

Part 2

# Community Service Obligations



# Community Service Obligations

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

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

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

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

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

CSO payments are provided to the GBD or GOC by the 'purchasing' agency. Territory Government CSO payments for 2008-09 and 2009-10 are listed by purchasing agency and presented in the following table, with a subsequent discussion on CSOs and their key components.

**Community Service Obligations**

PURCHASING AGENCY/Provider/Description	2008-09 Estimate	2009-10 Budget
	\$000	\$000
<b>NORTHERN TERRITORY TREASURY</b>	<b>55 871</b>	<b>58 046</b>
<b>Power and Water Corporation</b>		
Gazetted Tariffs	55 871	58 046
<b>DEPARTMENT OF PLANNING AND INFRASTRUCTURE</b>	<b>3 606</b>	<b>2 306</b>
<b>Darwin Port Corporation</b>		
Small Craft Services (Marine Industry Support)	1 580	280
Cruise and Defence (Wharf Precinct)	1 546	1 546
Tourism and Real Estate (Wharf Precinct)	480	480
<b>DEPARTMENT OF HEALTH AND FAMILIES</b>	<b>5 193</b>	<b>7 338</b>
<b>Power and Water Corporation</b>		
Pensioner Concession Scheme	5 193	7 338
<b>TOURISM NT</b>	<b>833</b>	<b>902</b>
<b>Territory Discoveries</b>		
Tourism Marketing	833	902
<b>DEPARTMENT OF NATURAL RESOURCES, ENVIRONMENT, THE ARTS AND SPORT</b>	<b>7 915</b>	<b>7 915</b>
<b>Territory Wildlife Parks</b>		
Territory Wildlife Park - Tourism <sup>1</sup>	4 033	4 033
Territory Wildlife Park - Threatened Species	475	475
Territory Wildlife Park - Education	222	222
Alice Springs Desert Park - Tourism	2 147	2 147
Alice Springs Desert Park - Threatened Species	118	118
Alice Springs Desert Park - Education	277	277
Alice Springs Desert Park - Botanic Gardens	643	643
<b>DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING</b>	<b>781</b>	<b>1 034</b>
<b>NT Home Ownership</b>		
Home Ownership Incentives	781	1 034
<b>TOTAL</b>	<b>74 199</b>	<b>77 541</b>

<sup>1</sup> This CSO is in the process of being reviewed, with an outcome expected early 2009-10

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

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

Treasury CSO funding for gazetted tariffs in urban areas is budgeted to be \$58 million in 2009-10.

In addition to the CSO provided in urban areas, the Territory also subsidises utilities services in remote areas through the Indigenous Essential Services (IES) grant. In 2009-10, the IES grant comprises \$67 million.

The Power and Water Corporation also receives CSO payments to fund subsidised electricity, water and sewerage tariffs for pensioners under the Department of Health and Families' Pensioner Concession Scheme (\$7.34 million in 2009-10).

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

It is estimated that a total of \$2.3 million in CSOs will be paid to DPC in 2009-10.

Tourism NT provides Territory Discoveries, the Territory Government-owned tourism product wholesaler, with CSO payments to fund net costs incurred by the Northern Territory Holiday Centre in Alice Springs, specific shoulder season campaigns which assist in promoting the Territory as a year-round tourist destination, and the inclusion of small tourism operators in its reservation system (\$0.9 million in 2009-10).

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

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

A total of \$7.9 million in CSOs have been estimated for Territory Wildlife Parks in 2009-10. The tourism CSO for the Territory Wildlife Park at Berry Springs is currently under review.

Previously, the Department of Local Government and Housing (DLGH) was the host agency to the GBD Territory Housing. Territory Housing was a commercial entity and managed the Government's employee housing program, provided public housing in largely urban areas and managed the home ownership function. However, the Commonwealth and the Territory Government have recently provided Territory Housing with significant levels of additional funding for the provision of houses in remote areas, and it is now more appropriate that the majority of Territory Housing becomes a general agency. As such, the general government elements of Territory Housing have been incorporated into DLGH, with the home ownership function to remain as a new GBD 'NT Home Ownership'. NT Home Ownership provides incentives for people with medium to low incomes to purchase their own home, thus increasing home ownership in the Territory.

It is estimated that a total of \$1 million in CSO funding will be paid for this service in 2009-10.