



Australian Government

Department of Foreign Affairs and Trade

WASHINGTON GOVERNANCE BOARD OPO PAPER	Meeting:	No.23, 16 March 2023
	Agenda Item:	3.1
	Subject:	Project Financial Report
	Paper Type:	For Noting

Executive Summary: This paper provides an update on the overall financial status of the project. The forecast total outturn cost of the project is AUD 337.7m **s 47D, s 47E(d)** (including forex impact and tariffs).

The project continues to be impacted by an adverse Forex rate, with losses to date of AUD 25m and a further forecast loss of AUD 2.7m. Losses due to tariffs is now forecast at AUD 5.3m. Combined forecast financial loss (Forex and Tariffs) is AUD 33m. **s 47D, s 47E(d)**

There has been a considerable up-tick in Clark cash-flow against forecast that reflects the increased productivity on site and installation of high-cost items. It is consistent with targeted Partial Use at the end of March 2023 and Substantial Completion **s 47D, s 47E(d)**

Recommendation:

- a) **s 47D, s 47E(d)**
- b) **Note** the tracking of the foreign exchange risk and impact at **Attachment B**
- c) **s 47D, s 47E(d)**

Financial Status: The financial forecast at **Attachment A**, is at 31 January 2023 and includes tariffs and foreign exchange impact, using spot rate 1 AUD to 0.7092 USD, and is summarised in Table 1.

Initial Project Authorisation	Adjustments	Project Authorisation	Committed	Forecast to Complete ¹
\$236.71m	s 47D, s 47E(d)			\$337.7m
Available Contingency				s 47D, s 47E(d)

Table 1. Financial Summary

1. *Exclusive of tenant cost to be recovered.*

Foreign Exchange (Forex) and Tariffs: The project was funded at an exchange rate of AUD to 0.7773 USD. The project has had realised Forex 'losses' of AUD 25m to date and anticipate a further loss of approximately AUD 2.7m. A history of Forex movements and its financial impact is at **Attachment B**.

For tariffs, a total loss of \$5.3m (USD 3.7m) is anticipated. The total Forex and tariff impact for this reporting period is **AUD 33m**.

s 47D, s 47E(d)



Inflation: The project continues to be impacted by inflation through contract variations, applying pressure to the remaining contingency. Rider Levett Bucknall (RLB) has reported that US commercial construction prices have increased 20.1% over the last year. While the works are being delivered under a lump sum contract, any directed changes are exposed to the variability in the market for labour and materials.

RLB modelled inflation of the project at different times during construction and has calculated that to build the same outcome, starting with a lump sum contract today, an additional AUD 35m would be required. As the project has been exposed to changes over time, the escalation on changes is AUD 2.7m.

s 47D, s 47E(d)

Additional IMD
Funding

s 47D, s 47E(d)

ATTACHMENTS

s 47D, s 47E(d)

