INQUIRY INTO MUSEUMS AND GALLERIES

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Review of the Heads of Agreement between City of Parramatta Council and the NSW Government to establish an arts and cultural precinct
City of Parramatta Council
Thursday, 27 July 2017
In the baseline scenario, the MAAS is assumed to not re-locate to Parramatta, therefore no additional construction activity is expected to occur and the expected induced tourism from MAAS in Parramatta will not take place\textsuperscript{81}.

Two scenarios are then assessed against the baseline scenario, these are detailed below:

- Scenario 1 (high): The re-location of MAAS will induce additional tourism to the CoPC LGA of 1 million people\textsuperscript{82}
- Scenario 2 (low): The re-location of MAAS will induce a lower level of additional tourism to the CoPC LGA of 250,000 people.

For both of the Scenarios, it is assumed that the relocation of MAAS induces additional construction activity of $500 million to the CoPC LGA that would not occur otherwise and that each additional visitor induced, spends $100 in the local economy\textsuperscript{83}.

\textsuperscript{81} It is also assumed that no other capital expenditure will occur of the same magnitude over the same time period.
\textsuperscript{82} Destination NSW, Western Sydney Visitor Profile (Facts & Figures), June 2016
\textsuperscript{83} Ibid

The model compares a baseline scenario where the proposed relocation of MAAS doesn't occur and therefore the related tourism benefits don't occur with a counterfactual scenario where it does. This requires developing a set of inputs that stylize these alternative scenarios, so that the economic impact of the development can be projected. More detail on the CGE modelling framework used is provided in Appendix B.

[OUTCOMES]

- Results in the expedited delivery of an arts and cultural precinct in Parramatta;
- Provides a boost to the local economy including an uplift to local employment and an increase in regional income of between $106 and $422 million;
- Returns CoPC consideration of $100 million in the event that the business case for the upgrade of the Riverside Theatre is unsuccessful.

RISKS include:
• That the design of the proposed MAAS could result in the “iconic” objective set in the Cultural Plan not being met.

CoPC will be required to manage these risks going forward.

5.2 Conclusion
In the absence of any alternative proposal, Deloitte find that the draft HoA represents a reasonable arrangement for CoPC to develop an arts and cultural precinct consistent with the Cultural Plan.

General use restriction
This report is prepared solely for the use of the City of Parramatta Council. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purposes as set out in our engagement letter dated 17 July 2017. You should not refer to or use our name or the advice for any other purpose.

The above text is an extract of key points from a document tendered by Ms Amanda Chadwick to the Upper House Inquiry into Museums and Galleries in NSW, on 29/8/17. The key points were selected from the Deloitte’s Review, by this author, so as to highlight the claimed basis for the decision of both the NSW Govt and the then Administrator/acting General Manager COPC to co-sign the Heads of Agreement for the sale of the Riverbank site by COPC to the Government. Below is my assessment of this Review and associated matters pertinent to its co-signing and status.

Observations, Review and Opinion by Dr Lindsay Sharp:

1) The letter accompanying this report was addressed to Mr Greg Dyer, [then] General Manager, City of Parramatta Council, dated Thursday 27 July 2017.

The report is dated 27 July 2017.

The engagement letter was dated 17 July.

2) This work was apparently rushed through in ten days to meet the announcement by the NSW Premier on 29 July of the agreement for Government ‘purchase’ of the Riverbank Site and the Joint Venture for redevelopment of the Riverside Theatre outlined in the HOA. Was it rushed through to try to create a false vestige of evidence to apparently support an already taken sub-optimal decision? ‘An attempt at a verisimilitude of truth and logic?’

3) The Report conspicuously notes that: ‘In the absence of any other proposal…. the draft HOA represents a reasonable arrangement for CoPC to develop an arts and cultural precinct…’ This sentence is very carefully worded. The previous, elected Council had proposed a very different solution/project for the Riverbank and Riverside sites. The site was always seen by
COPC as a key link to both Parramatta’s riverside and the renewed CBD - an arts and entertainment precinct with large public spaces on the bank (perhaps to account for flood effects). If so minded the Inquiry might call former Mayor Paul Garrard as a witness. He did an interview (after COPC was disbanded) where he expressed strong views against the Powerhouse Museum being on the Riverbank site. It is also telling that Deloitte were not asked to compare this project with any other option or options - say one where a late night entertainment precinct on Riverbank including an adult-focused Science Gallery type facility and a new Riverside Theatre facility was concurrently developed with a new family-focused Museum of NSW at a restored Cumberland Hospital/Fleet Street/Female Factory site. Or a number of other options which may deliver far better value and tourism impact/reach/engagement. They also note that no criteria had been established or published against which to set a ‘successful’ Final Business Case definition for the arts and cultural precinct. This permits Government to utilise a kind of project ‘Chinese baseball’ technique to suit itself regarding such criteria: having started planning with the evolving answer, Government changes the rules once the ball is eventually thrown. Thus the so-called ‘Extended Final Business Case’ (sic) has criteria tailored to rebut many of that answer’s potential criticisms which may appear after the Business Case itself has been massaged into place. The Deloitte statement tends to indicate they were aware of Government’s use of this indefensible planning proclivity. When pressed on these grounds Government will usually redact almost all data and details of a ‘published’ Business Case as a last resort. It was therefore unusual and unintentionally helpful in the long run when Administrator Chadwick tabled multiple reports apparently in an attempt to bury and distract the Committee under an avalanche of paperwork. Watch this space.

4) The Deloitte construction figure of ‘$500 million’ appears to have been plucked from the sky. In a previous session of the Inquiry Mr Joe Agius, an architectural consultant for the project gave the estimate that the building alone would cost in the region of $800 million.

5) The Deloitte ‘high’ scenario figure of the new MAAS facility in driving an additional 1 million visitors to Parramatta also appears to have been plucked from the sky in a piece of consultant prestidigitation. No documentation could be located which specifically demonstrates a solid research basis for this 1 million additional visitors figure.

6) The Deloitte ‘low’ scenario of 250,000 additional visitors, ditto. So, there appears to be no valid market research adduced to support either of these figures or, indeed, to permit Deloitte to provide any reliable visitation estimate or economic modelling in this document.

7) This mirrors the situation with the Hill PDA Report on the ‘economic impact’ of a new MAAS facility at Riverbank report also commissioned by City of Parramatta Council/Mr Greg Dyer/ Ms Amanda Chadwick (recipient and provider of the Deloitte and Hill PDA Reports to the Inquiry). The ‘expert advisory panel’ that were consulted on the HOA proposals made advice based on what market research? It is probable that no bank or commercial funding institution would even begin to consider the recommendations/conclusions of the Deloitte Report as presented or of the Council’s ‘expert advisory panel’ on the basis of this ‘evidence’. It is suggested that the Inquiry seek to have a copy of the full, original HOA
The Deloitte assumption that each visitor to the new MAAS Museum would spend an additional $100 based on Destination NSW average Western Sydney tourism figures is a very courageous assumption. Only detailed analysis of comprehensive market research undertaken by a well-briefed, professional consultant can provide some reasonable and possibly reliable indication of such figures and parameters. The same might be adduced about the approach and conclusions of the Hill PDA Report (see my separate review already submitted to the Inquiry). For example, present MAAS/Powerhouse Museum figures are basically irrelevant since visitors to the latter may well not represent potential future visitors/market segment penetration available to the new MAAS facility in Parramatta. And the idea that families (say the traditional two parent/two children cliché or under eighteen year old independent visitors for example) will spend $400 per family/$100 each is risible. Equally, there is no guarantee that the HOA will in fact provide an ‘expedited delivery of an arts and cultural precinct’ especially if their own advice is shown to be sub-optimal and the HOA is revisited or stalled through legal action. It is perceived lapses such as these which lead this reviewer to observe that this Deloitte report appears rushed, sub-optimal and potentially misleading. Which might explain the catch-all ‘General Use Restriction’ statement copied above. Were Deloitte aware of their own Report’s limitations perhaps?

If the above is accurate what does it tell us about Mr Dyer’s, Ms Chadwick’s and other senior executives’ analytical capacities in deciding whether the HOA terms with NSW Government represented best, or even good value? (See points 14 and 15 below)

If the above is accurate how can the recommendations of the ‘expert advisory panel’ be relied upon when they themselves apparently had no reliable visitor or expenditure data to base their judgements on?

The attached paper by Mr Tom Lockley appears to establish that Ms Chadwick’s testimony may have been faulty or economical with the truth in regards to the previous elected Council’s publicly stated views on the appropriate use of Council’s Riverbank site. It is also unclear what remit the State Government appointed Administrator had to sign such an HOA and to sell such a large Council asset under an agreement that not only was not in place prior to the Administrator’s arrival, but was not agreed to by previous elected councillors. Actually, their views appear directly contrary to the Administrator’s subsequent decision.

The Deloitte comment about the risk of the new MAAS facility not being sufficiently ‘iconic’ and thereby failing to drive adequate visitation and income should also be explored. How much would an ‘iconic’ facility cost and would that exceed $500 million for example? If it should require more why did they use this figure for computation in the report? What project costing documentation underpinned this estimate? If none is it possible this report is professionally derelict?
13) The so-called ‘FACT SHEET’ about the HOA released by Parramatta City Council on the day of the Premier’s HOA announcement- 29 July 2017- was based in part on the Hill PDA Report and the Deloitte Report ( attached ‘FACT SHEET’- for example, see note 1). Taking this document and the Deloitte report together and responding to the calculations/modelling which apparently produced the additional income statements questioned above, it can also be pointed out that such calculations (not included in detail in the tendered report as provided by Ms Chadwick) seem to miss a fundamental aspect or two of the Riverbank/Riverside attractions mix: museums (family focused) are usually closed five nights a week so there will be little or no synergy between the two sites and for the night time ‘dark’ MAAS facility with other hospitality/entertainment venues at night. Even if inaccurate this possibility should have been modelled and resulting data provided. And the two sites are probably too distant from each other- whether or not a new bridge is built- to maximise such a claimed synergistic effect. This also should have been modelled, tested and the data provided.

14) This present submission is written in the context of recent press reports noting that Mr Dyer has stepped back as General Manager, City of Parramatta Council, in mid-December along with a number of senior staff; that Mr Dyer’s contract was renewed by the then Administrator Chadwick for a further three years during 2017; that Mr Dyer and departing staff along with the recently elected Council members have signed non-disclosure confidentiality agreements; that no information as to the terms and conditions contextualising this departure have been made available to the public.

15) This prompts a list of concomitant questions such as:
Were the Hill PDA/Deloitte reports tendered? If not, why not? What did they cost? What was the brief for each? How were they assessed? How did that affect the decision making by Chadwick, Dyer and the Minister? Where are the minutes or notes detailing such assessments, discussions and so on?
If the Deloitte and Hill PDA assumptions were shoddy and inadequate, especially with regard to the proposed new MAAS facility at Riverbank, surely that indicates any integrated financial modelling for both zones (Riverbank/Riverside) has to be inaccurate, shoddy and misleading? Certainly sufficiently so as to question the HOA and any and all judgements made prior to that agreement’s signing?
So was the Government decision to proceed also based on the apparently faulted and inadequate data noted above- or similar? Ditto the Council’s decision on this advice? Where and what is the advice and other related documentation to both if not/ if so?
Was the remarkable variance in outcomes – ‘high’ versus ‘low’ scenarios- questioned at all by these parties? An analogy as to how ineffectual such a range might be in taking a $140 million + decision is as if either party was buying a very expensive car for which, whatever the fixed high price, the manufacturers could only guess it might reach a maximum speed of somewhere between twenty and eighty kilometres an hour. No serious car purchaser would fork out cash if that was the best set of speed estimates available. As to the cost of maintenance, potential operational deficit financing and so on (as pointed out by Deloitte in the ‘risks’ section) who knows? Again, which car purchaser would accept a complete lack of information in these critical operational/business areas?
Why did Dyer and Chadwick, apparently representing the best interests of ratepayers, permit the Government to ‘Rob Peter to pay Peter’? (Government forced use of Council’s own asset sale cash at $140 million to pay for the new Riverside Theatre. Effectively Council swapped an asset - perhaps the most valuable in its then portfolio - to pay for its own Riverside cultural project, a $40 million twenty year cultural programme and a potentially permanent operating deficit; no business case - see Deloitte ‘Risks’). Compare that with the Sydney Modern extension Government capital funding where Government is providing a project capital subsidy of in excess of $220 million. Parramatta is being short changed again. Concomitantly further questions might be asked: If Dyer, Chadwick and the Minister were aware that these reports and any (unreleased) business case modelling were based on completely inadequate market and business analysis, are they perhaps liable to charges of collusion and/or maladministration both individually and jointly?

If Dyer was (arguably?) manifestly incompetent in his advice to Chadwick as to the basis for accepting the HOA and the ‘sale’ of the Riverbank site why did Chadwick renew his three year contract?

If she, and/or he were unaware of this arguable incompetence what does that say about the quality - or otherwise - of their management and administration of the City of Parramatta Council during their tenure of the two most senior positions?

In light of the quantum of $140 million for the questioned HOA/future transaction why was the Minister unaware of such issues and, if he was, why did he apparently fail to take appropriate steps to correct the situation? Was he perhaps forcing the issue for political reasons while taking advantage of administrative incompetence or, alternatively, were all three colluding in some unsatisfactory matched ‘deals ‘in a quid pro quo fashion? If so what might such ‘deals’ be?

Why was that transaction apparently so rushed?

Is it true that the Riverbank site has already been purchased and transferred to State ownership and the resulting funds are in the Council’s Bank account (or on the way) before even the vestige of reliable business case planning has appeared?

In the light of Dyer’s departure (and of other officers recently) is the present Council aware of such shortcomings - if accurate - and is that why Dyer and others have exited their roles?

If their departure was involuntary what were the financial terms and conditions pertaining thereto and when will Council be required to be transparent about them? If voluntary, ditto?

Where and what is the documentation of these actions - and so on?

16) It is usually risky to attribute motivation to people’s actions, even if they seem to specifically express their reasons for such actions. However, when the reasons for such actions remain unstated then supposition and direct inquiry as to the most likely motivation may be useful.

In the case of Dyer and Chadwick, the tabling of a mass of inadequately researched and evidenced reports (if accurate) may reveal two principal motivations:

1) A profound lack of understanding as to why these reports potentially may be so inadequate - hence inadvertently representing potentially sub-optimal management and administration and

2) A profound lack of confidence on their part that their actions in this matter of the HOA/Riverbank ‘sale’ at $140 million are either justifiable on economic grounds or are legal within the rules or are best value or are in the best interests of ratepayers? If not, in whose best interests do they reside?
Then further questions appear:
3) Did Mr Dyer give his assent to Ms Chadwick tabling these documents? If so what were there discussions prior- and vice-versa: did Ms Chadwick pressure Mr Dyer or provide an inducement to obtain his assent to table and, if so, what inducements?
4) Thus, have any inducements- such as an implied or stated promise of future well-remunerated employment- been offered by a third party to ‘seal the deal’ to either or both of them? What is the Minister’s position, if any, or another agent of Government in this matter?
5) Should this circumstance be referred to a higher judicial authority if this Committee of Inquiry undertakes a first examination and believes there are serious legal issues raised thereby?

We know factually, based on reports, that Mr Dyer was offered a further three year contract by Ms Chadwick as Administrator, at a high level of remuneration, at least insofar as those press reports may be relied upon. There is also a report that Ms Chadwick was offered a well remunerated position by the Government of NSW. Thus it may be argued that this circumstance might benefit from further inquiry by this Committee and possible referral to higher judicial authorities such as New South Wales Civil and Administrative Tribunal or NSW Independent Commission Against Corruption if serious legal issues emerge during questioning?

6) The issue of the Premier’s statements to the House covering these matters and related to the ‘move of the Powerhouse Museum’ or the ‘redevelopment of MAAS’ or the HOA/Government purchase of Parramatta’s Riverbank site may warrant further questioning by the Inquiry as to their veracity and defensibility? A close analysis of the Premier’s statements in Hansard may warrant further analysis after the major proponents delineated above are questioned?

Is something rotten in the State of NSW, in Parramatta and at the heart of Government?

17) In light of the above, and since the Hill PDA and Deloitte Reports are openly tendered by the ex-Administrator, there cannot be Cabinet-in-confidence or commercial-in-confidence protection for relevant documents, discussions and minutes of record unlike so much else in this worrying debacle. Forensic public examination may be undertaken by this Committee of Inquiry. It is therefore RECOMMENDED that the Inquiry into Museums and Galleries in NSW call, or recall, various persons including:

Mr Dyer and separately,
Ms Chadwick and separately,
The Minister- Mr Harwin, without supporting attendees
Then (July 2017) Parramatta Tourism/Marketing Officer responsible for advising CoPC on HOA
Deloitte representative and separately,
Hill PDA representative
The former Mayor Mr Paul Garrard.
Mr Craig Limkin (to ascertain if he is relying on these two Reports, in part, for the ‘Extended Final Business Case’ and his view on them)
Appropriate members of Parramatta’s ‘Expert Advisory Panel’
Appropriate Members of present and past City of Parramatta Council(s)
The Premier of NSW.
The previous Premier of NSW.

Submission tendered respectfully by

Dr Lindsay Sharp, , 8 January 2018.
WHY NOT WAIT UNTIL AFTER THE NEXT COUNCIL ELECTION TO SIGN THIS AGREEMENT?
The NSW Government announced in April 2017 that the extended business case will be completed by the end of 2017. A key input into that business case is the site and associated acquisition costs. Given the timeline and the community’s support for the museum to be at the Riverbank, both the Council and the NSW Government took the view that delays in entering the Agreement would be detrimental to arts and culture in Parramatta and Western Sydney more broadly.

WHY WASN’T THE COMMUNITY CONSULTED FIRST?
The community has consistently urged Council to help attract MAAS to Parramatta. The negotiations have been legal and commercial-in-confidence meaning that the details could not be shared with the community.

Council established an Expert Steering Committee of local and export stakeholders to provide advice during the confidential negotiation process. Deloitte also provided advice to Council and the Expert Steering Committee. The advice of the Expert Steering Committee and Deloitte have now been published on Council’s website.

WHAT IF THE NSW GOVERNMENT DOES NOT PROCEED WITH THE NEW MUSEUM?
The Council is entering this Agreement because it is committed to bringing a world-class museum to Parramatta.

Under the Heads of Agreement, the NSW Government has committed to the relocation of the Powerhouse Museum or the establishment of a major new cutting edge science and innovation museum to be operated by the Museum of Applied Arts and Sciences which will be its flagship campus.

If the Museum does not proceed, the Riverbank site will stay in Council’s ownership and the Agreement will lapse.

WHAT DOES THIS MEAN FOR THE FUTURE OF THE RIVERBANK SITE?

WHAT ADVICE DID DELOITTE PROVIDE?
Deloitte provided advice to Council on the economic costs and benefits of the agreement.

In summary, Deloitte concludes that the Agreement represents a reasonable arrangement to develop a new cultural precinct.

Deloitte finds that the Agreement transforms the commercial value of Council’s Riverbank site into significant cultural and economic benefits for the community. Deloitte’s modelling found that the new cultural precinct will grow the local economy by between $56 million and $422 million (NPV) and create between 150 and 600 new full-time equivalent local jobs. The Report highlights key strategic advantages for Council in the delivery of these projects via a joint venture.

WHO ARE THE EXPERT STEERING COMMITTEE?

WHAT DID THE EXPERT STEERING COMMITTEE DO?

To inform their recommendations the Expert Steering Committee had access to all key confidential documents and briefings.

In summary, the Committee recommended that Council enter this agreement as it leverages the commercial value of Council’s Riverbank site to deliver an exciting new cultural precinct along the Parramatta River which will benefit locals, residents from across Sydney and tourists alike and vibrantly engage people of all ages in culture across a range of art forms.

The full recommendations of the Committee are available on Council’s website.

CAN I STILL PARK AT THE OLD DAVID JONES CAR PARK?

WHEN WILL RIVERSIDE BE UPGRADED?

WHEN WILL THE NEW MUSEUM BE COMING?

WHEN WILL RIVERSIDE BE UPGRADED?
A target date will be set once the business case has been approved and the design endorsed by the joint venture.

City of Parramatta Council and the NSW Government have signed a Heads of Agreement (or contract) for Council’s Riverbank site and to create a new cultural precinct on the Parramatta River. The precinct will include the Museum of Applied Arts and Sciences (MAAS), an enlarged and enhanced Riverside Theatres and a new pedestrian bridge across the River. All of which will be underpinned by $40 million to deliver Council’s 2017-2021 Cultural Plan.
The NSW Government will build a new Museum of Applied Arts and Sciences in Parramatta
Under the Agreement, the NSW Government will build a new world class, flagship Museum of Applied Arts and Sciences (Powerhouse) by the Parramatta River. The new Museum will be built on Riverbank, a site otherwise known to locals as the old David Jones carpark site and is anticipated to open in 2022.

$100 million will be invested to enlarge and enhance the Riverside Theatres
Council has used the Agreement to leverage proceeds of its land sale to fund the construction of an enlarged and upgraded Riverside Theatres on the current theatre site.

Great cultural, education and other community benefits for locals and visitors
Council’s consultation to develop the Cultural Plan showed that attracting the Museum of Applied Arts and Sciences and growing Riverside Theatres are the communities’ two key cultural priorities.

A world class museum in Parramatta will be an important new focus for cultural and education development. Together, the Museum and the enhanced and enlarged Riverside Theatres will be first class educational resources for students as well as vibrant forums for local cultural industry development. The cultural precinct is predicted to be both a local and an international tourist destination with the potential to draw up to 1 million visitors a year.

The cultural precinct will be a big stimulus for our local economy and jobs
Deloitte’s modelling\(^1\) shows that by 2028 the new cultural precinct will grow the local economy by between $106 million and $422 million (NPV). Employment is also expected to increase strongly both in the construction and operational phases of the new precinct. Once the museum is operational, local jobs are expected to increase by between 150 and 600 new full-time equivalent jobs.

Riverside Theatres legacy will be protected
While Riverside is much loved, a number of studies have shown that the theatre is aged, lacks accessibility, has limits to its capacity to attract a full range of productions and requires improved facilities.

Through the Heads of Agreement, Council has set out a number of requirements that will ensure Riverside’s legacy continues including that:

- The theatre must build on the valued brand of the existing Riverside Theatres
- It must seek to maintain its connection with current audiences and continue to provide opportunity for educational and cultural industry development
- It must be of architectural distinction, design excellence and twenty-first century functionality
- It must meet future demand for high quality diverse local, Australian and global performance
- It must meet certain operational financial performance conditions.

Further, Council will retain ownership of the Riverside Theatres land.

Ratepayers will benefit as well
The Riverbank site is being sold for $140 million, which is in line with Council’s commercial valuations of the land. Council acquired the site for around $40 million of cash and through a negotiated agreement with a developer. In the Heads of Agreement, Council has agreed that $100 million of the proceeds will be invested in the enhanced Riverside Theatres. Council has agreed it will invest the remaining cash of $40 million to implement the Cultural Plan over the next 20 years.

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\(^{1}\) Hill PDA 2017, MAAS Museum Relocation Study
\(^{2}\) Deloitte 2017, Review of the proposed arrangement between City of Parramatta Council and the NSW Government to establish an arts and cultural precinct.