

INQUIRY INTO MUSEUMS AND GALLERIES

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Partially
Confidential

Submission to the Upper House Inquiry into museums and galleries in NSW, August 3, 2016.

Submission I: The Powerhouse Museum to Parramatta ‘move’: a critical analysis of the NSW Government’s planning and costing processes. An ‘Omnibus’ submission referring to subjects contained in detailed explanatory submissions, numbers II to VII, which follow.

[Relevant terms of reference: (a) (d) (e) (f) (g) (h)]

Dr LG Sharp

PLEASE CALL ME AS A WITNESS FOR THIS AND OTHER SUBMISSIONS

Please consider this in association with my submission II on those documents which should be required by the Inquiry for tendering from Government, derived from the 43 suppressed reports and minutes noted in FOI papers released in March 2016 to the Sydney Morning Herald.

Key words:

Probable blow-out in project costs up to \$1 billion; suppression of documents and lack of transparency; MAAS Board of Trustees probable dereliction of planning involvement, independence and control; waste of valuable assets; rushed divestment; possible Government underpricing to benefit Developers; lack of Communities consultation in greater western Sydney; destruction of world-class heritage; massive reduction in scale to a site which repeatedly floods; incompetent planning overall; lack of collection move costings (\$100 million +).

Key Points:

- 1) The likely end cost of the project, as a Total Project Cost, in current \$2016 will exceed \$865 million (including low, depreciated valuation of existing fit-for-purpose**

facilities in Ultimo- see [2] following. This figure does not include escalation over 7 years, parking, plant, and a host of other cost headings such as site acquisition/capitalised lease costs: see 'cost headings' below etc.).

2) The waste of existing facilities in Ultimo is at least \$180 million- although this figure does not represent the true existing facility and site value at approximately \$450 million [see later].

3) Government and the MAAS Board of Trustees have known since July, 2015 that the estimated project cost is at least \$450-500 million, despite also knowing that the upper figure for site sale would not exceed \$250 million (their figures- FOI derived). Since Government has maintained that the full cost of the relocated museum will not exceed the site-sale price the NSW Government seems to have misled the public- the project will cost at least 90% more, plus. The MAAS Board has remained silent about this.

4) The relocated museum will be significantly smaller than the present world-class, world heritage quality, majestic spaces in Ultimo and will almost certainly be unable to house and properly present the museum's massive and culturally critical objects

5) The Board has demanded (FOI documents) that the spaces and displays be 'comparable' to present assets. On their figures this is impossible. The Parramatta site is half the size of the present Ultimo site and subject to repeated flooding.

6) No meaningful consultation on what they want and need in a new cultural centre has been made with the communities and general population in Greater Western Sydney. None appears intended. The marketing and business plan is inevitably weakened by this as is the Brand Value of the Powerhouse museum which, confusingly, can never be 'moved'.

7) Without a core 'Vision statement' until December 2015, millions of \$s were spent by Government in response to a shifting 'client' with no defined Brief. FOI documents outline a planning shambles full of planning babble, possible Board dereliction and bureaucracy. MAAS planning appears amateur/hands off. To date no costing of the collections move has been made despite the likelihood that this will exceed \$100 million plus.

8) Over 40 reports and documents paid for by the NSW voters have been suppressed by Government including the 'Vision' statement- why? Cabinet- in-confidence is an excuse/ruse.

9) Rush to divest the existing site: The FOI Minutes describe several possible 'clients' in the sale, ending up with MAAS. This pass-the-parcel/hospital pass illustrates Government's growing awareness that it does not want to be seen, once again, as the

cultural wrecker. So having forced MAAS Trustees to accept the project Government now wants to dodge the inevitable unpopularity of a destructive sale and lease-back.

10) Whichever way you approach it the real cost of this project, including waste of invested capital, will exceed \$600 million, minimum, based on FOI facts. Nearly three times the publicly acknowledged cost. If the Government/Trustees disagree let them show their assumptions and calculations in detail. In addition many costs such as plant, parking, collection move, preparation, handling and new storage etc. are probably underestimated/not included in their figures so as to reduce 'official' costing.

11) Government appears only focused on the potential development profits to be derived from the Ultimo site and in avoiding the true costs of the 'move'- to be worried about by another Government much later on. The rough maths: An 8.2 acre site, approximately, which can facilitate a density of development of about 8 to 10 tower blocks up to 50 stories. In the Ultimo site currently occupied by the Powerhouse Museum we can see an average of 6 units per floor, less ground floor commercial, and thus you have maximum, $49 \times 6 \times 10 = 2940$ units, plus value of commercial ground floor. The profits could be upwards of \$400 million maybe even around \$700 million- after a maximum purchase price of (Government provided FOI figures) \$250 million. Even at a minimum- $49 \times 6 \times 8 = 2352$ unit we are looking at a large windfall profit. A gift to the successful tenderer/ Developer?

12) Fundamental questions: is the project cost in excess of \$600 million fair to the people of NSW? Does that represent good value? Has Government deliberately misled the public about costs? Why have MAAS Trustees apparently remained silent about this? Where do the extra \$350-400 million, minimum, in funds come from? Degree of planning debacle? Why, really, is government so blindly determined?

(For another supportive yet varied view on many of these subjects see Dr Grace Cochrane's Submission II on MASS sustainability and the unique qualities and origins of the 1988 Powerhouse Museum project)

Main Text:

Summary:

The key message of this statement: that the wasteful 'Powerhouse Museum to Parramatta' project is likely to create an up to \$1 Billion avoidable financial and planning disaster for which the people of New South Wales will pay over many years. This despite

the fact that at least sixty per cent of them will be less able to benefit culturally owing to transport issues derived from a less central location. So a project worth over \$600 million, minimum, is clearly unfair to the regions and other city-based taxpayers in Sydney and places like Wollongong and Newcastle. Knocking down high-quality existing facilities in Ultimo wastes infrastructure worth at least \$180 million (more like \$450 million), for no benefit. This fact has not been taken into account by proponents.

Yet most commentators welcome a new cultural facility wanted by the people of Greater Western Sydney which is cost-effective and based on popular demand. Probable final costs of the existing project will be near \$1 billion (no escalation included, see FOI document-based analysis below). If the Government disagrees with this figure let them release all their calculations and assumptions.

The Government has knowingly hidden the true cost from the public. As early as July 2015 it was known that the projected cost was estimated at between \$450 to \$500 million- at least 100% more than publicly acknowledged. Government seems to have consistently misled the people of NSW- possibly the Parliament itself. The facts should be revealed; the Government's secret data analysed independently and reported on.

The project does not appear to be good value, appears poorly managed and is open to many fundamental questions regarding assumptions, business case, costing, project governance and transparency. There has been no effective, broad consultation with communities in western Sydney.

There are other options which may well meet the unquestioned need for a new iconic cultural facility in Parramatta, at much lower cost and far greater acceptability to communities in the west of Sydney [see later Submission].

Whichever way you approach it the real cost of this project, including waste of invested capital, will exceed \$600 million, minimum. Nearly three times the publicly acknowledged cost. If the Government disagrees let them show their assumptions and calculations in detail.

Fundamental questions: is the project cost in excess of \$600 million fair to the people of NSW? Does that represent good value? Has Government deliberately misled the public about costs? Why have MAAS Trustees apparently remained silent about this? Where do the extra \$350-400 million, minimum, in funds come from? To what extent is this a planning debacle? Why, really, is government so blindly determined? Can this represent a favour to Developers?

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Powerhouse Museum founding director 1978-1988; international consultant in USA and Australasia 1988-1996; Director, Royal Ontario Museum 1996-2000 (Canada's 'Smithsonian'); Director, Science Museum Group, London, UK, 2000-2005, which includes the Science Museum, National Media Museum, National Railway Museum, and 'Locomotion' at the birthplace of UK's railways in the north of England.

Class in the Transport Hall - why we do what we do in museums- children are wrapped. Now only 3 education staff are left. In 1988 there was FTE 26. Efficiency Dividend? 800%. Effectiveness? Zero minus.

Introduction:

The Powerhouse Museum to Parramatta 'move':

The following observations consider the basic facts and figures provided for the cost of the proposed Powerhouse Museum 'move' to Parramatta, derived from limited FOI (Freedom of Information) documents released in March, 2016, to the Sydney Morning Herald, and forty years of personal experience in the field of museum management and development.

The Government's planning, consultation and reporting process is exposed as inadequate, misleading, non-transparent and non-collaborative, and not in the best interests of constituents. The publicly available financial costs, such as they are, are then compared with informed calculations that show the government's figures for the move of the Powerhouse Museum and the development of a new museum, as well as the cultural implications for the proposal, are vastly underestimated.

Overview:

The key message of this paper is that the 'Powerhouse Museum to Parramatta' project is likely to create an avoidable financial and planning disaster of up to \$1 billion for which the people of New South Wales will pay over many years, with suboptimal cultural benefit.

The Government has knowingly hidden the true cost from the public. Government and the MAAS Board of Trustees have known since July 2015 that the estimated cost for the move would be at least \$450-500 million, while also knowing that the upper figure for sale of the Ultimo site would not exceed \$250 million. Since Government has maintained that the full cost of the relocated museum will not exceed the site-sale price, the NSW Government seems to have misled the public – the project will cost at least 90% more. The Board has remained silent about this. But many other costs have not been considered, including: waste of existing fit-for-purpose facilities in Ultimo; cost escalation over 7 years, parking, plant, site acquisition/capitalised lease costs. Government seems to have consistently avoided discussing the issue of actual cost in the Parliament.

The proposal to develop a new cultural facility for the people of Greater Western Sydney, which is cost-effective and based on popular local demand and needs as in other NSW centres, is welcome, but not at the financial and cultural cost of totally transporting an existing state institution, such as the Powerhouse Museum, from its long-held current location and context. A very large percentage of NSW people (and other national and international visitors) will be disadvantaged by the move to a less central location of this state museum, as will the Museum in losing them. A project costing a possible \$1 billion is clearly unfair to both other taxpayers in Sydney and NSW regional areas.

The project does not appear to be good value; it appears poorly managed and is open to many fundamental questions regarding business cases, costing, project governance and transparency. There has been no effective, broad consultation with communities in western Sydney. There are other options which may well meet the unquestioned need for a new iconic cultural facility in Parramatta, at much lower cost and far greater acceptability to communities in the west of Sydney.

Some fundamental questions:

Is the project cost in excess of \$600 million and possibly \$1 billion fair to the people of NSW?

Does that represent good value for an equitable museum policy? Where would the extra funds come from? Has Government deliberately misled the public about costs?

Why have MAAS Trustees apparently remained silent about this? Do they know the details?

Part 1: Inadequacies and implications of the NSW Government's planning and development process and decisions

1.1 The NSW Government's approach to planning and development:

It has been a constant observation by many commentators that the NSW Government's approach to many projects and issues is anti-democratic, secretive and misleading. It seems to have an established modus operandi: to take a decision about a major issue, commission consultants to research and write reports that support it, then, having hidden or distorted the facts and costs, or released reports so heavily redacted they are meaningless, proceeded to make final decisions without effective public consultation and without publicly providing accurate and evidence-based costings or business plans. In this case the site for a new museum at Parramatta was decided before any discussion of what that museum might be.

In such a process where planning protocols are broken – also exemplified in the controversial NSW toll road project, WestConnex, the municipal amalgamation scam, and the endangered historic native vegetation debacle – as well as the 'move' of the Powerhouse Museum, this Government appears to rely on several key techniques: mislabelling legislation; misleading textual content and reports; misdirection of public attention; no independently verified, proper, evidence-based accounting; untrue statements in Parliament; hiding real motivation; utilising others to spread their information; and secrecy prior to, and underpinning, drastic action without warning. Most significantly, to this can be added inaccurate project costing. Often this NSW Government hides innocuous, but telling, data under the privilege of 'Cabinet in Confidence'. In the case of this museum project, and unlike the original Powerhouse Museum project over 10 years in the 1980s, all key reports are hidden under this misapplied protocol.

1.2 Governance: clients and managers

As in any major project, for architectural and cultural planning the client, the brief and the close project management processes help determine the core success of a project. For this project, it has not been clear who the client might be – the Museum or Government planning departments – and whether that client has adequate experience to manage the process.

The Trustees themselves asked a key question: did the '[Board of Trustees] have the skills and experience ... to ensure leadership of this important project?' (May 2015 Minutes). Clearly it decided that it did. On the Project Steering Group the Board was apparently represented by a person with acknowledged expertise in commercial property law; another, an academic bureaucrat, was to assist. Neither appears to have attended the first two or three meetings. Thereafter only one appears to have done so. It could be argued that neither seems to have paramount museological experience. That was the sum total of direct Board planning/group engagement detectable in these Minutes. There is evidence that the Trustees have been strong-armed to support the decision, and have been marginalised from much of the process.

If there is a Project sub-committee its minutes have been secreted. Compared with the Project Committee extant during the development phase of the Powerhouse Museum in 1980-1988, chaired by successive Board Presidents on a monthly basis, this represents a seemingly derelict, hands-off approach by the current Board. As well, it may be fair to say that senior Museum leadership as represented in the Minutes and other sources might appear sub-optimal in appropriate experience when facing such a huge and complex museological project with intense political, planning and financial pressures. In his article, (SMH, April 15, 2016), Andrew Taylor notes of the new Director: 'Merrillees says she has done "bits and pieces" including "fairly major" renovations and reconstructions at the Ultimo site: "I'm not unfamiliar with it but I've not built a museum from scratch".' This is worrying within the context of Government's deliberate modus operandi and techniques noted above.

Such relative inexperience at all levels would not normally be permitted in comparable projects overseas. Then again, identification of who the client was and who controlled the creation of, and development from, the 'brief' is entirely muddled. In all, the minutes demonstrate a chimera of planning babble with confusion as to the identity of the client; lack of a definitive brief produced by MAAS/Planning Group; a damaging rush to complete with political pressure; and probable wastage. As well, the main consultants after Root Projects departed appear to be KPMG. It can be asked how experienced museologically were they, their sub-consultants and their own in-house staff?

In May 2014, in fact, following years of declining Government supply of administrative funding provisions and drastic loss of staff, the then Director and President of the Board of Trustees had announced their 2020 strategic plan, which included a Master Plan to be completed by late 2014 to reinforce and expand the Museum's long association with the Ultimo/Darling Harbour cultural and innovation precinct and to 'to articulate the future use of the Museum's buildings and spaces'. The Director consulted with staff, and commissioned architect and engineering consultants to report on using airspace above parts of the Museum to generate funds for development. Treasury consent to this plan was cut short just prior to 'gateway' approval by the Government's subsequent proposal to move the Museum completely.

Moreover, the new proposal demonstrates the almost complete lack of consultation of key target markets – the audiences for the city site as well as the communities of greater western Sydney. This will have inevitably led to a possibly inept Business Plan to be submitted to Cabinet, ignoring questions about the damage to the well-known Powerhouse Museum brand. All such muddled planning is deliberately hidden by a veil of profound secrecy.

1.3 Lack of transparency:

Recently, under FOI provisions, the NSW Government permitted release of partly redacted documents: the Minutes of MAAS Trustees' meetings from December 2014 to December 2015; and

Minutes of the Project Control/Steering Group, 2015. No minutes leading up to the Cabinet decision in 2016 were included. Equally excluded was the textual redaction, or non-inclusion, of critical reports under FOI of which there were more than 27 in number according to the Minutes. Even the original sale of air-rights/restoration of the Powerhouse Museum plan of 2013-2014, expensively paid for by the Museum and practical in implementation, has been withheld. Usually, when such secrecy is applied something serious is being hidden. Often this Government fails to fully inform, or misinforms, those in its own party rooms.

The apparent facts and figures revealed in these FOI Minutes were related by the author to a Trustee at a recent Powerhouse Museum event, and witnessed by another guest. Clearly this Trustee was unaware that the relocated museum would be substantially smaller, much more expensive and profoundly underwhelming in comparison to the present museum and against the picture publicly painted by the Premier. It is probable that this lack of understanding is common to the Board of Trustees. If not, then the Board is possibly committing a sin of commission – as opposed to ignorance/omission – and a flagrant dereliction of responsibility which may also include failing to inform stakeholders of the true costs and their implications. This dedicated and hard-working Trustee had no satisfactory recourse to counter arguments based on FOI-derived facts, despite knowing MAAS exceptionally well, and could only plead a case of: 'If you make Government angry they will just dig in their heels again – can't all of us who love the museum just stick together and support the project?'

1.4 A comparison of Museum size and quality:

It is evident in the FOI papers that the question of comparability between the relocated museum in Parramatta and the existing facilities in Ultimo has been a key criterion for the Trustees.

Present spaces: example images:



Transport/ Boiler Hall- a huge space and unequalled volume in Australia- unaffordable today

The Premier has openly claimed that the new museum would be iconic and even the equal of the Smithsonian in the USA (Hansard: 15 March, 2016). Given that the Smithsonian comprises nineteen museums and galleries, this boast can be considered both ignorant and foolish. To approximate a comparison with only one of the major Smithsonian museums on Washington's Mall, such as the Air and Space Museum, a great deal more space would have to be created and money be expended in Parramatta, whereas the existing Ultimo buildings and spaces are already on a comparable scale; one of the reasons they were utilised after direct comparison at the time.

It is also evident that it is profoundly unlikely that the volume of the spaces and the majesty of the existing Powerhouse Museum buildings can be achieved at a cost of the Government-identified figure of \$450 million – or even at a more likely cost of \$1 billion. It is risible that the so-called more 'efficient' new space can be 'comparable' to existing spaces, especially since it is not possible to shrink large objects or condense the surrounding spatial environments required to create appropriate viewing sight-lines. Consider the space required for the Temple of Dendur in the Metropolitan Museum, New York, and then the space for both the Locomotive and Train No 1 and the suspended Catalina flying boat in today's Powerhouse Museum. The position successively outlined in the FOI Minutes appears amateur, ill-informed and delusional.



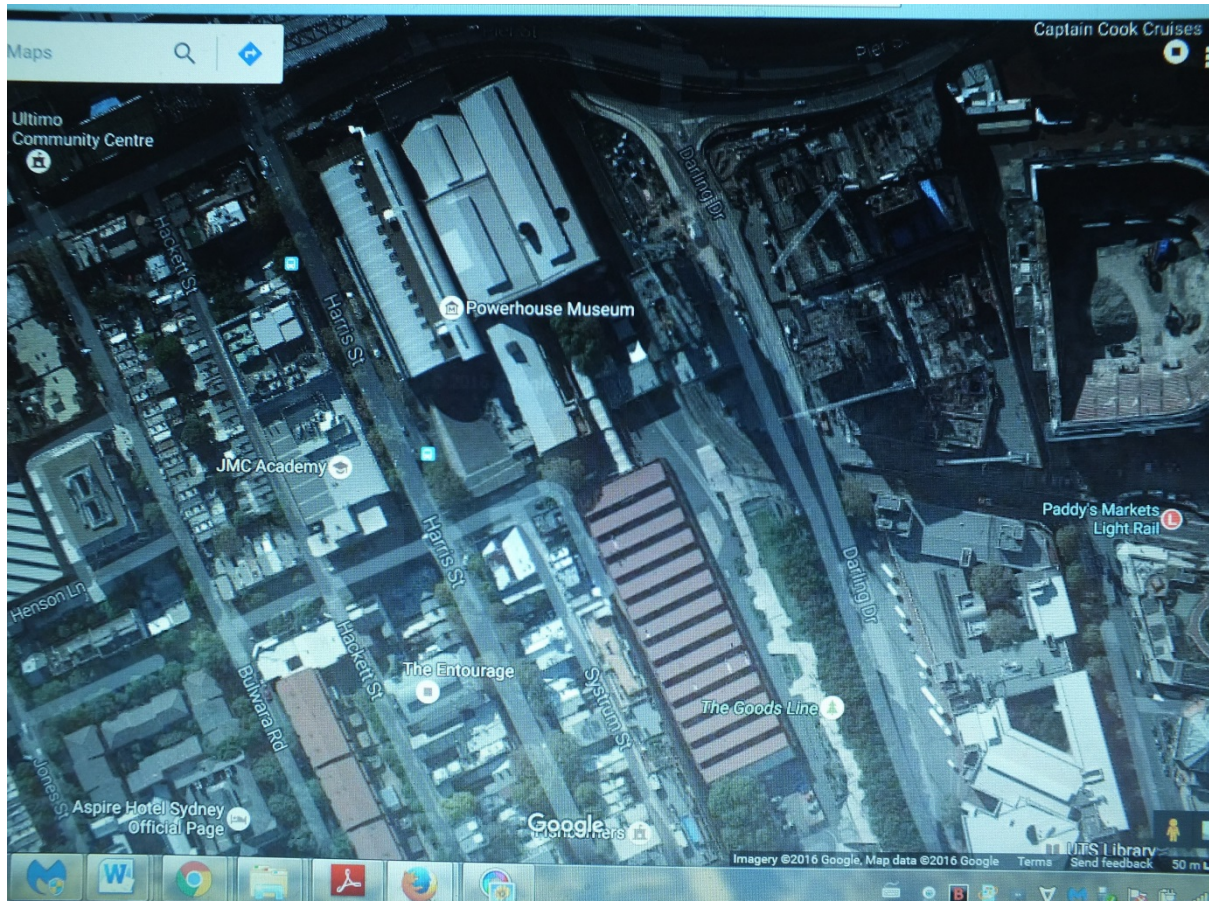
Live steam, historic engine exhibit in majestic space/ original Power Station

There is no doubt that the NSW Government needs a fair and equitable museum plan for the 21st century that supports museums and communities in Western Sydney and regional NSW, as well as landmark museums in Sydney. Parramatta and greater western Sydney deserve a major new, creative, iconic cultural facility, based on wide and deep consultation with the communities who live in Australia's second largest suburban conurbation. But this should not be at the huge and reckless cost likely to be caused by the present proposal which appears appallingly planned, undemocratically secretive and entirely wasteful of our taxes and our heritage. Instead, something uniquely creative, perhaps about NSW migration, multicultural history and those western Sydney communities whose creativity is evident, should be canvassed; something bold, innovative, far more cost-effective and entirely new. A true, fresh destination unlike anything else seen before and certainly not a cut-down, eviscerated, wasteful, expensive, 'moved' Powerhouse Museum.

1.5 Rush to divest the Ultimo site:

One thing which leaps out from the pages of these FOI-released Minutes is the Government's unseemly rush to divest itself of the 'highly valuable' site. It has not been acknowledged that the site's value is not simply financial, but is also profoundly cultural, encompassing deep historical and heritage trends from the later C19th to the early C21st, which are architectural, industrial, social, and recycling/cultural.

The Powerhouse Museum should be the poster child for a regenerated Darling Harbour, maintaining its place in the local Innovation Precinct, and as a record of the remarkable growth in Australia's cultural confidence and self-awareness. These Minutes only recognise one value – money – derived from a site sale for maximum, developer-led, heritage-destructive cash. The undue haste is seemingly caused by Government's haste to irrevocably sell before what may emerge as damning secrets as to cost and process, and its desire to put the issue beyond question.



Powerhouse Museum site 3/8/16 GOOGLE note the large, saw-tooth, red roof of Stage 1/ Harwood Building/Collections store. In total site is approx. 8.25 acres/2.2 hectares +

So having apparently forced MAAS Trustees to accept the project, it seems Government now wants to dodge the inevitable unpopularity of a destructive sale and lease-back. The Minutes describe several possible 'vendor clients' in the sale, ending up with MAAS. This pass-the-parcel/hospital pass/dodgem-car approach illustrates the Government's apparent growing awareness that it does not want to be seen, once again, as the cultural wrecker, following examples such as the process of cutting down hundreds of majestic fig trees to build a Light Rail link.

Part 2: Implications of the NSW Government's inadequate and inaccurate costing of the proposed relocation

2.1. The costing process for museum development:

Costing museum development obviously requires a comprehensive, accurate brief for buildings and exhibits/exhibitions based on agreed values and vision, and a great deal of research and pertinent, up-to-date comparative quantity survey data, to be the basis for contractual agreements and Government or commercial budgeting. To date no such brief for this project has been released by Government. None appears to have been created. Notwithstanding, the project's basic approximate calculations are relatively easy to establish as long as all the headings are there, the boxes filled with appropriate numbers and the arithmetic correctly calculated.

In the case of this project, despite lack of access to the over thirty relevant reports including several quantity survey costings, from the FOI minutes however and from other data, the following facts and reasonable deductions can be outlined.

For any major museum development, the major research and planning headings should include:

cost of site acquisition or lease over an agreed period; cost of constructing appropriate buildings (including site preparation, preliminaries, margins, ESD (Environmentally Sustainable Design) options, professional fees, foundations/structures, plant, specialised equipment, special provisions such as flood remediation, furniture, parking, public space, back-of-house, collection storage and work/materials storage spaces, facilities such as retail, café, and so on) at a reasonable average cost per m2. As well, there is the cost of exhibition facilities, per m2 from 'simple' displays (lit show cases), up to complex, large scale audio-visual, working (e.g. steamed beam-engines) and interactive exhibits, which are the most expensive. Costs have to be allocated to collection moving, handling, storage, recording, digitisation and display preparation, along with specialised secure, air conditioned spaces for objects in storage. Many objects will require specialised conservation treatment prior to handling and moving and extra safe packaging in neutral and acid-free environments.

To this must be added costs for such as IT, digital integration and communication, market research and marketing, recruitment and training of staff, as well as volunteers, specialised consultants and advisers. Also to be included should be every cost directly due to the project, such as the lease back of an existing site after sale – as is proposed. All these costs increase over time so need to be 'escalated' at an agreed rate (often between 4- 5% per annum); see for example, the Interim Review of Australian Construction Market Conditions, 2015. As well, there is usually a contingency applied to the final figure of approximately 8-10%. Any wasted existing, fully functional facilities which will have to be replaced also need to be included: they are a real cost, just as knocking down a perfectly good house to build a McMansion is a real cost to a householder.

To date the Government has received public advice which appears profoundly sub-optimal as the following calculations will establish. As to the private advice only full release of documentation outlined in FOI materials will illuminate the quality of such 'analysis' (see my Submission: II). However, in terms of public media advice, the following egregious comments have been made by Mr Baird's 'Cultural Ambassador for Western Sydney' (Ambassador: surely one does not need a visa and passport to get there as is implied?):

"Elizabeth Ann Macgregor, who is also the director of the Museum of Contemporary Art Australia, says "an awful lot more money" is needed to fix issues at the Powerhouse's site in Ultimo [than 'moving' it?]. Asked what problems were posed by that site, Macgregor says: "Well, the convention

centre shuts it off. It's a victim, dare I say it, of a very bad piece of planning because it doesn't actually open up the museum at all." Macgregor says the proposed relocation of the Powerhouse, part of the Museum of Applied Arts and Sciences would be a "game changer" for western Sydney. "We are actually talking about a rethink and I think everybody accepts that it's a really good moment to do that," she says. "It's a great opportunity to do that with the possibility of a purpose-built building." (Sydney Morning Herald, December 23 2015)

Perhaps these fascinating statements may benefit from some forensic analysis?

How it was possible for Ms McGregor to make assertions about comparative project costs without the detailed research, calculations and project assessment noted above, is a mystery. Especially since a 2014 report to the Board of MAAS Trustees by the then Director clearly demonstrated how such costs might be appropriately covered through sale of air rights. A report suppressed by Government- who one imagines furnished their 'Ambassador' [sic] with this report as background? So, the massive potential costs of 'relocation' would be less than costs already covered by the Museum's renovation plans? How could she know that so as to pronounce with such sweeping confidence? Her professional Ouija board must be light years ahead of other experts'.

Moreover, when looking at such 'game changer[s]' one always undertakes options assessment based on comprehensive research and planning. Unlike Ms McGregor appears to have done in this instance and certainly not as Government then did when deciding to 'move' the museum without any research, providing only 'options' in regard to three sub-optimal sites. Only after that did the shambolic and rear-end backwards 'planning' take place. In addition, Ms McGregor's own professional experience may not fully cover museums with huge objects and huge collections- mainly 3D and often in multi-materials both organic and otherwise- as far as one can tell from her published c.v.

Based on the statement quoted above, arguably Ms McGregor failed to fully comprehend that the current Powerhouse Museum complex is, in effect, a purpose-built facility, part recycled in such a way as to maximise utility beyond normal cost constraints in 1988 and in the present day. Further, the new arrangements for pedestrian access and egress with Darling Harbour are actually better than before, especially in regard to access to Central Station and the new DH facilities. This enhanced access is real; the visual obfuscation of much of Darling Harbour is true of many facilities, while the great increase in units and local population is an opportunity waiting to be tapped.

Also questionable is her assertion she knows what the West needs without undertaking standardised, wide and effective Communities consultation, in a measured, unbiased and professional fashion, as recommended in museological literature. If that is the quality of advice received by Government it perhaps leads credence to the following anonymous comment:

"Site selection and so-called planning? To external professionals it was like [the Government] choosing between dead parrots A and B, a version of the Monty Python sketch. The whole concept had an air of unreality about it- almost as if it was 'amateur night' in a local RSL Club with tone deaf non-professionals singing karaoke. Or a donkey being forced to play the violin- the donkey hates it and the resulting sound is torture....Cultural diplomats, especially from a trendy banana art republic with a nice café but tiny collections, should never break established protocols under which ambassadors do not comment on other countries. It only makes them look ignorant, resembling

Andorra trying to wrestle down the US in the field of nuclear diplomacy... [the planning seems to be]...relying on consultants among whom there are those who, if paid the right amount of money, would happily rebuild a demolished Cahill Expressway as a private tollway on flogged off land, while proclaiming it as independent advice based on sound policy and good value.”

Returning to project costs: establishing broad average costs per m2 is relatively easy – debatable but not extraordinarily so. The basic rules are to cover all the headings, be realistic in such costing and not deliberately underestimate costs. Comparable projects can be helpful to establish base-line data. Inevitably and inexorably such costing exercises, if applied to a given set of numbers, usually reveal gaps and weaknesses especially when applied to a published quantity survey report.

2.2 The Government’s costing evidence: \$450-500 million, and omissions

It appears that originally this project for moving the Powerhouse Museum to Parramatta was supposed to cost only as much as the net value of the sale of the present museum site in Ultimo: cited as \$150 million to \$250 million (from FOI: Project Control Group Minutes, June 2015, ‘Adoption of Previous Minutes- note’). Later, in July 2015, ‘The MAAS board was told in July 2015 that the overall cost of relocating to Parramatta was estimated at \$450 to \$500 million, suggesting a shortfall in funding for the project...’. So, even using their own figures, Government and Trustees have acknowledged a 90-100% blow-out in cost while misleading or not informing the public.

Even so, those calculations are not fully comprehensive and underestimate final costs, in areas such as the following:

Waste of invested and fit-for purpose resources:

The calculations omit the fact that the present site and purpose-built facilities and buildings have substantial monetary value; arguably of around \$180-460 million in replacement costs (not written-down costs) (see 2.3 below). This invested value may exceed the final sale price. Thus, even with a completely freed-up Ultimo site, on the Government’s own figures only \$50-100 million is truly available: all the facilities and buildings will have to be recreated, probably at far greater cost and at smaller size, in a new site or sites. (For depreciated value of existing facilities see MAAS Trustees Annual Report 2014, p.61 @ @\$180 million; this does not reflect replacement value at approximately \$460 million. So this figure is deliberately conservative for non-debatable calculation purposes.)

The new buildings are supposed to be ‘comparable’:

In the Trustees’ Minutes, December, 2015: ‘It was noted that the total square metre envelope...is smaller than the current Powerhouse Museum, but represents a more efficient use of space. It was

agreed that the scale of exhibition and public spaces in the relocated museum should be comparable to those of the current site’.

Apart from the fact that to build such voluminous spaces today (a basic reason for recycling the Powerhouse buildings in the 1980s) would cost hundreds of millions for volume alone, the buildings proposed, at around 30,000 square metres, would cost approximately \$10,000 per sq m (for normal museum volumes) X 30,000 sq m. The Project Steering Committee Minutes, November 2015, notes that it: ‘Endorsed the indicative floor space requirements of 30,000m² exclusive of plant and parking’. This totals \$300 million (plus plant and parking- unquantified). Even if the per m² costs are lower, such as at \$8000 per m², this does not create massive reductions in cost, owing to the project’s size, escalation over construction time and unavoidable complexity.

When this figure has added to it the cost of complex display environments, at approximately \$10,000 per sq m, the 12,000 sq m required would cost approx. \$120 million. This does not take into account many other costs (including moving and rehousing the collections safely), marketing and IT and so on, plus the normal contingency of around 10%. If Government claims it has included these factors, then either the pricing per m² is far below market price or the buildings and displays will be much smaller than the present majestic spaces. It is one or the other. Only by releasing the reports and assumptions underlying them can Government shore up their case.

Delayed costs of collection handling:

Costs of collection handling, to include specialised storage and maintenance facilities – has been systematically delayed and this cost could well exceed \$150 million. This is almost certainly a distinct underestimate for purposes of conservative estimation. As far as one can tell from the minutes, this cost has not been included, not least because it appears it has not yet been calculated. Recently an RFP has been released calling for this work to be done by external consultants.

Lease payments: in Ultimo and for the old DJ’s Car Park site in Parramatta.

If this smaller, more constrained site in Parramatta is leased, alongside other institutions in the ‘Cultural Precinct’, there will be substantial continuing costs owing to lease payments. These should be calculated to produce a reasonable capitalised cost versus the present wholly-owned site and would usually be added to the total project cost. Also, operational logistics of the new museum will be extremely complex, expensive and difficult. Then, if the existing site is divested soon, there is the capitalised cost of leasing back for the seven or so years it will take to complete the project.

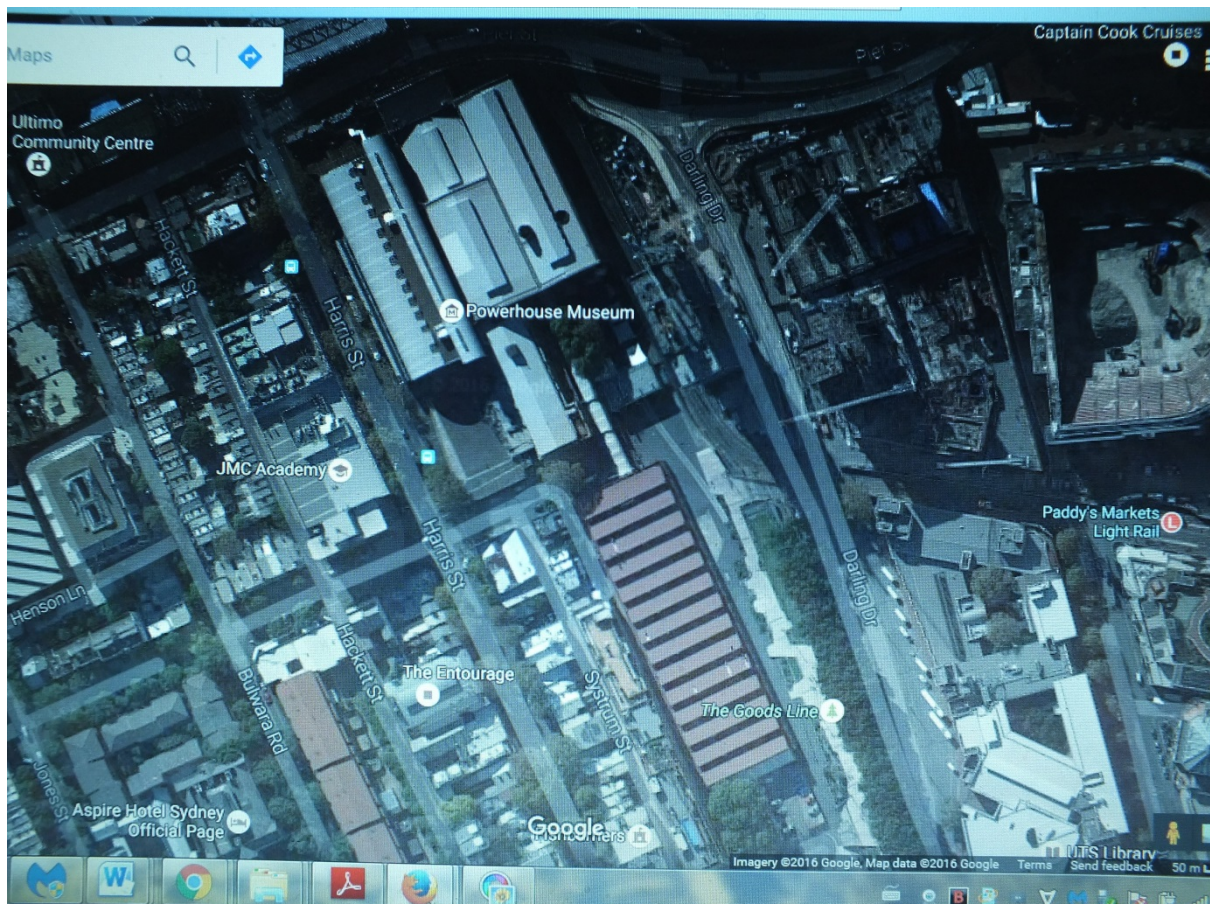
Escalation costs:

For museums, escalation costs often average approx... 4% per annum. Over 7 years that equates to 28% + compounding factor (for comparison see the MCA redevelopment budget from 2008.)

So the capitalised cost to rent the old and new sites should be kept in mind, while the additional cost/risks of a constrained and flood-prone site, and cost escalation, will also impact the museum's budgets, both capital and operational. These considerations will add tens, perhaps hundreds of millions over seven years to the Total Project Cost, which will almost certainly take it near to \$1 Billion in 2016 dollars.

2.3 Replacement value of existing Ultimo site facilities: \$460 million unusable in new site

The Museum buildings have a replacement asset value that is beyond sole financial value: they exist, they are usable, they are in good condition and are appropriate in size and scale for significant parts of the collection – and they have their own historical value. An independent, but informed calculation of asset replacement costs include, on an 8.2 acre site, the following well-maintained, purpose constructed buildings and other facilities:



(Powerhouse Museum site- please ask for an explanation from this witness)

- Powerhouse Museum Boiler Hall (approximately 2000 m² X 21 m high= 42,000 m³, approx. with a smaller mezzanine at the southern end approx. 400 m²);

- Museum Turbine Hall, with three exhibit levels, specialised live steam exhibit zone, education spaces, auditoriums, etc., and massive cubic volume (also up to approximately 20 m high in parts); The 1988 Wran building facing Harris Street with three floors of exhibit and public space; the Administration building and old Post Office;
- The Switch House with café, shop, museum offices and two floors of exhibit space;
- The rear and front courtyards @ 1200m²; and
- Stage 1/Harwood building, the purpose built, ex-tram shed, spread over 12,500 m² approx. on three levels of basement storage space/workshops/conservation labs/ library/photographic facilities/ full equipment fit out for all spaces and extra floor loading, especially sensitive air-con for objects, waterproofed spaces and other specialist facilities.
- A unique sea water heat exchange system for the central a/c plant which is highly cost-effective in operation.

Total gross floor space of existing buildings in Ultimo 30,000 m² plus; total public space of 20,000 m² plus; total exhibit floor area within public space approx. 12,500 m². Floor area is only one measure. VOLUMES are critical for the major exhibition items i.e. massive volumes at least 1/2 of the floor space i.e. 10,000m².'

Estimated replacement value:

- Public cubic volumes for large objects are in excess of 100,000 m³. Replacement value is different to audited, depreciated value of these assets, last stated in the Annual Report Accounts as \$170 million.
- The public, fully fitted out exhibit areas are worth at least 12,000 m² X \$8,000 per m²= \$160 million in respect of exhibit costs, at present 'averaged' per m² for replacement.
- The public building spaces at 20,000 m², especially since the very large display volumes add materially to cost, can be calculated at an average per m² cost of \$10,000 per m², = \$200 million; The balance of the space- mainly back-of-house, is raised beyond regular per m² costs because of the very high specification of Stage 1 facilities- so, 10,000 m² at \$8000 per m² = \$80 million, plus site-wide, non-moveable specialised equipment @ \$20 million = \$100 million total.

Total value of existing facilities which will be unusable in a new site= \$460 million in 2016 dollars.

[This does not include the cost of a full collection move including the large and very sensitive objects. Total number of objects on site= 240,000].

2.4 Alternative museum project costs:

Comparative costs:

The following estimates can be compared with the current cost of the new museum in Western Australia which is reported as 'approximately \$428 [plus] million' (in 2012 dollars); for a smaller,

existing museum site, with many facilities already in place, smaller collection move, and no escalation provision. It should be noted that the WA Museum has no large objects like beam engines, steam trains and suspended planes. By adding great volume the cost issue is compounded: Comparative costs, following on from above the point re: volumes add 10,000m² x \$15,000m², as volumes cost double – So the \$428 million figure becomes \$428m + \$150m = \$578 million - say \$600million + with 4 years escalation, if WA was to have the large volumes required by objects similar to the Powerhouse Museum's transport collection; or powered steam collection items such as the Boulton and Watt Beam Engine..

What would NSW Government costing provide?

Using what is available of the Government's own figures, and experience of other costs, it is possible to make these calculations:

From their Total Project Cost (TPC), their lower indicative TPC in July, 2015 was \$450 million.

Deduct contingency of 10%= \$45 million (uncompounded) = \$405 million.

Deduct escalation over 7 years at 4% [4.05×4 so 4% per annum = $16.2 \times 7 = \$113.4$] approximately \$113.4 (uncompounded and approximate) = \$291.6 million.

Deduct collection handling/storage facilities (min. perhaps \$100 million) = \$191.6 million.

Deduct marketing, training and other costs, say \$30 million= \$161.6 million.

Deduct lease back of present site for seven years (? \$28 million) plus capitalised lease of new site for ten years (? \$28 million), total \$56 million.

Final available funds may be approximately \$105.6 million.

These figures do not include the wastage of existing facilities worth at least \$150 million.

This would provide in both scale and quality a building and exhibitions which are a fragment or a shadow of the existing Powerhouse Museum and its programs. This would mean more, smaller objects might be displayed to compensate, but far fewer of the grand objects such as the Catalina and Train/Locomotive Number 1.

Alternative assessments of total costs:

Only a full survey and QS report will confirm the actual range of cost probability. These documents are not available. Based on previous experience and current research the following calculations are more likely possibilities:

1. One cost calculation would include (in 2016 dollars):

\$200m (wastage/existing investment- absolute minimum)

\$300m (new buildings);

\$120m (displays);

\$150m (collection move and new storage facility);

\$25m (Marketing, IT etc.);

plus 10% contingency on this subtotal of \$795 million @ \$59.5 million.

But these figures do not include estimates for escalation, plant, parking or site acquisition/lease back. And the figures for collection preparation, handling, move, conservation and specialised new storage have been deliberately understated. In reality their costs may well exceed \$400 million.

Total Project Cost could be at least \$854.5 million.

2. Or, costs can be calculated by building up basic cost as (in 2016 dollars):

Taking the lower noted capital cost of \$450 million; (upper range to \$500 million).

Wastage of existing facilities (conservatively) + \$450 million (excluding unquantified plant and car park: Trustees' Minutes July, 2015);

Add new building and exhibit cost for 30,000 sq ms + \$450 million (excluding unquantified plant and car park: Trustees' Minutes July, 2015);

Add moving and new collection storage facilities (conservatively) + \$100 million;

Add IT/Marketing etc. + \$25 million;

Add est. costs e.g. sites' rental, increased capital cost due to site flooding etc+ \$25 million.

Total= \$750 million. Plus 10% contingency @ \$60 million, so:

Total Project Cost = approximately \$810 million (without escalation).

Benefits to Developers:

This project is mainly about the potential development profits to be derived from sale of the Ultimo site and avoiding the true costs of the 'move'- to be worried about by another Government much later on.

The rough maths:

An 8.2 acre site, approximately, which can facilitate a density of development of about 8 to 10 tower blocks up to 50 stories. We know densities are being increased in the massive development arc from the back of Central to Alexandria- as dense as Hong Kong's densest (Elizabeth Farrelly) - and any project over a relatively low figure (\$250 million?) is taken out of SCC hands and given to a Government- controlled administrative body for approval processing.

In the Ultimo site currently occupied by the Powerhouse Museum we can see an average of 6 units per floor, less ground floor commercial, and thus you have maximum, $49 \times 6 \times 10 = 2940$ units, plus value of commercial ground floor. The profits could be upwards of \$400 million maybe even around \$700 million- after a maximum purchase price of (Government provided FOI figures) \$250 million. Even at a minimum- $49 \times 6 \times 8 = 2352$ unit we are looking at a brilliant profit.

The upper 25 floors are especially valuable. With nearly 250 degrees of unencumbered views from SSW to NNE, at two units per floor with top level penthouse units with balconies (upwards of \$12 million each on current market rates- often much more) the figures for gross/net sale are astronomical.

Exact figures depend on conditions at the time of approval, which developers can vary upwards almost at will (e.g. Barangaroo) and which Government's developer friendly approval process can give the nod to. A cunning, 4 years-established system which takes control from SCC and makes the process almost automatic.

A gift to the successful tenderer/ Developer?

Reports are circulating that there are already outline plans for the site completed by more than one potential developer. Given Government's cunning it all appears legal- they quietly set up the machinery to do this over previous years. Facilitation is therefore relatively automatic with minimum intervention.

Conclusion: \$1 billion for a new museum? Or not?

It is clear that close to \$1 billion (in 2016 dollars) is not an unreasonable estimate for the Total Project Cost to move the Powerhouse Museum to Parramatta, for delivery in 2022 or 2023. It is also arguable that the windfall profits to a Developer will exceed \$400 million, up to \$700 million.

It is argued that there are more options that better expand the Powerhouse Museum in its current site, while providing a new cultural facility in Parramatta that meets its own needs while possibly drawing on the resources of a range of central city museums and galleries and at far lower cost, supported by local communities.

Final summary of key facts and figures:

1) Based on informed independent assessments, the likely end Total Project Cost would be at least \$865 million in 2016 dollars, including cost of waste of existing fit-for-purpose facilities in Ultimo. This figure does not include escalation over 7 years, parking, plant, and many other cost headings such as site acquisition/capitalised lease costs, which could bring the total to \$1 billion.

2) The waste of existing irreplaceable cultural/heritage facilities in Ultimo is \$170(written down value)-460 million.

3) No meaningful consultation has been made with the communities and general population in Greater Western Sydney, on what they want and need in a new cultural centre. None appears to be intended.

4) No consultation has been made about other options for the Powerhouse Museum in its current cultural precinct in the city, for its significant and yet underexposed collection. No consideration has been given to the expectations of longstanding audiences and supporters, including benefactors and contemporary interest groups and specialists.

5) Without a core 'Vision statement' until December 2015, millions of dollars were spent by Government in response to a shifting 'client' with no defined brief. FOI documents expose a bureaucratic planning shambles. The Board of Trustees does not appear to have been fully involved in decision-making, and is not engaged in public discussion.

6) Over 40 reports paid for by the NSW voters, including the 'Vision' statement for the museum, have been suppressed through the Government's excuse of 'cabinet-in-confidence. Why?

7) Government and the MAAS Board of Trustees have known since July 2015 that the estimated cost of the new museum would be at least \$450-500 million, while also knowing that the upper figure for sale of the Ultimo site would not exceed \$250 million (their figures – FOI derived). Since Government has maintained that the full cost of the relocated museum will not exceed the site-sale price, it has misled the public – the project will cost at least 90% more. The Board has remained silent about this.

8) A relocated museum would be significantly smaller than the present world-class, majestic spaces in the Powerhouse Museum in Ultimo; it will almost certainly be unable to house and properly present the museum's massive and culturally critical objects. More 'efficient' space is a fiction.

9) The Board has demanded that the spaces and displays be 'comparable' to present assets. On the figures provided this is impossible. If they disagree let the Government, Board and Director provide all their 'evidence'.

10) Rush to divest the existing site: The FOI Minutes describe several possible 'client/vendors' in the sale, ending up with MAAS. This pass-the-parcel strategy illustrates Government's growing awareness that it does not want to again be seen as the cultural wrecker. So having forced MAAS Trustees to accept the project, Government now wants to dodge the inevitable unpopularity of a destructive sale and lease-back.

11) This is mainly about the potential development profits to be derived from the Ultimo site and avoiding the true costs of the 'move'- to be worried about by another Government much later on. The rough maths: The profits could be upwards of \$400 million maybe even around \$700 million- after a maximum purchase price of (Government provided FOI figures) \$250 million. Even at a minimum- $49 \times 6 \times 8 = 2352$ unit we are looking at a large windfall profit. A gift to the successful tenderer/ Developer?

12) Whichever way it is approached the real cost of this project will be nearly three times the publicly acknowledged cost. Is this the best and fairest outcome? If the Government and Trustees disagree they must show their assumptions and calculations in detail.



Powerhouse Museum showing new build at left (north)- Wran Building- and 1930s Switch House to south, with massive unit development behind, July 2016

For WestConnex details, see:

http://www.cityofsydney.nsw.gov.au/__data/assets/pdf_file/0017/252152/160229_COUNCIL_ITEM_35.pdf

Rose Hiscock, Director's Vision, 2014 <https://www.powerhousemuseum.com/about/>

Interim Review of Australian Construction Market Conditions, 2015:

<http://www.wtpartnership.com/wp-content/uploads/2015/07/Review-of-Australian-Construction-Market-Conditions-to-July-20151.pdf>

SMH article, Andrew Taylor, 16 May, 2016: citing Trustees Meeting Minutes, July 2015, item 6.1. <http://www.smh.com.au/entertainment/art-and-design/powerhouse-museum-may-be-split-with-fashion-and-design-kept-in-sydneys-cbd-20160516-gosvw2.html>

Figures taken from Infrastructure Australia report downloaded 18 May 2016. May not still be available- author can supply: http://infrastructureaustralia.gov.au/policy-publications/submissions/published/files/492_museumofcontemporaryart_SUB2.pdf

For new museum for Western Australia see: <http://museum.wa.gov.au/community/content/new-museum-project>

SMH Andrew Taylor article 16 May, 2016; July, 2015 part-redacted Trustees Minutes. Op cit.