Supplementary Submission No 40a

INQUIRY INTO STRUCTURE AND FUNDING OF THE ARTS, MUSIC, NIGHT-TIME ECONOMY, AND TRANSPORT PORTFOLIOS

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The purpose of this submission is not to 're-legislate' the previous two Inquiries, but to highlight the fact that the various Governments since 2014, both Coalition and Labor, have sequentially failed to provide any coherent or detailed responses to reasonable enquiries or comments by Parliamentarians or stakeholders as to total project costs for the Parramatta, Ultimo or Castle Hill projects or of the longer term operational Business Cases pertaining to them all.

The claim that it would be prejudicial to commercial matters or "Cabinet in confidence' are just fig leaves to hide fiscal and financial incompetence as the enforced release of the Parramatta Business Case demonstrated .

When forced by the Upper Chamber to release the 2018 'Business Case' for Powerhouse Parramatta, it was found to be signally incompetent, flaccid with ridiculous assumptions, visitor figure and income/expenditure figures.

Please see below.

I have made brief comments about this in my submission I of today (14 11 2019 around 12.30 pm).

This writer strongly recommends that Parliamentary staff be asked to summarise this aspect of the two previous Inquiries for the Committee members so as to provide a clear and rational context for further questions in this critical area of Government transparency, competence and responsibility.

https://www.parliament.nsw.gov.au/lcdocs/inquiries/2582/Powerhouse%20Museum%20and%20other%20museums%20and%20cultural%20projects%20in%20New%20South%20Wales.pdf

The following is the section of the final report from the second Inquiry- pages 35 et seq. I recommend reading them.

Cost of the development 2.145 Understanding how much the Powerhouse Parramatta development will cost taxpayers – and whether this was a responsible, efficient and prudent use of public monies for the arts and cultural sector – also formed a key focus of the inquiry. 2.146 In evidence before the committee, there was a clear distinction between the net cost and total cost of the Powerhouse Parramatta project.

The Hon Don Harwin, then Minister for the Public Service and Employee Relations, Aboriginal Affairs and the Arts, confirmed that the total net government capital contribution to Powerhouse Parramatta and the Museums Discovery Centre at Castle Hill was $840 million.222 2.147 In response to questioning about the total cost of the project, Mr Harwin did not give a definitive number, stating that the government will not know the final cost until the project is complete.

He further maintained that putting a figure into the public domain 'puts the taxpayer at a competitive disadvantage when it is dealing with the construction companies who will be bidding for the work'.223 2.148 A business case summary published by Infrastructure NSW in 2018 put the total cost of the project at $1.179 billion in 2018 dollars (net present value terms at that time).224 A break down of this estimate is shown in Table 1 below. 219 Submission 10, Pyrmont Action Incorporated, p 3. 220 Submission 79, Australian Museums and Galleries Association, p 5. 221 Submission 36, Engineers Australia (Sydney Division), pp 1-2. 222 Evidence, Mr Harwin, 15 February 2021, p 2. 223 Evidence, Mr

Harwin, 29 July 2020, p 6. 224 Infrastructure NSW, Final business case summary: Powerhouse Museum in western Sydney (April 2018), p 8. LEGISLATIVE COUNCI Government's management of the Powerhouse Museum and other museums and cultural projects in New South Wales 36 Report 1 - September 2022 Table 1 Costs of Powerhouse Parramatta (present value, $FY18, $m)225 Construction costs $640.5 Life cycle costs $42.5 Project operating costs $25.4 New museum operating costs $355.9 Land acquisition $115.0 Total costs $1,179.3 2.149 On the basis of this 2018 analysis, the project was estimated to have a Benefit Cost Ratio of 1.02.226 According to Treasury's Guidelines, an initiative is deemed to be 'potentially worthwhile' if the Benefit Cost Ratio is greater than one.

A Benefit Cost Ratio greater than one means the present value of benefits is greater than the present value of costs.227 2.150 In 2018, the Benefit Cost Ratio for the Powerhouse Parramatta project was only marginally greater than one. Since then, there have been a number of variations to the project and changes in government direction, including the 4 July decision to not proceed with the sell off of parts of the Ultimo site (discussed in detail in Chapter 3).

Ms Foy agreed that the Benefit Cost Ratio would be affected by these changes, although she noted that the benefit to the community of retaining Ultimo would need to be quantified.228 2.151 This sensitivity to the project's shifting parameters was highlighted in evidence from Ms Kylie Winkworth, who submitted that the 2018 Benefit Cost Ratio was only achieved by cutting costs out of the project, and by pre-empting a return from 'massive apartment towers at both Ultimo and Parramatta'.229 Ms Winkworth noted that the loss of a commercial tower in the Parramatta development would have likely impacted the Benefit Cost Ratio.230 2.152 At a subsequent hearing following approval of the State Significant Development Application, the government provided further detail on the capital cost of constructing the now-approved buildings at Powerhouse Parramatta – as a subset of the total project costs.

This was quoted in evidence as $915 million, comprising $840 million in approved government capital investment plus a philanthropy contribution of $75 million.231 It was not clear whether this included the expansion of the Castle Hill Discovery Centre, or applied to the construction of the Powerhouse Parramatta only. 225 Infrastructure NSW, Final business case summary: Powerhouse Museum in western Sydney (April 2018), p 8. 226 Infrastructure NSW, Final business case summary: Powerhouse Museum in western Sydney (April 2018), p 8. 227 NSW Treasury, TPP17-03: Policy and Guidelines Paper NSW Government Guide to Cost-Benefit Analysis (2017), p 19. 228 See for example: Evidence, Ms Kate Foy, Deputy Secretary, Community Engagement, Department of Premier and Cabinet, 29 July 2020, p 6. 229 Submission 137, Ms Kylie Winkworth, p 12. See also: Submission 98, Mrs Marina Garlick, p 1. 230 Submission 137, Ms Kylie Winkworth, p 12. 231 Evidence, Mr Harwin, 15 February 2021, p 5. SELECT COMMITTEE ON THE GOVERNMENT'S MANAGEMENT OF THE POWERHOUSE MUSEUM AND OTHER MUSEUMS AND CULTURAL PROJECTS IN NEW SOUTH WALES Report 1 - September 2022 37 2.153 In response to questioning about how this figure relates to the costs identified in Infrastructure NSW's 2018 business case summary, Mr Simon Draper, the agency's Chief Executive Officer, assured the committee that the SSDA-approved scope of works fits within the $915 million envelope: The project that has just been through a planning consent process ... The design and the scope that has been on exhibition and has now been approved by the Minister is designed to work within the budget that the Minister has outlined.232 2.154 With such numbers being quoted in evidence, attention turned to the lack of parity in arts and cultural funding for, on one hand, the Powerhouse Parramatta and, on the other, galleries and museums in regional New South Wales.

Ms Kylie Winkworth, museum and heritage consultant and former museum Trustee, framed this as a fairness and equity issue: The New South Wales Government has made a very large funding commitment of at least $1 billion to build a new museum in Parramatta. The Premier has argued that this is important for western Sydney which represents 30 per cent of the population of New South Wales.

There is another 30 per cent of the population living in regional New South Wales and I look forward to the Deputy Premier John Barilaro announcing a $1 billion museum infrastructure fund for regional New South Wales on the same grounds because fairness matters.233 2.155 Questions were also raised about the government's expenditure on consultants. As at 29 July 2020, Mr Harwin advised the committee that since mid-2017, approximately $19.6 million has been spent on consultants for the Powerhouse Parramatta.234 As at 15 February 2021, Mr Harwin quoted $25.7 million as the total spend on consultants between mid-2017 when the project received Expenditure Review Committee approval and November 2020.235 2.156 Elsewhere in evidence, the NSW Government advised the committee that between December 2019 and February 2021, Infrastructure NSW spent approximately $18.6 million on consultants.

Of this amount, $2.36 million was spent by Infrastructure NSW between December 2020 and February 2021.

According to this evidence, this expenditure covered architectural, engineering, design, building, statutory planning and other specialist consultants required for the design and planning process.236 2.157 The consultant expenditure drew criticism from Ms Patricia Johnson, Co-convenor of the Save the Powerhouse Campaign.

Ms Johnson told the committee that a succession of Premiers, Ministers and museum directors have 'wasted almost $50 million of taxpayers' money in consultancy fees to attempt to justify this unjustifiable project'. 237 232 Evidence, Mr Draper, 15 February 2021, p 7. 233 Evidence, Ms Winkworth, 21 August 2020, p 28. 234 Evidence, Mr Harwin, 29 July 2020, p 19. 235 Evidence, Mr Harwin, 15 February 2021, p 8. 236 Answers to questions on notice, Hon Don Harwin, former Minister for the Public Service and Employee Relations, Aboriginal Affairs and the Arts, and Mr Simon Draper, Chief Executive Officer, Infrastructure NSW, 19 March 2021, p 1. 237 Evidence, Ms Patricia Johnson, Co-convenor, Save the Powerhouse Campaign, 21 August 2020, p 10. LEGISLATIVE COUNCI Government's management of the Powerhouse Museum and other museums and cultural projects in New South Wales 38 Report 1 - September 2022 2.158 Ms Winkworth took similar exception to the amount of money spent on consultants and suggested the cost of the design competition alone could have built a new regional museum.238 2.159 The adequacy of the government's 2018 business case for the Powerhouse Parramatta, including the justifications for such a significant investment of taxpayer dollars, were again called into question throughout the committee's inquiry: • Pyrmont Action Incorporated considered the 2018 business case disingenuous and deficient, as it failed to cost all the options or compare the price of moving the museum with the cost of keeping it in its present location as required by NSW Treasury guidelines.239 • Convenors of the Save the Powerhouse campaign submitted that the government 'systematically underestimated the costs and overestimated the benefits of the project'. 240 • Ms Grace Cochrane, curator and historian with 48 years' experience and former Powerhouse Museum employee, was of the view that the significant public investment could not be justified: 'The over $1.5 billion estimated for the ‘re-location’, cannot be justified, given other cost priorities in the state, and better options consistently identified for both the Powerhouse and Parramatta'.241 2.160 At a hearing in March 2022, the Hon Peter Collins AM QC, President, Board of Trustees, Museum of Applied Arts and Sciences, confirmed that the capital budget for the development of Powerhouse Parramatta, the redevelopment of the Museums Discovery Centre at Castle Hill and the refurbishment of Powerhouse Ultimo is $1.34 billion.242 2.161 Dr Des Griffin AM FRSM questioned the cost estimates that have been placed on record for the project, arguing they fail to take into account almost inevitable cost escalation: The costing of the relocation fails to take account of the experience of cost escalation which has occurred in other capital projects over the last five years or so. The estimate of perhaps 1.5 million dollars is misleading in this respect. If the escalation of final costs compared with original estimates of previous projects is factored into the estimates it is clear that the more accurate cost is likely well over two million dollars and could be even $3 million.243 2.162 There have been five business cases prepared for the Powerhouse Parramatta development since 2015.244 One of these, the Final Business Case for the Powerhouse Museum in Western Sydney

Project, was released to the previous inquiry and discussed in depth in the Final Report.245 The remainder are cabinet in confidence and have not been made available to this committee. This 238 Submission 137, Ms Kylie Winkworth, p 14. 239 Submission 10, Pyrmont Action Incorporated, p 3. 240 Submission 53, Save the Powerhouse, p 4. 241 Submission 44, Ms Grace Cochrane, p 6. 242 Evidence, Mr Collins, 17 March 2022, p 13. 243 Submission 94, Dr Des Griffin, p 2. 244 Answers to questions on notice, the Hon. Ben Franklin MLC, Minister for the Arts, 14 April 2022, p 1. 245 Portfolio Committee No. 4, NSW Legislative Council, Museums and galleries in New South Wales (2019), pp 5-9. SELECT COMMITTEE ON THE GOVERNMENT'S MANAGEMENT OF THE POWERHOUSE MUSEUM AND OTHER MUSEUMS AND CULTURAL PROJECTS IN NEW SOUTH WALES Report 1 - September 2022 39 includes the Powerhouse Parramatta Final Business Case 2020 and the Ultimo Creative Industries Precinct Final Business Case 2021.246 2.163 In November 2021, following the release of the contract with Lendlease, it was reported that the building costs of the Powerhouse Parramatta had surged beyond half a billion dollars. According to this media report, the contract sum of $553 million exceeded the $400 million base build cost identified in the Stage 1 brief to the 2019 design competition.247

My relevant submissions to the 2016-2019 Inquiry:

Project cost: https://www.parliament.nsw.gov.au/lcdocs/submissions/62615/148u.pdf

'Integration Brief': costs and faults in this nonsensical (8 August, 2018) public document: https://www.parliament.nsw.gov.au/lcdocs/submissions/61454/0148%20r.pdf

Analysis of ‘Final Business Case (Supplement) The New Museum in Western Sydney’ [the keystone Cabinet reference document] by JOHNSTAFF, head consultants, part of redacted documents supplied by Government under duress on Tuesday, 12 June, 2018 at the Parliament of NSW. ‘Date of Issue (DOI): 24 April 2018’

A 22 page analysis (6 August, 2018) of the core of the completely faulted 'Business Case' - dated 2018- for the Parramatta Project- which is quoted in summary in the Powerhouse Museum EIS documentation as the basis for the PHM Ultimo's development. In 2018 the BC was, frankly, useless and misleading. To apply it in 2024 to the Ultimo project is incomprehensible. The bureaucrats have left the reservation, they are not being held accountable by the ERC, Minister Graham or Treasurer Mookhey. The appropriate public servants should be called to account and questioned closely by the current Committee. This is a travesty of effective, responsible and transparent public project management and administration:

https://www.parliament.nsw.gov.au/lcdocs/submissions/61453/0148q.pdf

Other relevant cost and fiscal documentation includes:

https://www.parliament.nsw.gov.au/lcdocs/other/17829/ASQON%20-%20Hon%20Dominic%20Perrottet%20MP%20-%20Premier%20-%20received%204%20October%202022.pdf https://www.parliament.nsw.gov.au/search/Pages/committee-results.aspx?k=Borsak%20Inquiry%20into%20Powerhouse%20Museum

This writer would be submitting another document regarding the deeply faulted aspects of the 2024 Ultimo Project EIS, but the Planning Department's records are currently unavailable. A later submission will be made as soon as they come back online.

Dr Lindsay Sharp,

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