Table 8.3 Earnings before interest and tax[1]

	2015-16 Actual $ million	2016-17 Budget $ million	2016-17 Est. Act. $ million	2017-18 Budget $ million	2018-19 Projection $ million	2019-20 Projection $ million	2020-21 Projection $ million
Electricity Networks	2,573	2,533	2,823	2,064	1,933	1,941	1,869
Electricity Generation	382	482	892	1,070	858	750	564
Rail	447	409	354	291	335	371	379
Ports	218	212	191	188	212	227	232
Water	352	409	452	438	482	460	483
Other	(59)	13	19	1	(8)	(10)	(10)
Total PNFC sector earnings before interest and tax	**3,913**	**4,059**	**4,731**	**4,053**	**3,811**	**3,739**	**3,517**

Note:

1. Numbers may not add due to rounding and bracketed numbers represent negative amounts.

8.2.2 Borrowings

Entities in the PNFC Sector utilise debt financing as a source of funds for asset renewal and capital investments, and to maintain an optimum capital structure.

PNFC Sector entities are required to take a prudent and sound approach to the management of debt, including the establishment of borrowing arrangements which are appropriate to the business risk of the organisation. These arrangements take into account the appropriateness of the proposed capital expenditure program, together with the implications of the borrowings for key financial and performance related indicators.

Total forecast PNFC Sector borrowings for 2016-17 are estimated to be $39.165 billion. Forecast borrowings are expected to increase to $39.904 billion by 2020-21, primarily driven by increases in the rail and electricity network businesses, while partially offset by reductions in the electricity generation businesses' borrowings (see Table 8.4).

The electricity network borrowings are forecast to increase over the forward estimates in line with growth in the regulated asset base.

Debt sourced from QTC is forecast to remain constant for Stanwell, and to reduce for CS Energy over the forward estimates, as it applies its higher earnings to reduce debt levels to more closely align with its peers.

Borrowings attributable to the generators are higher in 2016-17 and 2017-18, reflecting the unrealised market value effect of forward contracts entered into prior to the upward change in market conditions. This adjustment presents as borrowings under the Uniform Presentation Framework. These forward contracts are entered into at rates prevailing in the market at the time and provide revenue certainty to the generators. The liability will reverse as these contracts unwind in subsequent years with no impact on the earnings of the generators.

8.2 Finances and Performance

8.2.1 Earnings Before Interest and Tax

Total forecast PNFC Sector earnings before interest and tax (EBIT) for 2017-18 are estimated to be $4.476 billion, up from $4.053 billion forecast at the time of the 2017-18 State Budget. This increase is primarily due to increases in the electricity network and electricity generation sectors, driven in part by favourable wholesale energy market conditions, higher than budgeted regulated revenue collections, and operational business and procurement savings.

Over the forward estimates, total PNFC Sector EBIT is expected to decrease to $3.621 billion in 2021-22. Relative to 2016-17, EBIT in the energy sector (networks and generation) is estimated to fall by almost 30 per cent by 2018-19 and 38 per cent by 2021-22.

The decrease in electricity generation EBIT over the forward estimates is primarily driven by forecast reductions in wholesale generation revenues as new renewable entrants enter the wholesale market, adding increased competition.

Electricity network EBIT drops from $2.331 billion in 2017-18 to $1.899 billion in 2018-19 in line with a declining forecast of regulated revenue collections. Similarly, movement in electricity network EBIT over the forward estimates is influenced by forecasts of regulated revenue collections for the network businesses.

Water sector EBIT is expected to reach $573 million in 2019-20, largely reflecting the upwards trend associated with the SEQ bulk water price path. Water sector EBIT is revised downwards from 2020-21 in recognition of the increased spend by SunWater associated with dam safety upgrades.

Port sector EBIT is expected to trend steadily upwards over the forward estimates, driven by increased activity and forecast increased tonnage volumes.

Table 8.1 Earnings before interest and tax[1]

	2016-17 Actual $ million	2017-18 Budget $ million	2017-18 Est. Act. $ million	2018-19 Budget $ million	2019-20 Projection $ million	2020-21 Projection $ million	2021-22 Projection $ million
Electricity Networks	2,888	2,064	2,331	1,899	1,914	1,937	1,965
Electricity Generation	1,241	1,070	1,230	1,009	804	695	598
Rail	328	291	304	325	326	365	389
Ports	206	188	178	203	248	251	266
Water	470	438	477	556	573	540	414
Other	36	1	(44)	(16)	(10)	(11)	(10)
Total PNFC Sector	**5,169**	**4,053**	**4,476**	**3,976**	**3,855**	**3,777**	**3,621**

Note:

1. Numbers may not add due to rounding and bracketed numbers represent negative amounts.

Table 8.1 Earnings before interest and tax[1]

	2017-18 Actual $ million	2018-19 Budget $ million	2018-19 Est. Act. $ million	2019-20 Budget $ million	2020-21 Projection $ million	2021-22 Projection $ million	2022-23 Projection $ million
Electricity Networks	2,198	1,899	1,991	1,850	1,443	1,592	1,648
Electricity Generation	1,194	1,009	1,442	830	661	551	722
Rail	323	325	301	244	278	305	305
Ports	191	203	202	212	236	242	260
Water	499	556	562	571	586	419	403
Other[2]	21	(16)	2	(34)	(30)	(32)	(33)
Total PNFC Sector	**4,425**	**3,976**	**4,501**	**3,672**	**3,174**	**3,077**	**3,305**

Notes:

1. Numbers may not add due to rounding and bracketed numbers represent negative amounts. GOC savings targets are not included as allocations across the GOCs are yet to be determined.
2. Includes other public corporations.

8.2.2 Borrowings

Entities in the PNFC Sector utilise debt financing as a source of funds for asset renewal and capital investments, and to maintain an optimum capital structure.

PNFC Sector entities are required to take a prudent and sound approach to the management of debt, including the establishment of borrowing arrangements which are appropriate to the business risk of the organisation. These arrangements consider the appropriateness of the proposed capital expenditure program, together with the implications of the borrowings for key financial and performance related indicators.

Total forecast PNFC Sector borrowings for 2018-19 are estimated to be $38.757 billion. Forecast borrowings are expected to increase to $41.042 billion by 2022-23. The increase in borrowings over the forward estimates is primarily driven by the electricity network and rail businesses.

Electricity network borrowings are forecast to increase over the forward estimates in line with growth in the regulated asset base. Rail sector borrowings are expected to increase in line with the Queensland Rail capital program.

Port sector borrowings are forecast to increase to $1.193 billion by 2022-23. The increase in borrowing is to fund new capital works and infrastructure projects primarily at the Port of Townsville and Ports North.

Borrowings in the water sector are largely attributable to Seqwater, which currently holds $9.425 billion of debt. The debt balance was the result of the large investment in water infrastructure in response to the Millennium Drought and the associated price path. Seqwater's forecast borrowings reduce across the forward estimates.