



## Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
Date Referred: 11/03/2019

Proposal No: B414  
Date Published: 18/03/2019

Proposal Title: Labor's plan to support art and culture throughout NSW – protect the Powerhouse Museum and establish a Western Sydney cultural institution

Cluster: Planning and Environment

### General Government Sector Impacts

|                               | 2018-19<br>\$'000 | 2019-20<br>\$'000 | 2020-21<br>\$'000 | 2021-22<br>\$'000 | 4 year Total<br>\$'000 |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Expenses (ex. depreciation)   | -                 | -                 | -                 | -                 | -                      |
| Depreciation                  | -                 | -                 | -                 | -                 | -                      |
| Less: Offsets                 | -                 | -                 | -                 | -                 | -                      |
| Revenue                       | -                 | (14,000)          | (14,000)          | (14,000)          | (42,000)               |
| <b>Net Operating Balance:</b> | -                 | <b>(14,000)</b>   | <b>(14,000)</b>   | <b>(14,000)</b>   | <b>(42,000)</b>        |

|                                 |                 |                 |                  |                 |                  |
|---------------------------------|-----------------|-----------------|------------------|-----------------|------------------|
| Capital Expenditure             | -               | 45,000          | -                | 50,000          | 95,000           |
| Capital Offsets                 | 50,000          | 136,100         | 197,200          | 110,000         | 493,300          |
| <b>Net Capital Expenditure:</b> | <b>(50,000)</b> | <b>(91,100)</b> | <b>(197,200)</b> | <b>(60,000)</b> | <b>(398,300)</b> |

|                                 |               |               |               |                 |                |
|---------------------------------|---------------|---------------|---------------|-----------------|----------------|
| <b>Net Lending/(Borrowing):</b> | <b>50,000</b> | <b>77,100</b> | <b>38,200</b> | <b>(64,000)</b> | <b>101,300</b> |
|---------------------------------|---------------|---------------|---------------|-----------------|----------------|

### Total State Sector Impacts

|                                 |               |               |               |                 |                |
|---------------------------------|---------------|---------------|---------------|-----------------|----------------|
| <b>Net Lending/(Borrowing):</b> | <b>50,000</b> | <b>77,100</b> | <b>38,200</b> | <b>(64,000)</b> | <b>101,300</b> |
|---------------------------------|---------------|---------------|---------------|-----------------|----------------|

### Notes and costing assumptions

This policy proposes the following:

- Do not proceed with the relocation of the Powerhouse Museum to Parramatta
- Allocate \$500 million to build a new Western Sydney cultural institution in Parramatta
- Retain the Powerhouse Museum at its current location in Ultimo with a one-off allocation of \$45 million to support refurbishment work
- Retain public ownership of Willowgrove and St George's Terrace in Parramatta.

The policy would start upon formation of government, and the PBO estimates it will save \$101.3 million over the forward estimates (see table below).

|  | 2018-19<br>(\$'000) | 2019-20<br>(\$'000) | 2020-21<br>(\$'000) | 2021-22<br>(\$'000) | 4 Year Total<br>(\$'000) |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------|
| Net Operating Balance                    | -                   | - 14,000            | - 14,000            | - 14,000            | - 42,000                 |
| Capital Expenditure                      | -                   | 45,000              | -                   | 50,000              | 95,000                   |
| Capital Saving                           | - 50,000            | - 136,100           | - 197,200           | - 110,000           | - 493,300                |
| Foregone Proceeds<br>From Property Sales | -                   | -                   | - 145,000           | - 110,000           | - 255,000                |
| <b>Net Lending</b>                       | <b>50,000</b>       | <b>77,100</b>       | <b>38,200</b>       | <b>- 64,000</b>     | <b>101,300</b>           |

**Notes and costing assumptions continued:**

**Net Operating Balance Changes**

Based on information provided by the Department of Planning and Environment (DPE), there will be a reduction of \$14 million per annum in revenue if the move of the Powerhouse Museum to Parramatta does not proceed.

The recurrent cost of operating the existing museum in Ultimo is approximately \$35 million per annum, and the depreciation is estimated \$15 million per annum. NSW Treasury has advised that these costs are already included in the forward estimates, and therefore they are not included in this costing. In other words, operation of the Powerhouse Museum at the existing site is already funded.

**Capital expenditures**

The policy assumes that the construction of a new Western Sydney cultural institution in Parramatta would start from 1 January 2022, with a capital allocation of \$50 million in 2021-22, an additional \$200 million in 2022-23, and a further \$250 million in 2023-24.

The policy also specifies a one-off funding allocation of \$45 million in 2019-20 to upgrade the existing Powerhouse Museum in Ultimo. If this allocation is unable to be fully spent in 2019-20, the PBO assumes normal budget carry forward rules would apply. The policy assumes that further refurbishment may be required. Any additional works would require a subsequent decision of government informed by further scoping.

DPE advises that there would be a \$493.3 million saving from the existing capital allocation over the forward estimates from not proceeding with the move of the Powerhouse Museum to Parramatta.

**Property sales**

Willowgrove and St George's Terrace have been purchased by the Government as part of the land for the current Powerhouse Museum relocation project. The policy specifies that these sites will be retained in public ownership.

Under the existing relocation project, a commercial/residential tower is planned as part of the new museum site. DPE advises that the developer of this tower would pay approximately \$60 million to the Government for the right to construct this tower, and that this amount is already included in the forward estimates. This sale would not proceed if the existing project is cancelled.

DPE also advises that a total of \$195 million, comprising \$85 million in 2020-21 and \$110 million in 2021-22 is also included in the forward estimates for the sale of the Ultimo site.

Not proceeding with either of these from sales would negatively impact Net Lending across the current forward estimates by \$255 million.

**Potential Compensation**

Under the Heads of Agreement and the Call Option Deed between the NSW Government and the Parramatta Council, the Government may be liable to compensate the Council. However, the proposal specifies that the Government will renegotiate these arrangements with the Council to avoid compensation.

The PBO considers this reasonable, given that the Powerhouse Museum project will be replaced with a new cultural institution project. As a last resort, the proposal indicates the Government would amend legislation to ensure it does not have to pay compensation. As such, the PBO has not included any compensation payment in this costing.