

**Supplementary  
Submission  
No 1481**

## **INQUIRY INTO MUSEUMS AND GALLERIES**

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**Analysis of ‘MAAS Museum Relocation Business Impact Study prepared for the City of Parramatta February, 2017 [by] HILLPDA Consulting’.**

**A 14 page PowerPoint Presentation. [Final PDF] All page references are to the document pagination, available on:**

**<https://www.cityofparramatta.nsw.gov.au/sites/council/files/2017-09/Parramatta%20Museum%20Economic%20Impact%20Study%20Final.pdf>**

***Summary: This ‘Study’ as shown by the following detailed analysis appears to be unsubstantiated (quoting fictitious figures such as an estimated ‘1 million’ visitors to the proposed new MAAS Museum in Parramatta), slapdash and unreliable. Yet it appears the Administrator for Parramatta Council and other Executives relied on it in respect to policy development and ‘sale’ of the Riverbank Site for \$140 million to the State Government. [Testimony to Upper House Inquiry, 29 August, 2017].***

***Other basic issues are unsubstantiated or misunderstood. For example on the question of visitor numbers, it is impossible to estimate visitor numbers given the lack of even basic information about the museum including:***

- *No information on what the museum is about beyond the news that the PHM will be relocated***
- *No information about the scale of changing exhibitions and whether the museum will have the recurrent funding to develop temporary exhibitions***
- *No advice as to whether there will be admission charges and if so what the entry price will be***
- *No information about whether there will be public parking in the building and what the cost might be etc.***

**A proper, forensic audit of this ‘Study’ is required.**

### **Page 3:**

- 1) Preliminary questions: was this Study and the consultant concerned selected by open tender, select tender, or sole provider considerations/process? What was the brief- copy please? What was**

**the cost? Who was the specific author? What are their skill sets/c.v? What supporting calculations/data sets/papers were utilised and presented? Copy please. What questions were discussed and the answers thereto during/after the presentation and who was in that meeting? How was the information disseminated to the general public (taxpayers paid for the 'Study') and interested communities/parties? What caveats were made in the transmission of the core data and conclusions?**

- 2) What examination was made, if any, of the negative impacts/issues/questions regarding the choice of this site in Parramatta and the greater tendency, or otherwise, of potential visitors to visit Parramatta as opposed to other potential new museum sites in Greater Western Sydney? [GWS]**
- 3) What research was done in regard to different museum/commercial facility options, consultation with local communities and groups as to their selected preferences, market/visitation sensitivities based on what data sets and calculations? Inclination to spend analysis of visitor cohorts/segments? Testing of same on focus groups and via surveys? Current intra-Parramatta visitor expenditures/extrapolations and justifications of same as extensions into future reasonable expenditure quanta and patterns. Compared with other potential visitation destinations for a new museum, in GWS? Modelling of variances and varied assumptions underpinning those variances, and so on? Background papers please.**
- 4) What are the negative impacts on the Ultimo/Darling Harbour/CBD zones of the wastage of excellent museum infrastructure (in MAAS accounts as \$170 million 2015-6 but worth, conservatively, \$400 million); loss of visitor spend in these zones? Loss of economic multipliers, etc.? Loss of salaries? Loss of Ultimo Powerhouse Museum renewal program (see MAAS Plan delivered to Government in mid-2014) with multipliers (proposed capital expenditure between \$100 and \$150 million, 2018-2022)? Loss of synergies with UTS and the Ultimo 'start-up' zone. How do the claimed positive benefits in Parramatta compare with existing economic activity and lost renewal economic benefits in Ultimo/CBD zones?**

- 5) What are the negative impacts on CBD Parramatta of the choice of the Riverbank site- for example increased traffic congestion; limited parking thus street over-parking; 'black hole' commercial trading times after the Museum closes (usually six nights a week at around 5 pm- see below), etc.
- 6) What are the potential negative impacts of heritage destruction? (See below)

#### Page 4:

- 7) 'Working with partners' expressed as if these were willing participants with freedom of choice and self-direction? MAAS was required to submit to this process by Government, lost their role as client and lost any control of the planning process. This statement is highly misleading.
- 8) The expenditure of \$10 million 'supporting investment' for planning- has the cost-benefit/ output/value for money aspects of this funding analysis been undertaken by the State Audit Office? What Business Case certainty was provided as a result of this funding sufficient to warrant Cabinet approval to proceed to site confirmation, further expenditure on planning and project continuance?
- 9) What documentation, summary thereof, data, research etc. has been prepared in support of this project and what are the key data/conclusions/recommendations/business case matters pursuant to these documents?
- 10) What criteria were used, what research undertaken, what comparative analysis developed which underpinned selection of the Riverbank site, versus other sites at the Parramatta Golf Course and the Fleet Street Precinct? Papers please.
- 11) On what basis are the construction costs of the new museum set at 'around \$200-\$300 million'- from whence did the City of Parramatta obtain this estimate which has a variance upwards of \$100 million on the lower figure i.e. 50%. Notably, this question is relevant after the consulting architect Mr Joe Agius gave a 'building envelope figure' for that stage of the Business Case of between \$600 and \$800 million to the Upper House Inquiry into museums in February, 2017. It should be

noted that there are literally dozens of other project cost headings not referenced in this costing remark by the 'Study'.

- 12) What view does the Study's author(s) take on the growing risks and costs of increasing site flooding at Riverbank due to climate change and where is that analysis and its commercial implications to be found?
- 13) On what basis is the statement 'Construction is expected to start 2019...new Museum will be open to the public in 2022'? Does construction mean demolition of heritage buildings on the Riverbank site (e.g. Willowgrove and St George's Terrace), removal of objects from Ultimo and other works in 2019?
- 14) If the Museum 'will showcase 40% more of the Powerhouse's current exhibits' [sic] on what basis is that claim made [does the 'Study' mean to say '%age of MAAS's collections'?] and is it acknowledged that this could be achieved by showing more buttons, ivory toothpicks and netsukes; and that more objects do not guarantee higher attendance or visitor engagement?
- 15) What is the correspondence between consultant and City of Parramatta noted/dated as 1/02/2017? Copy please.
- 16) Returning to 'the site selected' did this Study analyse the actual available areas on the Riverbank site, its constrictions, far smaller 'footprint' than the Powerhouse Museum's current Ultimo site (see below) and other negative factors; or the likely need to demolish the heritage buildings on site?
- 17) The 'detailed planning work...presently underway' - costs, who is undertaking that work, their brief, schedule, work outputs and supporting papers please.

## Page 5:

- 18) Please supply the author's analysis as to the economic suitability of the two sites pictured/noted: Parramatta Golf Course and Riverbank; and why The Fleet Street Precinct was not considered/what that site's capacity to meet selection criteria was/ reasons for its exclusion.

- 19) The description of the Riverbank site is profoundly inaccurate: 'The vast majority of the site is occupied by the old David Jones car park'. This is not the case.



The total site area is 20,160 m<sup>2</sup>. The car park footprint is 5,154 m<sup>2</sup>. Not even close to 'the vast majority of the site'? The math appears simple. How such a fundamentally sub-optimal statement can be made by 'expert' consultants is a mystery. Perhaps the avoidance of mentioning the probable destruction of two important heritage structures/zones was uppermost in their minds and led to such careless analysis? Either way it is an exemplar of the approach which runs right through this document- in my opinion shoddy, inaccurate, unsubstantiated and incompetent.



(measured plans courtesy JP/STPHM)

The other bland statement: 'Public access including a cycleway is provided along the riverfront' appears misleading also. Access to vehicles for drop off, parking, buses, deliveries, taxis and those transporting the physically challenged, school groups and so on is not covered by this assertion. Nor is access for the museum and its work flow including large objects possible utilising the riverfront curtilage. If the site was to be subject to co-development commercially and for domestic units the complexity given specific site access challenges presents commercial and cost issues of a high order which, in turn, has fiscal consequences blithely overlooked by the statement on page 5.

## Page 6:

20) 'MAAS 2015-6 SNAPSHOT'- The quotation of an increase of visitors at 33% higher in 2015-6 as opposed to 2014-5 is not statistically adequate; it is appropriate to quote visitation stats covering a period of, say, ten years to get a picture of trending. Monthly stats are especially helpful set against major events and exhibitions. Detail matters here. Also MAAS would have had the figures for the half year 2016-2017 which would add to the trending picture's completeness.

Why were these not utilised?

21) The FTE employment figures as at February, 2017 are questioned. It is the observation of this author that there was a major reduction in staff

numbers throughout 2014-2016 and that 204 FTEs is inaccurate as at February 2017. This has significant impact on salary spend and multiplier effects seen later in this 'Study'.

- 22) '\$6.1 million- Commercial Revenue from the sale of goods and services' \* The Powerhouse Museum visitation relative to the overall MAAS visitation was used as a proxy to derive the estimate of commercial revenue for Powerhouse Museum in 2015/6'. Why was there need for a proxy as to commercial revenue? MAAS had those figures for 2015-2016 in July 2016- certainly they had them by February 2017. This is nonsensical and unreliable when in the face of audited actuals. Also commercial revenue is not the same as net profit- it could merely be hiding an actual loss if correct accounting procedures are adopted. This analysis appears sub-optimal.
- 23) 'Origin of visitors'. It is assumed that these stats are based on museum till registration of postal codes. A breakdown of the actual codes is essential when considering extrapolation for potential visitation at a new museum site. For example distance from Ultimo; time estimated for travel; demographic make-up of individuals/couples/families/groups is essential data. Cost and availability of parking. There are no such data apparent here or expressed later in the 'Study'. Assumptions underpinning calculations based on these figures need to be clearly stated for any possible later extrapolations to have any chance to be reliable or useful.

### Page 8:

- 24) 'Economic impacts of the new MAAS Museum'. '...estimated to attract 1 million visitors per year'\* Parra Council Media Release 11 April, 2016'. It appears this 'media release' core fact was based on NSW Government figures for which no detailed sensitivity/layered/data based evidence was adduced. The lack of any such evidence invalidates this 'Study'. It is incumbent on such a visitation/commercial analysis to forensically construct detailed statistics along a probability curve utilising relevant and reliable base data grounded in research and modelled in different ways to look at variants such as distance of site from target audiences; visitational demographics of comparable facilities in the Region; in similar markets



elsewhere; ethnic, educational, cultural, age, income segmentation; demonstrated propensity to spend on similar goods and services; etc. None of this appears to have taken place. The number seems to have been plucked from thin air and not tested at all by the authors here. This invalidates any conclusions drawn from the '1 million' visitors figure.

25) 'The new museum will provide up to 260 jobs'. \*\* MAAS Forecast'. On what basis? How can a detailed employment scenario be prepared when the base parameters of the new museum are unknown? *Vide*, also, the question about 2017 FTEs in this context.

26) '\$ 10.1 million- Museum Revenue from admissions and sale of goods and services'. This is based upon HillPDA's own estimates, themselves based on extrapolating without sensitivity analysis from a proxy based guess about current trading at Ultimo. This is deeply sub-optimal and unreliable in the opinion of this author. Not simply because of the profound assumption that visitors to the new facility will have similar income and expenditure patterns as [possibly- it is based on a proxy founded guess] present Powerhouse Museum patrons but that these visitors will number one million and will be demographically the same with the same age distribution and so on. This is unreliable as a basis for a Business Case. HillPDA notes its estimate includes a 76% increase in the new MAAS Museum when opened to the Powerhouse Museum Commercial Revenue in 2015/6 in line with Council's assumption of a 76% increase in attendance. Evidence for these increases? Detailed analysis based on what reliable data? See above.

27) '\$42.5 million- More visitor spend on food, beverages and retail goods in Parramatta CBD'. This conclusion is corrupted by the lack of reliable data as noted above, the lack of stated assumptions underpinning any calculations in respect of regional visitor behaviour patterns- especially families and their income levels- any *local* base for capture/spend figures/extrapolations and the assumption that the present visitation parameters will hold true for Parramatta as opposed to Ultimo. This approach appears slap dash and amateur.

28) 'Ongoing Operation- The new MAAS museum will support a combined salary contribution of \$18.2 million every year'. Another unsubstantiated assumption. Firstly no current estimate of future FTE staff numbers can be reliable without detailed knowledge of base parameters derived from the site and from reliable estimates of attendance, themselves based on solid modelling of reliably derived, clearly stated assumption-underpinned calculations, site layout, facilities-determined operational requirements. Secondly- and a basic misunderstanding- many of those employed in any new facility in Parramatta may well already be employed in the Ultimo campus and will not move but will remain where they live now and commute appropriately. Has that been modelled? If not and if these employees continue to pay their mortgages/rent in their present location, do most shopping locally in their days off and patronise their present providers of goods and services then those funds will not, in the main, be spent in Parramatta. New employees may be from outside the Parramatta catchment area also. To estimate average salaries at \$70,000 p.a. is equally somewhat questionable since no staffing enumeration can currently be accurate. In all aspects, this statement is questionable.

29) '\$22.5 million- estimated industry value added (contribution to local GDP) from new MAAS museum every year'. This calculation is corrupted also because of identical reasons- the base data and assumptions appear unreliable.

### Page 10:

30) 'Economic Impacts of the new MAAS Museum'- Visitor Spend Generated from new MAAS Museum'- the 'spend' is portrayed in a tabular graph which shows a 'spend' in 2022 of approximately \$53 million rising steadily to a 'spend' of approximately \$74 million in 2032. The 'spend' is divided up into part 'a' spend at new MAAS Museum and part 'b' spend in surrounding local businesses. This appears to be hallucinatory in its data origins and its lack of understanding of cultural businesses.

New cultural facilities (hence the need for widespread, accurate comparisons) usually follow a curve of high visitation soon after the

opening followed by often a steep decline after a few years- sometimes as soon as after eighteen months. To maintain visitation the facility must engage the hearts and minds of local cultural consumers and communities and keep reinvesting in new events, new [and expensive]experiences and facilities. This requires a continuing large scale investment and sophisticated management and business modelling and is by no means guaranteed success even with that investment and a profound development of brand awareness and visitor loyalty. An iconic (so-called) building is not enough- it's what is offered inside the facility and the communities' hearts and minds which matter. Any prediction of 'visitor spend' which shows steady arithmetic growth is just a function of irrelevant math not real world experience. No bank would even momentarily accept the figures as presented here as a basis for lending. It is amateur in the opinion of this author and based on unreliable, invented, corrupted data [1 million visitors each year over ten years? Really?]. To calculate a 10% year on year increase based on Powerhouse Museum experience between 2013 to 2016 (14% from a low base) is just naïve, raising more questions about the competence of the analyst than even the reliability- or otherwise- of their figures. What are the Powerhouse Museum's trading experience over ten preceding years for example?

### **Pages 11 and 12:pictogram and explanation:**

- 31) This pictogram is simplistic. Perhaps the silliest of the 'thought bubbles' is that devoted to 'synergy of land uses'. Why? Museums are basically 10 a.m. to perhaps 6 p.m. public operations with perhaps one or two late nights at the museum every week. They are expensive beasts to keep open (health and safety; security; public sector considerations) and many museum precincts are twilight zones after 6 pm, five nights a week (South Kensington, London as an example; Berlin's Museum Island etc.). Any adjacent businesses in the Riverbank site – or to its west-will have to overcome this factor. Many will fail. Rather than a synergy the new MAAS Museum will most probably be an economic blight after normal public/ business hours. It will certainly not drive massive night time visitation especially if it is family focused.

**Other Thought Bubbles?: ‘Investment Stimulus’- if the Riverbank site is increasingly prone to flooding and if the MAAS Museum is ‘dark’ five nights out of seven, and if access is remarkably difficult with very limited parking, the ‘synergy of uses’ will be very limited and cool-headed investment analysis based on hard-headed data will not lead to an investment stimulus. If it does, initially, then there is a substantial likelihood that the first investor businesses will founder and the second and third cohort businesses will become cheap souvenir, charity shop types of tenants or free-holders. Some serious research and study/analysis is required here with proper professional modelling. Such risks will inevitably affect another heading in this group of thought-bubbles: ‘Urban Renewal’. The proposed usage of the site will also require demolition of two significant heritage structures: Willowgrove and St George’s Terrace- so far from ‘urban renewal’ this will become urban heritage destruction. Far better would be to find a different set of entertainment options as first intended by the last elected Council which could adapt and renew these heritage structures and create real synergies unlike a family-focused new museum.**

**The other headings in this pictogram are open to question but the will to live of this analyst is fast eroding.**

### **Page 13:**

**There are, consequentially, a number of summary economic impact statements on this page which are obviously unreliable. The first one alone stating that ‘2,320 job years directly and indirectly during construction and [a contribution of] \$803 million of economic activity’ is reprehensibly imprecise, unfounded and misleading based on the above critique and the opinion, thereby, of the present analyst.**

**In addition there is one more aspect of the selected Riverbank site which must be addressed here: the *comparable size and accessibility*, along with its increasingly flood prone qualities, which will profoundly affect its ability to operate successfully and attract supporting commercial neighbours. What follows is an analysis developed by Save the Powerhouse Museum**

**team which compares and contrasts the scale and accessibility of the Ultimo campus with the Riverbank site.**

**We have been told by MAAS submission to the Upper House Inquiry that the two sites are broadly comparable in size and by other reports that access to the Ultimo campus is deeply sub-optimal- although the latter opinion was never substantiated by factual analysis mainly because it is untrue. What follows demonstrates without doubt that MAAS testimony is deeply unreliable: the Riverbank site is far smaller, far more risky (flooding and by deduction thereby commercially) with far less appropriate access options, requires heritage demolition and is unsuited to co-development with multi-occupant utilisation. All of the above reinforced by the dynamics of site geomorphology and future hydrological risk.**

*SavethePowerhouse, 09 Sept, 2017*

#### **PARRAMATTA OLD DAVID JONES CARPARK SITE vs. ULTIMO POWERHOUSE MUSEUM SITE**

***LGS comment: The take home summary is this: 'If those 2 pieces of heritage were to be preserved (as they should be) then the remaining buildable site area would be reduced to 13,990m<sup>2</sup> (61% of the Ultimo site)'***

**This does not take into account the challenges of access, flooding or multiple conflicting utilisation. Simple comparison with other cultural facilities around the world is facile. Each site and any comparison requires detailed analysis of many factors.**



## COMPARATIVE AREAS

From MAAS' answers to questions on Notice (17 Nov, 2016):

### 1) ULTIMO POWERHOUSE:



**Note: Most of the site is built/ TOTAL approximately 22,900 m2**

## 2) PARRAMATTA OLD DJ Carpark



(Site boundaries/curtilages from Deloitte Study dated 27-07-2017 - page 13)

### **Proposed Parramatta Site**

Comprising:

- 30B Phillip Street
- 34 Phillip Street
- 36 Phillip Street
- 38 Phillip Street
- 42 Phillip Street
- 44 Phillip Street
- 46 Phillip Street
- 47 Smith Street

Totalling approximately 20,160sqm

**But large parts of this site are not buildable:**



a) Riverbank West (1,161m2)

A 150mX7.5m strip of land squeezed in-between the River and Meriton Apartments



**b) Riverbank East (1,158m2)**

A 200mX6m strip of land along the River dedicated to Public use (Parkland), together with Riverbank West, by the City of Parramatta

**c) Dirrabarri Lane (550m2)**



A 15m wide laneway (sole access to the site!) in-between Park Royal Hotel and GE Building.

**d) Meriton Setback (303m2)**





Meriton Apartments is a high rise building constructed on the site's western boundary. A minimum 4m-wide setback is necessary.

Therefore the buildable area is only **16,967m<sup>2</sup>** (74% of the Ultimo site)

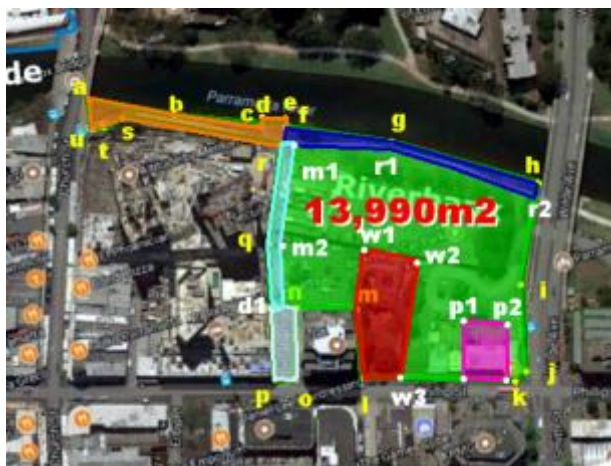


But this is assuming that Willow Grove and a row of terraces along Phillip St, both heritage-protected, will be demolished:



e) Willow Grove (2,113m<sup>2</sup>)

f) Phillip St Terraces (863m<sup>2</sup>)



If those 2 pieces of heritage were to be preserved (as they should be) then the remaining buildable site area would be reduced to 13,990m<sup>2</sup> (61% of the

Ultimo site)

Other problems are:



- The site is flood prone

**- The only accesses to the site are through Dirrabarri Lane and in-between Willow Grove and the protected terraces (unless these heritage-protected items are to be demolished)**

**This would represent a large enough difficulty for a stand-alone Museum but would make it even harder if the site was to be shared with commercial activities as they would require their separate accesses for employees, customers, car parking, deliveries, rubbish collection, etc...**