Strategy** should map a demographic profile that supports the economic vision and potential for the Northern Territory, it should refuse to accept as inevitable the loss of young people and families interstate and the ongoing low population growth in the Northern Territory.

To highlight the benefits of developing a **Renewed Northern Territory Population Strategy**, ACIL Allen has modelled two scenarios:

- The **Base Case Scenario** assumes that population growth will continue to grow at the same annual average growth rate for the five years prior to COVID-19 (2014-2019) of 0.27 per cent. Under this scenario the Northern Territory population would only increase by around 6,650 persons over the next ten years.
- Under the **High Growth Scenario**, it is assumed that the Northern Territory's population would grow at an assumed growth rate of 1.42 per cent per annum. Under this scenario the Northern Territory's population would increase by 30,753 persons over the next ten years.

Economic impact of increasing Northern Territory's population

If the Northern Territory's population grew at around 1.4 per cent growth per annum, then compared to the base case:

- the real economic output of Northern Territory would increase by a cumulative total of **\$20 billion over the ten years to 2030-31**
- in present value terms this would be a gain of \$12.6 billion. This is equivalent to a gain of 47 per cent of Northern Territory's current Gross State Product (GSP).³
- there would be an average annual increase in GSP of around \$2 billion.

Impacts on employment

Under the High Growth Scenario it is estimated there would be a cumulative **gain of 23,000 jobs** in the Northern Territory (measured by Full Time Equivalents/FTE) over the ten years to 2031, with an annual average gain of around 2,250 FTE jobs.

Impacts on the property sector

Under a high population growth scenario there would be an:

- increase in dwelling demand of around **11,550 dwelling by 2031**
- an increase in dwelling investment of **\$1.1 billion by 2031**.

² ABS, Australian National Accounts: State Accounts, Cat. No. 5220.0

³ NT GSP in 2020-21 was \$27 billion.

Impact on tax revenue

Under a high population growth scenario total taxation revenue in the Northern Territory would increase by a cumulative total of **\$307 million over the period of 10 years**. This increase is largely due to an increase in property excise duties. In addition, there would be a cumulative increase in Goods and Services Tax (GST) revenue to the Australian Government which would result in additional payments of **\$904 million over the 10 years** to the Northern Territory resulting in a total increase in revenue to the Territory of **\$1.2 billion**.

A Renewed Population Strategy for the Northern Territory

A Renewed Northern Territory Population Strategy: Recovery and Beyond should be a key plank of the Northern Territory's economic development strategy post COVID-19.

A sustainable and growing population will be imperative to underpin future workforce needs and support business confidence, growth and investment.

In the fight for talent in the recovery following COVID-19 restrictions it will be imperative that the Northern Territory is able to attract and retain more young people and building on the positive net interstate migration trends over the last year.

The Northern Territory is already facing skill shortages in many occupations and without increased investments in training by industry and government combined with an aggressive migration strategy the Territory will likely face serious skill shortages and skill gaps which will impact on economic growth.

Over the next five years (2022-2027), the Northern Territory should aim to:

- double the intake of independent skilled migrants and better target to skills in demand
- reduce the loss of young people and families interstate to net zero
- attract a growing share of business migrants and business investment in key sectors
- better support humanitarian migration into the Territory
- increase the level of 'chain migration' by sponsoring family or friends of recent migrants
- reboot international education and aim to increase international student numbers to 10,000
- provide increased support to families with improvements in liveability and housing affordability to support strong population growth.

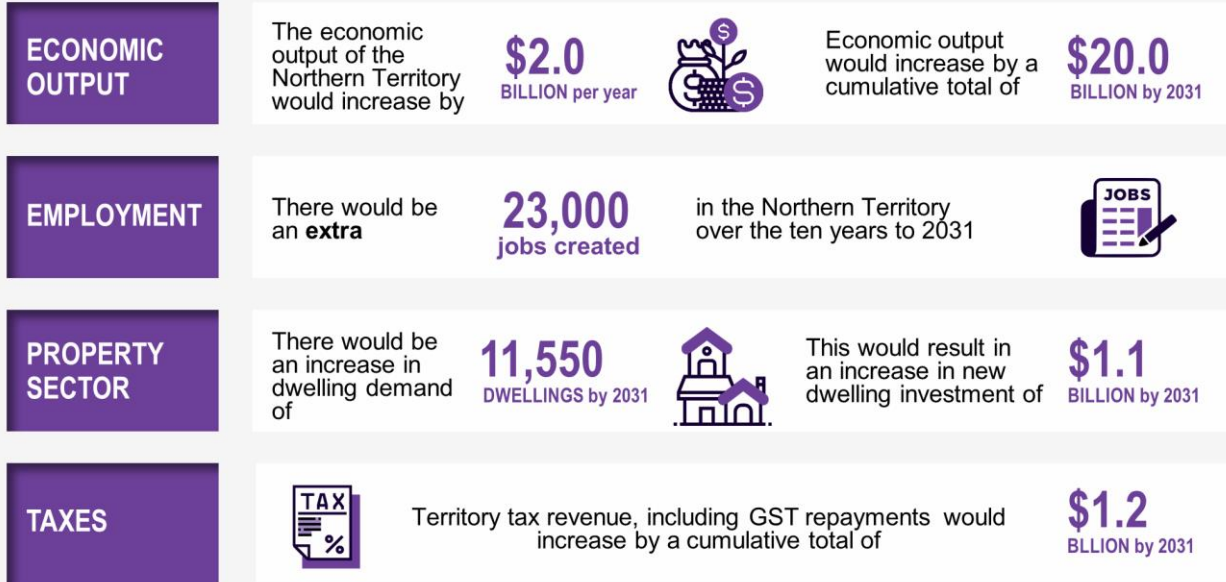
While population growth is important for economic growth so too are increases to productivity and investment to increase living standards and growth per capita.

The Population Strategy therefore needs to be an integral part of a broader economic development platform with a sharp and renewed focus on the five key areas of comparative advantage including:

- Tourism
- Defence and space
- International education
- Resources and energy
- Agribusiness.

Renewed Northern Territory Population Strategy: RECOVERY AND BEYOND

If the Northern Territory’s population grew at 1.4% a year over the next ten years rather than a continuation of the low population growth experienced in recent years then:

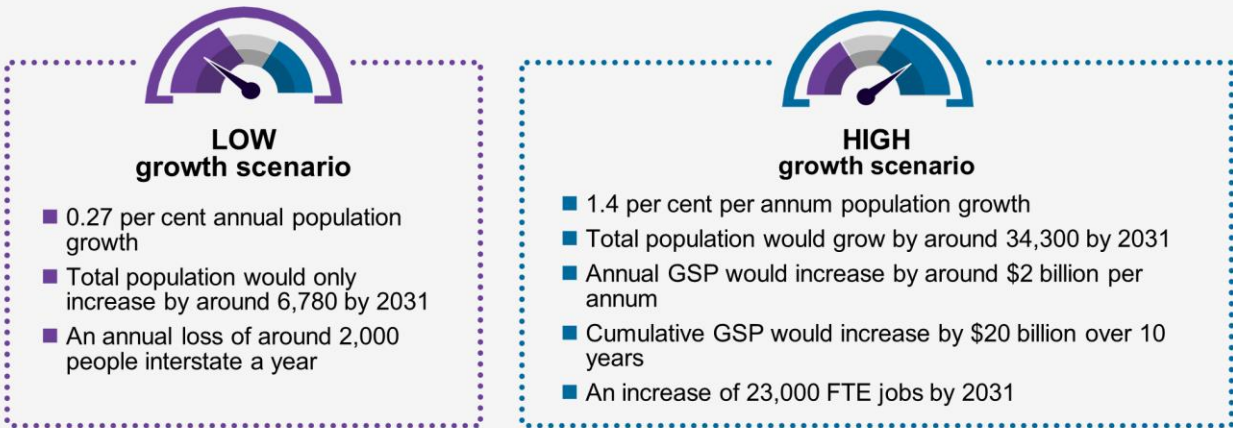


There is an opportunity for the Northern Territory to build on its success at managing the impacts of COVID-19 and minimising restrictions.

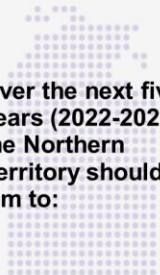
A **Renewed Northern Territory Population Strategy** should be a key plank of the Northern Territory’s economic recovery strategy post COVID-19.

In the fight for talent it will be imperative that the Northern Territory attract and retain more young people to underpin future workforce needs and support business confidence, growth and investment.

ACIL Allen has modelled the impact of two population scenarios – a continuation of existing **low growth** trends or a **high growth** scenario with population growth similar to the national average.



Over the next five years (2022-2027), the Northern Territory should aim to:



- Double the intake of independent skilled migrants and better target to skills in demand
- Reduce the loss of young people and families interstate to net zero
- Attract a growing share of business migrants and business investment in key sectors
- Better support humanitarian migration into the Territory
- Increase the level of ‘chain migration’
- Reboot international education and remain committed to increasing international student numbers to 10,000 by 2025
- Provide increased support to families with improvements in livability, housing affordability and infrastructure to support strong population growth.



1.1 A renewed Northern Territory population strategy

This report provides an assessment of the impact of increasing population growth in the Northern Territory and highlights the opportunities and importance of increasing population growth as part of the Northern Territory's economic recovery strategy once the borders re-open following COVID-19 restrictions.

To undertake this analysis ACIL Allen has modelled two population scenarios - a Base Case and a High Growth Scenario to measure the impact of increasing population on the Northern Territory's

- economic growth
- employment
- property sector investment; and
- government tax revenue.

The report is structured as follows:

Chapter 2 analyses recent trends in population growth both nationally and in Northern Territory looking at fertility levels, overseas migration including skilled migration, interstate migration and flows in international student numbers

Chapter 3 summarises the economic impacts of increasing population in the Northern Territory predominantly through an increase in overseas migration and reduction in net interstate migration.

Chapter 4 outlines a number of policy levers that could be considered in developing a renewed population strategy for the Northern Territory including a focus on key areas of economic advantage in tourism, agribusiness, defence and space sectors, resources/energy and education.

1.2 Measuring the impact of increasing Northern Territory's population

1.2.1 Modelling approach

Population growth is an important component of economic growth. Any changes to the population levels have a direct and indirect or flow-on impacts on the economy. The analysis of the base and high growth scenarios was undertaken using the *Tasman Global* model. *Tasman Global* is a multi-regional Computable General Equilibrium (CGE model) of the Australian and world economies.

For this economic assessment, the model's database has been updated to reflect the most recent demographic, macroeconomic and external accounts data. The model is dynamic and captures a range of intra and industry linkages in the economy. This allows time for the longer-term consequences of migration gains in the Northern Territory to be observed after accounting for resource constraints.

To compare the impact of various population levels on the Northern Territory economy the two scenarios are compared to the base population growth scenario. In addition:

- each of the scenarios was modelled for a ten-year period from 2020-21 to 2030-31
- all of the reported economic impacts represent changes relative to a base case
- all economic impact estimates are provided in 2020-21 dollars
- all present value (PV) calculations use a 2.5 per cent real discount rate as the main indicator with 5 per cent and 7 per cent as sensitivities.

Recent Trends 2

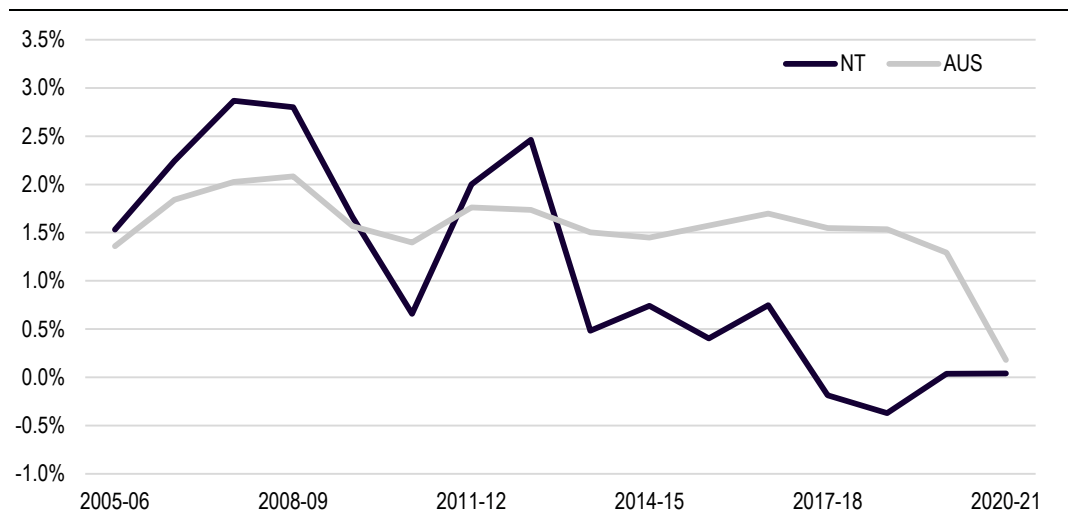
This section provides an overview of the factors impacting on recent population trends in the Northern Territory. While border restrictions responding to the COVID-19 pandemic have significantly impacted on economic indicators in the Northern Territory, including population, the analysis in this section also focuses on trends preceding this period. At a time when States and Territories are progressively lifting interstate and international border restrictions, a focus on recovery measures to retain and attract workers is gaining greater importance.

2.1 Total population

As of June 2021, the total population of the Northern Territory was 246,338 people, which was just under one per cent of the Australian population. The Northern Territory's share of Australia's population has declined over the past decade, albeit stabilising in 2020-21. The decline has significant implications, not just in terms of economic growth, but also funding from the Australian Government and political representation in the Federal Parliament.

Over the six quarters from March 2020, the Northern Territory has recorded four quarters of positive population growth. In 2020-21, the Northern Territory recorded an annual population growth rate of 0.04 per cent, the same level as 2019-20. Although the gap narrowed in 2020-21, the annual population growth rate for the Northern Territory has not exceeded the national growth rate since 2012-13 when the Northern Territory population grew by 2.46 per cent (Figure 2.1). This was also the last year the Northern Territory recorded an annual population growth rate greater than 1 per cent.

Figure 2.1 Annual population growth rates for the Northern Territory and Australia

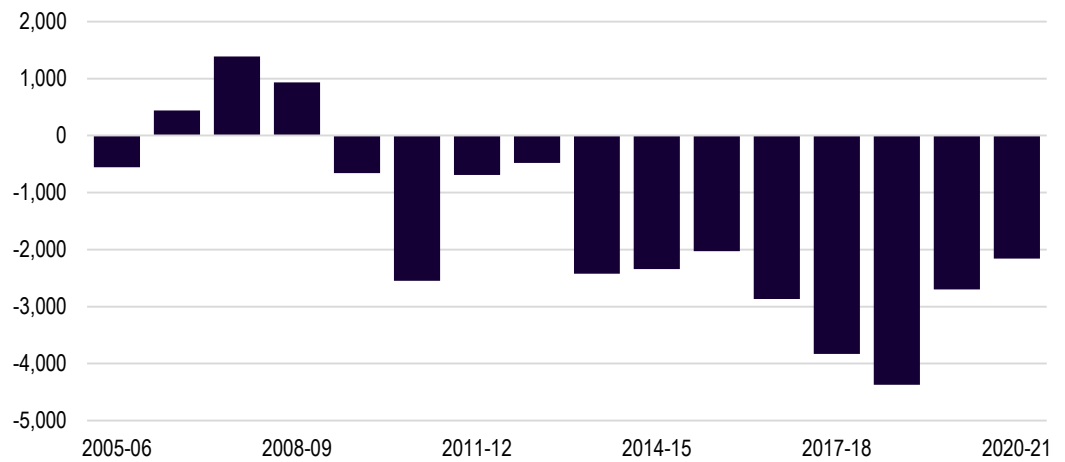


Source: ABS Cat. 3101.0

2.2 Net interstate migration

The Northern Territory has recorded 35 consecutive quarters of negative net interstate migration up to June 2021. The level of negative net interstate migration has reduced during the COVID-19 period. In 2020-21, the Northern Territory recorded its lowest level of negative net interstate migration since 2015-16 (Figure 2.2).

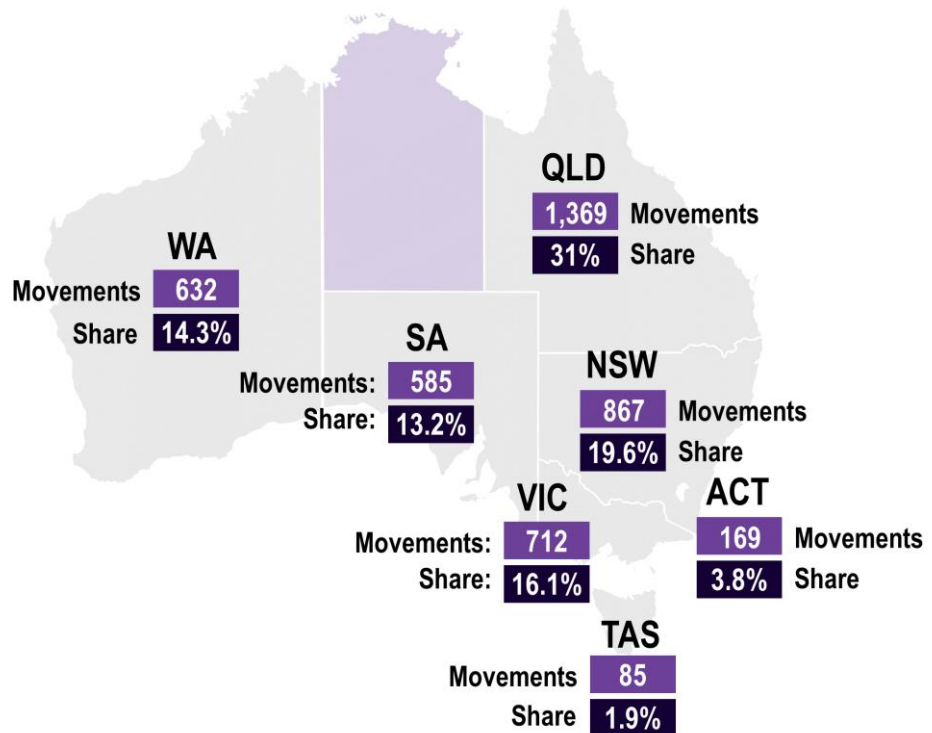
Figure 2.2 Net interstate migration



Source: ABS Cat. 3101.0

The Northern Territory lost a total of 4,419 people interstate in the March 2021 quarter (Figure 2.3). These people moved to Queensland (31 per cent), followed by New South Wales (20 per cent) and Victoria (16 per cent).

Figure 2.3 Interstate Departures from Northern Territory – March 2021



Source: ABS 3412.0

The Northern Territory had 4,009 people arrive from interstate in the March 2021 quarter. The majority of these were from Queensland (29 per cent), followed by New South Wales (23 per cent) and Victoria (21 per cent).

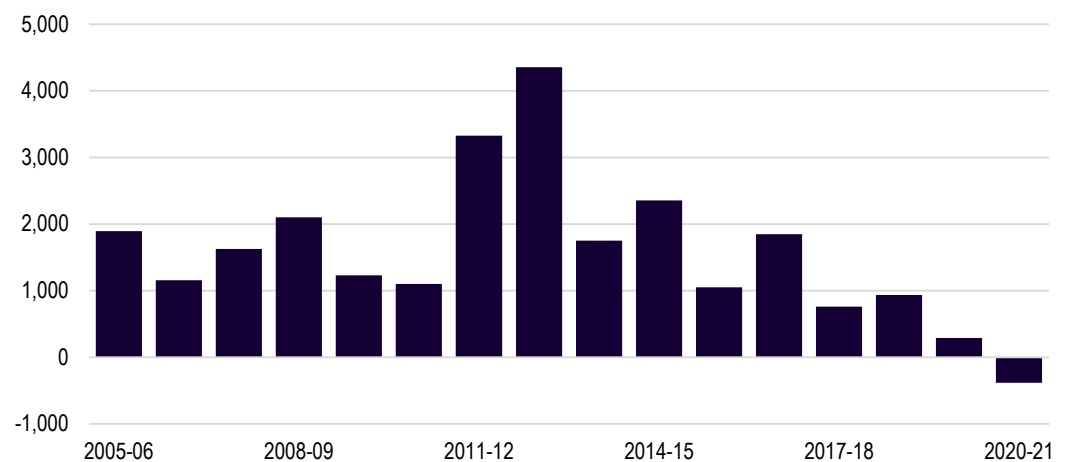
2.3 Net overseas migration

International border restrictions responding to the COVID-19 pandemic has led to a fall in net overseas migration. In 2020-21, the Northern Territory recorded negative net overseas migration for the first time in over 15 years (Figure 2.4). Net overseas migration for the Northern Territory peaked in 2012-13 with 4,354 people migrating to the Territory and in the subsequent period has been in gradual decline.

According to the 2016 Census, 31.2 per cent of Northern Territory residents were born overseas. The largest migrant communities in the Northern Territory are from the Philippines, England, New Zealand, India and Greece. The largest migrant community in Darwin, growing by 72 per cent between 2011 and 2016, was the Filipino community.

Research from the Northern Institute provides insights on the potential for further population growth within the Filipino community in the Northern Territory, particularly in the Greater Darwin region.⁴ Respondents from the Philippines were most satisfied (78 per cent) with their experience of living in the Northern Territory, relative to other source countries such as China and Taiwan (54 per cent). Respondents from the Philippines also expressed the strongest intention to think they will still be in the Northern Territory in five years (50 per cent). The top three industry of employment for Filipino migrants were Healthcare and Social Assistance, Accommodation & Food and Retail Trade.

Figure 2.4 Net overseas migration



Source: ABS Cat. 3101.0

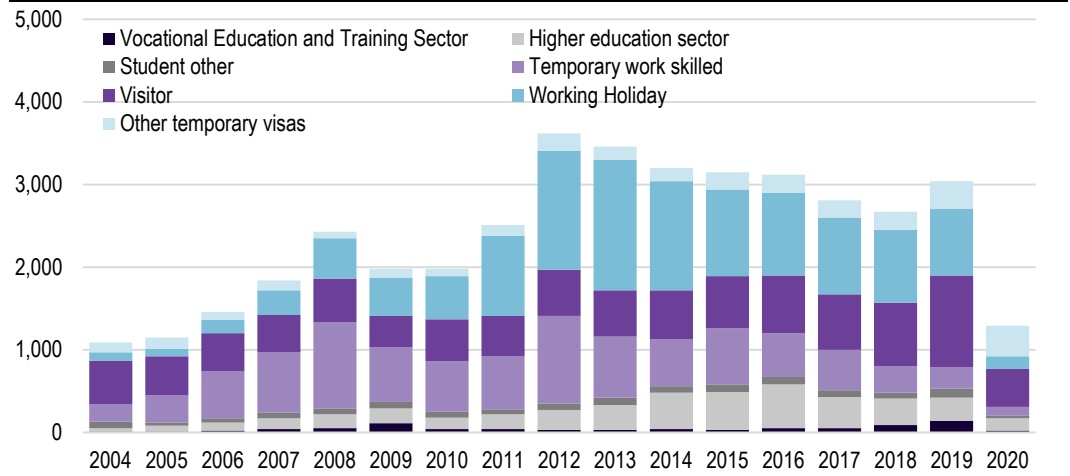
Figure 2.5 presents temporary visa arrivals in the Northern Territory over the period since 2004. The total number of temporary visa arrivals peaked in 2012 at 3,620 people, and over the subsequent period experienced a steady decline to a level of 3,030 people in 2019. In 2020, total temporary visa arrivals in the Northern Territory recorded a year-on-year decline of 57 per cent.

On average over the past ten years, the highest share of temporary visa arrivals in the Northern Territory have been attributed to the Working Holiday (33.5 per cent) and Visitor (23.7 per cent) categories. The share of temporary visa arrivals for the Working Holiday category sharply declined in 2020 to 11.6 per cent, the lowest share recorded since 2006. Over the past two years, the share of temporary visa arrivals attributed to the temporary work skilled category declined. The share fell

⁴ Northern Institute Research Brief 03/2019: “Attracting and Retaining the Territory’s Growing Multicultural Communities”

below 10 per cent in 2019 and 2020 for the first time over the reference period and recorded a level less than half of the ten-year average.

Figure 2.5 Temporary Visa Arrivals



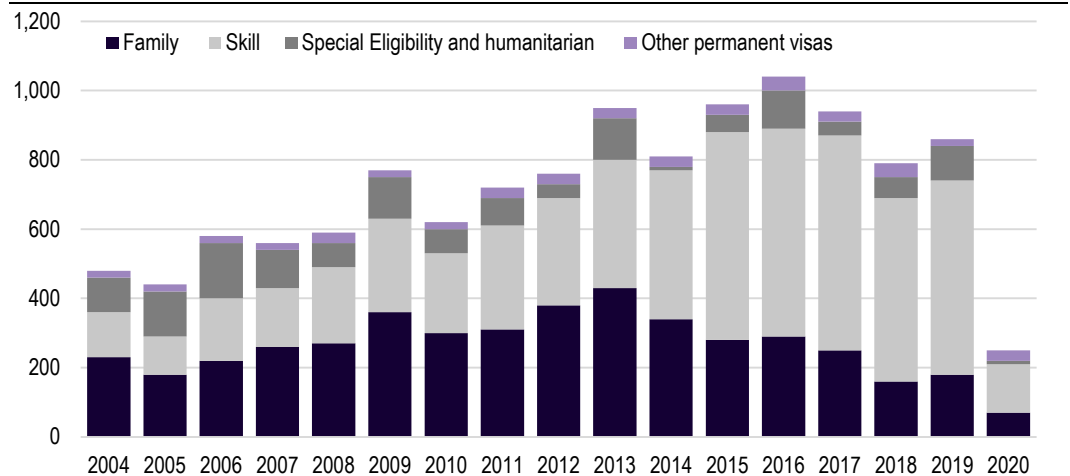
Source: ABS Cat. 3412.0

Figure 2.6 presents permanent visa arrivals in the Northern Territory over the period since 2004. The total number of permanent visa arrivals peaked in 2016 at 1,930 people, and over the subsequent period experienced a steady decline to a level of 1,590 people in 2019. In 2020, total permanent visa arrivals in the Northern Territory recorded a year-on-year decline of 71 per cent.

On average over the past ten years, the highest share of permanent visa arrivals in the Northern Territory have been attributed to the Skilled (54.8 per cent) and Family (33.3 per cent) categories. The share of permanent visa arrivals attributed to the Family category has been declining over the past ten years. In 2012, the Family category accounted for 50 per cent of permanent visa arrivals. Over the subsequent period, the share has steadily declined to a low of 20.3 per cent in 2018.

The Special Eligibility and humanitarian category and other permanent visa category each account for only a small proportion of permanent visa arrivals, with a ten-year average share of 7.3 per cent and 4.5 per cent respectively. On average over the past ten years, the Northern Territory have accounted for only 0.5 per cent of the total annual Special Eligibility and humanitarian visas across Australia.

Figure 2.6 Permanent Visa Arrivals

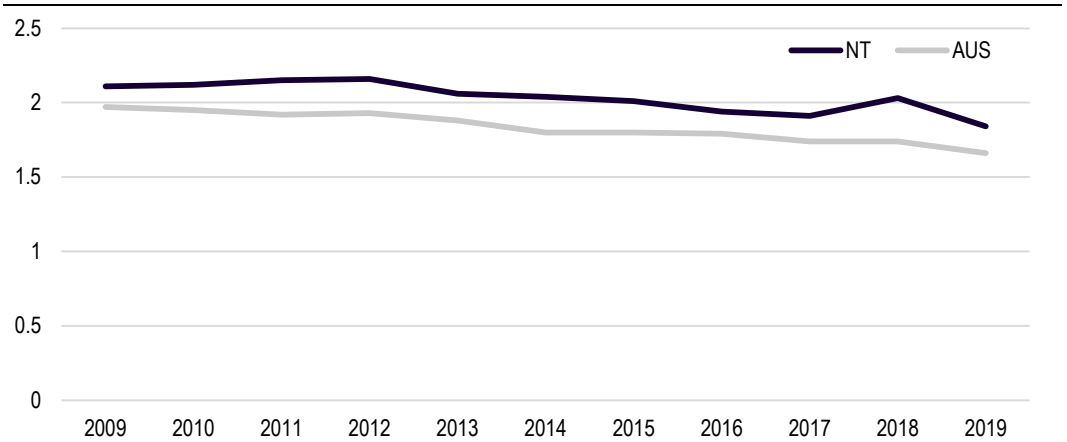


Source: ABS Cat. 3412.0

2.4 Fertility rate

The fertility rate is an important component of population growth, as it underpins longer term trends in natural increases in population. The Northern Territory has recorded a fertility rate higher than Australia in each year since 2009 (Figure 2.7). The Northern Territory is also the only State or Territory that has recorded a 10-year average fertility rate (2.03) greater than 2.00. In 2019, however, the fertility rate in the Northern Territory and Australia dropped to their lowest level in the reference period to 1.84 and 1.66 respectively. In 2020 the Northern Territory fertility rate increased to 1.92 with stronger population growth in outback areas (2.09 fertility rate) compared to the Greater Darwin region which has had a fertility rate of 1.75. This disparity highlights the need for the Northern Territory Government to continue to support growth in urban areas, where there is significant economic activity, through investment in infrastructure and services and attraction of migrants including more international students based in Darwin.

Figure 2.7 Fertility rate

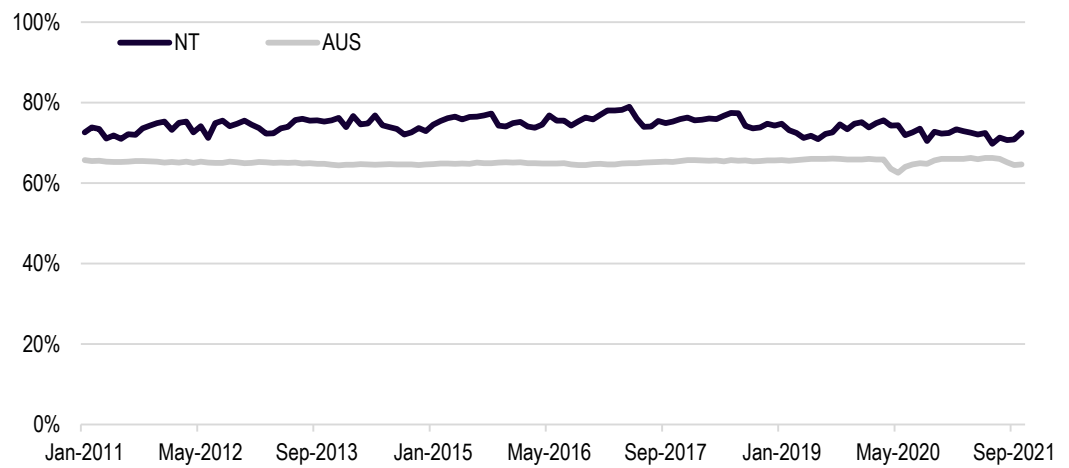


Source: ABS Cat. 3301.0

2.5 Labour market conditions

The Northern Territory has historically had high levels of labour force utilisation, with a participation rate which on average has exceeded the participation rate for Australia by nine percentage points since the start of 2011 (Figure 2.8). Over this period, the participation rate in the Northern Territory peaked at 79 per cent in April 2017 but declined to less than 70 per cent in June 2021 due to the impact of COVID-19 restrictions. Australia has recorded an average participation rate of 65.2 per cent since 2011.

Figure 2.8 Participation rate – Seasonally adjusted



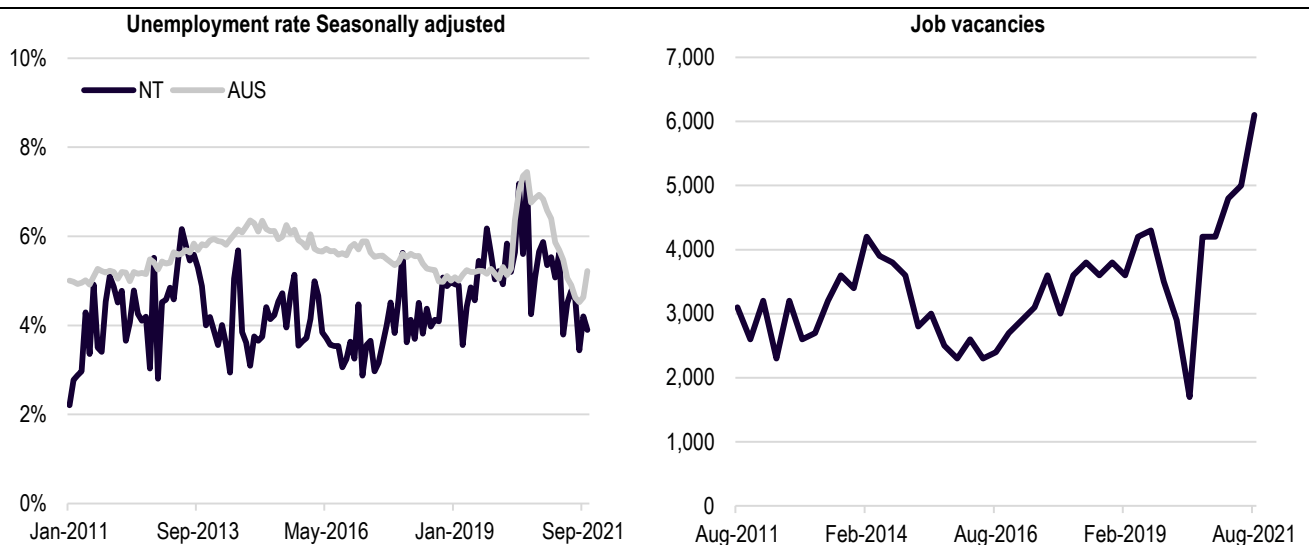
Source: ABS Cat. 6202.0

Total employed full-time in the Northern Territory peaked at 116,200 in May 2014 and as of December 2021 was around 99,400 which was 14 per cent below its peak. After the end of the construction phase of Ichthys LNG, the Territory’s unemployment rate sharply increased, reaching a peak of 7.3 per cent in July 2020. Since then, the unemployment rate has trended down, reaching 4.2 per cent in December 2021.

Due to the impact of COVID-19, there has been a greater propensity for unemployed people to remain in the Northern Territory due to border restrictions and weak employment opportunities interstate. Job vacancies in the Northern Territory have increased sharply since May 2020, reaching 6,100 in August 2021. Job vacancies in the Northern Territory have increased by 114 per cent compared to February 2020, the highest percentage increase in Australia.

In the Northern Territory, overseas migrants have traditionally been a source of skilled labour, particularly in the agriculture and hospitality industries. The NT Government has sought to reduce the impact of international labour constraints through policy initiatives such as the \$2 million Critical Worker Support Package which aims to attract hospitality and tourism workers to the Northern Territory.

Figure 2.9 Labour market conditions

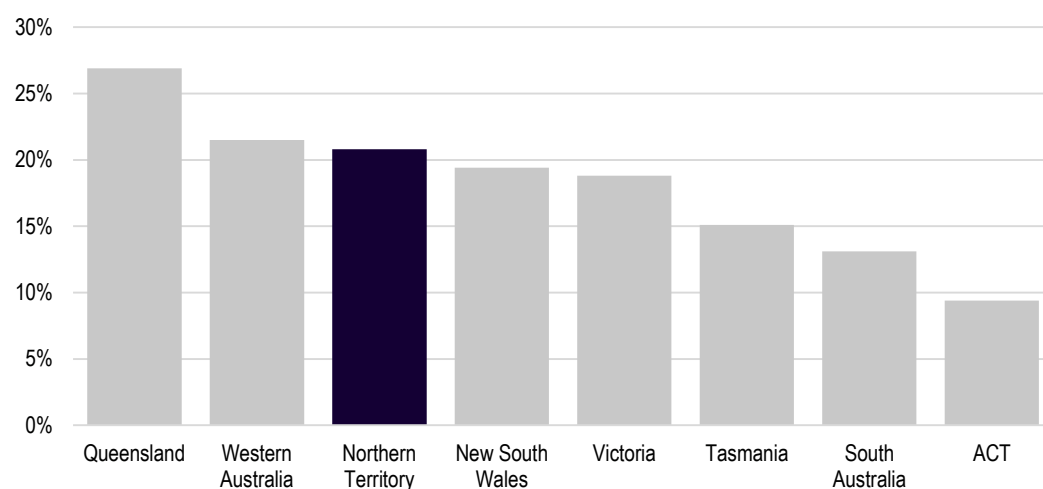


Source: ABS Cat. 6202.0, ABS Cat. 6354.0

Job vacancy rates provide an indicator of labour shortages and Figure 2.10 plots those businesses in each jurisdiction reporting at least one vacancy. In August 2021, the Northern Territory ranked third on this indicator with 20.8 per cent of businesses reporting vacancies, behind Queensland (26.9 per cent) and Western Australia (21.5 per cent). The Northern Territory ranked first on this indicator in May 2021 at 26.5 per cent. In February 2020, prior to the impact of COVID-19, 9.2 per cent of businesses in the Northern Territory were reporting vacancies.

In June 2021, the National Skills Commission reported the Northern Territory had 252 occupations in shortage, equating to 32 per cent of all assessed occupations.⁵ The numbers of occupations in shortage in the Northern Territory was the highest across all states and territories, followed by New South Wales (226) and Victoria (147).

Figure 2.10 Proportion of businesses reporting vacancies – August 2021



Source: ABS Cat. 6354.0

The JobKeeper payment scheme played an important role supporting Australian businesses through the COVID-19 pandemic. By the end of the original JobKeeper scheme in September 2021, up to 30 per cent of Northern Territory businesses had applied for JobKeeper, the lowest proportion across all jurisdictions. The construction sector accounted for the largest share of workers still receiving JobKeeper by January 2021, followed by the tourism and hospitality sector.

Work opportunities are an important factor for movements to and away from the Northern Territory. A key component of this is ‘career escalation’ which describes the motivating forces relating to getting a higher level in the Northern Territory than might be available elsewhere, or using the Northern Territory experience to leverage a higher level job on departure.⁶ This is a partial explanation for the ongoing trend of people coming to the Northern Territory for a limited or fixed period of time.

Beyond career escalation to more senior roles, individuals migrating to the Northern Territory for work are likely to consider a range of ancillary factors including salary, opportunities to apply specialist skills and education and opportunities for spouses.

⁵ National Skills Commission: Skills Priority List 2021 (June 2021)

⁶ Taylor, A. and Carson, D. (2017). *Synthesising Northern Territory Population Research: A report to the Northern Territory Department of the Chief Minister*. Charles Darwin University: Northern Institute

Measuring the impact of increasing NT population

3

3.1 Population growth scenarios

Two population scenarios, a Base Case and a High Growth Scenario have been modelled to measure the impact on Northern Territory's economy. Key assumptions used in modelling these two scenarios are outlined in **Appendix A**.

In the High Growth Scenario, it is assumed that there will be no change in the natural increase in the Northern Territory population relative an assumed base case scenario based on the past five years growth rate. The population growth in High Growth Scenario mainly comes from net overseas migrants and also reducing the outflow of interstate migrants.

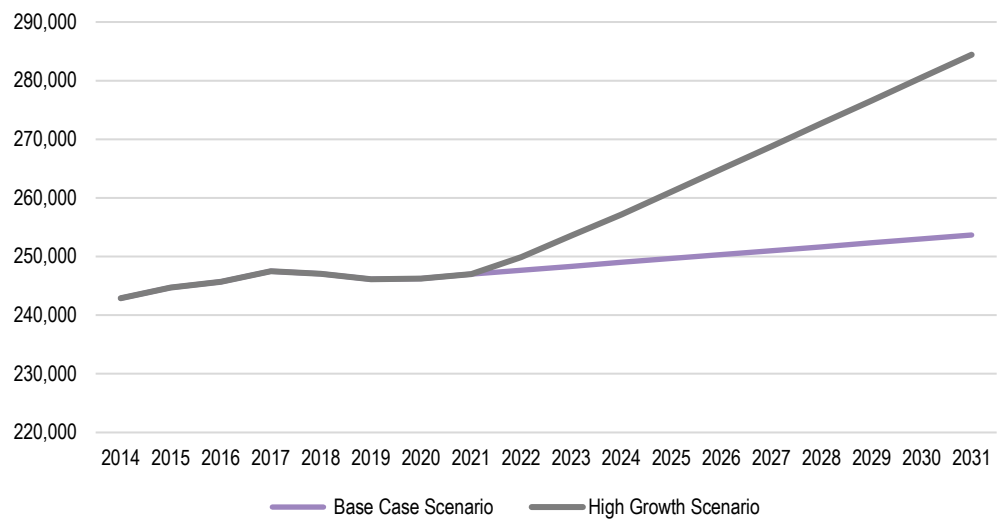
The two scenarios modelled are:

- The **Base Scenario** is a continuation of the current level of population growth in Northern Territory before the COVID-19 with an average annual growth rate of 0.27 per cent between 2014 and 2019 (year ending June) and a population of 253,675 people by June 2031. Under this scenario, the population of the Northern Territory would increase only by 6,652 persons between 2021 and 2031 (next ten years).
- Under the **High Growth Scenario**, it is assumed that Northern Territory's population would grow at a similar rate to the Northern Territory Population Growth Strategy⁷ assumed growth rate of 1.42 per cent per annum. This would require a significant increase in Net Overseas Migration to above 2,500 people per annum, a reduction of approximately around 900 net outflow of interstate migrants. Natural increase assumed to same as in the Base Case. Under this scenario the population would increase to around 284,429 people by June 2031. Under this scenario, the population of NT would increase only by 37,406 persons between 2021 and 2031 (next ten years). Relative to the assumed Base Case, the total population over next ten years would increase by 30,753 persons.

Population levels under these two scenarios are summarised in Figure 3.1.

⁷ https://population.nt.gov.au/__data/assets/pdf_file/0007/559384/Population-Strategy.pdf

Figure 3.1 NT population numbers in Base Case and High Growth Scenarios, 2014 to 2031



Note: Year is financial year ending June 30

Source: ABS Demography Cat No 3101.0, and ACIL Allen Assumptions and projections

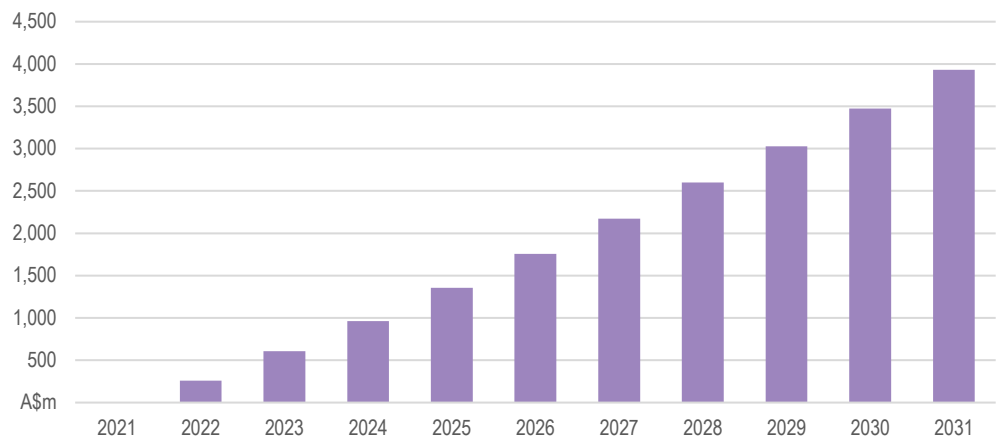
In addition, it assumed that the additional population under the High Growth Scenario is likely to have higher labour market prospects than the average working age person in the Northern Territory. This assumes that skilled migrants are likely to have higher qualifications than the population as-a-whole and will be younger and may therefore have a higher workforce participation rate.

3.1.1 Impact on Gross State Product

Gross State Product (GSP) is the primary measure used to gauge the health of an economy. It measures the amount of economic activity happening in the State and represents the total dollar value of all goods and services produced over a specific time period.

GSP will vary based on the output of the economy and productivity and will also be impacted by the population size and composition and the number of people in the workforce (the participation rate). The projected changes in real GSP in Northern Territory under the high population growth scenarios is presented in Figure 3.2 as shown, there will be significant economic gains associated with high population growth relative to a base case.

Figure 3.2 Projected cumulative change in real economic output (GSP) of Northern Territory in High Growth Scenario relative to a Base Case Scenario



Note: All dollars are in 2020-21 terms

Source: ACIL Allen

Table 3.1 shows the total impact of the high population growth scenario on NT’s economic growth over 10 years.

Under the High Growth Scenario:

- the real economic output of Northern Territory would significantly increase, increasing by \$257.5 million in 2021-22 and growing by \$3,933 million in 2030-31
- the real economic output of Northern Territory would increase by a cumulative total of \$20 billion over the ten years to 2030-31, in present value terms (using 7 per cent discount rate) this would be a gain of \$12.6 billion. This is equivalent to a gain of 47 per cent of Northern Territory’s current GSP.⁸

Table 3.1 Projected cumulative change in real economic output of NT relative to a base case, 2022-2031

Scenario	Average annual	Cumulative change (2021-22 to 2030-31)			
		Total	PV (@2.5%)	PV (@5%)	PV (@7%)
	2020-21	2020-21	2020-21	2020-21	2020-21
High Growth Scenario	\$2,014m	\$20,145m	\$16,902m	\$14,290m	\$12,560m

Source: ACIL Allen

3.1.2 Change in industry output

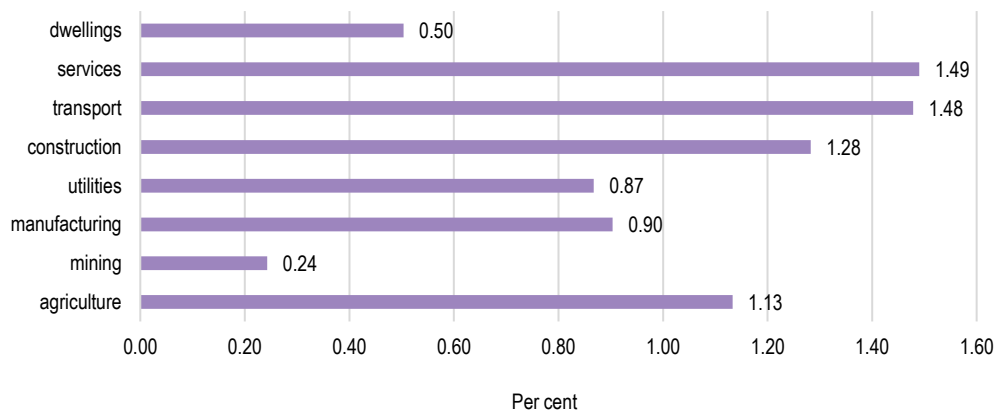
Figure 3.3 presents the projected change in real output by broad aggregated industries.⁹ Increases in the population would have the greatest impact on services, transport and construction sectors of Northern Territory economy. The mining sector is highly capital intensive and requires

⁸ NT GSP in 2020-21 was \$27 billion.

⁹ Real output is a measure of an industry’s sales, which can include sales to final users in the economy or sales to other industries (intermediate inputs). Real output by industry is different to the change in real economic output for the economy as a whole (i.e. GSP). Real output is measured as the change in production of an industry excluding any price changes. It is not valid to sum the changes in output in all industries to achieve the economy-wide change in output, as this would double count any sales by one business in the economy that are an input into other businesses.

less labour to produce its outputs, as a result expected to have less impact of population growth on the mining sector growth. Mining sector demand is mainly determined by export markets and not necessarily from the supply of additional labour.

Figure 3.3 Cumulative change in industry output under High Growth Scenario, relative to a Base Case in 2030-31.



Source: ACIL Allen modelling

3.2 Impact on employment

3.2.1 Impact on employment

Changes in population levels will impact on employment levels as a result in changes to demand in the Territory. There is no-one-to-one relationship between the population changes and employment changes. It has been assumed in the study, new migrants have higher participation levels as of average working age Northern Territory person.

Under the **High Growth Scenario**:

- it is estimated there would be a cumulative gain of 23,000 jobs (measured by FTE) over the ten years to 2030-31, with an annual average gain of around 2,250 FTE jobs. This is equivalent to over 122,000 job years gain to the economy.

A key consideration when estimating the impact of a policy change such as changes to migration policy is determining how the labour market will respond.¹⁰ Typically there are two choices:

- a fully constrained labour market where there will be no change in employment relative to a reference case and real wages adjust
- a fully unconstrained labour market where the supply of labour (at the reference case wage rates) is fully responsive to changes in demand.

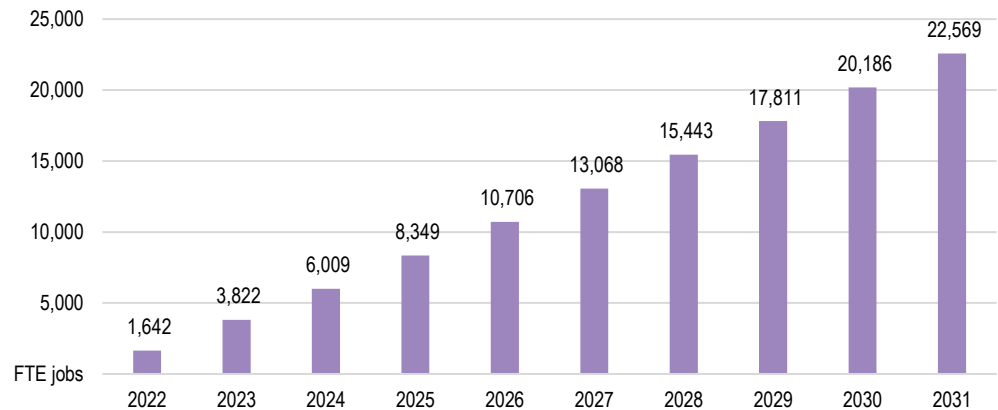
For the purposes of this analysis, a hybrid approach has been chosen whereby real wages are assumed to be unchanged initially, but where the unemployment rate in the long-term is unchanged relative to the reference case. Under this approach, the unemployment rate changes relative to the reference case in the first few years in response to changes in the demand for labour. Over time,

¹⁰ As with other CGE models, the standard assumption within Tasman Global model is that all markets clear (i.e. demand equals supply) at the start and end of each time period, including the labour market. CGE models place explicit limits on the availability of factors and the nature of the constraints can greatly change the magnitude and nature of the results. In contrast, most other tools used to assess economic impacts, including I-O multiplier analysis, do not place constraints on the availability of factors. Consequently, these tools tend to overestimate the impacts of a project or policy.

lower real wages in medium and high population growth scenarios result in the unemployment rate moving back to reference case levels.

The impact of increased population levels on employment in Northern Territory is shown in Figure 3.4.

Figure 3.4 Annual employment impacts in High Growth Scenario from the base case (FTE)



Source: ACIL Allen modelling

As shown in this figure an increase in population would increase domestic demand of goods and services as a result of high number of employed persons in the economy. Similarly, decreased population would decrease domestic demand of goods and services as a result of lower number of employed persons in the economy.

Increase in the labour supply under the medium and high population growth scenarios can have an impact on the labour market through three mechanisms:

- increasing migration from the rest of Australia and net overseas migration
- increasing participation rates and/or average hours worked
- by decreasing the unemployment rate

In the model, the first two mechanisms are driven by changes in the real wages paid to workers in Northern Territory while the third is a function of the additional labour supply relative to the Base Case.

3.3 Implications for the property sector

3.3.1 Impact on population

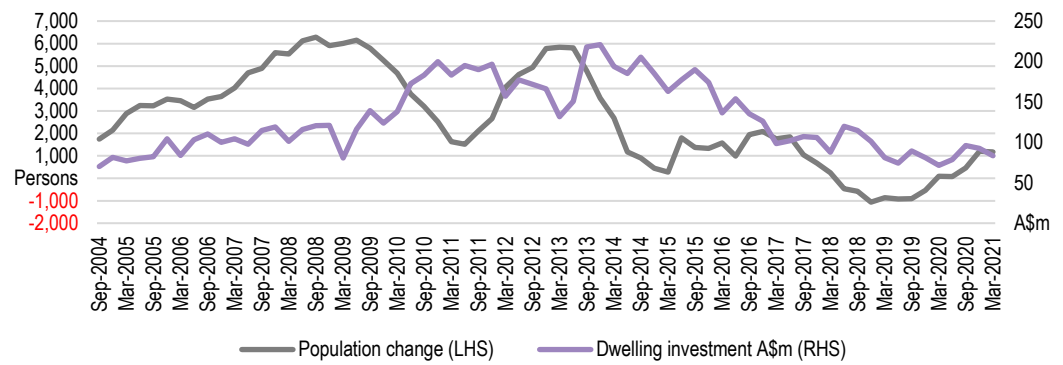
By June 2031, Northern Territory population would increase compared to June 2021 population by:

- 6,652 persons in base case scenario
 - natural increase 24,295 persons
 - total net migration (intestate and overseas) -17,643 persons
- 37,406 persons in high population growth scenario
 - natural increase 24,295 persons
 - total net migration (intestate and overseas) 13,110 persons.

3.3.2 Impact on dwelling investment

The growth in demand for housing depends on the growth of the number of households which is determined by population growth and the number of people in each household. The historical relationship between dwelling investment and population growth in Northern Territory are provided in Figure 3.5. Both population changes and dwelling investment are cyclical and are related.

Figure 3.5 Dwelling investment and population change in NT



Source: ABS Australian Demographic Statistics, Cat No 3101.0 and Building Activity, Australia, Cat no: 8752.0

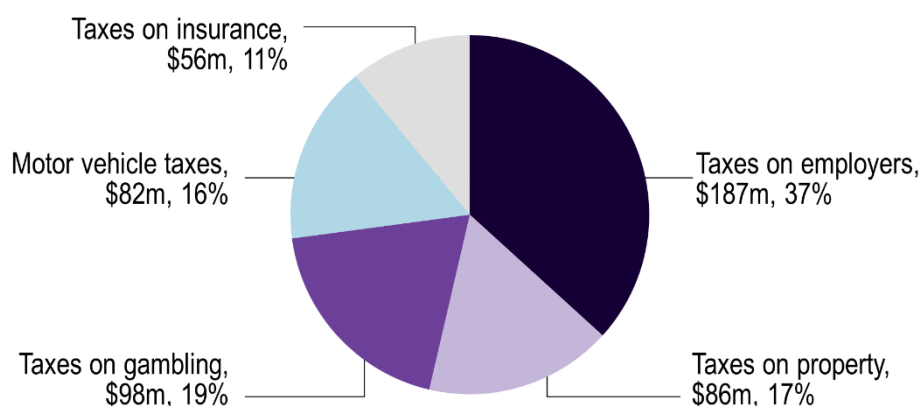
An important driver of housing demand over the long run is the rate at which new households are being formed. This depends on population growth and changes in the average number of people who are living in each household. Household size declined steadily in Australia and in Northern Territory between 1960 and 2000 before levelling out, alongside declines in marriage and fertility rates and population aging. Other factors such as interest rates and changes in lending standards can also influence how much households are willing and able to spend on housing.

Over the next 10 years, in the high population growth scenario, it is estimated that total cumulative population gain would be around 31,000 relative to a base case which would equate an increase of current Northern Territory population by 12.45 per cent. This translates to an increase of dwelling demand of around 11,550 dwelling by 2031. Based on recent median price in Darwin of around \$580,000, home ownership of 54 per cent with 30 per cent are for new homes would lead to an increase in dwelling investment of \$1.1 billion by 2031.

3.4 Fiscal implications of population decline and ageing of the population

The Australian and State and Territory governments tax bases depends on economic growth. Fiscal implications of low population growth and ageing of the population have two dimensions — revenue and expenditure implications. Since most of the Territory’s revenue is sourced from the Commonwealth (horizontal fiscal equalisation principles), low population growth has an impact on both the Commonwealth receipts and the Territory’s tax base.

The Territory raises its own revenue from a range of sources. Predominantly, this comprises taxes and mining royalties, but also includes fees and charges, rent and tenancy income, interest and dividend revenue, and profit and loss on the disposal of assets. Composition of Northern Territory state taxation revenue is summarised in Figure 3.6. Nearly 17 per cent of taxation revenue for the Northern Territory Government was from property taxes.

Figure 3.6 Composition of NT Taxation revenue, 2020-21

Source: NT Government Budget, 2021-22, Table 6.3.

Territory property taxes include conveyance and related duty and property activation levy.

The Territory's conveyance and related duty is derived from direct and indirect conveyances of dutiable property in the Territory. Dutiable property includes real estate and businesses. Conveyance and related duty in the Territory is imposed differently depending on the dutiable value of the property. There are four tax brackets for conveyance and related duty. For property in the lowest tax bracket (dutiable value not exceeding \$525,000), a formula-derived rate is applied to the dutiable value of the property. Otherwise, a fixed rate dependent on the tax bracket applies to the total dutiable value of the property. This is different from other states, which levy stamp duty on the basis of marginal rates.

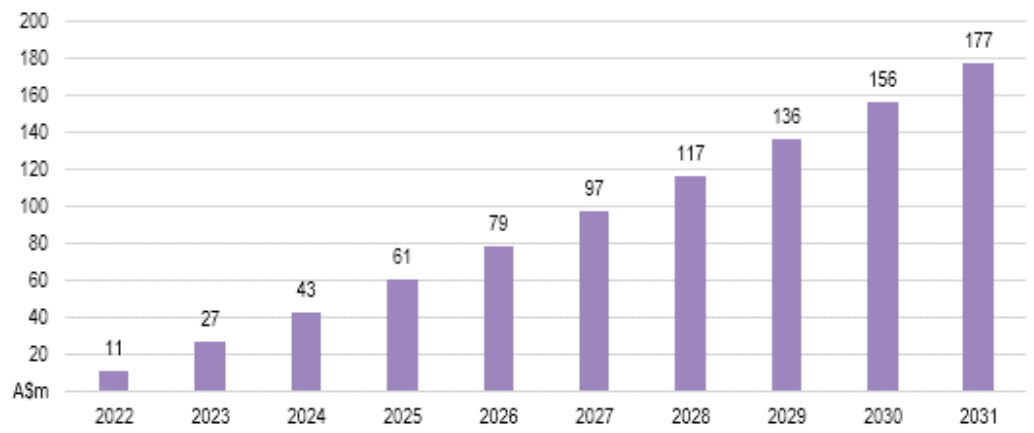
The property activation levy imposes a charge on vacant land and unoccupied buildings in the Darwin CBD at a rate of 1 per cent of unimproved capital value for unoccupied buildings and 2 per cent for vacant land. The purpose of the levy is to incentivise investment in under-utilised land and buildings to revitalise the Darwin CBD. The property activation levy is estimated to raise \$2 million in 2020-21.

High population growth scenario would impact the state taxation revenue. Over the period 2020-21 to 2030-31, *high population growth* would project to increase the total taxation revenue of Northern Territory by a cumulative total of \$307 million over the period of 10 years.

In addition, population growth would also result in an increase of Goods and Service Tax (GST) revenue which is paid to the Australian Government, the GST pool is then re-distributed to the States and Territories. A State or Territory's share of the total GST pool is based on its population share and adjusted to take account of relative need and revenue raising capacity. The Northern Territory receives a higher proportion of the GST pool compared to its contribution because of the additional costs of providing services in remote areas and lower revenue raising capacity.

It is estimated that the additional GST contributions from the purchase of goods and services under a high growth scenario would result in over \$900 million in extra revenue for the Northern Territory over next ten years (Figure 3.7).

Figure 3.7 Increase in Northern Territory GST revenue under high population growth scenario



Source: ACIL Allen estimates

A Renewed Northern Territory Population Strategy

4

A Renewed Northern Territory Population Strategy: Recovery and Beyond: 2022-2027 should be a key plank of the Northern Territory's economic development strategy post COVID-19. A sustainable and growing population will be imperative to underpin future workforce needs and support business confidence, growth and investment.

In the fight for talent in the recovery following COVID-19 restrictions it will be imperative that the Northern Territory is able to attract and retain more young people and building on the positive net interstate migration trends over the last year.

The Northern Territory is already facing skill shortages in many occupations and without increased investments in training by industry and government combined with an aggressive migration strategy the Territory will likely face serious skill shortages and skill gaps which will impact on economic growth.

A Renewed Northern Territory Population Strategy should map a demographic profile that supports the economic vision and potential for the Northern Territory, it should refuse to accept as inevitable the loss of young people and families interstate and the ongoing low population growth in the Northern Territory.

Given current uncertainties regarding COVID-19 the strategy should chart a course for the next five years with annual reviews on progress and annual updates in response to changing circumstances.

Over the next five years, the Northern Territory should aim to:

- double the intake of independent skilled migrants and better target to skills in demand
- reduce the loss of young people and families interstate to net zero
- attract a growing share of business migrants
- increase the Northern Territory's share of humanitarian migrants
- reboot international education and aim to increase international student numbers to 10,000 by 2025
- provide increased support to families with improvements in liveability and housing affordability to support strong population growth.

While population growth is important so too are increases in productivity and investment to increase living standards and economic growth per capita.

The Population Policy therefore needs to be an integral part of a broader economic development platform aimed at increasing economic prosperity and attracting increased investment with a sharp focus on four key areas of comparative advantage including:

- Tourism
- Defence and space sectors

- International education
- Resources and energy
- Agribusiness.

4.1 Northern Territory Population Strategy: Recovery and Beyond

In 2018 the Northern Territory Government released the *Northern Territory Population Growth Strategy, 2018-2028*. The goal of the *Strategy* was to return the population growth rate to the historical long-run average of 1.4 per cent. The Plan was based around four pillars:

- a marketing campaign to “tell the Territory story”
- attracting investment and creating jobs
- attracting and retaining migrants
- enhancing liveability.

The Territory Government invested \$50.4 million over two years in addition to existing activities to implement targeted population growth initiatives. The majority of the new investment (\$23 million) was to enhance the Territory lifestyle through investing in safer communities, investing in the bush and regional communities and revitalising Darwin and Alice Springs CBDs.

The *Strategy* was to be accompanied by detailed Action Plans and was to be reviewed in January 2020 to assess its effectiveness. This review has not been publicly released.

There is an urgent need to review the population strategy in light of the impact of COVID-19 and to help meet the Northern Territory Government’s aspirations to grow the Territory to a \$40 billion economy by 2030.

Many of the initiatives in the original population policy require revision in light of COVID-19 and recent trends and the strategy will need to be more aspirational and better resourced if it is to be effective in reversing the ongoing trends of population decline in the Northern Territory.

A key challenge for the Territory’s economic recovery will be to meet skill shortages and attract and retain labour. The Northern Territory Government provided \$2 million under the *Critical Worker Support Package* for training payments and to attract workers from interstate. Given the significant skill shortages being faced across Australia this and other similar programs should be reviewed and significantly enhanced if the Northern Territory is to win the battle for talent.

While the impact of COVID-19 has resulted in fewer people leaving the Territory, with the Northern Territory on track to record an annual population growth rate greater than Australia for the first time since 2012-13, this trend is likely to be only a short-term trend unless ongoing measures are put in place to retain and attract people to the Territory.

A Renewed Northern Territory Population Strategy with significant increase in resources

A Renewed Northern Territory Population Strategy will be needed for the Territory to be effective in winning the battle for talent once borders re-open. The Renewed Population Strategy will need a significant increase in resources, including for MigrationNT, with much greater transparency and accountability and dedicated and direct reporting to a responsible Minister.

4.2 Increase and better target skilled migration

The restrictions and impacts of COVID-19 have exacerbated skills shortages across many industry sectors in the Northern Territory and once the borders re-open skilled migration will play a critical role in addressing these critical skill shortages across the Territory.

The Territory has already flagged the need to attract more skilled workers when borders re-open including 400 new health workers for the Centre for National Resilience.

The skilled migration program in Northern Territory has in the past, however, been poorly targeted in addressing critical skill needs with skilled migration aligning more to those occupations that provide a pathway to permanent migration rather than genuine skill needs.

For instance, the *Department of Industry, Tourism and Trade (DITR) 2020-21 Annual Report* shows that accountants have been the number one occupation supported through skilled migration to the Northern Territory accounting for 29 per cent of all skilled migration visas.¹¹ This is despite the fact that accountants are not listed as an occupation in short supply based on the *Northern Territory Skilled Occupation Priority List (NTSOPL)*.¹² Accountants, however, were included in the Australian Government *Migration Occupations in Demand List (MODL)* which includes those occupations that provide a pathway to permanent migration.

Areas such as nursing or computer technicians, which are high priority areas with critical skill shortages in the Northern Territory, accounted for a relatively low proportion of skilled migration in recent years with only 8 per cent of skilled migrants coming to the Northern Territory being nurses and 3 per cent being software engineers based on the *DITR 2020-21 Annual Report*.

Both the Australian and Northern Territory Government are working to better align skilled migration to critical areas of priority and it will be important that the Northern Territory Government continues to work closely with industry in ensuring that the proposed *Northern Territory (NT) Business and Skilled Migration Strategy for 2022- 2027* which is being developed by the Government is better aligned to industry needs and skills in demand.

Given the critical skill shortages across the Northern Territory the Government will need to also significantly increase the intake of skilled migrants and should look to double the intake of independent skilled migrants, compared to 2019 levels, over the next two years.

Increase and better target skilled migration

The Northern Territory Government should look to double the intake of permanent skilled migrants based on 2019 levels and continue to work with industry to ensure that the skilled migration stream is better aligned to the critical skill needs of the economy.

4.3 Increase business migration

The Australian Government provides opportunities for business migrants under *the Business Innovation and Investment Program* with Northern Territory Government having the opportunity to sponsor business migrants in areas of strategic or economic importance to the Territory.

Business migrants invest between \$500,000 to \$15 million in the economy and can qualify for a provisional or permanent business visa where the business:

- creates employment
- increases exports
- increases production
- introduces new or improved technology

¹¹ Department of Industry, Tourism and Trade, 2020-21 Annual Report
https://industry.nt.gov.au/_data/assets/pdf_file/0019/1062226/ditr-annual-report-2020-21.pdf

¹² Department of Industry, Tourism and Trade, 2021 Northern Territory skilled occupation priority list,
https://nt.gov.au/_data/assets/pdf_file/0006/490335/NT-skilled-occupation-priority-list.pdf

- increases competition and commercial activity
- develops links with international markets.

The Northern Territory performs poorly in both sponsoring and attracting business migrants under the business migration schemes despite the exciting investment opportunities in the Territory.

In 2019-20 there were 3,069 visa applications lodged across Australia under the *Business Innovation and Investment Program* (subclass 188) and only 14 of these (less than 0.5 per cent) were in the Northern Territory.¹³

Not one business visa was granted in the Northern Territory under the *Business Innovation and Investment Program* (subclass 188) in the financial year-to-date 2019-20 to 31 March 2020).

The Northern Territory, likewise, had no visa applications under the major investor streams including the *Significant Investor Visa* program (\$5 million investment).

Entrepreneurship and innovation are an increasing focus of business migration schemes and the Northern Territory, likewise, had no applications under the *Entrepreneurship Visa Stream* in 2018-19 or 2019-20.

To highlight the extent of the missed opportunity for the Northern Territory, there have been 2,349 *Significant Investor Visas* granted since November 2012 to 30 June 2020 which have resulted in \$11.75 billion of investment in Australia.

The majority of these business migrants have invested and settled in New South Wales and Victoria and the Northern Territory has struggled to attract its share of business investment despite good investment opportunities in key sectors. Lifestyle factors and a preference by investors to work and live on the Eastern Seaboard are key factors that influence the type and location of business migrant investments rather than investment returns or opportunities *per se*.

While the Northern Territory Government has marketed the investment opportunities in the Northern Territory to migration agents and at investment and migration forums offshore (prior to COVID travel restrictions) these efforts have not resulted in any increase in business migration or investment.

The Northern Territory Government also has the capacity to nominate business migrants under the Business Talent Stream (subclass 132). In 2019-20 it lodged around 10 applications from the 1,246 lodged across Australia but was not successful in having any business visas granted under the Business Talent stream in 2019-20.

While the number of new business migrants that could be attracted into the Northern Territory is relatively low and will not add significantly to the overall population growth they provide the potential for significant economic benefits in terms of establishment of new businesses, inward investment and strengthening trade and bilateral relations.

The Australian Government has recently streamlined the business migration program and doubled the number of business visas available from 6,862 in 2019-20 to 13,500 in 2020-2021, this provides a renewed opportunity for the Northern Territory to secure an increased share of business migrants and investment.

Business migration and investment

The Northern Territory Government should work closely with business sectors especially tourism, resources/ clean energy, agribusiness and commercial property in developing "prospectuses" for business investment in key sectors and actively promoting these to potential investors once the borders re-open. This will require the commitment of dedicated and ongoing resources both onshore and offshore to secure an increase in business migration and investment.

¹³ Department of Home Affairs (2020) <https://www.homeaffairs.gov.au/foi/files/2020/fa-200500111-document-released.PDF>

4.4 Increasing chain migration

The role of families and communities are important in supporting population growth and migration. Overseas migrants hold particular promise for increasing migration arrivals, through the ‘chain’ migration of relatives and friends.¹⁴ It is reported that overseas born residents have higher retention rates, relative to Australian-born residents, for all life stages at between 70 and 80 per cent for early-career, mid-career and pre-retirees and more than 80 per cent for retirees.¹⁵

This indicates that once overseas migrants settle in the Northern Territory, their attachment remains strong throughout their life course.

To support increased ‘chain migration’ the Northern Territory Government should consider providing greater support to multicultural and community groups to sponsor migration of family or friends and if necessary, helping to underwrite the costs associated with sponsoring migrants to the Territory.

This support could include the development of tailored information packs in conjunction with different ethnic communities which outlines employment opportunities, skills recognition processes, visa options as well as accommodation, education and other settlement services.

4.5 Net zero for interstate migrants

It is almost ten years since the Northern Territory had a net inflow of people from interstate with 34 consecutive quarters of negative net interstate migration up to March 2021, with the last quarter of positive net interstate migration recorded in September 2012.

COVID-19 restrictions have provided a brief reprieve from the loss of people interstate with the Northern Territory in 2020-21 on track to record its lowest level of negative net interstate migration since 2012-13.

The increasing job opportunities and exciting developments in the Territory combined with the Territory’s good record in managing the spread of COVID-19 provide an opportunity to more actively promote the opportunities and benefits of living and working in the Northern Territory.

Increased promotion is necessary to raise the awareness of opportunities in Northern Territory given what will be intensifying national and global competition for skilled workers.

In 2020 MigrationNT launched the inaugural *Digital Worker Attraction Campaign* in target markets in Australia and New Zealand to raise the profile of the Territory and promote it as a desirable and attractive place to live and work. The campaign attracted 262,747 views within Australia and 72,363 views in New Zealand.¹⁶

The success of that campaign in raising awareness should be followed with a redoubling of efforts in 2022 once borders fully open, this should include:

- a promotion campaign to attract potential interstate migrants and expatriates targeting Queensland, New South Wales and Victoria which are the main sources of interstate migration into the Northern Territory as well as key markets overseas

¹⁴ Taylor, A. and Carson, D. (2017). *Synthesising Northern Territory Population Research: A report to the Northern Territory Department of the Chief Minister*. Charles Darwin University: Northern Institute

¹⁵ Taylor, A., Dyrting, S. and Shalley, F. (2020). *The Territory and Me Survey Summary: A summary of results*. Charles Darwin University: Northern Institute

¹⁶ *Department of Industry, Tourism and Trade 2020-21 Annual Report*, Northern Territory Government

- complement digital and online campaigns with in-market campaigns including functions and events promoting opportunities for skilled workers and young graduates in the Northern Territory, leveraging on the networks of expatriates from the Northern Territory in key markets
- build a network of “ambassadors” interstate and overseas to help promote the Northern Territory including expatriates, alumni and companies with strong connections and interests in the Northern Territory.

While the Northern Territory will be on track to have very low levels of net interstate migration in 2020-21 it should aim to maintain this record and have net zero interstate migration within five years.

Reduce net interstate migration to zero

The Northern Territory should build on the recent positive results with respect to a slowing of net interstate migration and aim to have net-zero loss of people interstate over the next five years. The Territory should redouble promotional efforts interstate and overseas including existing digital campaigns and complement these with in-market campaigns and events interstate once borders fully re-open, including leveraging networks of expatriates and business “ambassadors” to help promote the Territory.

4.6 Improving liveability, housing affordability and support for families

There are a range of factors impacting on decisions by both individuals and families to migrate to and away from the Northern Territory aside from the local labour market. These factors include but are not limited to crime and security, social services, climate, housing affordability, urban amenity including congestion and outdoor lifestyle.

The Northern Territory Government has made a number of recent investments to improve liveability and address some of the factors that impact on decisions by families on where to live including:

- \$23 million to enhance the Territory lifestyle through investing in safer communities, investing in the bush and regional communities and revitalising Darwin and Alice Springs CBDs.
- \$0.6 million to deliver land for population and industry growth
- \$0.8 million to establish the Territory’s first strategic infrastructure body to help align infrastructure needs to meet future industry demand and population growth.

It will be important for the Territory to continue to invest in those areas that are important to individuals and young families in making their decision to stay and live in the Territory or migrate from interstate or overseas.

Housing affordability especially relative to other States and Territories can be a key factor in impacting on interstate migration. The Northern Territory housing market, like the rest of Australia, has appreciated significantly over the last year and is now approaching the peak prices that were seen in the peak of the market in 2015-16.

The median house price for Greater Darwin increased by 6 per cent in the June Quarter 2021 to \$580,000, which is 21.5 per cent higher than in 2020 and just 7 per cent below the market peak in March 2015.¹⁷

Given recent increases in housing prices, housing affordability has become a major constraint for young families including in the Territory. While the Northern Territory still had the lowest proportion

¹⁷ Real Estate Institute Northern Territory (REINT) data

of income required to meet home loan repayments of all jurisdictions in the June quarter 2021 it also experienced the largest decline in rental affordability in Australia.¹⁸

Measures to maintain or improve housing affordability in the Territory, relative to other States and Territories, will be important in retaining families in the Territory and attracting interstate migrants.

As population increases the Northern Territory Government may need to consider a range of measures to maintain housing affordability including further increasing land supply in line with demand as well as considering the re-introduction of a First Home Buyer Stamp Duty Concessions in line with concessions offered in other States and Territories.

The Northern Territory has traditionally had a strong natural population growth and is the only jurisdiction to record a 10-year average fertility rate (2.03) greater than 2.00. As a result of the uncertainty and economic hardship created by COVID-19, however, the fertility rate in the Northern Territory dropped 1.66 in 2019.

Fertility rates may rebound during the economic recovery post COVID-19 restrictions and to support this rebound it will be important to also increase support for families with young children including the ongoing provision of high quality, affordable child-care and provision of coordinated wrap-around services for those families facing hardships.

4.7 Increase in humanitarian migrants

The Northern Territory has a long history of welcoming humanitarian migrants including those from Africa and other asylum seekers. With the re-opening of borders there is the opportunity for the Territory to increase the intake of humanitarian migrants as well as increase the settlement services offered.

The Northern Territory Government currently works closely with the Commonwealth and Local Governments under the *National Settlement Framework* to plan and deliver supports and services to assist humanitarian migrants to settle.¹⁹

Non-government organisations (NGOs) across the Northern Territory also play an important role in supporting the settlement of humanitarian migrants and asylum seekers.

Service provided include pre-arrival orientation, support with accommodation, childcare, English as a Second Language (ESL), education and training, employment and health and wellbeing support.

To support increased migration the Northern Territory should look to further increase the coordination and provision of settlement services so as to:

- improve employment outcomes for migrants
- increase the retention rate of humanitarian migrants in the Territory
- make the Northern Territory a more attractive destination for migrants
- assist with settlement and capacity building so that migrants can integrate more quickly and contribute to the community and labour force.

4.8 Focus on comparative advantages

The Population Strategy for the Northern Territory is an integral part of the *Economic Development Framework* for the Northern Territory.

¹⁸ Northern Territory Department of Treasury and Finance <https://nteconomy.nt.gov.au/housing>

¹⁹ The National Settlement Framework is a high level blueprint between the Commonwealth, State, Territory and Local Government sectors to coordinate settlement services to migrants

The *Northern Territory Economic Development Framework, Our Economic Future* prioritises five growth sectors for the Northern Territory which align with the key areas of comparative advantage:²⁰

- Tourism
- Defence
- International education and training
- Resources and energy
- Agribusiness.

While the Northern Territory Government had developed strategies and implementation plans in relation to these five growth sectors the impact of COVID-19 meant that many initiatives did not proceed while border closures and restrictions had a significant impact on sectors such as tourism and international education with major shocks to the economy.

As borders re-open the Northern Territory Government will be looking to revise strategies and implementation plans in relation to each of these sectors to help reboot the economy. Migration and population growth will provide a critical underpinning to these plans with the economy facing increasing skill shortages and capability gaps while growth in each sector will generate the jobs to sustain population growth.

While a focus on the five growth sectors will be important for the medium to longer term growth of the Territory the economy will also likely need greater fiscal stimulus in terms of major public infrastructure projects as well as attracting increased private sector investment to reboot employment and population growth.

Tourism

Prior to COVID-19 the Tourism sector in the Northern Territory accounted for \$2.5 billion in expenditure 2018-19 with 1.95 million domestic and international visitors and employed around 17,100 persons directly and indirectly²¹

In the year to June 2021, visitor expenditure in the Northern Territory decreased by 37 per cent to \$1.48 billion as a consequence of COVID-19 and the closure of Australian and international borders. Total visitor numbers was 1.23 million with international visitation to the Northern Territory effectively zero in the year ending June 2021.²² Total employment in the Northern Territory tourism sector fell by around 20 per cent as a result of COVID-19.²³

Despite the decline in visitation, the Northern Territory was able to increase its share of the domestic holiday market from 1.8 per cent in June quarter 2019 to 2.2 per cent in June quarter 2021 as a result of its good management of COVID-19 combined with increased interstate promotion.

Prior to COVID-19 the Northern Territory Government had developed the *Northern Territory Tourism Industry Strategy 2030* which set the direction of tourism in the Territory for the next 10 years.

²⁰ Northern Territory Economic Development Framework (2017). Northern Territory Government <https://edf.nt.gov.au/>

²¹ *Combined Snapshot Year Ending June 2021*. Tourism NT, Department of Industry, Tourism and Trade https://www.tourismnt.com.au/system/files/uploads/files/2021/Combined_snapshot%20YE%20Jun%2021%20vs%2019

²² *ibid*

²³ Economic Contribution of Tourism to the NT 2019-20, Tourism NT

The plan set an ambitious target of between 2.51 million and 3.03 million visitors and growing expenditure to between \$3.01 billion and \$3.67 billion by 2030.

The *Strategy* was set in the face of declining overnight expenditure by tourists and declining tourism numbers prior to COVID-19 especially from key markets such as the United Kingdom, the United States and Germany.

In response to COVID-19 the Northern Territory Government has provided emergency relief to the tourism sector through the \$2 million *Immediate Tourism Resilience Plan* and established a Tourism Rebound Taskforce to provide advice on measures to support the rebound of the sector.

The Northern Territory has managed COVID-19 well and been able to minimise travel and border restrictions and there is an opportunity for the Territory to build on this success in rebounding from COVID-19 restrictions once borders re-open.

Tourism rebound

To support the rebound of the Northern Territory tourism and hospitality sectors it will be important for the Northern Territory Government:

- to carefully balance the easing of restrictions and provide as much certainty as possible to the tourism sector and travellers once borders re-open
- continue to focus on the medium to long term recovery of the tourism sector as outlined in the NT Industry Tourism Strategy 2030, in particular, through:
 - increased investment in assets, products and regions
 - increased marketing and promotion of the Northern Territory's unique destinations and experience, including Aboriginal cultural tourism
 - supporting increased aviation capacity and access.

Defence and space

Defence

The AUKUS trilateral security pact between Australia, the United Kingdom and the United States, announced on 15 September 2021 for the Indo-Pacific region has the potential to yield significant benefits to the Northern Territory and reinforce the Territory's strategic importance to national and regional defence.

AUKUS, while initially focussing on the future submariners, will also include greater technology transfers and cooperation and likely result in increased troop placements in the Northern Territory. There is also likely to be increased ship, submarine and aircraft visits to the Northern Territory along with the need for increased maintenance and support, some of this potentially in the Territory. The increasing strategic focus on the Indo-Pacific will reinforce the important strategic role for the Northern Territory as a northern defence base and outpost.

In addition to the AUKUS pact, Defence has significantly increased investment in developing capabilities in areas such as maritime domain awareness, electronic warfare, intelligence, surveillance and reconnaissance (ISR). This includes major investments in the over horizon radar (Jorn at Jindalee), the MQ-4c Triton Unmanned Aircraft, P-8A Poseidon, the Loyal Wingman Unmanned Aerial Combat Vehicle and the ORCA Extra Large Unmanned Undersea Vehicle and F-35A Joint Strike Fighter. The Northern Territory will play a strategic role as support or Forward Operating Base or training ground for many of these new platforms. This is likely to be complemented by additional US troops being based in the Northern Territory and potentially increased defence systems and ISR assets in the region.

Defence spending in the Northern Territory reached \$2 billion in 2018-19, or 7.6 per cent of GSP, this amount is expected to increase to around \$2.5 billion per annum with planned defence capital investments. Defence has committed to spend \$8 billion between 2016 and 2025 for defence infrastructure and facilities with a total of \$20 billion investment planned over the next 20 years. The Northern Territory Government is also investing \$100 million to develop a Darwin Ship Lift and Marine Industry Park. There are around 5000 uniformed defence personnel and with their families they account for around 9500 people, or 4 per cent of the Northern Territory population.²⁴T

The Northern Territory Government developed the Northern Territory Defence and National Security Strategy 2018 and given the development of the AUKUS pact and other regional developments it is timely to renew the strategy and opportunities for the Territory.

Defence

The Northern Territory should look to update the Northern Territory Defence and National Security Strategy in 2022 in conjunction with the Australian Government and outline new opportunities and investments planned for the Territory especially in light of the repositioning of Australian Defence policy and the signing of the new AUKUS trilateral security pact.

Space sector

The Australian civil and defence space sectors are poised for significant growth in investment and jobs and the Northern Territory is well positioned to play an integral role in contributing to the growth of the sector.

The Australian Civil Space Strategy 2019-2028²⁵ outlined a number of ambitious objectives including to:

- triple the space sector's contribution to GDP to over \$12 billion a year
- create up to an additional 20,000 jobs by 2030
- develop a \$1 billion pipeline of inwards investment between 2019 to 2025
- achieve an annual growth rate of 8.5 per cent.

The space sector is well on track to meet or exceed many of these targets with growth of 8.5 per cent a year, revenue of around \$5 billion in 2018-19 and jobs in the sector of 11,560 and an investment pipeline of in excess of \$2 billion.

The Agency released the Strategy in 2019.²⁶ The Strategy identified seven National Civil Space Priority Areas including:

- Position, Navigation and Timing
- Earth observation
- Communications technologies and services
- Robotics and automation
- Space situational awareness and debris monitoring
- Leapfrog R&D
- Access to space.

²⁴ Northern Territory Government (2021) <https://theterritory.com.au/invest/key-sectors/defence-and-defence-support>

²⁵ Australian Space Agency (2019). *Advancing Space Australian Civil Space Strategy 2019 – 2028*. Canberra: Australian Government.

²⁶ Australian Space Agency (2019a). Op. cit.

The Northern Territory's Space Strategy *Territory Space Industry 2020*²⁷ focuses on those areas that align with the NT's key competitive advantages including:

- space launch and associated launch supply chains
- high altitude pseudo satellites (HAPS)
- ground station systems, and
- downstream space industries such as earth observation, data processing and technology services.

While the Northern Territory has provided strong support for the development of launch facilities in the Territory the majority of the jobs in the space sector will be in downstream activities such as earth observation and application of space data. Earth observation is currently worth \$29 billion to Australia's economy and is particularly important in regional and remote areas of Australia and for key sectors such as agribusiness and resources and energy.

The Northern Territory is also well positioned of capturing a greater share of the defence investment in space technologies with the 2020 Defence Strategic Update, and associated Force Structure Plan, outlining a further \$7 billion in space related infrastructure and services over the next decade

National and international collaboration will be important to harnessing the opportunities in the space sector and the Northern Territory Government is actively pursuing international collaboration and engagement in the south-east Asian region and has signed Memorandum of Understanding (MoU) with the investment arm of Singapore's Defence Science and Technology Agency and Singapore's leading space industry association.

There are also opportunities for the Northern Territory to also strengthen national collaboration with other States and Territories especially from a research and development perspective. Consideration should be given to developing a stronger presence in South Australia at the space hub Lot14 where the Australian Space Agency and a number of national and international space companies are headquartered.

The development of critical skills in the school, VET and higher education sectors should also be a focus of the Northern Territory. The SmartSat CRC recently released a report on skill demands in the space sector which highlights current and emerging skill shortages across almost all 319 space sector skill sets which were identified.²⁸

²⁷ https://industry.nt.gov.au/_data/assets/pdf_file/0006/657051/territory-space-industry

²⁸ SmartSat CRC (2021). *Space Industry Skills Gap Analysis: Technical Report No 9*, SmartSat CRC, Adelaide. <https://smartsatcrc.com/app/uploads/Space-Industry-Skills-Gap-Analysis-Final-Report>.

Space sector

The Northern Territory has strong capabilities in the space sector and while launch activities are important there should be increased focus on downstream opportunities where the majority of the space sector employment will be, including in areas such as Earth Observation, Position Navigation and Timing.

Skills will be critical for the growth of the sector and the development of critical skills in the school, VET and higher education sectors should be a focus of the Northern Territory combined with employer sponsored migration.

There are increasing opportunities with respect to the interface between civil and defence space sectors which the Territory is well positioned to leverage as well as opportunities for increased national and international collaboration.

International education

International education will be a key growth sector for the Northern Territory and has the potential to add significantly to export income and the vibrancy of the Darwin.

Under the *Northern Territory International Education and Training Strategy, 2019-2025* the Northern Territory Government was aiming for a four-fold increase in the number of international students to 10,000 by 2025.²⁹

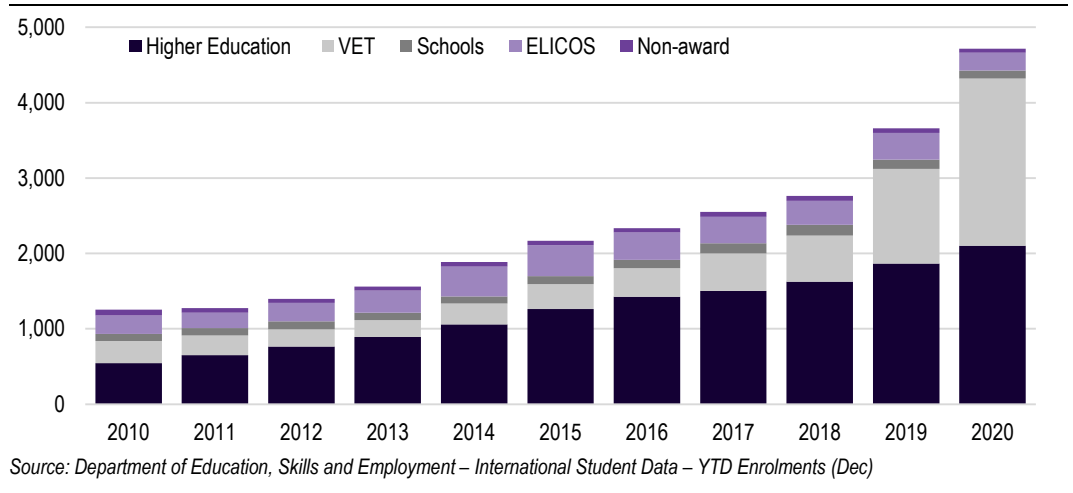
International student numbers in the Northern Territory – while relatively low compared to other jurisdictions – have increased significantly since 2010, and in 2020, there were 4,718 international student enrolments in Northern Territory education and training institutions, an increase of 29 per cent on the previous year (Figure 4.1), given COVID-19 restrictions it is likely that many students in 2020 and 2021 may have been unable to arrive in the Northern Territory, and as a result would have undertaken their course online or decided to defer and cancel their enrolment.

Unlike other States and Territories the vocational education and training sector (VET) accounted for the largest share of total international student enrolments in the Northern Territory in 2020 at 47 per cent of total enrolments. Many of these students were from Nepal and enrolled in private Registered Training Organisations (RTOs).

Over the past two years, the VET sector has been fastest growing education sub-sector for international student enrolments. In 2020, international student enrolments in the Northern Territory for the VET sector recorded a year-on-year increase of 76 per cent. This follows a 105 per cent year-on-year increase between 2018 and 2019.

²⁹ *Northern Territory International Education and Training Strategy, 2019-2025*, Northern Territory Government https://industry.nt.gov.au/_data/assets/pdf_file/0003/229008/international-education-training-strategy

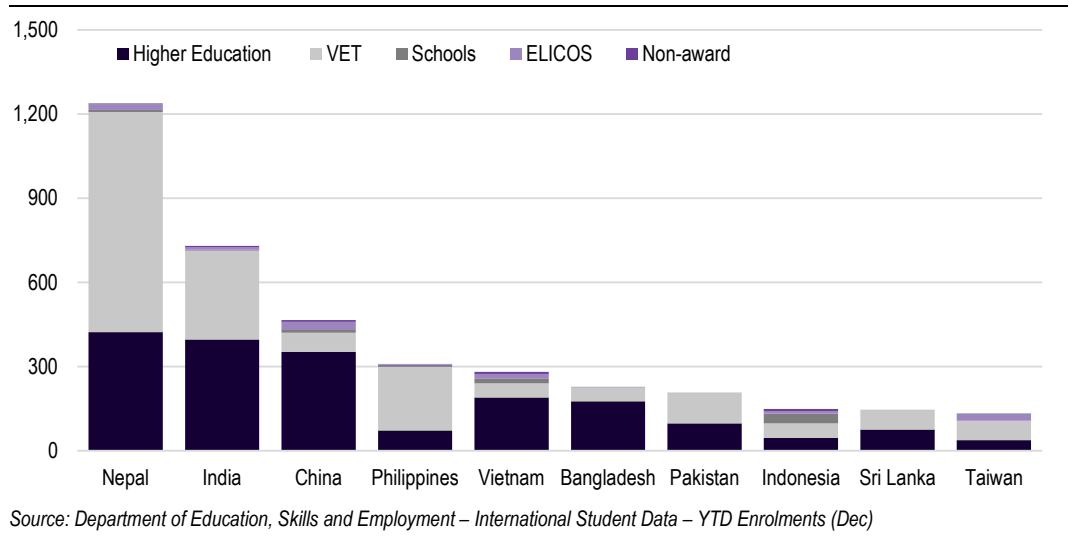
Figure 4.1 Northern Territory – International student enrolments by education sub-sector



The Northern Territory attracts international students from a diverse range of countries primarily in the south-east Asia region and is not heavily exposed to a single market as is the case with some Universities or VET providers.

Figure 4.2 presents the ten largest source markets in 2020 for international student enrolments in the Northern Territory and the breakdown by education sub-sector. The two largest source markets for international students in the Northern Territory are Nepal and India, accounting for 26.2 per cent and 15.5 per cent of total international student enrolments respectively in 2020. The next three largest source markets in 2020 were China (9.9 per cent), Philippines (6.5 per cent) and Vietnam (6 per cent).

Figure 4.2 Northern Territory – Ten largest source markets for total international student enrolments – 2020



The average international student in the Northern Territory spends around \$40,000 per annum including \$17,300 on fees, and \$20,300 on living expenses.³⁰ Rent is the largest expenditure item for weekly living expenses for the average international student, accounting for 39 per cent of total expenditure.

³⁰ Deloitte Access Economics: Economic Contribution of International Education and Training to the Northern Territory (2019)

While the Australian Government has moved to break the nexus between studying in Australia and migration, many international students do transition to a temporary or permanent visa by obtaining work experience in Australia under various skilled migration programs. International students can also work up to 40 hours a fortnight during term time and unlimited time during vacations and provide a valuable source of labour for the tourist, hospitality and other sectors in the Territory.

Key measures under *Northern Territory International Education and Training Strategy* to grow the number of international students to 10,000 by 2025 include:

- delivering a wider range of high quality, Australian qualifications
- bringing together students and employers for work experience opportunities and with the relevant visa, post study employment.
- maximising outcomes for students, Territory communities, families and business
- showcasing the Territory as a study destination
- strengthening and growing the Territory international education and training industry.

In addition to these initiatives the establishment of a new Charles Darwin University (CDU) campus in the Darwin CBD, as part of the \$200 million City Deal with the Australian Government will be an important catalyst to attract more international students and to support CDU in fulfilling its new strategic plan.

The Northern Territory Government has been working to attract international students to Darwin as borders open and in November 2020 delivered a successful pilot plan to return 63 international students from China, Vietnam, Hong Kong, Indonesia and Japan.

Singapore has proven to be a key connecting transit point for flights to Darwin from the five largest source markets for the VET sector of Nepal, India, Philippines, Pakistan and China. As a result, despite the challenges of COVID-19 restrictions many VET students were able to complete their studies on-campus in the Northern Territory.

International education

Despite the setback of COVID-19 restrictions the Northern Territory Government should remain committed to the 10,000 students by 2025 target and further promote the Territory's strong record in managing the health pandemic created by COVID-19 in marketing the Territory as a place to study, live and work. The Government should continue to work with education providers, industry, the community and Australian Government to strengthen the pathways between study and work for international students to support ongoing labour force needs in the Territory.

Resources and energy

The Northern Territory is blessed with an abundance of mineral, energy and renewable resources with the resource and energy sector accounting for around 27.9 per cent of the Northern Territory's economic output in 2019-20, valued at \$7.5 billion³¹

The minerals sector is relatively capital intensive and despite accounting for over 25 per cent of GSP only employs around 1.9 per cent of the Territory workforce, in addition a number of workers fly-in-and-fly-out from other jurisdictions reducing the level of local employment.

³¹ Department of Treasury and Finance (2021). <https://nteconomy.nt.gov.au/industry-analysis/mining-and-manufacturing>

There is significant potential for future investment in the sector in the Territory including:

- growth in mining exploration and further development of mineral resources
- further development of the gas sector and positioning the NT as a major gas hub playing a key role in gas as a transition fuel to net zero emissions
- attracting increased investment in renewables and facilitate the development of the Territory as a key renewable hydrogen hub.

The Northern Territory Government's *Gas Strategy* aims to establish Darwin as a world class production, manufacturing and services hub. The Government is implementing the recommendations of the Inquiry into Hydraulic Fracturing in the Northern Territory and investment in commercialising gas reserves will be supported through the Australian Government's \$224 million Beetaloo Basin Plan.

The Territory has embraced an aspirational target of net-zero emissions by 2050 joining over 140 countries that have announced or are considering net zero targets, covering 90% of global emissions³² the *Northern Territory Renewable Hydrogen Strategy* aims to position the Territory as a leader in the transition to renewable hydrogen.

To facilitate increased exploration and investment in the resource sector it will be important for the Northern Territory to adopt best practice legislative and regulatory arrangements which balance investment attraction with community and industry expectations and leading practice environmental management.

While the Northern Territory is seen as having significant resource investment potential its current regulatory and policy settings are not seen as optimal by investors and potentially detract from the Territory's competitive advantage as a place to invest.³³

The Fraser Institute produces rankings of mining jurisdictions across a range of different dimensions. *The Policy Perception Index* is referred by the Fraser Institute as a "report card to governments on the attractiveness of their mining policies". *The Fraser Institute Mineral Potential Index*, on the other hand, reflects industry perceptions of the attractiveness of each jurisdictions' geology: something governments have little control over. When information on the government policy setting is combined with the geology information the overall attractiveness of the jurisdiction as an investment location is determined.³⁴

The most recent Fraser Institute rankings cover 77 national or sub-national jurisdictions, and as can be seen from the information in Table 4.1, the Northern Territory is ranked 14 out of 77 jurisdictions in in terms of mineral potential but 36 out of 77 jurisdictions in terms of its regulatory and policy settings. This compares to a policy ranking of 11/77 for Western Australia and 16/77 for South Australia.

In short, the Fraser Institute rankings indicate that the Northern Territory could improve its attractiveness as a place to invest by reviewing its current minerals legislative and regulatory framework and building a stronger social licence for resource investment.

The fly-in-fly-out (FIFO) operations for many of the major resource and energy projects in the Territory has also diminished local employment opportunities and population growth in the Territory. The predominance of FIFO operations is due in part to the lack of local skills as well as lifestyle choices of many workers.

³² Climate Action Tracker, number of countries as of 2 November 2021, <https://climateactiontracker.org/global/cat-net-zero-target-evaluations/>

³³ See latest survey of mining companies in Fraser Institute Annual Survey of Mining Companies 2020

³⁴ Fraser Institute Annual Survey of Mining Companies 2020

Building local skills and capability in the resources and energy sectors and seeking stronger commitments from project proponents to support local workers in the Northern Territory will be important in maximising local employment opportunities and addressing the declining population trends of the Territory.

Table 4.1 Fraser Institute rankings of 77 jurisdictions, 2020

Jurisdiction	Policy perceptions	Mineral potential
	Global rank n=77	Global rank n =77
New South Wales	49/77	21/77
Northern Territory	36/77	14/77
Queensland	29/77	15/77
South Australia	16/77	8/77
Tasmania	25/77	72/77
Victoria	38/77	62/77
Western Australia	11/77	6/77

Source: Fraser Institute Annual Survey of Mining Companies 2020

Resources and energy

Building local skills and capability in the resources and energy sectors and seeking stronger commitments from project proponents to support local workers will be important in maximising opportunities from the pipeline of future projects in the Territory and addressing the declining population trends.

Agribusiness

Agriculture is Australia’s fastest growing sector and second only to mining in terms of its importance to the national economy.

The agriculture, forestry and fishing industry contributed \$649 million to the Northern Territory’s economy and around 2.5 per cent of GSP in 2019-20 and employs around 2,407 people or 1.8 per cent of the Territory workforce.³⁵ Cattle production is the largest component of the Northern Territory’s agriculture sector while fishing and aquaculture has significant potential with investment in new facilities such as Seafarms’ \$1.45 billion Sea Dragon Project.

In 2017, The National Farmers’ Federation announced a vision for Australian agriculture to exceed a farm gate value of \$100 billion by 2030. For the Northern Territory this would mean a growth in the agricultural sector to around \$1 billion by 2030.

ACIL Allen has analysed what the key drivers and measures are that would likely contribute to this growth, including:³⁶

- better adoption of technology and use of data
- increased investment in off-farm R&D

³⁵ Department of Treasury and Finance (2021). <https://nteconomy.nt.gov.au/industry-analysis/agriculture,-forestry-and-fishing>

³⁶ ACIL Allen (2019). *Agriculture – a \$100 billion sector by 2030* a report for AgriFutures Australia https://acilallen.com.au/uploads/projects/169/ACILAllen_AgriFutures_2019-1566966143

- increased investment in off-farm infrastructure
- improving market access and market development
- managing climate change and water availability
- investment in biosecurity
- responding to changing consumer preferences.

As has been seen as a result of COVID-19 restrictions shortages of skilled labour will potentially be a major constraint in the sector reaching its full potential.

Agribusiness

Investing in skills and building local capability, supplemented by increased migration, will be critical to the agriculture sector in the Northern Territory growing to be a \$1 billion sector by 2030.

4.9 Infrastructure investment

Increasing public and private investment in infrastructure will be critical in underpinning employment, economic and population growth in the Territory. Population growth will also generate increased demand for housing, services and public and private infrastructure.

In the past the Northern Territory has been buoyed by a range of major projects, such as the Ichthys LNG Project. Going forward it will be important to have sustained private sector investment across a range of sectors where the Territory has a strong comparative advantage so as not to be reliant on one or two major projects and to help better stabilise fluctuations in the Northern Territory economy.

It is estimated the Northern Territory has \$11.6 billion in committed major projects and \$36.2 billion in planned/proposed major projects.³⁷ Major government-funded projects underway and scheduled include:³⁸

- continuation of the remote housing investment package (\$1.1 billion), with a further \$500 million co-contribution from the Australian Government
- Darwin ship lift and marine industry project (\$400 million)
- Darwin City Deal (\$200 million)
- Alice Springs CBD revitalisation (\$20 million)
- Darwin youth justice centre (\$64 million)
- Mandorah marine facility (\$50 million)

In 2019-20, public investment decreased by 18.2 per cent to \$1.4 billion, despite delays in the construction of major projects as a result of COVID-19 restrictions.

Going forward, increased spending on defence infrastructure will be a key component of the future pipeline of public infrastructure investment in the Territory with \$20 billion of investment planned over the next 20 years.

The Northern Territory will become a key defence and national security hub and centre for maintaining and sustaining defence facilities and assets deployed to the region. It will be important to maximise the opportunities for local employment by building the capacity and capability of local

³⁷ 2021-22 NT Budget: Northern Territory Economy (p.17)

³⁸ 2021-22 NT Budget: Northern Territory Economy (p.25)

construction and contracting businesses and providing opportunities for firms to respond to the future investment opportunities by Defence.

A recent \$107.8 million contract for works at Delamere Air Weapon Range highlights the opportunities stemming from defence infrastructure, with 150 jobs supported during the project's construction phase and 80 per cent of the sub-contracted work expected to go to local industry.³⁹

Major private investment projects underway and scheduled include:⁴⁰

- Sun Cable Australia ASEAN Power Link (\$26 billion)
- Mount Peake project and metals processing facility (\$236 million)
- Jervois base metal project (\$200 million)
- Ammaroo phosphate project (\$1.4 billion)
- Project Sea Dragon (\$2.1 billion)

As part of the response to the final report of the Territory Economic Reconstruction Commission (TERC), the Territory Government established two key roles, the Major Projects Commissioner and Investment Commissioner, to strengthen and lead the government's strategy for increasing private investment. In April 2021, Infrastructure NT was established to work closely with Infrastructure Australia and to have the role of planning, coordinating and aligning infrastructure needs with industry and population growth.

The extension of the Northern Australia Infrastructure Facility (NAIF) until 2026 and amendments to its eligibility criteria and processes to be more aligned with its policy objectives will help to ensure major projects in the Northern Territory are successful in securing the required level of funding to reach a final investment decision.

Infrastructure

Maintaining a strong pipeline of public and private infrastructure investment across key sectors will be important in underpinning employment, economic growth and future population growth in the Territory. Population growth, while providing the skills required for much of this investment, will also need to be supported by increased public and private investment in supporting infrastructure.

³⁹ <https://www.minister.defence.gov.au/minister/melissa-price/media-releases/100-million-construction-contract-win-nt-defence-industry>

⁴⁰ Northern Territory Infrastructure Plan (2021)

Appendices

Modelling assumptions

A

Table A.1 Key assumptions under Base Case and High Growth Scenarios

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Base Case Scenario											
Start population	246,223	247,023	247,679	248,339	248,999	249,661	250,326	250,993	251,660	252,331	253,002
– Births	3,264	3,640	3,678	3,717	3,759	3,803	3,851	3,885	3,905	3,927	3,950
– Deaths	1,321	1,279	1,303	1,327	1,349	1,372	1,394	1,416	1,438	1,459	1,481
Natural increase	1,944	2,361	2,375	2,390	2,410	2,431	2,457	2,469	2,467	2,468	2,469
– Net overseas migration	-307	350	350	336	322	304	280	208	204	214	214
– Net interstate migration	-837	-2,055	-2,065	-2,065	-2,070	-2,070	-2,070	-2,010	-2,000	-2,010	-2,010
Total migration	-1,144	-1,705	-1,715	-1,729	-1,748	-1,766	-1,790	-1,802	-1,796	-1,796	-1,796
Total growth	800	656	660	661	662	665	667	667	671	672	673
End population	247,023	247,679	248,339	248,999	249,661	250,326	250,993	251,660	252,331	253,002	253,675
High Growth Scenario											
Start population	246,223	247,023	249,910	253,532	257,170	261,017	264,903	268,800	272,708	276,614	280,521
– Births	3,264	3,640	3,678	3,717	3,759	3,803	3,851	3,885	3,905	3,927	3,950
– Deaths	1,321	1,279	1,303	1,327	1,349	1,372	1,394	1,416	1,438	1,459	1,481
Natural increase	1,944	2,361	2,375	2,390	2,410	2,431	2,457	2,469	2,467	2,468	2,469
– Net overseas migration	-307	2,526	2,547	2,548	2,537	2,555	2,539	2,539	2,539	2,539	2,539
– Net interstate migration	-837	-2,000	-1,300	-1,300	-1,100	-1,100	-1,100	-1,100	-1,100	-1,100	-1,100
Total migration	-1,144	526	1,247	1,248	1,437	1,455	1,439	1,439	1,439	1,439	1,439
Total growth	800	2,887	3,622	3,638	3,847	3,886	3,896	3,908	3,906	3,907	3,908
End population	247,023	249,910	253,532	257,170	261,017	264,903	268,800	272,708	276,614	280,521	284,429

Note. Year is financial year ending June.

Source: ACIL Allen based on ABS data and assumptions.

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