Supplementary Submission No 148r

INQUIRY INTO INQUIRY INTO MUSEUMS AND GALLERIES

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Analysis of the 'Integration Brief'.

The following analyses this second –in- sequence document which was tendered to Cabinet seeking approval of the Powerhouse Museum 'move' project, the first being the 'Supplementary' report written by Johnstaff consultants after five previous versions. It is followed in this suite of analyses by three other documents: the overall 'Extended Final Business Case'; the flood risk report; and the review of collection logistics by Hirst Associates. To be frank this reviewer believes that further extended analysis of other documents is not essential since the egregious faults demonstrated in these five reviews prove this so-called Business Case planning exercise was fraudulently undertaken by Government agencies to mislead both Cabinet and the people of NSW. The analysis follows the original Government document. Quotations are in ***bold italic***.

In essence the criticism of this document summarised is:

In its factual, fiscal and qualitative cultural statements this 'Brief' is completely misleading – for example it does not and cannot meet Treasury BCR minimal requirements. Among many shortcomings it fails to provide Cabinet with accurate or reasonably prudent estimates of both capital expenditure and operational/Consolidated Revenue future requirements; it omits to adequately cover the heritage destruction, potential costs, and political risks at the Riverside site and on the Ultimo site; it omits or underplays the political risks and scandalous pay offs to developers attached to super dense development of unit towers; the statement of Ultimo Service requirements is by and large entirely untrue; and the flood risks at the Riverside site are remarkably out of date and understated. These are just a few examples out of many. If Cabinet relied upon these documents including the 'Supplementary' Cabinet briefing document, then it was profoundly misled in the decision it took. Once again we have to ask: who submitted this to Cabinet and who encouraged/controlled that submission?

1: 'Back ground:'

> ***'In 2014, MAAS developed a Business Case requesting funds for the renewal of the Powerhouse Museum…This identified current operations as unsustainable, and that existing infrastructure had reached the end of its useful life or was no longer fit-for-purpose. Compromised in its ability to meet obligations under the MAAS Act, the museum requires significant investment.'***
>
> This statement is accurate only in one respect: MAAS did put forward an opportunistic/speculative/sub-optimal Business Case in mid-2014 which had nearly passed through Treasury Gateway process before it was pulled by Government .
> The author of this analysis was privileged to see this document briefly in the Director's Office. Even in the twenty minutes available it raised his eybrows repeatedly.
>
> This report has never been released.
> Why?
>
> Perhaps because there was no effective testing by Government of extant facility conditions or operational sustainability issues raised therein; no testing of the outline upgrading costs; no checking

with outside experts as to the facilities' capacity for becoming once again superlatively fit for purpose. Key staff- and the then MAAS President- are no longer involved and, arguably, lacked the museological expertise to make these judgements. The same could be said of the current regime. The previous Government report (2012- INSW) noted only that a few millions $ were required in maintenance for the Ultimo facilities.

Many overseas Museums date from the C 19/early C 20 (V and A; Science Museum, London); the C. 18 (British Museum); and even, in part, the C14 (Louvre, Paris) making a nonsense of MAAS 2014 claims of inadequacy. Government assistance was requested in 2014 but a major portion of Phase I renewal was funded by the sale of air rights. No testing of refit estimates was made by Government.

Among a host of related questions let us just take one: why move the collections at all? Instead of that logical and simple proposition- there is no evidence the present store is not doing its job- a new store will have to be extended at Castle Hill for a minimum cost of $50 million plus [for cost see 'Supplementary' document which was the 'crib sheet' for Cabinet- no contingency was included and the figure was reduced by at least $15 million]. So the new storage structure will be replacing a completely fit for purpose, adjacent, existing collections building- the Harwood Building- in Ultimo. This inevitably will require object handling at least three times in the actual move (as apart from the other four pre-move handling steps) and later handling and transport between the Castle Hill Stores and three other sites. The resultant longer term risks and costs are nowhere referred to in this Integrated Brief. There is no Net Present Value calculation of these additional costs over thirty years which must be added to Total Project Cost and included in Treasury's Benefit Cost Ratio analysis. There is no apparent cost benefit/risk analysis at all in this review of these matters. No analysis of the opportunity cost of demolition of the Harwood Building which would add perhaps hundreds of millions $ to the real (wastage/opportunity) cost to the State of this Collections move/Museum facility destruction plan. This leads to the inevitable conclusion:

CORE COMMENT:

It is only by wildly overstating the renewal costs wrongly contained in the MAAS redevelopment bid report of mid 2014- which have never been forensically analysed by engineers or surveyors- that these multifarious avoidable costs- but not including facility wastage (opportunity) and long term risk/cumulative additional costs over thirty years - can be meaningfully quoted or made spuriously relevant.

Even then with all the miscalculations and incomplete inclusions in the Total Project Cost/Benefit Cost ratio as exhibited in the 'Supplementary' [crib sheet] document which went to Cabinet this zombie project still fails badly according to Treasury's own rules.

FAR BETTER: THE PROJECT OF A NEW MUSEUM IN PARRAMATTA, IN ANOTHER VERSION, WHICH WE ALL WELCOME- (i.e. KEEP ULTIMO AND USE FACILITIES THERE WHILE RENEWING THE POWERHOUSE MUSEUM- AND DEVELOP THE CUMBERLAND HOSPITAL/FLEET STREET SITE)- AND WHICH WOULD PROPERLY PASS THE BENEFIT COST RATIO DEMANDED BY TREASURY.

So, why is Government continuing with this?

One answer: their elite business friends in the West and in the CBD are all beholden to developers; Government represents politicians and administrators who in future need well-emolumated employment. Additionally it appears some public servants and consultants are complicit in this deeply misleading behaviour.

'Unmet demand'

'Although not defined at its inception by unmet demand like similar large-scale infrastructure projects, the [new museum] Project through the act of relocation ultimately begins to address the cultural demands of Western Sydney and secures the future of one of the State's most valuable collections. This was encapsulated in the New Museum Final Business Case [NMFBC].'

This is perhaps one of the worst and most misleading statements in this pile of jargon-ridden ordure. Put simply but more accurately it argues that:

a) No one had a fact based idea as to what Western Sydney communities needed and wanted in terms of cultural investment prior to Mr Baird making his announcement of the 'move'.
b) No market research or business case planning had been undertaken although Government claimed at the time that the sale value of the Ultimo site at $200 million would cover the cost of the new museum and the 'move', with change over to invest in other cultural activities in Western Sydney. Current calculations by Government itself demonstrates that there will be a 600% cost blow out on their own original figure. The real cost is likely to be between an 800% and a 1000% cost blow out on that figure by 2024
c) In no way does this 'secure the future' of this irreplaceable collection. To the contrary it places it a far greater, completely unnecessary risk at a massively expensive and still amateurly [un]quantified cost. No true risk assessment or accurate cumulative cost calculation over 30 years of the move has been undertaken.
d) Following the above it means that it fails to adhere to Treasury Business Case planning rules and Treasury's Benefit Cost Ratio requirement
e) Under the present Minister's ambit- he is one of Australia's leading psephologists- it fails every appropriate test in terms of researching, defining and meeting such 'unmet demand'. Which, given his expertise, one imagines he knows.
f) There is no proof whatever adduced that this cargo-cult project ***'begins to address the cultural demands of Western Sydney'***- except, manifestly, among an elite of Parramatta business people and rent-seeking development colleagues of Government and those rent-seeking business people who clamour most for it
g) What it does demonstrate is that it is the development 'push' not a factually established cultural 'pull' which is driving this project – a fact which is admitted in the 'Supplementary' document [crib sheet] which went to Cabinet and in the 'Summary Business Case' document which accompanied the risible announcement of the 'final' decision to proceed with the project
h) Consequently, what is '***encapsulated in the NMFBC'*** is exactly the opposite of what is claimed
i) It is impossible to 'move' the Powerhouse Museum- that name is associated with the historic Power Station in Ultimo

   Reading this document, as with all the rest [so far] in the 4,500 page documents dump this analyst is reduced to thinking that Government operates in a parallel universe in which Premier Alice's rules- along with Minister March Hare's-prevail down their rabbit hole after they have gone through a looking glass. What is '***integrated***' is –based on its own figures and its own statements- unmistakably composed of weasel words, rubbery figures, untested assumptions, illogical assertions, faulty research, vacuous self-congratulating phraseology (see its conclusion) and questionable judgements.

   It is, in other words, a 'Dis-Integration', fragmentation project Brief.

'1.2 Relocation of the Powerhouse Museum'

This short section- with the next- purports to show that the Ultimo re-development of a 'cultural presence' was separated out from the new museum in Parramatta project as part of the ***'Ultimo Investment Case' (UIC)***, as is the Castle Hill '***Museum Discovery Centre Storage Project' (MDCSP)*** while '***integrating them'*** into the overall project. There is no definition of what constitutes 'integration'. Is that financial (dubiously), fiscal (clearly not) or socio-cultural (no attempt made at an intellectual framework= clearly not)? There is also no definition of what constitutes a 'cultural presence' -in itself a meaningless phrase. Instead there is bloviation, bewildering non-sequiters and blarney. This socio-cultural melange- or is that blancmange?-it turns out later includes a Lyric Theatre inserted into the large Heritage Buildings (Turbine Hall/Generator Hall; or Boiler Hall); the destruction of the Suleiman prize winning Wran building to make way for units; the destruction of the purpose built Harwood Building (collections storage and integrated back-of-house workshops, library etc.) to make way for more units; and the insertion of a Museum of Fashion, [architecture] and Design into (presumably) what was the old Switch House (6,000 M2 according to this Brief although the Switch House is only approximately 3,000 M2).

It is a transparent attempt to obscure the museum destruction program with substitute facilities including, effectively, a recreated Powerhouse Museum splinter segment (Fashion/Design) –plus a kind of cultural pick n'mix without any intellectual framework- more a luvvies' blancmange- with a Lyric Theatre shoe-horned in (does the Minister like Musicals?) masquerading as inspired 'policy'; and a classic attempt at reducing cost headings [e.g. not including Parramatta land acquisition; low-balling Parramatta and Ultimo development] within the overall Total Project Cost so as to facilitate the minimal capacity of this aberration to supposedly pass Treasury's Benefit Cost Ratio- which anyway it fails to do. It is 'creative' and misleading accounting at its most obvious. It is also an amateur night, museologically and culturally, at its most obvious.

It appears to speak volumes about the Minister, Government and bureaucrats that this tosh passed through Cabinet.

Integration?
Of what, exactly?
Are we confused?
Maybe.
That is not accidental.

It is a Clayton's integration- the integration you are having when you are not integrating all the cost headings to give a Total Project Cost as demonstrated in Cabinet's 'Supplementary' document.

Simple, isn't it.

The many unit towers are not noted at this point in the document so as to avoid inquiry in terms of its overall justification.

Rather than an 'integration' document it is the exact opposite- a 'disintegration' project Brief.

'As part of the new direction, MAAS Project responsibility was transferred to the newly established Cultural Infrastructure Program Management Office (CIPMO)….'

What this means in practice is the bureaucrats are now in charge. The MAAS Board and expensive senior management cabal are effectively reduced to servants of an anonymous, amorphous, non-expert group without museological underpinnings or any real museum experience. In due course both in Parramatta and in Ultimo the planning and project delivery could be pushed out to any successful commercial tenderers of the two sites if Government so wished.

The inmates are now in charge of the asylum.

'Conclusion'

These two concluding paragraphs to the ***Summary*** are so vacuous that they defy rational comprehension in the context of a twenty first century museum. A world class institution is being destroyed- fragmented- at huge cost and high risk for no benefit. A much more cost effective, creative and responsive-to-communities (Sydney and Parramatta) plan – in various versions- has been placed before Government but this benighted, ahistorical, anti-heritage yet outdated bunch of clods have blindly gone down the road marked 'developers rule here'. To achieve that they have misled the public about cost and meeting their own fiscal rules while hiding in plain sight their true motivation:

Development of more unit towers.

In short this [Dis] 'Integration Brief' resembles nothing so much as Minister March Hare's creation of a cultural camel, accidentally emerging from a test tube filled with luvvies' blancmange, while flaying a proven and successful museum race horse to achieve his end.

Finally, in this travesty of summation this statement appears:
'Integrating the costs, benefits and key milestones of all proposed elements, this brief clearly identifies a sustainable and compelling solution for a seamless transition of the MAAS collection from Ultimo to Parramatta and a redevelopment of both sites that will lead the arts and cultural legacy of NSW well into the future.'

As might be expected this Brief does exactly the opposite. For example, one element alone is relied upon here as it is in the 'Supplementary' document which went to Cabinet- the statement that no additional Consolidated Revenue will be needed to run three as opposed to one site. Yet after that statement in the Supplementary document there appears the following, right at the end:

'Additionally, $29 million of recurrent expenditure is requested for the delivery of the project such as the recurrent portion for the collection move etc. with a review to be conducted for the ongoing need for recurrent funding'.

The kind of 'Clayton's increase in Consolidated Revenue you have when you are not having an increase'? The kind of courageous bravura of the earlier statement that no increase in Consolidated Revenue will be needed or sought. So much for internal consistency and evidence based logic?

Further analysis of some, but by no means all exemplars of later egregious details in this [dis] 'Integration Brief' follow in support of the above statements.

1. ***'Introduction- Project Background: …State Infrastructure Strategy Update (November 2014); Preliminary Business Case (PBC/March, 2016); New Museum Final Business Case (NMFBC/June 2016; New Museum Extended Final Business Case (NMEFBC/June 2017)'***

   This listing conveniently omits to state that NO potential community/market survey work took place until July 2017 and that, in itself, apparently only lasted a month (officially). This is beyond inadequate both in Business Case planning terms and Treasury Rules regarding Benefit Cost Ratio calculation. The previous Premier, Mr Baird, confirmed this in his May 2018 testimony to the Museums Inquiry claiming this was how Governments should undertake business case planning-i.e. take the decision then justify it afterwards. The choice of the so-called Parramatta Cultural Precinct- an increasingly obvious mistake due to the catastrophic potential for major event flooding among a number of issues- also took place effectively without consideration of far safer and more appropriate Parramatta sites such as the Cumberland Hospital/Female Factory site. This Integration Brief simply disregards these critical mistakes which sadly promise future disasters as much for reasons of lack of community support and visitor uptake/ income (Willingness To Pay/WTP), and inept handling of Consolidated Revenue gaps as for the exponential flood risks caused by burgeoning Climate Change amid Global Warming. There is no core justification or reasoning as to why a great International Museum must be destroyed so as to create a new, at risk cultural precinct in the West or fragment the collections and messaging across greater Sydney; or accurate accounting of true costs both capital and Consolidated Revenue.

2. ***'MAAS Project Scope:….[which] meets community needs and aspirations…The proposed Option has the greatest operating cash flow at $87.3 million driven by the aforementioned revenue generating opportunities, a BCR of 1.23 and a NPV of $257.9 million'.***
   We have already seen that the market research/WTP data is superficial and unreliable lacking depth, breadth and credibility (analysis of Supplementary Cabinet document). Which leads us to later deconstruct the calculations summarised above. Cash flow, of course, is not what matters: if there is cash flow but continued recurrent losses not only the P and L will become unsustainable but also the balance sheet over time will increasingly self destruct. These are cultural businesses which inevitably are labour intensive, complex and expensive to operate. These latter factors are evaded or undercosted.

   '3.1.3 The museum'

   The areas denoted in this list which totals 21,200 M2 of museum space and 11,500 M2 of gallery space within that, are smaller than the original Powerhouse Museum areas and even so are no larger than current diminished PHM spaces. Moreover their volumes are- taking cost per M3 into account- much smaller. All the elements are present at the Ultimo Powerhouse Museum, or could be easily added including a Planetarium. However such a facility is a fiscal black hole whose financial modelling requires close attention. PLUS there is the loss of the adjacent Harwood collections storage and back of house building; together with which this new museum plan will be fragmenting the Powerhouse Museum into three parts with corresponding increased Consolidated Revenue costs. The Wastage/opportunity cost of the existing Powerhouse Museum structures is nowhere taken into account. The figures for the project quoted lack many cost headings (see analysis of Supplementary document), inflation, adequate collections logistics and other increased operating costs and NPV of those additional operating costs among a number of key issues. This quantitative statement appears profoundly misleading both on BCR bases and on an NPV basis.If Cabinet accepted these figures at face value they reveal a great deal about Cabinet scrutiny and that Cabinet was misled fiscally in a profound way.

'3.1.5 Key financial assumptions…museum's operational model was developed on historical financial and operational data for MAAS, and updated to reflect the new sites based on consultation with MAAS'

As noted elsewhere (analysis of Supplementary document to Cabinet etc.) this statement is nonsensical. In that document it is stated categorically that there will be no increase in Consolidated Revenue payments to MAAS; then it is plaintively suggested (final paragaraphs) that there be a 'review' of same. Which is it and how could this startling inconsistency reflect the statement quoted above? Moreover how accurate could such calculations be? Assumptions based on historical data will automatically be misleading here.

For starters there are the issues of increased transport, security, staff replication,and staff requirements (four public sites/more educational staff/more maintenance staff/ongoing increased conservation due to enhanced cataloguing and collection movement, recreation of an effective interactive and sci-tech team, etc.) and so on to be accurately considered. Then there are issues to be derived from the future operational load caused by a building (Riverbank) with unavoidable, increasing flood impacts plus far worse access for exhibitions and collections. Then there are HVAC and other service requirements/costs plus insurance etc. These are just a few of the headings which need examination in detail. Added to which the operational costs of four different public building complexes by definition will be greater than those of one even taking into account the efficiencies of new plant. It is not clear if the sea-water heat exchange system of the Powerhouse Museum which feeds into the HVAC plant has been fully accounted for in terms of future operational efficiency calculations?

The blithe statement quoted above in itself should raise red flags in any audit of these and other documents. The MAAS modelling referred to is inherently questionable based on the limitations of such analysis with a proliferation of sites including a 'temporary' large object store (with the implied movement of massive yet sensitive objects/parts of objects), continuation of the Sydney Observatory, the extension of Castle Hill over an undisclosed period with a massive cataloguing and conservation program, the unknown parameters of the so-called 'Ultimo Cultural Presence'(an entirely new and separate 6000 M2 museum of architecture, fashion and design with thousands of visitors and educational groups plus temporary exhibitions) with unit towers and mixed use commercial neighbours and the operation of an as yet unplanned Riverbank site with multiple occupants in a tower or towers, commercial mixed use neighbours and free access to much of the site approximately 20/7. There is no other known operational comparator in the world including MOMA New York.

'[the] preferred option for Western Sydney is also driven by the inclusion of the Planetarium (that has positive financial impact) and includes additional function, event and food and beverage spaces (that can be utilised to drive increased revenue)'

This statement is jaw dropping in the context of the new museum sites in Ultimo and Parramatta. One of the enduring lessons of financial planning for new cultural businesses is that future income projections should be extremely conservative. There are a host of reasons for this especially when the liklihood of enhanced responsive competition, unknown depth of corporate hospitality, other events spaces existing and future, available parking, ease of access and many other factors are taken into account. Then where is the evidence that MAAS is effective in such commercial ventures over the last five years or so? The scandalous losses of the Fashion Ball really puts the wrecker's ball to that naive notion.

Propensity to visit/willingness to pay predictions are notoriously difficult to validate even with extended and extensive segment/community surveying over a lengthy period. This suite of documents states that the major market testing took place during one month- July- in 2017. This is completely inadequate in itself. To argue [without compelling evidence] that other survey efforts 'reached' a half million potential viewers is both meaningless and misleading. As a leading psephologist one can assume the Minister knows this?

Moreover the financial modelling has to be extremely conservative especially when one realises Australia has not had a recession in about a quarter century. If another GFC occurs the 'nice to visit in principle' survey data vaporises in the face of family financial reality. Personal indebtedness in Australia is currently at one of the highest levels in the world. A wave of mortgage failures appear likely as 600,000 borrowers move from interest only to principal and interest repayments. Car sales have hit a wall and apartment sales have fallen off a cliff. For any hope of validation properly modulated data must be entered into an experience-based spread sheet and modelled on a range from absolutely minimal to median. Even then such projections must be treated with enhanced scepticism. All banks do this in the face of requests for cultural business funding, based on hard won experience. Government should be no less rigorous.

The statement that the Planetarium will enhance net income is especially egregious. What comparators have been studied around Australia and particularly overseas? What are the attendance assumptions given the substantial projected ticket price hike for a family? What are the estimates of repeat attendance? What are the operational costs including the cost of enhanced and changed future programming? What exactly is implied by:'positive financial impact'? Increased turn over alone? If it is net profit on the operating P and L how is that calculated?

All evidence available which is not supplied by equipment purveyors suggests that Planetaria are 'loss leaders'. Even one of the world's greatest planetariums – at the New York Natural History Museum- fails to make a positive financial contribution to that museum's operating budget especially when all costs including capital cost servicing and opportunity costs are taken into account. Almost all planetaria capital costs have been underwritten by direct philanthropy around the world. What evidence is there of such comparable potential capital provision in Australia for such a facility? What comparative technologies cheaply and increasingly available to potential audiences have been taken into account? What similar astronomical but far less expensive options for MAAS have been reviewed and modelled accordingly? This is another unavoidable red flag in terms of project audit which leads this reviewer to suggest great caution when addressing these likely egregious statements in the [Dis] Integration Brief and other Cabinet documents.

'This option will revitalise the current [Ultimo] site with a mixed-use redevelopment responding to the community's desire to maintain a museum presence and enabling development of an exciting creative industries precinct….[new]…complementary design museum…supporting predicted growth in lyric theatre subscriptions for Sydney CBD…providing creative industry office space…'

Once again this melange of elements chosen at random from among the Minister's luvvies coterie and from within his undisciplined mind, allied to ouright falshoods and conveniently unstated additional elements, reveals no intellectual justification or valid cultural rationale beyond that of maximising commercial development potential. Firstly it fails to mention the multiple unit towers slated for much of the existing museum site. It does, however, note the 'mixed-use redevelopment' which has long been suspected as also being a core component of this developer- driven commercial blancmange. Where it falsifies is in implying these components reflect 'the community's desires'.

Really? At the sole open consultation by Government on the future of the Powerhouse Museum in Ultimo the attending public specifically and repeatedly shouted out ‘no’ to such commercial intrusions. Only later, but predetermined ‘survey’ work using slanted questions and questionable manipulation could draw such a false conclusion. Then there are the twelve thousand plus community members who signed a public petition decrying Government’s proposed demolition of the Powerhouse Museum with many thousands more who support Save the Powerhouse Museum movement and the Powerhouse Museum Alliance- as witnessed by Facebook and other digital media aligned with public protest meetings to boot. The Press and media- with the sole exception of The Daily Telegraph an acknowledged Government propaganda outlet which should possibly be renamed ‘Pravda’- are almost universally sceptical or down right opposed to this development-driven, political pork-barreling, cultural abortion. Of which the Minister appears the midwife.

The Lyric Theatre proposal- apparently the Minister’s own- has supporters certainly (perhaps, most influentially, rent-seeking commercial operators)- but one wonders if the potential alternative sites were mentioned in relevant surveys or that it would entail the Powerhouse Museum demolition on the Ultimo site? [Range of questions, to whom, under what parameters and responses were in the research please]

The renewal of the Powerhouse Museum itself would cost far less than this hare-brained scheme (approx. $120 million vs $1.5 billion plus- note that the cost effective renewal of the entire Powerhouse Museum at $120 million is only $60 million more than the poorly justified new fragment- the Design, Fashion and Architectural Museum -which has not been properly costed yet either). Even in its present tired condition the Powerhouse Museum has been leading the regeneration of this ‘Creative Industries Precinct’ successfully and has, over thirty years, developed and maintained a leading role as a precinct and beacon of innovation and great, creative Australian design linked into world design. This is excised from the [Dis] Integration Brief at this point and downplayed elsewhere.

The above statement demonstrates just how misleading this so-called ‘Integrated’ plan is and how far this suite of documents misled Cabinet. Instead of two sites, with the Sydney Observatory added, this [Dis] Integration Brief delivers six museum sites- spread over a vast area of Sydney- which are splintered and weakened.

Here, one must ask, ‘who is its ultimate author? Who presented this ordure to Cabinet? What motivates that person?’. The answer is plain for all to see.

‘Option 03 proposes the [Ultimo] site be divided to include: two and three stories of office space/major portion comprising a lyric theatre, three storeys of museum space, and flexible space that will allow for educational, commercial and social uses, including a bar and restaurant. The Precinct with links to U of T and TAFE…will comprise…a Lyric Theatre and associated amenities…addressing a current lack of theatre space…a 4,426 M2 design and fashion museum operated by MAAS….3,166 M2 commercial/mixed-use space with 1,800 M2 operated by MAAS…

[Note] 9 The State will retain ownership of the heritage buildings, the museum will be operated by MAAS, and the Lyric Theatre, commercial and flexible spaces will be leased to third party operator(s)

[Note] 11 The Ultimo Service Need Analysis 2017 found that the centre of Sydney was adequately supplied with a range of museum offerings even with NMWS at Parramatta. Specifically, it found

that most of MAAS holdings could be held without the need for the Ultimo Museum and that traveling exhibitions had sufficient choice of venues, including the Australian Museum and ICC….'

Once again there is no mention at this point of the unit towers. Towers whose development permitted the Minister to utter the following weasel words: 'this project will cost far less [than $2 billion] to the taxpayers of NSW…' by alienating a core city site and destroying a world class museum.

Why is there this crucial omission?

To say this misleads Cabinet is a polite way of saying this falsifies the entire future of the site, its political, social and economic dimensions and the fiscal duplicity which appears to be driving this abysmal project. With the exception of the Lyric theatre all of the jargon ridden so-called 'integrated'…'benefits' are currently carried out by the Powerhouse Museum, have been in the past and, with efficient renewal, will be in the future. This would be significantly cheaper, far more cost-effective, with genuinely great BCR advantages including the renovation of the Cumberland Hospital/Female Factory sites and development of a world-class new museum on those 30 plus hectares. None of these options have been explored as comparators for the original predetermined decision which completely lacked- and lacks now- a truly comprehensive, accurate and viable Business Case.

This repetition of false statements is 'supported' by three notes of which two are quoted above [9 and 11].

Number 10 merely notes that the Lyric Theatre might be viable based upon an outline architectural assessment. One wonders whether it will be leased by Government at a true market rate based on location, capital expenditure by the State and real opportunity cost? Will the Minister find convenient reasons, like he has with the new gallery at Bundanon (close to where he lives), to simply 'gift' this facility to the occupants at a minimal rate to encourage tourism or a cultural activity he personally appears to favour? Given the fungibility and flexibility with which this document conjures up 'reasons' to support such an inept project nothing would surprise this reviewer. As for intellectual rigour? This document has a rigor all of its own in terms of its procedures and conclusions- rigor mortis.

Notes 9 and 11, printed in tiny type almost certainly unread by most Cabinet members refers to a previously unknown base planning document critical to cultural planning in greater Sydney- 'Ultimo Service Need Analysis 2017'- and a complex land ownership/leasing set of arrangements.
This critical 'Service needs analysis' document is part of the three layer pyramid of Government's misleading argument- as far as one can identify such a logic- as follows:

1) Level 1/ base level:''MAAS said it will cost approx. $300 million to restore and upgrade the original facilities [now $500 million according to the leak to the Daily Telegraph) so this makes 'moving' the museum fiscal sense
2) Level 2 /sandwich level: 'Central Sydney- CBD and the inner city suburbs- don't need the facilities or collections in Ultimo anyway (Ultimo Service Needs Analysis 2017)
3) Level 3/top level: Government policy dictates we 'rob Peter to pay Paul' so 'moving' the Powerhouse Museum (current Premier 'it's just a brand so it can be moved') to the Parramatta Riverbank site is inevitable and necessary.
   (Government 'policy' has 'evolved' as a misshapen, rubbery crutch to justify a decision already taken in 2015)

Question: If the base is corrupt and incorrect then the argument fails?
What if the next two levels are as false and faulty?

Elsewhere and in this document the base-line proposition is demonstrated to be wildly inaccurate, unchecked and false.

What about level 2?

In the main text of this [Dis] 'Integration Brief' it states:

'Sydney's existing museum landscape provides a wide cultural offering [which covers] contemporary art and culture [AGNSW/MOCA/aspects of MAAS], social history [a minor specialised offering through Living Museums, main role by MAAS], maritime history [principally National Maritime Museum/NMM], science and technology [MAAS mainly, a little at NMM], [Transport- almost all MAAS apart from maritime at NMM], natural sciences and natural history [Australian Museum, Royal Botanic Gardens, Toronga Zoo, some MAAS collections via subjects such as Australian Flora in Art], [photography -MAAS collections extensive, plus AGNSW, MOCA and Australian Museum], [Decorative Arts , musical instruments and Applied Arts- MAAS collections are world class], [arms and armour], [music] etc.'

So removing MAAS/Powerhouse Museum from the CBD mix, in its completely appropriate heritage and new buildings, removes almost all science and technology [apart from natural history], social history, land/air transport, decorative and applied arts, arms and armour and a large part of photography, from the CBD subject list [a few among over 35 collection subjects most of which are absented]. This is not, apparently, what the Ultimo Service Needs Analysis purports to show. In fact the opposite conclusion is drawn incorrectly. This falsehood is brazen.

The creation of a 6,000 M2 [including 1,400-1,800 M2 of commercial space] 'new museum' at an estimated cost of $60 million (how derived?) devoted to design, architecture, fashion, creativity and innovation will, it is argued, cover off these subjects although the relevant collections are removed from Ultimo to Castle Hill thereby making access for students, collectors (and the curators) who live within 15 kms of CBD far more difficult. In this [dis] integration project there is massive wastage of existing facilities and far more costly logistics involved. Added to which a relatively simple upgrade covering design etc. at far less expense ($25-30 million maximum?) will deliver many more benefits than the $60 million 'new museum' while maintaining Sydney's heritage and permitting creation of a breathtaking, 'stand alone' expansion in these fields. Such an alternate option is never examined in this [Dis] Integration Brief.

'They [the existing museums without the Powerhouse Museum in Ultimo], along with NMWS, are expected to provide sufficient space for temporary travelling exhibitions; however, there is no space offering a dedicated museum of design.'

On what basis is this 'expectation' made? In 2017-8 the Australian Museum has made a bid of $70 million plus which includes a massive expansion of its temporary exhibition space due to perceived need. The new AGNSW extension also has asked for a massive expansion of same. As recently as 2013-4 the Powerhouse Museum spent over $20 million to increaseits temporary exhibition space to a size [1,800 M2 approx] capable of handling exceptionally popular shows such as Harry Potter. Pulling that space out of central Sydney will have a major impact on capacity and tourism even with the obviously needed expansion of such spaces elsewhere. Comparing this with Melbourne is instructive. There is no argument against creating another, new Parramatta/NMWS space based on the claimed Willingness to Pay statements contained in Government documents, but cancelling that at the Powerhouse Museum is blatantly stupid and wasteful. Especially since most of the hundreds of outstanding temporary exhibitions shown at the Powerhouse Museum over thirty years would never be considered by any other museum in the CBD. For example- Harry Potter- which falls way outside their rubric.

For the record this reviewer spent twelve fruitless months with an expert colleague in 2016-7 searching for a space of approximately 1,200 M2 in central Sydney for an exhibition on the famous TV show 'Downton Abbey'. All were booked up and unavailable for years ahead.

Another fatal flaw in this argument is that it canvassed the other institutions noted above in parentheses some of which have made bids for much larger travelling exhibition spaces in addition to permanent new gallery space. These are competitors of MAAS/Powerhouse Museum and, as increasingly underfunded State cultural businesses, naturally would be quietly delighted if MAAS is forcibly removed from central Sydney. One should always ask 'Cui bono ?' (who benefits?) in circumstances such as this and calculate accordingly.

Then again, with this 'Ultimo Service Needs Analysis 2017' (so-called) what were the detailed criteria, brief,market research, community/institutional consultation, Sydney City consultation, questions asked, etc.etc?
Who carried this work out and at what cost?

'In addition, research reveals the legacy role of museums is shifting towards 'contemporary hubs' relating collections back to [the?] creative and knowledge economy and supporting creative industries onsite and in surrounding precincts.'

This vacuous statement by an equally vacuous author reveals extraordinary ignorance of the origins of MAAS, its continued efforts in this regard, its outstanding engagement IT abilities until recently [staff cuts and loss of great leadership to the USA] and the role of the Powerhouse Museum over thirty years in precisely these ways through engagement of the general public, specific educational programs/partnerships and dozens of temporary and permanent exhibitions. MAAS' main limiting factors in this have been the compounding effects of the so-called State 'efficiency dividend' razor cutting. As to the vacuity of this statement in museological terms its author has clearly not been reading professional literature over the last twenty years or so both here and overseas. Moreover this 'shift' was started by Prince Albert and Co in the 1850s in England and has evolved thereafter, especially first at MAAS in the 1930s-1950s and then since the 1980s -2000s and beyond. Is this what is meant by 'legacy role'? This is jargon pretending to be thought.

In summing up this section the Brief's author nominates eight benefits, all of which would flow from an alternate solution, a renewed Powerhouse Museum 'stand alone' Museum of Innovation and Design which, by creatively utilising existing facilities with a brilliant new 'separate' façade and branding would be as, if not more impactful, and far less wasteful and costly than an entirely new, isolated from the main MAAS back-of-house facilities 'Museum of Design and Fashion'.
With that particular project in mind the costing of a completely new museum of approximately 4,600 M2 will, even at low costs per M2 of display and exhibition space, significantly exceed a total project cost budget of $60 million. Thus it will either be small (much smaller than 4,600 M2) or, if larger, a steel shed with basic exhibitry. So who gave this cost estimate and how was it arrived at?

Finally there is the 1400-1800 M2 commercial adjacent zone to be operated by MAAS. There is no compelling evidence available publicly that present MAAS management has commercial flair or of their ability to drive such an area successfully. The changing patterns of retail and food and beverage lead one towards a significant degree of scepticism in this regard as to the net benefit from this asset to the museum's bottom line even if brilliantly managed by MAAS. Any bank would certainly take that view especially with the renewal of Darling Harbour's competing retail and food and beverage offer under way. Moreover is the new mixed use facility a sufficiently powerful destination to drive high footfall and spend? The jury is definitely out on that.

This reviewer worked for a development company which owned the major mixed-use commercial asset in Darling Harbour in the 'halcyon' retail days of the late '80s. It was tough then and much tougher now to make a decent return on investment.

The Lyric Theatre proposition:
To describe this proposal as underwhelming and inconsistent would be kind. There is no attempt at a Business Case analysis summary for the theatre just an incomplete statement that there might be a justification for looking at a new Lyric Theatre somewhere in Sydney CBD. No compelling reason for choosing the Powerhouse Museum Boiler Hall space is given or even attempted. What is attempted is a Benefit Cost Ratio statement for development of the Creative Industries Precinct in the Powerhouse Museum Heritage buildings at the 'lowest capital cost' of $387.50 million. To acknowledge this in such blunt terms is unusual (see below). Given the fact that there is no detailed breakdown of those costs; that current Government projects like the Parramatta school have blown out by 200% (SMH 6 and 7 July 2018); and that the new museum project at Riverbank, Parramatta is demonstrably under costed by at least 55% the liklihood that this undetailed project will be finished within the stated 'lowest figure' is remote. Who knows if it has had proper cost inflation or adequate contingency added ? As for the construction by Government of such a facility- what is Government thinking? This should be the realm of private industry. There are three such theatres already. Where is the compelling financial and fiscal case? How can any rational BCR case be made to Treasury based on this tripe? As it is, the purported BCR is anything but rational or fact based it appears.

Financial assumptions:
A number of commonalities with previously analysed project financials are repeated here such as calculations based on extrapolation from existing MAAS operational parameters and data. The liklihood that the dynamics of an organisation with six sites as opposed to three can accurately predict the long term operational costs in a city where population pressures, transport overburden, climate change, efficiency dividend cuts, increased delivery requirements, temporary large object storage facilities, relocation of collections away from the home museum base and so on is remote. As to operating inside a shared zone like the Ultimo Innovation Campus campus or the Riverbank site at Parramatta with residential and commercial activities underway 24/7 in respect of security costs and other occupancy complications any unbiased review suggests increases in both factors.

' *the preferred options selected for both NMWSP and UIC are the most financially sustainable for the museum long term'

Really? Please note it does not say that the modelling is sustainable (hence the call for a 'Review' of MAAS consolidated revenue provisioning in the Supplementary document which went to Cabinet) but that it is the 'most' sustainable of options examined without being stated as adequate or sufficiently reliable.

Another claim is that the new Museum of Design/Fashion at UIC will be smaller (see above about capital implications of the $60 million estimated cost) so has lower recurrent costs and there is more commercial space provided so '***preserving more revenue opportunities'*** for MAAS. See comments above about MAAS abilities in this field especially after the fashion Ball fiasco..

Then there is the astonishing statement which says: '***the theatre will be put out to market on a 99 year lease…'*** So, Government is going to build a complex, massive, Lyric Theatre then lease it out? For a so-called 'Free Enterprise' Government this is mind-boggling. If a project like this which is purely commercial in cultural content/programming cannot stack up and there are three other lyric theatres already in Sydney this, by definition, has to be Government offering a subsidised lease to a rent-seeking corporation or individual. As to its capital cost in a heritage building which has to be a quarter destroyed to get large objects out and which may well fall down during that process- after the refreshing news about cost blow out at the new Parramatta school (07 07 2018-200%)- can we really accept the cost estimate for this bizarre development mix at face value?

This section also demonstrates that all other areas (Wran and Harwood buildings- the one a national architectural prize winner, the other a perfect collections storage and management facility) will be demolished and sold off (for wastage see below). At no point up to now is the liklihood that they will be replaced by four or five super-sized unit towers acknowledged. It does note, however, that the 'museum will no longer own the site and will '***receive the space in the heritage building [Switch House?] rent free'*** In so doing it rips the MAAS Board's long term security and balance sheet to shreds as well as its control, operationally and legally, of a core asset's environment.

So this second 'sandwich' level of Government's project justification/case is a steaming pile of false, misleading, incomplete and inaccurate 'facts'. To describe it as completely sub-optimal is being polite. With the base level of the Government's pyramid of justification demonstrably sub-optimal and this middle 'sandwich' layer as much or even more sub-optimal it is irrelevant as to whether the top level- so called Government policy- is congruent with truth or not. Thus the statement next made that this [Dis] 'Integration Brief' is '***consistent with Government policy'*** is meaningless.

Even then the response would be: really? In fiscal aspects alone this is untrue- it does not and cannot meet Treasury BCR minimal requirements. Among many shortcomings it fails to provide Cabinet with accurate or reasonably prudent estimates of both capital expenditure and operational/Consolidated Revenue future requirements; it omits to adequately cover the heritage destruction, potential costs, and political risks at the Riverside site and on the Ultimo site; it omits or underplays the political risks attached to super dense development of unit towers; the statement of Ultimo Service requirements is by and large entirely untrue; and the flood risks at the Riverside site are remarkably out of date and understated. These are just a few examples out of many.

If Cabinet relied upon these documents including the Supplementary Cabinet briefing document, then it was profoundly misled in the decision it took. Once again we have to ask: who submitted this to Cabinet and who encouraged/controlled that submission?

The answers are plain to see.

'3.3 Museums Discovery Centre Storage Project (MDCSP)'

Up front this segment notes that the first 'plan' for the museum at Riverbank which claimed to house most of the collection there on site [?2017] has been abandonned- no doubt due to site constriction, cost and flood risk. That means the bulk of the collection will be located at Castle Hill where a new set of storage and operational facilities will have to be built at the purported cost of $50.31 million. Additional support facilities will have to be provided at Riverbank and at the new museum in Ultimo, thereby increasing both capital and operating costs.

Almost as if to point up this wastage this segment notes:

'replication [is required] of current Ultimo storage capacity/primary conservation and care labs/key photographic and collection documentation facilities/ accommodation for all kinds of staff/metal, paint and wood workshops for exhibition fabrication, construction and maintenance, crate and framing workshops/storage of materials and equipment etc.' [summary]

This, allied to comments above, almost appears to indicate that the author of the document wishes to flag up this wastage/ 'replication' quietly to warn readers. The fact that this work is entirely unnecessary, the collection move is highly risky and its facility destruction is wasting at least $300 million in fit for purpose facilities (Harwood building/A store- see below) is hinted at. Also stated is the fact that many staff will be located at Castle Hill and not Parramatta making a mockery of the concept that Parramatta is the 'flagship' campus.

Next it states that Castle Hill's G-Store building will have to be demolished (waste? How much?) to accommodate a new store (J-Store) of 5,056 M2 and refurbish A-Store to get space up to 6,455 M2 which is approximately 800M2 too small to take all the current collections. It is not explained where that missing 800 M 2 will be found. Nor is it mentioned how much spare capacity is available for future acquisitions. It notes that Capex is $50.31million but that it has been adjusted only for completion by 2020. The likelihood of this date being reached and within this price is very questionable.

3. ***'Project Costs and Benefits…'***
Here we arrive at 'the heart of darkness' the development benefits to be derived from the sale of the Ultimo sites- Wran and Harwood buildings. Carefully noted are the constraints and developer's need for certainty, even then at regular density this only ensures a putatively lower than normal return on equity. So, it is argued, regular development densities and height restrictions should be 'amended'. The actual amounts predicted for commercial as opposed to residential apparently favour residential but the figures are redacted. It is obvious that this section is arguing for super height/density to maximise developer profit in a project which will be called in to central Government entities for expedited approval. Simply put Government has, actually, undertaken detailed assessment of the sites at Ultimo sufficient to plan building envelopes and footprints [a preliminary Master Plan] contrary to what it publicly has claimed ['no Master Plan' yet] and is seeking, it is made clear, to expedite contractual work to the highest bidder as soon as practicable even without the fudged/exceptional development conditions being finalised.

It is suggested by this reviewer that this approach is in reality aimed at finalising contracts prior to the next election, sufficient to help guarantee future employment for Government members if they lose office/lose their seats. The fig leaf of pretending this project is cultural-equity driven is risible. The critics were correct all along. It is all about the Government's developer colleagues and pork barrelling to the Business elite in Parramatta and the CBD. This is reinforced by the Brief's note that TWO super high, super dense towers are intended for the Riverbank site. This is diametrically opposed to the

MAAS Board's known 'red line' that there be no non-museum commercial development on the Parramatta site and the written comment by the President that the Board is still willingly cooperating with Government instead of resigning en masse in protest.

Finally in this category there is a small note right at the bottom of the Capex table which says: 'excluding Land'. It is worth noting that this figure of $144 million should not be excluded in total project cost if the sale proceeds are included. Not only that but the suspicion lurks that the Government dudded Parramatta Council twice in this transaction. Once by under paying; and twice by then forcing Council to pay for cultural facilities Government should pay for. Either way one should place no credence in this profoundly misleading Government or this completely sub-optimal '[Dis] 'Integration Brief'.

The detailed capital cost tables for the Ultimo destruction and rebuilding project; for Parramatta Riverbank museum project; and for the Castle Hill destruction and expansion project are also redacted. This means they cannot be fully interrogated. Most conveniently for Government but also spuriously based on so called 'commercial in confidence' concerns. There is no possibility these figures will reflect actual tender responses since cost parameters will change with time and with detailed engineering and architectural work outputs yet to come.

Elsewhere (my analysis of Supplementary document tabled to Cabinet -which leaves out the Ultimo rebuild by separating it from the Riverbank project -under the spurious reasoning that it is not part of the same project and it is delayed subject to more work) the costs for the Riverbank project are shown to be woefully understated. It simply could not be built as an 'iconic' museum building with world class architect fees at the implied rate per M2 in addition with exhibit development and fit out.

Equally important- what is the escalation figure over six years? If at approximately 5% per annum [minimum] then that means the base figure of $674 million must be reduced by a minimum of 30% [uncompounded] giving us a figure of $471,800,000; this cannot possibly cover the costs associated with a premium cultural building, on an acutely flood prone site, with very large volumes to take large objects and, among a number of expensive features, a Planetarium. Especially if the true costs of moving and preparing the collections is taken into account and a host of other 'Client direct costs' are fully and correctly included. If Government says it can they must show us its detailed figures.

Even then the total capital cost is already over $1.1 billion. What about the opportunity cost of that enormous sum and why not go for a far more creative and cost effective project which does not destroy the Powerhouse Museum but creates a truly unique world class cultural and heritage destination at the Cumberland Hospital/Female Factory site? Finally what about the wastage of purpose focused buildings in Ultimo and associated heritage destruction- the financial value alone is greater than a minimum of $300 million. These figures should be added to the Total Project Cost.

The Brief's remaining sections (approximately six pages) are a labyrinth of supposedly detailed calculations demonstrating that this whole pile of ordure follows Government fiscal protocols. This calculating escapade is inherently false and is aimed at providing Cabinet with the verisimilitude of probity and reliability while actually misleading it. The use of 'Net Present Value' techniques is highly questionable when dealing with Consolidated Revenue, falsely appearing to lower actual as opposed to nominal costs to Government. The omission of the land purchase cost is equally misleading. Calculations of capital cost are understated though to what extent is not entirely clear because of redactions. The NPV ratio [6.88%] has been admitted by the Minister as being incorrect after Mr Secord MLA demonstrated this inaccuracy to be both true and relevant.

‘***The MAAS operating position’*** as expressed in this Brief flags up as a ‘***negative…with no nominated increase being shared across the four MAAS sites***’, which itself misses out the Temporary Large Object Store as an operational cost centre and all the increased costs of splitting up the Powerhouse Museum into five sites from three as noted above. Thus making the situation far worse.

None of these calculations may be relied upon.

In the section dealing with the Benefit Cost Ratio there is a wild statement that the redeveloped Riverside Theatre will witness an increase in attendance from 134,000 to 624,000 which it claims is similar in trading level to that predicted for the Lyric Theatre proposed for the Ultimo campus. This increase is based on instructions from CIPMO (effectively the Minister). To say this is wildly optimistic, unsubstantiated and hare-brained; or that no bank would even stoop to consider such a bald and flimsy assertion, is being kind.

A 400-500% increase in attendance? Really? On what market research basis is that calculation made?

Yet its addition in the overall return on investment assists the associated Benefit Cost Ratio to just fall over the minimum BCR of 1.0 [supposedly at 1.1 or 1.23 elsewhere] quite apart from the estimates of visitation/income made to the new museum/Planetarium which are equally unsubstantiated in terms of conservative estimations based on deep and wide research. In addition there will have been assumptions made as to profits from museum trading derived from future proposed operations at Riverbank and UIC which are highly questionable. Then add to *that* unavoidable increased operating costs already noted and unsustainable levels of Consolidated Revenue; unsubstantiated trading of the new Museum/Planetarium and associated ticket prices; and a host of excised or understated capital costs (e.g. land acquisition) and the entire Business Case foundations fail leading to a collapse of the whole edifice of steaming, so-called reliable, ‘deep dive’ assessed calculations (or is that deep crust? The kind of crust one finds on manure?). On top of that the discount rate varies depending on which calculation one inspects [in one place 7.7% in another 6.8% etc.]. If all this is added to wastage costs and compared to opportunity cost the entire asinine exercise should be consigned to the dustbin of history. Talk about ‘creative accounting’.

Cabinet has been misled.

The parties responsible are obvious.

As to the ***Project Milestones Table***- this is pure fantasy. Not worth analysing for so many reasons that this reviewer is losing the will to live.

END.