NORTHERN TERRITORY GRANT (SPECIAL ASSISTANCE) BILL 1983

Date Introduced: 5 October 1983
House: House of Representatives
Presented by: Hon. C.J. Hurford, M.P., Minister for Housing and Construction and Minister Assisting the Treasurer

Short Digest of Bill

Purpose

To appropriate funds out of Consolidated Revenue for the payment of a special grant of $16.9 million to the Northern Territory in 1983-84.

Background

Under the terms of the 1978 Memorandum of Understanding in Respect of Financial Arrangements between the Commonwealth and a Self-Governing Northern Territory, the Northern Territory was granted eligibility to apply for special assistance, on the recommendation of the Commonwealth Grants Commission, on the same basis as claimant States. A special grant represents financial assistance from the Commonwealth which enables a claimant State or the Northern Territory, by reasonable fiscal effort, to function at a standard not appreciably below the standards of other States.

The provision of special assistance would therefore be based upon a comparison of the Northern Territory's fiscal capacity with that of the standard States. It would not necessarily ensure that total Commonwealth assistance to the Territory was at a level commensurate with historical funding levels. It was therefore agreed that, during a six year transition period from 1979-80 to 1984-85, the Commonwealth would provide an additional assistance grant in each year on condition that such a grant would not be payable in any year in which a special grant were recommended which exceeded the additional grant otherwise payable. The details of these arrangements are set out in clauses 27 to 33 of the Memorandum of Understanding.

Under the terms of the Memorandum it was agreed that, unless replaced by a special grant, an additional assistance grant of $20 million would be paid in each of the
years 1979-80 to 1981-82, decreasing thereafter in steps of $5 million in each of the following three years before terminating in 1985-86.

Although a claimant State or Territory may apply for special assistance in respect of a particular year, the Commonwealth Grants Commission does not make its recommendation until the second year after the end of the year in question. The claimant State may request the provision of an advance grant in the particular year and, if this is done, a completion grant (which might be positive or negative) is normally paid upon receipt of the Commission's recommendation. In deciding whether a special grant or an additional grant will be paid to the Northern Territory in any year, the magnitude of the additional grant is compared with the magnitude of any completion grant in that year (in respect of a claim for a previous year) plus any advance grant paid in respect of the current year. To date, the Northern Territory has not requested the payment of an advance grant and has always received the additional assistance grant rather than a special grant.

In 1983-84, however, the Commission has recommended the payment of a special assistance grant of $16.9 million, payable in respect of a 1981-82 claim, which exceeds the $10 million additional assistance which would otherwise have been paid. It should be noted that, in assessing the need for special assistance, the Commission is precluded by clause 32 of the Memorandum of Understanding from taking into account the amount of additional assistance actually paid to the Northern Territory in the year in respect of which a claim is being made.

Main Provisions

Clause 3 of the Bill authorises the payment of $16.9 million to the Northern Territory for the year 1983-84, paid in such amounts and at such times as the Treasurer approves.

Clause 4 makes the necessary appropriation from the Consolidated Revenue Fund.

For further information, if required, contact:

25 October 1983
Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE
References

1. Payments to or for the States, the Northern Territory and Local Government Authorities. 1983-84 Budget Paper No.7 p.79.