

Estimates Committee 2013
Questions Taken On Notice

(18/06/2013 to 27/06/2013)

Date: 18/06/2013

Output:

Sub Output:

Subject: Cost efficiencies: Power and Water

From:Ms Delia Lawrie to Treasurer David Tollner
Department of Treasury and Finance

2-6

Question:

In dollar terms how much is the 3% of the weighted average return equal to meet the price of power to meet the cost of power. What does the 3% mean in dollar terms?

Answer:

Answered On: 25/06/2013



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Registration No.:
Responsible Minister:
Responsible Agency:

QUESTION ON NOTICE

FROM: Opposition Leader
TO: Treasurer

Question 2.6

In dollar terms how much is the 3% of the weighted average return equal to meet the price of power to meet the cost of power. What does the 3% mean in dollar terms.

ANSWER

Economic – Economic Services:

The pre tax rate of return on capital employed is the standard indicator of a government owned corporation's financial performance. This is measured by the corporation's earnings before interest and taxes (EBIT) as a percentage of the current value of the total capital employed by that corporation.

As identified in the 2013-14 Budget, the revised tariff structure, together with efficiencies identified by the PWC Board are expected to achieve around half the improvement required to achieve the target rate of return for PWC of around 6 per cent as shown in the table below.

		2013-14	2014-15	2015-16	2016-17
Current return on capital employed	%	2.8	3.1	3.1	2.8
(as per 2013-14 SCI)					
Improvement in EBIT required to meet 6 per cent target	\$M	112	109	115	135

Improvements in financial performance, necessary to increase PWC's rate of return, can be implemented through revenue initiatives, operating cost reductions, reduced capital expenditure, or a combination of these. The PWC Board is required to develop further financial improvement measures to achieve commercial rates of return on capital employed, and it is expected that the improvements will largely be generated through implementation of a range of operational efficiencies.