

Supplementary
Submission
No 65b

**INQUIRY INTO GOVERNMENT'S MANAGEMENT OF THE
POWERHOUSE MUSEUM AND OTHER MUSEUMS AND
CULTURAL PROJECTS IN NEW SOUTH WALES**

Name: Dr Lindsay Sharp

Date Received: 16 July 2020

Partially
Confidential

**SUPPLEMENTARY SUBMISSION (II) TO THE SECOND UPPER HOUSE INQUIRY INTO MUSEUMS,
GOVERNANCE AND CULTURAL PROJECT MANAGEMENT IN NSW**

Dr Lindsay Sharp (July 16, 2020)

Mr Chairman and Committee Members,

Thank you for the opportunity to update my submission in response to changing circumstances after Government's announcement on 4 July of the retention of the Powerhouse Museum at Ultimo and, thereafter, comments by the Premier, Treasurer and Minister Harwin. This has changed the entire context of the discussion although there is, as yet, no clarity in many areas of concern.

The following are some observations based on the minimal available data regarding Total Project Costs in respect of this fiscal maladministration. They have to be very approximate at this stage without the data requested below:

PLEASE NOTE THAT, IN THE VIEW OF THIS AUTHOR, IT IS ESSENTIAL THAT THIS COMMITTEE DEMANDS THE SUBMITTAL, BY GOVERNMENT, OF WHATEVER PURPORTS TO BE THE CURRENT, IF SUPERCEDED BY RECENT ANNOUNCEMENTS, BUSINESS CASES FOR:

**The Powerhouse Parramatta Project.
The Castle Hill Storage Project.
The Powerhouse Museum Project in Ultimo**

prior to the first public hearing of the Committee.

'POWERHOUSE PARRAMATTA' Total Project Costs. 16 July, 2020.

This author ended his submission on this subject [re: Extended Final Business Case Powerhouse Museum at Parramatta, submission 148 U] to the [first] Upper House Inquiry I, on 12 February, 2019 as follows:

'The overriding scandal is that both sets of forensic analyses indicate that in excess of \$650 million will be spent to produce a museum, and buildings, which are a dwarf version of the Ultimo Powerhouse Museum, a rump 'museum' which banishes most of the large objects to storage, is absolutely at risk from future flooding events caused by global warming, robbing both Peter [Sydney's historic centre and most regional visitors] and robbing Paul [a midget attempt to replicate a museum they have not asked for; 'they' = Parramatta's and western Sydney's communities] to deliver an abortion of a project almost certainly costing [Total Project Cost to include all headings] more than \$1.5 billion.'

Since the completion of the Inquiry, the selection of a proposed project ['Milk Crate on Stilts'] as a result of the International Design Competition based on Design Brief II the project, now named 'Powerhouse Parramatta' [no 'Museum' in the title], has evolved into a vertical version of 'Carriageworks West', has shrunk in respect of public 'presentation' spaces [down from a stipulated 18,000 M2 to 12,000 M2/ Design Brief II] with a massive increase in commercial space and an almost complete loss of dedicated museum space in reality. What is now proposed is certainly not a Parramatta version of the Powerhouse Museum or, indeed, a museum in any recognisable form. It is certainly not what Cabinet agreed to- not even remotely.

Large amounts of allocated capital for flood amelioration [\$100 million?] has been flensed from the project cost envelope. Double rear loading docks appear in the EIS design to have become a single dock- more like a cloaca than anything else- mixing the detritus of commercial, cleaning and

unsanitised activity [apparently 24/7] with the high standards required by museological functions and thereby destroying them. It has been claimed by the planning team that this and many other faults have been rectified in subsequent designs.

Good!

But, if so, the EIS as exhibited on line needs to be updated since it does not reflect reality now and has been substantially superseded?

Also there has been an almost entire loss of functional office space for staff ['Core functions of MAAS'- EFBC Summary by INSW supplied to Cabinet], of back-of house working space [so a rump only remains], adequate vertical transportation for visitors, staff and materials/collections and reduction in HVAC and security systems consonant with a modern museum.

This, a senior exceptionally well informed Public Servant insider has informed the author, is entirely due to continued cost blow out for both base building costs, soft building fitout [eg. HVAC] and other cost headings. Even as the EIS is 'on display' and the DA is imminent there are still no detailed architectural drawings on which to base costings. When this is aggravated by a bidding situation probably over stretched/under competitive and a risk profile at elevated levels any current Government costing is more a fantasy or a 'vision without funding reality' which is an hallucination.

The actual cost envelope for this project's building cost is in the region of \$960 million [as this author predicted in 2018-2019] and on two occasions now has blown out causing the scope, scale and quality to be reduced.

This EIS described runt appears at present to be far smaller in terms of displays/presentation spaces than the current facility at Ultimo, will not resemble a museum, will not even function as a 'Carriageworks' and will be redolent with major predictable risks.

In addition an unknown extent of new storage space at Castle Hill, wiping out the only extant Australian Botanical Oils research plantation dating from the 1930s, will be commissioned after the failure of MAAS leadership to distribute many if not most of the large objects on display in the Ultimo facility, to inappropriate organisations around the State. This extended facility will, therefore, have to be very substantial with a large footprint.

Further major cost headings include whatever is to be done with the Ultimo precinct, the Bridge over Parramatta River, the whole collection move, marketing, exhibition design/installation, public relations, staff acquisition and training, conservation and restoration of objects for both move and display purposes and so on.

In that regard Castle Hill will have no replacement for the purpose designed restoration and conservation workshops in the Harwood Building in Ultimo. This work will have to be carried out by commercial contractors.

In light of the above and with Government doing all it can to hide the base data by claiming 'Commercial in confidence' for most key documents [such as the four Business Cases noted above] as well as deliberately obfuscating any data actually released in the EIS and elsewhere, this author can only make broad estimates of Total Project Costs.

To summarise: the level of deviation from Design Brief II- approved by the NSW Cabinet- is now so extensive as to make macro comparisons exceptionally difficult without a great deal of detailed comparative, forensic work. This author has not yet had the opportunity to do so. The following,

therefore, is approximate.'

1) Parramatta Powerhouse- project costs [approximate]

12,000 M2 high quality 'presentation space' @ \$21,000 per M2 [to include all fees, demolition, site preparation including deep piling, massive flood risk minimisation, structural engineering/reinforcement for large objects, vast cubic volumes, highest quality environmental conditions, access and egress, integration with enormous commercial spaces etc].

At 2019-2020 \$s \$264 million.

13,500 M2 @ \$ 17,200 per M2 [commercial, circulation, 'office', back-of-house, kitchens, object handling, loading dock and other functional spaces -to include, as appropriate, cost factors noted above and flood mitigation measures to some degree].

At 2019-2020 \$s \$232 million

5000 M2 @ \$17,000 of high quality exhibition design, fabrication, fitout and debugging including first year maintenance At 2019-2020 \$s \$85 million

Total = \$581 million.

Contingency @ 12% Total= \$70 million

Grand total= \$651 million @ 2019-2020 \$s

Construction period 2020-2025 = 5 years' inflation at 8% [tight contractual bidding context]

so \$651 million plus 5 years at 8% = \$651 + \$260 = \$911 million approx.

Marketing, PR, Market Research, Contractual legal costs, part commercial fit out say= \$30 million

Operational start up costs, equipment, office moving, new vehicles, incidentals, staff movement costs, redundancies, additional soft fit out costs etc say= \$15 million

Presentation equipment/fit out for 7,000 M 2 @ \$4000 per M2 say= \$20 million

Grand Total= \$976 million. [Minimum: this includes almost no provision for flood amelioration or the impact of greater detailing of soft costs or contractual tendering circumstances].

2) Castle Hill Project:

Total new M2 required for large transport [rail, air, sea, road], steam, engine, based on the current Powerhouse Museum Ultimo display spaces, plus all c. 400,000 decanted smaller objects total of new building footprint required [Harwood building and PHM display spaces etc plus consolidation of other objects stored elsewhere] approximately 11,000 M2.

The new display storage building will require, in part, heavy loading capability; high volumes for aircraft suspension with structural reinforcement to cope [saves footprint]; probably a mezzanine [see Amsterdam Aero Museum]; high level access and egress on a major scale for objects; full museum quality HVAC and security; electronic/digital systems for data access throughout; offices,

workshops, photographic space; display equipment, display lighting and so on. Such a building could well cost at least [all establishment design, engineering, fitout and construction costs etc.,] \$10,000 per M2 plus.

11,000 M2 X \$10,000 per M2 = \$110 million at 2019-2020 \$s
Contingency at 6% = \$19,800,000
Grand total= \$ 129,800,000

Construction 2021- 2023 – 2 years duration, 3 years from now, completion @ 6% inflation
add \$23,364,000

Grand Total= \$ 153,164,000 [Minimum]

3) Ultimo Cultural Precinct Project:

This is the most difficult TPC element to estimate simply because there has been no data available since that in 2018 in the 'Extended Final Business Case' [EFBC] and supporting documents to use as a basis.

Will this project include a 'Fashion Museum'?

Will it have a large musical/multipurpose 'Lyric' Theatre paid for by Government?

Will it maintain ALL the Powerhouse Museum Buildings- the Wran building as well as the misnamed 'Heritage Core' [so said because the Wran Building IS part of the site's core heritage visited by over 22 million people]?

After the COVID 19 economic tsunami what is Government's core cultural policy here and its commercial [if hidden so far] intent?

On the basis of the EFBC the elements suggested were in an envelope cost 'range' of between approximately \$260 million to \$350 million. It is the author's contention that if this was based on the gold-plated Hiscock rejuvenation 'plan' of 2014 - where the then Director told all contributing staff and contractors to inflate the cost estimates of remediation and experiential enhancement- then it is exceptionally unreliable and the work needs to be entirely rebriefed and recalibrated by realistic experts.

Any guesstimate now is just that but it is safe to say a significant cost heading will be attached to this precinct unless Government wishes to face the opprobrium of Sydneysiders, even taking the 4 July announcement into account.

On the basis of the above this author will conservatively put in a 'placeholder' figure of \$160 million plus, possibly, \$30 million for HVAC/Climate control/ security/Public H and S renewal. Only detailed planning and QS work can nail this down.

4) Object/Collection move/decanting from Ultimo to Castle Hill:

The risks of moving many large objects, especially the Boulton and Watt Beam Engine, the Catalina and the Number 1 Locomotive and Train, have been established beyond dispute. What is not known is how much it will cost so as to move the large objects so as to minimise those preminent risks as well as reconstructing them up at Castle Hill. Equally the EFBC wildly underestimated the smaller object moving costs simply excising \$15 million at the end so as to reduce the overall project cost. The most cogent professional analysis put the figure in the region of \$115 million, approximately, although non-specialist consultants whittled this down for no adequately explained reasons. Suffice

to say at least three years has passed since the \$115 million [approx] was calculated so it is relatively safe to impute this as a reasonable cost in today's \$. If the move is delayed in major part by the delayed building schedule for Castle Hill then an inflation factor will be needed. Contract bidding is also an unknown. Inspection and then 'Damage to object rectification' is yet another variable.

There are more.

On the above basis this author believes a reasonable guesstimate for this project is \$120 million plus.

Total Project Costs therefore are [very approximately and conservatively] in the region of \$ 1.4 billion.

This still does not include a host of other sometimes minor headings nor the \$140 million for Parramatta site acquisition or the wastage of in excess of \$250 million of fit-for-purpose facilities at Ultimo Powerhouse Museum Precinct. Nor the Parramatta River Bridge at approximately \$30 million.

If those are included the Total Project Cost is in excess of \$1.79 billion.

Note: no calculation has been made of the increased operational costs for MAAS due to this project which a senior Public Servant insider indicates can easily be in the range of an additional Consolidated Revenue cost of between \$15 million and \$20 million per annum.

New Circumstances: even more fiscal risk:

With the announcement of the retention of the Powerhouse Museum at Ultimo- although actually what this includes or excludes from the current context especially the Wran building and the Harwood Building- the Total Project Cost [which has not gone through the Expenditure Review Committee prior to Cabinet approval]- could well blow out by additional hundreds of millions as follows:

The cost implications are quite staggering.

That Senior Public Servant's dry comment, based even more strongly on their current role was: 'Perhaps they need to stop and think whether there are better ways to spend \$2 billion?'

How is that made up in numeric terms?
Roughly as follows:

Loss of Revenue = \$200 million.

Increase cost to renew Ultimo Campus = say, \$150 to \$200 million depending on what the program is [minimum if the EFBC and recent MAAS comments are to be believed].

Castle Hill new buildings + the move say \$200 million +

The Powerhouse Parramatta [PP] project = approx \$945 million

Money spent to date = \$50 million

New exhibits etc in PP= \$75 to \$100 million

Site cost of PP= \$140 million complicated by the dispute with Parramatta Council over Riverside Theatre.

Inflation in BPI at, say, 8%.....up \$600 million. [Almost impossible to calculate without more data].

Additional operational costs at \$25 million per annum over, say, ten years= \$250 million NPV.

A hundred million here, a hundred million there and it soon adds up?

These are partly the Senior Public Servant's figures, partly mine, but he stated the '\$2 billion' number fairly definitively in the week of 6 July.

Can Treasury really stomach these numbers?
Should the people of NSW?

Conclusion:

Whatever is the case in this shapeshifting, fluid, car-crash of a related set of projects must be nailed down starting now with far more experienced, reliable planning than currently exists. An integrated Master Brief including operational interdigitation over four sites is required at a minimum before any project approval or finalised Business Case with attached BCAs for each project passes through Cabinet for approval.

*Otherwise, as with the major roads projects, this will explode in cost.
It will also suffer major delays and become even more toxic politically.*