

# Attachments – supporting a Business Case for a new art museum in Shepparton

13 January 2015

## Attachments

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## A. Visitor and Socio Economic Research Report

### A1 Introduction

This work was originally written for the Research Report, and answers the key questions of what should be the target markets for a new art museum and what tourism “success” might look like for a new art museum. It does this by answering the questions:

1. Who currently comes to SAM and to Shepparton and visits a museum or art gallery
2. What are the key target markets for tourist visitation to Shepparton

The key finding is that a new art museum needs to build fresh momentum for Shepparton, rather than rely on the existing tourism profile of the city or existing tourist visitation to the current SAM. The existing tourism profile of Shepparton is heavily reliant on domestic overnight and day trip visitation to friends and relatives (VFR) who live in the city. Within the VFR market and the smaller number of holiday domestic overnight visitors to the city, the core markets are the grey nomads and families with young children.

Shepparton has far lower tourist visitation to museums and art galleries than three regional cities (Benalla, Ballarat and Bendigo) whose more general tourism profile is almost identical to that of Shepparton. This signals both the opportunity and the challenge for a new art museum. The opportunity is that if a new art museum can achieve only the average share of tourist visitation to museums and art galleries of Benalla, Ballarat and Bendigo, this will deliver a useful economic dividend to the City. The challenge is that for this to occur a new art museum would need to boost visitation by tourists to museums and art galleries in Greater Shepparton City by over four fold.

Existing Shepparton attractions have a strong bias toward serving families with young children – an unusual bias among Victorian tourism destinations. This implies that if a new art museum targeted the families with young children market it has the greatest potential to build length of overnight stay and destination profile. The core market of socially aware art lovers is far smaller in size and more likely to visit Shepparton on a day trip than spend an overnight or longer in the city. While the core market for the existing SAM is grey nomads there are few other

attractions in Shepparton to keep these visitors in the city for an overnight stay.

Existing data on visitation to Shepparton museums and art galleries is most useful for understanding how the existing SAM has contributed to tourism to the city. This analysis is also essential for understanding the base case or counterfactual of what happens to Shepparton visitation if there is no change to the current operation of SAM. It is less useful for understanding how a new art museum would contribute to future tourism visitation to the city.

Relevant data is available from SAM, the major national tourism data collections from Tourism Research Australia and other competing art galleries, but each of these sources has sampling problems. SAM and other art gallery provided data has a problem with sampling as visitors self select on whether or not to complete a survey – commonly leading to more tourists to Shepparton or other galleries than locals responding. SAM and other gallery data on total visitor counts does not separately identify repeat visitors and therefore captures many more repeat visits by locals – for example, many friends of SAM visit repeatedly through the year. TRA provided data has different problems with its sampling. Sample sizes that cover visits to

Shepparton are small, so conclusions about market size and growth over time need to be used cautiously leading to the use of averages over the last five years.

In addition, TRA does not count as a tourist children under 15 years of age.<sup>1</sup>

To get a more complete guide to understanding how a new art museum would contribute to visitation to Shepparton there is a need to also study case studies of the impact on visitation of earlier projects in similar cities, as outlined in **Section 2** of this report.

**A.2 Data from the existing SAM**

**Table A.1** presents key visitation data for five SAM exhibitions. In 2012/13 there were 50,212 visitors to SAM with 4,441 people participating in a program or event at the Museum. Over 3,800 people had guided tours of SAM including 2,211 in school groups of teachers and students. There were 135 SAM workshops held. In 2011/12 there was a major disruption to SAM operations with SAM closed for redevelopment from June 2011 to February 2012. In 2011/12, there were 34,459 visitors. In 2010/11 there were 42,076 visitors.

<sup>1</sup> From the beginning of 2014, TRA also changed its collection methodology for domestic tourism to move from reliance on fixed line phone surveys to also include 50% mobile phone surveying. This led to a large increase in the number of young people surveyed, but may also lead to more culturally aware visitors being surveyed. This change in domestic tourism sampling also caused a break in series that ensures that comparisons with earlier years data are not strictly valid.

**Table A.1 Comparing visitation to five key SAM exhibitions**

Visitation	Sam Jinks Exhibition (May-July 2012)	The Golden Age of Colour Prints (May-June 2013)	Speaking in Colour, Works from the Collection of Carrillo and Ziyin Gantner (June-Aug 2013)	Nick Selentisch: Play (Feb - April 2014)	2014 Indigenous Ceramic Art Award & Bindi Cole exhibitions (May-June 2014)
Share of visitors to exhibition from outside Shepparton	33%	75%	74%	60%	73%
Share of visitors from outside Shepparton who stayed overnight in Shepparton	43%	37%	N/A	86%	42%
Share of visitors who were from overseas	0.33%	1%	0%	5%	0%
Share of visitors who stayed overnight who stayed with friends or relatives	73%	39%	N/A	40%	26%
Rated exhibition highly – excellent or very good	96% for Jinks	95%	N/A	82%	98% for SAM, 90% for ICAA, 81% for Bindi Cole
Visitors on first visit to SAM	57%	58%	N/A	53%	47%
Share of visitors 61+ years old	N/A	51%	57%	27%	60%
Main reason for visiting Shepparton was to visit SAM	14% for SAM + 32% for Jinks Exhibition	9% for SAM +74% for Exhibition	20% for SAM + 44% for this exhibition	31%	45% for SAM, 37% for Bindi Cole and 25% for ICAA (Multiple responses allowed)
How often do repeat visitors visit SAM each year – estimate of median	1.2 times per year	1.8 times per year	N/A	2.5 times per year	3.5 times per year

Understandably, data from SAM tends to be collected on an exhibition basis. Different exhibitions attract different audiences but visitation has some common themes, including a highly positive response to the exhibitions.

One indirect indicator of the growing role of SAM within the community is that over the last two years the estimated median visits to SAM each year by repeat visitors is increasing at the same time as exhibitions show a healthy share of first time visitors to SAM. However, one needs to be mindful of the gallery closure in the first seven months of 2011/12 as this affected median visits to SAM each year by repeat visitors for the earlier exhibitions.

SAM visitors tend to be older, with a strong market position with the over 60s, though this varies by exhibition. From the data on four exhibitions it appears that the current SAM has around half its visitors aged 61 or older. Some of the exhibitions measured gender of visitors and proved to receive more female than male visitors. *The Golden Age of Colour Prints* received 69% female visitors while *Nick Selentisch: Play* was 62% female visitors. It may be that SAM is receiving groups of female tourists or female tourists while male tourists in married couples

visiting Shepparton are doing other activities such as the Motor Museum.<sup>2</sup>

The particular questions used by SAM have changed for different exhibitions.

Some exhibitions provided data on where people learnt about the exhibition:

- For the ICAA and Bindi Cole exhibitions, Family and friends (36%) were the most common source of information on these exhibitions leading to a visit. Others learnt about the exhibition as a Friend of SAM (15%), from the SAM Newsletter (16%), radio (14%) or from the Shepparton News (16%) and Age (12%). Of 80 survey respondents a high 35% provided details to receive the SAM monthly newsletter
- For the Nick Selentisch: Play Exhibition, the key sources of information on the exhibition leading to a visit were family and friends (34%), SAM Newsletter (25%) and TV (9%).

The bias of SAM visitors toward older age groups for most exhibitions has implications for the other activities of tourists who come to Shepparton because

<sup>2</sup> Bridging the cultural divide between SAM and the Motor Museum (with its collection of historic vehicles) with a joint promotion to older couples may work to attract more visitors to both attractions and to Shepparton.

of SAM and their length of stay in Shepparton.

Shepparton attractions other than SAM have a weighting toward activities for kids including KidsTown and Aquamoves. The ICAA and Bindi Cole exhibitions also provided some data on other attractions visited in Shepparton. Visitors to Shepparton surveyed at SAM were most commonly also visiting the SPC Ardmona Factory Outlet (37%) with other cultural attractions of the Motor Museum (10%) and Gallery Kaiela (7%) less popular.

### A.3 Key findings from current visitation to Shepparton and museums and art galleries using Tourism Research Australia data

Growth in tourism to Shepparton from a low base has been healthy compared to Australia as a whole over the five years to financial year ending June 2014.

Domestic overnight visitors have shown an annual average growth of 3%, while domestic visitor nights show a healthy growth of 5% pa. Domestic day trips have only grown very slowly at 0.8% pa. International visitor data to Shepparton has too small a sample to conclude growth rates and is biased by longer staying fruit pickers.

National tourism data shows a much lower domestic tourist use of SAM than does the SAM collected data. On average over the five financial years to 2013/14, a total of 13,000 domestic visitors each year visited SAM. Of this number 48% were on overnight trips and 52% were on day trips from their home. The national tourism data is drawn from a population weighted sample of the travel behaviour of 120,000 Australians each year and comparisons shown here rely on five year averages rather than the more volatile annual data.

There are two further reasons why the national tourism data is lower than SAM collected statistics beyond the known bias of the SAM sampling data to selecting a larger share of tourists than local visitors. The first is that some overnight domestic travellers will visit SAM and continue their journey to stay outside the Shepparton city area and the second that national tourism data does not count visits by children under 15 years of age – but these will factors also be true for the other comparable regional cities.

Tourism to the Greater Shepparton City region has strong similarities with tourism to other inland Victorian city focussed regions around Ballarat, Bendigo and Benalla - with heavy reliance compared to Australia as a whole on:

- Domestic travel to visit friends and relatives compared to holiday travel
- Domestic day trip expenditure compared to overnight domestic travel and
- Domestic rather than international tourism.

The strong similarities between the four destinations tourism profile is shown in **Table A.2**.

**Table A.2 Comparing tourist visitation of four key regional city destinations in Victoria averaged over the five financial years to 2013/14 (Source: TRA Online, National Visitor Survey and International Visitor Survey)**

Victorian regional cities	Ratio of international to domestic overnight visitors	Ratio of domestic overnight to day trip visitors	Ratio of international to domestic day trip visitors	Share of domestic overnight visitors – visiting friends and relatives Vs holiday travellers	Share of domestic day trip visitors – visiting friends and relatives Vs holiday travellers
Ballarat	3.8%	35%	1.3%	44% Vs 36%	33% Vs 42%
Bendigo	2.7%	37%	1.0%	47% Vs 31%	31% Vs 43%
Greater Shepparton City	4.3%	35%	1.5%	48% Vs 29%	29% Vs 45%
Benalla	2.5%	50%	1.2%	50% Vs 35%	29% Vs 49%

The profile of tourism to each of these four regional Victorian cities is remarkably similar. However, where the regional cities vary in tourism terms is in the scale of the key categories of tourism on a per head of population basis. On this basis, Shepparton underperforms for the more economically important markets of domestic visitor nights and domestic day trips. In contrast, Shepparton performs more strongly with international visitors. This is in part due to its high migrant population but also due to attracting overseas working holiday makers as long staying fruit pickers. **Table A.3** illustrates this point.

However, when it comes to the share of visitors to these cities that visit museums and art galleries Greater Shepparton City is the odd one out. Compared to these other cities in Victoria, Shepparton has over the last five years received a much lower share of visits to museums or art galleries by domestic overnight and domestic day trip visitors to its city. This may reflect a comparative under-investment in museums and art gallery development and marketing by Council and the State Government over an extended period as well as relatively worse SAM visibility among other factors.

The new art museum will need to shift perspectives of Shepparton by domestic overnight tourists toward a focus on visiting museums or art galleries as a key tourist activity.

Over the average of the last five financial years to 2013/14, Shepparton City had a much lower share of its domestic overnight visitors who have a museum or art gallery experience (2.7% of 238,000) than did visitors to the city regions of Ballarat (10% of 528,000), Bendigo (11% of 501,000) and Benalla (11% of 96,000).



If a new art museum was to boost the share of domestic overnight trip visitors to Shepparton City who visited a museum and art gallery from the average of the last five years of 2.7% to the average of Ballarat, Bendigo and Benalla of 6.4% this would be the equivalent of an extra 18,800 domestic overnight trip visitors who visit the new art museum. (See **Table A.4**)

Similarly, the new art museum will need to shift perspectives of Shepparton by domestic day trip tourists toward a focus on visiting museums or art galleries as a key tourist activity. The domestic day trip market is the core tourist market for most museums and art galleries in regional Victoria and expected to be the major tourism growth market for a potential new art museum.

Shepparton City over the average of the last financial years to 2013/14 had a much lower share of its domestic day trip visitors who have a museum or art gallery experience (1.0% of 675,000) than did visitors to the city regions of Ballarat (5.8% of 1,500,000), Bendigo (8.5% of 1,368,000) and Benalla (5.0% of 194,000).

**Table A.3 Comparing tourist measures of four key regional city destinations in Victoria on a per head of local population basis (Source: TRA Online from the National Visitor Survey and International Visitor Survey with tourism measures averaged over the last financial years to 2013/14 and ABS Census 2011 for population)**

Victorian regional cities	Domestic Visitor Nights	Domestic Day trips	International Visitor Nights
Ballarat	11	15	2.3
Bendigo	12	15	1.5
Greater Shepparton City	9	11	5.7
Benalla	14	14	2.6

**Table A.4 Comparing domestic overnight tourist visitation to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, National Visitor Survey 2009/10 to 2013/14)**

Victorian regional cities	Overnight visitors	Visit Museums or Art Galleries	Share of overnight visitors to art galleries or museums
Ballarat	528	50.4	9.5%
Bendigo	501	55.4	11.1%
Greater Shepparton City	238	6.4	2.7%
Benalla	96	10.8	11.2%

If a new art museum was to boost the share of domestic day trip visitors to Shepparton City who visited a museum and art gallery from the average of the last five years of 1.0% to the average of Ballarat, Bendigo and Benalla of 6.4% this would be the equivalent of an extra 38,000 domestic day trip visitors who visit the new art museum. (See **Table A.4**)

There are four reasons why a new art museum should not be designed for international visitors:

1. Over the last five years there has been an average of only 10,300 international visitors to Shepparton City
2. For every international visitor that reached Shepparton in the last five years there were 23 overnight domestic visitors and 66 domestic day trip visitors – or a total of one international visitor to Shepparton for every 89 domestic visitors
3. The museums and art galleries in the Greater Shepparton City have done a better job of delivering international visitors than they have with domestic visitors in comparisons to other rival regional cities in Victoria. That Bendigo City museums and art galleries receive nearly 25 domestic visitors for every international visitor highlights that the domestic market is the greater

opportunity for visitation growth for a new art museum

**Table A.5 Comparing domestic day trip tourist visitation to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, National Visitor Survey, 2009/10 to 2013/14)**

Victorian regional cities	Day trip visits (000s per annum)	Day trip visits to museums or art galleries (000s per annum)	Share of day trip visits to museums or art galleries (%)
Ballarat	1500	86.8	5.8%
Bendigo	1368	116.2	8.5%
Greater Shepparton City	675	6.6	1.0%
Benalla	194	9.6	5.0%

**Table A.6 Comparing international tourist visitation to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, International Visitor Survey)**

Victorian regional cities	International Visitors	International visitors to museums and art galleries	Share of international visitors to cities who visit museums and art galleries
Ballarat	20.0	10.6	53%
Bendigo	13.7	6.8	50%
Greater Shepparton City	10.3	4.4	43%
Benalla	2.4	1.1	47%

While a slightly higher ratio of international visitors to other regional cities visit a museum or art gallery in Ballarat (53%), Bendigo (50%) and Benalla (47%) - were a new art museum to increase the share of international visitors to the Greater Shepparton City who visited a museum and art gallery from the average of the last five years of 43% to the average of Ballarat, Bendigo and Benalla of 50% this would be the equivalent of only an extra 800 international visitors who visit the new art museum.

#### **A.4 Implications from tourism data for the key target markets for a new art museum**

Within the category of domestic visitors the new art museum should focus on appealing to and marketing to domestic visitors from Victoria. Over the last five financial years, 70% of domestic overnight visitors to Shepparton were from Victoria and 86% of day trip visitors.

**Table A.7 Comparing the sources of total tourist visitation to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, National Visitor Survey and International Visitor Survey)**

Victorian regional cities	Domestic overnight visitors	Domestic day trip visitors	International visitors	Total	Share of internationals	Ratio of domestic to international visitors
Ballarat	50.4	86.8	10.6	147.8	7.2%	12.9
Bendigo	55.4	116.2	6.8	178.4	3.8%	25.1
Greater Shepparton City	6.4	6.6	4.4	17.4	25.4%	2.9
Benalla	10.8	9.6	1.1	21.5	5.1%	18.4

Visitors to museums and art galleries in the four regional cities in the last five financial years are mostly women. Looking at the gender of overnight domestic visitors to museums and art galleries in the four cities over the last five financial years there is a smaller bias to female visitors than I had expected. Though across the four cities 57% of overnight domestic tourists were female this was influenced by the 67% share of female tourists to Bendigo museums and art galleries.

Looking at the gender of domestic day trip visitors to museums and art galleries in the four cities over the last five financial years and there is a larger bias to female visitors with 63% female, though Bendigo museums and art galleries again had a higher ratio of female visitors at 71%.

As was obvious in the SAM collected data on the ages of visitors to recent exhibitions, the new art museum should include in its target markets mature age visitors. Across four exhibitions which collected data on visitors, around half of all visitors were 61 years and older. However, overnight domestic leisure tourism to Shepparton is less skewed to older age groups than is tourism to Ballarat, Bendigo and Benalla. Looking only at overnight leisure visitors (holiday + visiting friends and relatives), 31% of these visitors to Shepparton are 55 years and over. Of overnight leisure visitors there are higher shares of visitors 55 years and over to Ballarat (33%), Bendigo (38%) and Benalla (40%). This finding supports the idea that a new art museum could grow the overall domestic tourism market to Shepparton by growing visitation by older age groups.

Both domestic overnight and day trip visitors to museums and art galleries to the four regional cities had a very similar age profile. Looking at data on domestic overnight tourist visitation by age to museums and art galleries in the four regional cities over the last five financial years, 48% of all visitors over 14 years of age were 55 years or older. A further 37% were 30 to 54 years old, with only 15% between 15 and 29 years old.

Coincidentally, 48% of all day trip visitors over 14 years of age were 55 years or older. A further 40% were 30 to 54 years old, with only 13% between 15 and 29 years old.

Putting together the findings on the female and over 55 bias of visitors to museums and art galleries has some implications for the design of facilities and exhibitions to a potential new art museum. Avoidance of stairs is an obvious conclusion, less obvious might be value in considering art education programs aimed at older women but also perhaps aimed at grandmothers with their grand children. Many parents of young children are too busy to take time with their kids, that grandparents might be more able to spend with young children, while giving grateful parents a break.

However, overall overnight domestic leisure tourism to Shepparton is less skewed to older age groups than is tourism to Ballarat, Bendigo and Benalla. Looking only at overnight leisure visitors (holiday + visiting friends and relatives), 31% of these visitors to Shepparton are 55 years and over. Of overnight leisure visitors there are higher shares of visitors 55 years and over to Ballarat (33%), Bendigo (38%) and Benalla (40%). This finding supports the idea that a

new art museum could grow the overall domestic tourism market to Shepparton by growing visitation by older age groups.

Greater Shepparton City has a strong focus of its other attractions on servicing the family with kids market. Attractions for this market include: Aquamoves, SPC Ardmona Kidstown, the Kidsfest event, the skate park, Emerald Bank Adventure Park, and Giggle and Wiggle Indoor Playground. SPC Ardmona Kidstown receives around 300,000 visits each year but they don't collect data on the number of tourists they attract. Similarly, Aquamoves attracts around 500,000 visits each year but again they don't collect data on the number of tourists they attract. The Kidsfest event attracts around 20,000 visitors over the two days and does have estimates of the number of tourists attending.

In contrast to the overwhelming focus of the major Shepparton City attractions, only 24% of leisure overnight domestic visitors to Shepparton are parents with kids aged up to 14 years old. Ballarat, Bendigo and Benalla also have a share of their leisure visitor nights of between 21-24% due to parents with kids up to 14 years old. Shepparton does have a higher share (14%) of overnight domestic leisure visitors as

parents with kids up to five years old, with Ballarat (12%), Bendigo (11%) and Benalla (9%) less reliant on this market.

Shepparton also does relatively well in attracting young people. Young people living at home or in shared accommodation represent 18% of all domestic overnight leisure visitors. This is a higher share than applies in the five-year averages for Ballarat (14%), Bendigo (14%) and Benalla (11%).

Shepparton is less effective than the other Victorian regional cities reviewed in attracting tourists who are young to midlife in couples with no kids. Of overnight domestic leisure visitors this market represents 8% of Shepparton visits, 11% of Ballarat visits, 13% of Bendigo visits and 16% of Benalla visits.

Tourism Victoria is in the midst in moving to a new segmentation of the domestic tourism market. One of their new segments is the Creative Opinion Leader. This segment is the most focussed on visiting museums and art galleries. While it is comparatively small at 6.6% of the national population or 1.1 million people, it is very influential in deciding which museums and art galleries succeed. This segment is looking for arts and culture with soul and a story.

Many of the Friends of SAM are local representatives of this segment. Shepparton's population suggests around 4,000 local people in this segment.

Tourism Victoria has concluded that people in this segment love seeking out creative gems and enjoy art galleries, museums, historical places, arts festivals and cultural experiences. They are attracted to places that are not just famous for something but have a unique story to tell. They prefer to stay in more intimate environments like 4+ star rented houses, serviced apartments, B&Bs and host farms. They look for added value through opportunities to learn.

about the story of your region, accommodation or restaurant, or to participate in creating something uniquely their own (art classes, cooking classes, interactive walks). They look for experiences that can be 'premiumised' – extra services and complimentary activities/suggestions (tours, spa treatments. etc). They desire art spaces by allowing local artists to tell them their stories in your establishment, town or village.

#### A.5 What tourism “success” would look like from a new art museum

The current SAM has a far smaller role in tourism to Shepparton than museums and art galleries have in other comparable regional Victorian cities. If a new art museum meant that tourism to Shepparton received the same share of overnight domestic, domestic day trip visitors and international visitors going to museums and art galleries as the average of Benalla, Bendigo and Ballarat this would provide dramatically increased tourist visitation to SAM. If, in line with SAM survey results in **Table A.8**, an assumed 60% of the increased visitation to a new art museum was incremental tourism to Shepparton then this translates into a noticeable lift in visitation to Shepparton from the new art museum.

**Table A.9** provides a context to what visitation to a new art museum as a tourist “success” would look like by comparing the resulting visitation Greater Shepparton City museums and art galleries with the current visitation to museums and art galleries in the other regional cities.

Notes: TRA Regional Expenditure profiles report that the average visitor to the Goulburn region spent \$334 on a domestic overnight visit, \$98 on domestic day trip and while this data is not published for international visitors to Goulburn, the average spend in Bendigo region is \$500 by an international visitor.

Under the conservative assumptions above the estimated boost to annual tourist spending in Shepparton is \$6.25 million due to a new art museum.

To provide a context to what visitation to a new art museum as a tourist “success” would look like, **Table A.10** compares the resulting visitation Greater Shepparton City museums and art galleries with the current visitation to museums and art galleries in the other regional cities.

Notes: Population statistics come from the ABS Census 2011 by local government area.

**Table A.8 A new art museum as a tourism “success” – tourists to Shepparton visiting old and new art museum**

	Share of domestic overnight visitors who visit SAM	Estimated domestic overnight visitors	Share of domestic day trip visitors who visit SAM	Estimated domestic day trip visitors	Share of international visitors who visit SAM	Estimated international visitors	Total tourist visitors to SAM
Current SAM	2.7%	6,400	1.0%	6,600	43%	4,400	17,400
New art museum	10.6%	25,200	6.4%	44,600	50%	5,200	75,000

Even an increase in Shepparton to the average of tourist visitation to museums and art galleries of the three cities means that relative to city population tourist visitation to Shepparton museums and art galleries would continue to trail that of the other three regional cities. This reflects that the underlying tourism intensity of Shepparton is lower than the three regional cities that share a very similar profile of the tourists they receive.

### A.6 Indicators of social factors in the Greater Shepparton City community

During consultations it was highlighted that the Greater Shepparton City faces greater social issues than many other parts of Victoria. The Census 2011 data was used to provide some preliminary indicators of social issues facing Shepparton.

Again comparisons are made with the three other inland regional cities of Ballarat, Bendigo and Benalla. Greater Shepparton has a population of around two thirds that of Ballarat or Bendigo and over four times that of Benalla.

Shepparton has a strong Aboriginal heritage that continues to today. While it is understood that the Census estimates of people with Aboriginal heritage understates the true share as people under report to Census collectors, it is the case that Shepparton has nearly three times the share of Aboriginals in its population than the average of the other three regional cities. Compared to Victoria as a whole Shepparton has around five times the share of Aboriginals in its population.

**Table A.9 Impact of a new art museum as tourism “success” – on annual tourist numbers & spend in Shepparton**

Visitation type	Increase in visitors to Shepparton	Increase in visitor expenditure in Shepparton
Domestic overnight tourism	11,300 over the base of the average of the last five years of 238,000 (4.7%)	\$3.8 million (4.7%)
Domestic day trip visitors	22,000 over the base of 675,000 (3.3%)	\$2.2 million (3.3%)
International visitors	500 over the base of 10,300 (4.9%)	\$0.25 million (4.9%)
Total	33,800 from 923,000 (3.8%)	\$6.25 million (4.1%)

**Table A.10 Comparison of a new art museum as a tourism “success” – with visitation to museums and art galleries and the population of other key Victorian regional cities**

Victorian regional cities	Tourist visits to Museums and Art Galleries	Population	Ratio of tourist visits to museum and art galleries to population
Greater Shepparton City (current)	17,400	60,448	29%
Greater Shepparton City (a new art museum tourism “success”)	75,000	60,448	124%
Bendigo	178,400	100,617	177%
Ballarat	147,800	93,502	158%
Benalla	21,500	13,648	158%

Consultations highlighted that Shepparton has a high proportion of people who don't speak English well or at all. Shepparton is particularly disadvantaged by having nearly six times the average share of the other three cities in people not speaking English well or at all.

Similarly, Shepparton has over three times the share of the population who speak other languages than English at home.

Shepparton also has more than double the share of migrants since 2000 in its population than the other three regional cities

In July 2014, unemployment in the Shepparton region was 9.2%, well above the regional Victoria average of 6.9%. Unemployment in the Ballarat and Bendigo regions was dramatically lower at 4.1% and 6.2% respectively. While unemployment in Shepparton in July 2014 was less than for Geelong at 10.5% and Warrnambool and the South West at 9.5%, Shepparton's unemployment has been consistently high for a number of years.

**Table A.11 Comparison of languages spoken within the Region and comparable regional cities**

LGA	Aboriginal	Speak English not well or not at all	Speak other language than English at home	Migrant since 2000
Ballarat ©	1.1%	0.6%	4.0%	2.7%
Benalla (RC)	1.1%	0.3%	2.9%	1.4%
Greater Bendigo	1.3%	0.5%	3.0%	2.0%
Average of 3 other cities than Shepparton	1.2%	0.5%	3.5%	2.3%
Greater Shepparton	3.3%	2.9%	12.3%	5.3%

The August 2011 Census recorded that Shepparton was more reliant on Manufacturing for employment with 12.7% of all jobs due to this industry. As Australian based manufacturing has faced continuing pressure from imports, manufacturing employment levels have fallen in most areas of Australia. To be highly reliant on manufacturing employment is, as Geelong has recently found, to be a major risk factor for a regional economy. The other inland cities of Ballarat (10.9%), Benalla (11.8%) and Bendigo (10.3%) have lower reliance on manufacturing employment.

The 2011 Census also found that tourism provided 5.6% of total jobs in the Greater Shepparton City, a lower share than in Ballarat (8.7%), Benalla (6.9%) and Bendigo (7.2%). This highlights that Shepparton City could reduce unemployment noticeably by increasing tourism to the average of the three other regional cities.



## B. Benchmarking Report

This material is lifted from the Research Report.

### B.1 Market needs from art galleries

Research into market needs from art museums<sup>3</sup> suggests that some of the key market needs from art museums include:

1. Potential to contribute to and participate in the experience – potentially achieved through facilitated activities and / or digital technology
2. Experiences that offer greater cognitive and emotional stimulation that result in a personal connection with art
3. Sensory experiences
4. Experiences that facilitate interaction between visitors and between visitors and staff
5. Evening operating hours so that travellers can have more to do at a destination than eat, so that daytime can be focused on experiences that need daylight, and so that hosts of visiting

<sup>3</sup> Burton, C. and Scott, C. 2003, 'Museums: challenges for the 21<sup>st</sup> century' in International Journal of Arts Management (5(2), Asia Pacific Social Impact Leadership Centre, 2013, Micklethwait, J. 2013, 'Temples of delight' in The Economist, December 21 2013. Branding the public art museum sector – a new competitive model,

Research by Evans and Bridson (2013) suggested that in addition to paying closer attention to unfulfilled market needs, art museums should also consider:

- A clear and unique vision and programs that consistently reflect this
- Fewer but more targeted and well-resourced exhibitions
- Collections that had a clear local community focus that in turn engages the support of the local community
- Strategies that encourage repeat visitation
- A strong entrepreneurial orientation
- Co-location of art museums with other cultural and leisure attractions
- Activities that deliver long-term social impact goals related to community cohesion, health, well-being, creativity and education

### B.2 Arts led recoveries

#### B.2.1 Key findings

Some of the key findings from this selection of case studies include:

- Iconic buildings help raise profile and visitor satisfaction, but are not the panacea for success in themselves
- Large recognisable international exhibitions have achieved significant profile and visitation for some galleries and their cities – but copying this model is not recommended for Shepparton
- A very powerful approach is to offer an artists in residence program that is fully integrated with an arts centre by not only displaying the art but providing visitors access to see it being produced and discussing this with the artist face to face
- Art museums can extend their experience through installing public art outdoors and creating an experience with it – this can be further enhanced and promoted through events
- On line sales offer art museums a wider audience to share their art and experience

## **B2.2 Guggenheim Museum Bilbao (Spain)**

### **Objectives**

The Guggenheim Museum Bilbao was the first and major project designed to initiate urban renewal into the semi-derelict shipyard part of the city of Bilbao.

A museum of modern and contemporary art was built alongside the Nervion River, which runs through the city of Bilbao to the Cantabrian Sea, it is one of several museums belonging to the Solomon R. Guggenheim Foundation and features permanent and visiting exhibits of works by Spanish and international artists.

To redevelop the former Port area, the Basque government agreed to cover the US\$100 million construction cost, to create a US\$50 million acquisitions fund, to pay a one-time US\$20 million fee to the Guggenheim and to subsidize the museum's US\$12 million annual budget. In exchange, the Foundation agreed to manage the institution, rotate parts of its permanent collection through the Bilbao museum and organize temporary exhibitions. The museum cost \$89M.

### **The building**

The museum is seamlessly integrated into the urban context, unfolding its interconnecting shapes of stone, glass and titanium on a 32,500m<sup>2</sup> site along the Nervión River in the old industrial heart of the city; while modest from street level, it is most impressive when viewed from the river.

**Figure B.1 The Guggenheim Bilbao along the banks of the Nervión River**



One of the most admired works of contemporary architecture, the building has been hailed as a "signal moment in the architectural culture", because it represents "one of those rare moments when critics, academics, and the general public were all completely united about something.

With a total 24,000 m<sup>2</sup> of which 11,000 m<sup>2</sup> is dedicated to exhibition space, it had more exhibition space than the three Guggenheim collections in New York and Venice combined at that time. The 11,000 m<sup>2</sup> of exhibition space is distributed over 19 galleries, 10 of which follow a classic orthogonal plan that can be identified from the exterior by their stone finishes. The remaining nine galleries are irregularly shaped and can be identified from the outside by their swirling organic forms and titanium cladding. The largest gallery measures 30 meters wide and 130 meters long. In 2005, it housed Richard Serra's monumental installation *The Matter of Time*, which Robert Hughes dubbed "courageous and sublime"

### **Exhibits**

The museum notably houses "large-scale, site-specific works and installations by contemporary artists, such as Richard Serra's 100m-long *Snake*, and displays the work of Basque artists, "as well as housing a selection of works" from the Foundation's modern art collection.

The exhibitions change often; the museum generally hosts thematic exhibitions, centered for example on Chinese or Russian art. Traditional paintings and sculptures are a minority compared to installations

and electronic forms. The highlight of the collection, and its only permanent exhibit, is The Matter of Time (incorporating an earlier work, Snake), a series of weathering steel sculptures designed by Serra, which is housed in the 130-meter Arcelor Gallery (formerly known as the Fish Gallery but renamed in 2005 for the steel manufacturer that sponsored the project). The collections usually highlight Avant-garde art, 20th century abstraction, and non-objective art. When the museum announced the 2011 exhibition "The Luminous Interval", a show of artwork belonging to Greek businessman Dimitris Daskalopoulos, who is also a museum trustee, this met with criticism of, among other things, too much curatorial power for a serious benefactor.

**Figure B.2** Some commentators have said that it is more about the building than the exhibition experience



The majority of visitors are from outside the Basque region, and more than half from other countries. This combined with the strong visitation has helped generate about €500 million in economic impact.

The regional council estimated that the money visitors spent on hotels, restaurants, shops and transport allowed it to collect €100 million in taxes, which more than paid for the building cost.

**Social impact**

Charmless business hotels and musty pensions have been replaced by trendy hotels like the Domine Bilbao

and a Sheraton designed by the Mexican architect Ricardo Legorreta.

The failed shipyards near the Guggenheim were subsequently transformed into a greenbelt of playgrounds, bicycle paths and riverside cafes. A lime-green tram was strung along the river, linking the Guggenheim to Casco Viejo and beyond. Across the city, the footpaths were widened, curbside parking removed and stone buildings scrubbed.

The popularity of the building has attracted architects from across the World to develop powerful, distinctive new buildings across the city.

The beautification was echoed throughout the city. Traffic circles like Plazas Campuzano and Indaustu have been transformed into piazza-like parks, with sculptural lampposts, ergonomic benches and ultramodern landscaping.

However, despite a host of tourist information centres, including a glass shed outside the Guggenheim staffed with professional guides and a rainbow of colour brochures, visitation to Bilbao remains almost entirely focused on the Guggenheim.

### Potential for further improvement

Other museums just a quick stroll from the Guggenheim (such as Museo de Bellas Artes and The Maritime Museum) do not get flow on visitation. The city lacks the critical mass of attractions to take it from a provincial post-industrial town, to a global cosmopolitan city. And in the meantime, it is losing the shabby edge that gave the city its earlier appeal.

The general manager of Bilbao Metropoli-30, a public-private partnership that is guiding the city's revitalization said "Our local culture still hasn't integrated with the Guggenheim, this is still an industrial city." There is a disconnect between Bilbao the brand, and Bilbao the city.

### B.2.3 Renew Newcastle (NSW)

#### Objectives

Renew Newcastle seeks to revitalise the city centre of Newcastle through creative uses of empty space. It was established to find short and medium term uses for buildings in Newcastle's CBD that are currently vacant, disused, or awaiting redevelopment. Renew Newcastle aims to find artists, cultural projects and

community groups to use and maintain these buildings until they become commercially viable or are redeveloped.

Renew Newcastle brings transitional buildings in Newcastle to life again. Property owners license (for a nominal sum) their buildings to Renew Newcastle while they have no tenants or are awaiting development. Renew Newcastle manages the short term use of the buildings, pays Public Liability and other necessary insurances, will take over basic maintenance (a fresh coat of paint, a clean, and fixing up the broken windows) and cover basic insurances while the buildings are in Renew Newcastle's care.

Renew Newcastle can assist artists and organisations to seek money for new projects from philanthropic sources, charitable foundations and all levels of government but does not require a lot of overheads to run.

#### Examples of artists placed

Currently there are 50 placements / buildings—featuring local creative enterprises that are producing and selling the things that they make: (graphic, web, fashion, architecture, interior), photography, printmaking, painting, illustration, jewellery, animation,

publishing, video & music. There are also several small galleries in operation.

#### Major projects

In addition to the continuous placement and support of emerging artists into vacant buildings, Renew Newcastle has also tackled several specific projects that act as catalyst support for the individual artists.

Renew Newcastle has turned the ground floor of the former David Jones building – previously the city's most iconic retail location – into a fine arcade of boutiques and galleries filled with Newcastle creative talent, just waiting to be explored. Renamed The Emporium, this treasure trove of locally made art, fashion, furniture & design opened in 2012.

Within the Emporium is a separate major project called 'The Project Space'. The project uses found materials and the creative talents of the artist, Penny Thwaite, and the audience working on site to produce a number of large low relief sculptural installations that use the concept of the line in an experimental way with a performative process.

Renew Newcastle established Creative Talks, a series of breakfast lectures presented by people who are making a living from their creativity. The talks

cover the lessons they have learned growing their art into a commercial success. Attendance is free, but registration is required to secure a seat.

**Figure B.3 Artist at work in a shopfront**



**Figure B.4 A private gallery exhibiting works produced by Renew Newcastle artists**



### Communications

In addition to a contemporary website and visitor brochure, Renew Newcastle drives communications through an e-newsletter, Facebook, Twitter, Pin it, and media activity.

### Funding and governance

Renew Newcastle is a not for profit company limited by guarantee.

Core operational costs are very low, and the program overall provides excellent value for money.

The organisation has the funding support of NSW Government through Arts NSW and Department of Trade & Investment's Enterprising Regions Program; City of Newcastle; Hunter Development Corporation; and Newcastle Now.

### Transition to other places

In recent years the model has been transferred through a separate organisation Renew Australia, to establish Renew Adelaide, Renew Townsville, Made in Geelong and Pop-up Parramatta.

Renew Australia provides training, consultancy and support services to business, government and

community groups engaged in the creative activation of space. Renew Australia is a trading social enterprise. They sell services to government, business and economic development professionals and use income generated by doing this to subsidise support for community groups and local initiatives.

### Potential for further improvement

There are no apparent partnerships or communication links between Renew Newcastle and the Newcastle Regional Art Gallery.

There is no business development program to take artists from the incubation phase to fully-fledged businesses.

#### B.2.4 Spaced (WA)

### Program objectives

The International Art Space (formerly IASKA) generates modern art that interprets remote Western Australian sites. International and Australian artists are brought to a region to interact with communities and generate artworks that generally explore the relationship between globalisation and local identity.

**Operational aspects of the Program**

The Spaced program comprises projects developed in partnership with local arts groups and other organisations, particularly in socially, geographically and economically disadvantaged communities. The program focuses on modes of practice that aim to produce work by engaging with, and intervening in, everyday social relations and situations. Special emphasis is given to approaches that attempt to open art to non-artistic forms of social practice such as science and technology, social activism, design and architecture. Artworks generated include sculpture, photography, painting, installation and multi-media.

The current program coordinates 12 residency placements. The artwork generated is launched in the host community gallery and then compiled into one larger exhibition in the Western Australian Museum in Perth. The works then tour various regional galleries across Australia.

**Figure B.5** Example from photographic exhibition **The Golden Feral Trail, generated from a residency in the remote community of Laverton, tracing the relationship between South Asia and the Goldfields region in Western Australia**



**Funding and governance**

International Art Space Pty Ltd is assisted by the Government of Western Australia through Department of Culture and the Arts, and is supported by the Australian Government through the Australia Council, its principal arts funding body, and by the Visual Arts and Craft Strategy, an initiative of the Australian State and Territory Governments.

**Potential for further improvement**

The Program is largely dependent on government grants and sponsorships and its long-term viability is not assured.

There was no evidence found of the social or economic benefits being determined and used to leverage support.

There is no clear final place for the generated art to be stored or re-presented at a later stage.

**B.2.5 Buku-Larrnggay Mulka Incorporated**

**Objectives**

Mulka is positioned at a very remote location on the north eastern coast of Northern Territory. The mission at Mulka seeks to sustain and protect Yolngu cultural knowledge in Northeast Arnhem Land under the leadership of community members.

Buku-Larrnggay Mulka Incorporated was established to maintain a centre for the promotion of Yolngu arts and preservation of Yolngu culture.

Figure B.6 Example of a product on sale online



The Mulka Project is actively involved in partnerships with academia, museums and individual researchers with collections and projects significant to their region. The seek text, images, sound and video related to the community and to work with those who can provide relevant training and experience to Yolngu People.

**Main focus**

Rather than create their own gallery and hope that visitors come to a very remote destination, the organisation has produced a number of exhibitions to travel to national and international destinations. For example, an exhibition titled Mother Cloud (in reference to the maternal wet season), Galuma Maymuru embraces sacred designs used in Yolngu ceremonial body painting for women to portray the sacred woman Nyapilingu in the form of wapitja, digging stick or scepter.

The organisation has also chosen to produce a range of video and audio recordings about life of the Yolngu people. The productions cover indigenous music, sports and short films. They are sold on an on-line shop run by the organisation.

The on-line store also profiles and sells artwork produced in the region at competitive prices.

**Funding and governance**

Buku-Larrnggay Mulka is a not for profit Incorporated organisation. The Mulka production house and archive is managed by Yolngu law, governance and culture.. The organisation is dependent on government and philanthropic funding. Grants cover current commitments (staff wages and basic operating expenses) for the next two years

**Potential for further improvement**

The organisation needs funds for publication costs, travel, training, payments to non-employees who are involved in projects.

A more powerful distribution system for the video and audio productions is needed.

### **B.2.6 Münster galleries and event (Germany)**

#### **Objectives**

The township of Münster has branded itself around art and a personality that is versatile, dedicated, and courageous. The town drives this brand with a mix of theatre, music, literature, visual arts, outdoor sculptures and 30 art museums and galleries across the city.

Importantly, the brand has come from controversy and resistance towards public art. In the 1970s there was a significant public outcry against placement of outdoor artwork. Following a public education program, Münster Sculpture Project was born with Busmann and Kasper König (curator at Museum Ludwig) as the project's founders. Although protests of the project followed in latter years the citizens of Münster eventually came to embrace the project, and are found today to be quite proud of it, celebrating its presence in the city, as well as understanding the economic benefit it brings to this rather small college town. 35 works that premiered at previous Sculpture Projects were subsequently bought by the city.

**Figure B.7 Example of public art in Münster**



#### **Münster Sculpture Projects**

The Münster Sculpture Project ranks among the most important contemporary exhibitions in Germany. Artists of world renown gather every 10 years to present works of art they have created specifically for this event. Each artist then chooses a site in the city, and conceives a work with that site firmly in mind. Many works of the display help mold the character of the townscape to this day. The exhibition of sculptures in public places shows artworks for free in different places all over the town, thereby confronting art with public places.

#### **Subsequent development of arts facilities**

Following the success of the Sculpture Project, the city created a very diverse theatre-scape. Alongside the classical repertory comprising stage, music, dance, and children's and adolescents' theatre, the Theater Münster also has room for the Niederdeutsche Bühne (Low German Theatre). Furthermore, the free scene provides theatre lovers with an extensive program - from "boulevard" to "vaudeville shows" and "experimental".

Two of the 30 art museums with more innovative approaches are:



1. The Münster Museum Pablo Picasso Art has a unique and permanent collection along with special exhibitions that give insights into Pablo Picasso's pictorial world. Actors, musicians and museum staff interpret specific artworks and invite the audience to discover some unexpected details through songs and texts. These events are held once a week during school terms.
2. The Museum of Lacquer Art host jazz concerts, create platforms for young gifted musicians to perform in concerts and has a children's program for 8-12 year olds which includes a interactive, practical guided tour and allows for participates to make a souvenir

**Event driven brand awareness**

An extensive arts-based event program is used to drive brand awareness of Münster as a major arts city.

**Figure B.8 Fusing art with food and wine via a long lunch event in Münster**



**Funding and governance**

Coordination of the arts-led recovery is undertaken by an NGO called Citymanagement, directed by the Strategic Planning document 'Initiative for a Strong City Centre'. City Centre has extended its reach into broader social programs, including improved and stylized lighting for public spaces, improved and stylized standards for outdoor furniture and running childcare in the city hall tower.

**B.2.7 Arts Mildura (Victoria)**

**Objectives**

In 1972, when Gough Whitlam presented to the Australian Parliament the idea for a national arts funding body, he was asked "and what would such a body fund?" he pointed to the Mildura Sculpture Festival, and so the Australia Council was born. The first festival was funded by the artists themselves without administrative support.

The curator, Tom McCullough, received \$30,000 funding from the Australia Council after the fact – a small fortune at the time. This he spent on documenting and publishing the festival and thus

established the Mildura Sculpture Triennial. The triennial was actively opposed by the local shire, including an infamous burning of the catalogues. The triennial thrived in spite of the resistance from local government.

**Program**

In Mildura, the current contemporary art festival is entitled the Mildura Palimpsest Biennale, which is the continuation of the lineage of the sculpture Triennial. Palimpsest is one of five festivals run by an Arts Mildura independent not for profit community organisation which for almost 20 years has been presenting festivals and other arts events in Mildura and the surrounding region. Its five festivals each year bringing the best artists, musicians, writers and performers from all over the world and provides opportunities for talented local artists.

Arts Mildura conducts the Murray River International Music Festival, the Mildura Wentworth Arts Festival, the Mildura Writers Festival, the Mildura Palimpsest Biennale and the Mildura Jazz, Food and Wine Festival.

**Figure B.9 Mildura Wentworth Arts Festival**



**Visitation and economic impact**

Arts Mildura chair (Ross Lake) is reluctant to overstate the tourism revenue it generates but says there is ‘no doubt’ that Arts Mildura and its five festivals contribute significantly to community wellbeing, provide an opportunity for its, often young, volunteers to learn about governance, management, committees and finance and is a major contributor in ensuring that Mildura is a place worth living in. Mildura suffers the tyranny of distance in way that Shepparton does not, with the closest major city, Adelaide, four and half hours’ drive away.

**Funding and governance**

Each year Arts Mildura raises the funds for hundreds of art events and is funded by Arts Victoria, the Mildura Rural City Council, La Trobe University, Mildura City, PRIME TV and other private sponsors on a project by project basis.

The Mildura Arts Centre, which is owned and managed by the Mildura Rural City Council, provides venue and program support to these events where possible, but Arts Mildura is entirely independent of local government – the funding provided by MRCC is on an event by event basis through individual one-off applications and equates to around 10% of overall funding.

Arts Mildura is an incorporated association with DGR status that attracts 2,000 visitors a year to Mildura. It is run via a board of management and a committee for each of its five festivals. The board includes an employee of the Mildura Rural City Council as an observer.

**B.2.8 Bendigo Art Gallery**

**Objectives**

The goal of the Bendigo Art Gallery is to bring exhibitions of quality and significance to regional Victoria. Key to its activities in recent times has been the large recognisable international exhibitions, several from within the art and design arena, and photography exhibitions.

The art museum also has a strong focus on community minded programming – providing activities for connecting with the local community is a key driver of the gallery's social impact.

**Program**

Bendigo Art Gallery hosts a range of exhibitions from its permanent collection and by sourcing works externally. Some of the external shows are exclusive block busters with broad appeal and often curated around fashion content, a particular fascination of the director. The gallery also hosts, and shares, major traveling shows, such as Experimenta.

Throughout the year the Gallery presents a range of programs and events related to temporary exhibitions and the permanent collection. These events include

guest speakers, workshops, film events, education programs and more.

These are coordinated around the gallery's major exhibitions many of which are exclusive and have a broad appeal. Behind the scenes tours offer visitors glimpses into the gallery's storage and back-of-house areas and speakers focusing on the gallery itself and other elements of the civic and built environment of Bendigo and interpreting the regions proud history which are run through the associated Post Office Gallery.

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**Economic benefits**

Bendigo is well positioned to generate economic benefits from the Art Gallery activities. The city is in a marginal seat, has a frequent train service to Melbourne and significant built cultural heritage. The significant economic impacts from the Bendigo Gallery through increased visitation to the region are

documented in **Section 5**. The audience that has been attracted to Bendigo through the international exhibition program is a particularly valuable one.

Bendigo Art Gallery has a unique relationship with the Gallery Board and the City of Greater Bendigo. It is owned and operated by the City with support from Arts Victoria, sponsors and benefactors. In addition, they receive a regular income stream from the investment portfolio managed by the Board and are able to maintain a program of acquisition of works of art, which are then gifted to the people of Bendigo. In return for its contribution, the City receives revenue from Gallery shop sales & visitor admissions..

**Social benefits**

The Gallery also provides a scholarship for Australian artists to travel and study overseas. The institution has also played a major role in increasing social contact, arts inclusion and skill acquisition in the region. For instance, the art museum has a large volunteer program. This program enables people who may experience a degree of social isolation when family members move out of the area, to connect with other members of the Bendigo community. Other significant outcomes from the community development and public programs relate to the focus

on creating inclusive opportunities that can also facilitate the development of new skills.

**Figure B.10 Bendigo Art Gallery building and a blockbuster exhibition - Grace Kelly**



The programs provide access points for members of the community to engage with the visual arts in a range of ways. This is particularly important in

regional communities where distance or cost can create an obstacle to feeling included in the arts community.

The Bendigo Art Gallery has a significant impact on community identity and civic pride for the people of Greater Bendigo. The activities and the social and economic outcomes generated by the Bendigo Art Gallery have changed the way the community sees itself and engendered a strong sense of civic pride.

The Bendigo Art Gallery also plays a pivotal role in the ongoing development of the City of Greater Bendigo. It achieves this impact by influencing perceptions of the city in terms of liveability, which, in turn, influences its attractiveness.

Finally, the Bendigo Art Gallery has a substantial personal impact on the individuals who engage with its collection, exhibitions and programs. The intrinsic impact of the visual arts in terms of creative stimulation, aesthetic development, learning and thinking is particularly important in such a large regional community.

**B.2.7 Gertude Contemporary Art Spaces**

**Objectives**

Gertrude Contemporary is a not for profit Incorporated organisation funded by the Australian Council for the Arts, Arts Victoria, a host of private sponsors including trusts and foundations as well as modest studio rental fees.

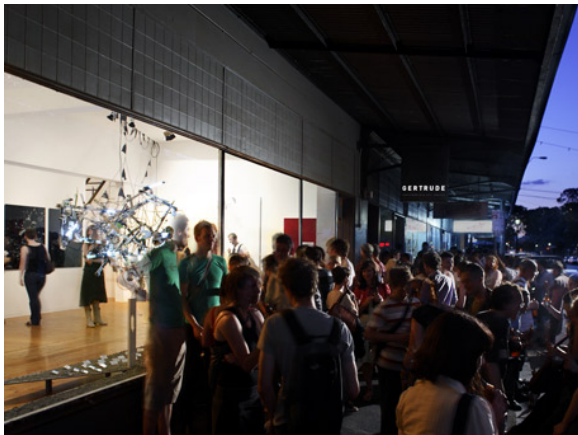
The gallery consists of two street level galleries in which exhibitions by established artists are curated. Upstairs above the galleries are eighteen artists' studios, one of which is a residential studio for international artists.

Studios are apportioned to early career artists via an application and selection process. These artists benefit by gaining a dedicated space in which to produce a body of work amongst a creative community of peers, while also gaining association with the recognised artists whose works are exhibited in the ground floor galleries.

Exhibitions of studio work are curated upstairs to coincide with the opening of the major exhibitions downstairs. The gallery facilitates the introduction of studio artists to established curators and patrons and

is understood to be one of the main generators of contemporary arts culture in Australia. This is evidenced by the impressive fact that every artist who has represented Australia at the Venice Biennale has held a studio at Gertrude Contemporary at one time in their career.

**Figure B.11 Typical Gertrude Contemporary opening which are known for attracting crowds in their hundreds on a monthly basis**



The gallery also nurtures curators and writers through curators and writers programs. The studios are sponsored by corporate entities, such as law firms and telcos, whose staff benefit greatly from exposure to the coal-face of art production. The studios are

opened to high level sponsors who dedicate considerable time to facilitate this.

The Gertrude Contemporary board currently includes seven members with a variety of specialist expertise plus two representative studio artists. The existing minimum six year term requirement will be subject to change with the refreshing of policy following recent change of leadership.

The Board of Management are responsible for setting broad policy and strategy, providing day-to-day leadership. Responsibility for day-to-day operational delivery and asset management sits with the Gallery Director. The Gallery Director reports to the Board of Management. Recruitment is currently underway for a Board Chair who will be recruited externally in line with recent policy changes. The Board has a series of sub-committees to manage issues around housing, curating, studio placement and writing. The current staffing structure consists of Director and Deputy Director, Gallery Manager, two Curators, and Education Office (part-time).

The gallery promotes its exhibitions, artists, writers and curators through a series of publications. All current and previous artists in residence and exhibitors are published on the galleries website.

Gertrude Contemporary opened over two decades ago in a street and suburb that was particular run down and bedraggled with high levels of social dysfunction and issues concerning indigenous groups and high-rise social housing projects in the area. It is broadly recognised that the community of contemporary art production that emerged as a direct result of this artists in residency model is responsible for the urban, social and economic regeneration of Gertrude Street Fitzroy, which now boasts some of the highest ground floor rental retail rates in Melbourne.

To date, Gertrude Contemporary rent the premises at significant expense. Now, forced to relocate due to the sale of the building, planning is underway to build a strong and sustainable foundation in a new location. Strategic planning measures will focus on affordable options for building and asset procurement and maintenance including diversifying sources of income a support the Gallery and operations, leading to greater financial autonomy. The new Gertrude Contemporary studio space will retain the allowance of studio space with similar footprint, as an important aspect of its history and identity as well as point of difference. Strategic planning involves modeling existing international and best practice cases for

studio residency programs, such as: Bemis Center for Contemporary Arts, Omaha; The International Studio & Curatorial Program (ISCP), Brooklyn; Rijksakademie Residency, Netherlands; and Gasworks Artist Studios, London.

### **B.3. Cultural facility trends**

#### **B.3.1 Key findings**

Some of the key findings from the following case studies are:

- If SAM were to cater for the children market segment, it would hold a strong competitive advantage, through limited competition.
- Inserting a single experience within a permanent exhibition that is particularly immersive or has shock value, can generate high attention and word of mouth that can in turn convert non-traditional visitors into visitors.
- Properly designed technology provides visitors with choice about what and how they interpret, and who and how they share it with.
- Art museums placed in natural settings with significant space around them has potential to build a significant brand based on the integration of nature, art and architecture and offering a distinctive arrival experience.

### **B.3.2 MONA (Hobart)**

#### **Synopsis**

The Museum of Old and New Art (MONA) is privately owned art museum located within the Moorilla winery on the Berriedale Peninsula in Hobart, Tasmania, Australia. It is the largest privately funded museum in Australia. The Museum presents antiquities, modern and contemporary art from the David Walsh collection. Walsh has described the Museum as a "subversive adult Disneyland". The development cost of MONA was \$75 million.

**Figure B.12 The MONA building, most of which is underground**



## Arrival

The marketers of MONA promote and facilitate arrival by ferry from Hobart's Salamanca area via the Derwent River. The vessel is big, high tech, full of high end food and wine and features artistic elements akin to MONA. The arrival experience helps to build anticipation. On arrival, the building looms above like a post-apocalyptic fortress, waffled-concrete walls intersecting with great trapezoidal battlements clad in rusting steel. The four-story complex is almost twice the size of New York's Guggenheim.

## The building

The above ground single-story MONA building appears at street level to be dominated by its surroundings, but its interior possesses a spiral staircase that leads down to three larger levels of labyrinthine display spaces built into the side of the cliffs. The decision to build it largely underground was taken to preserve the heritage setting of the two Roy Grounds houses on the property and provide a building that "could sneak up on visitors rather than broadcast its presence ... 'a sense of danger' that would enliven the experience of viewing art".

There are no windows and the atmosphere is intentionally ominous. On entering the Museum, visitors descend a "seemingly endless flight of stairs", an experience one critic compared with "going down into Petra". To see the art, the visitor must work back upwards towards the surface, a trajectory that has been contrasted with the descending spiral that many visitors follow in New York's Guggenheim Museum.

## Exhibits and the integration of performances

The Museum houses over 400 artistic works from David Walsh's private collection. Notable works in its inaugural exhibition, MONAnism, include Sidney Nolan's Snake, displayed publicly for the first time in Australia; Wim Delvoye's Cloaca Professional, a machine which turns food into excrement; Stephen Shanabrook's On the road to heaven the highway to hell, remnants from a suicide bomber cast in dark chocolate; and Chris Ofili's The Holy Virgin Mary.

MONA hosts the outdoor MOFO festival, and the wintertime Dark Mofo, with extensive public art exhibitions amid a fairground setting of food and drink, live music and entertainment. Concert performances planned for 2014 include Striborg, Psycroptic, Chris Thile, and The Julie Ruin.

**Figure B.13** Sidney Nolan's Snake (1970-72) was the original centrepiece of the museum



## Use of technology to assist the visitor create their own experience – and market it

MONA doesn't have written descriptions printed and displayed next to each art work. Neither do they have numbers next to each and an audio guide to explain each to you. On arrival, each visitor is offered a smartphone and headset loaded with their app guide, known as The O.

The app uses location tracking to find nearby artworks, and offers a variety of information about each of them. Some a simple overview of the artist, artwork name, and materials used, some with relevant quotes, or observations on the piece, audio interviews with the artist, interesting snippets of information, and

alternative music to listen to while looking at each installation.

The information provided varies between each piece, adding to the interest, some even including an “Art Wank” section, which reinforced the cheeky irreverence that carries through the museum and it’s communications.

The O also keeps track as you view information about each piece, highlighting them as “viewed”. This is useful for making sure you see each item in the maze-like museum that traverses over three levels.

As visitors move through the venue, they can refresh the O whenever you like to refresh the list of nearby artworks.

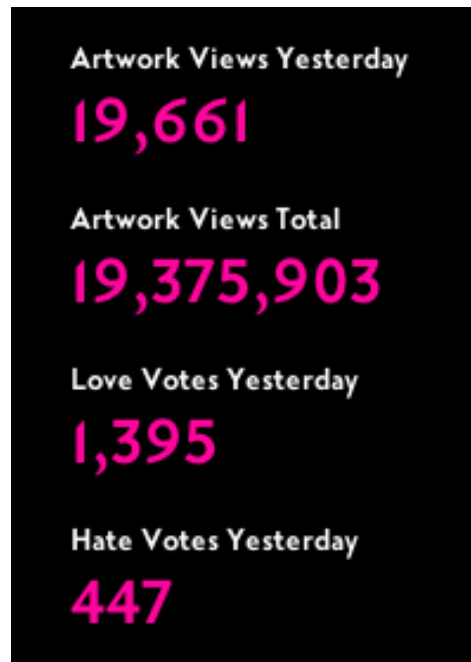
There is also an option to “Love” and “Hate” each piece. This gives people an option to share their feelings, and recording it in some way. This data is live and in real time, so they can see if trends change over time.

Visitors can enter their email address and save their personal MONA tour online so they can visit it later, such as the artworks viewed and the artwork missed, and the ratings that they left as evidence of their visit.

This is the ultimate slide show for those who want to relive it in detail and show their friends and family.

For management, the technology provides continuous feedback on what visitors are engaging with and what they like and don’t like – providing the greatest monitoring of an art gallery in history.

**Figure B.14** An example of the feedback that the Smartphone provides to management on a daily basis



Although the technology used for the internal location solution was purchased from a third party, it took four years of research and development to develop the full software ecosystem that drives The O. The O device enclosure includes an active RFID tag, and uses wireless sensors in the museum's ceiling and a combination of received signal strength and time-of-flight analysis to fix the location of a visitor and produce a proximity ordered list of nearby artworks.

Other solutions to replace wall labels were considered, such as an RFID-equipped wand that visitors could wave near an artwork, or QR codes that could be scanned. But neither those alternatives nor the traditional wall label would offer the unobtrusiveness of the O device, which is a vital part of the MONA experience: an aid to becoming completely lost in the works and the museum itself.

In an effort to reduce costs, MONA will be adding 'bring your own device' support so visitors can use their own iOS or Android-based mobile devices instead of an institution maintaining its own fleet.

The company that produced the device (Art Processors) is rolling out a project at the State Library of NSW, based on a BYOD model with support for iOS and Android. They are also working with the



Melbourne Zoo on developing an interactive, premium audio guide system in collaboration with The Border Project theatre production group.

**Visitation**

Tasmanians are admitted to the museum free of charge and everyone else pays an entrance fee.

MONA has attracted more than 700,000 people. Visitors came first from Tasmania, then from Australia, and now, increasingly, from the world. In less than two years, MONA has become Tasmania’s foremost tourist attraction and a significant driver of its languishing economy. Lonely Planet listed Hobart as one of the world’s top ten cities to visit in 2013, largely because of MONA.

In the year ending September 2013:

- approximately 280 700, or 28% of all visitors to Tasmania, visited MONA – an increase of 3% compared to the previous year;
- MONA is the most visited tourism attraction in Tasmania, after Salamanca Markets (35%, and Port Arthur attracts just under 20%; and
- 6% of visitors to MONA come to Tasmania specifically to experience MONA.

**B.3.3 Art Play (Melbourne)**

**Synopsis**

In 2004, the City of Melbourne opened its first dedicated children’s arts space on the banks of the Yarra River in the heart of the city. Named ArtPlay in honour of its dual commitments to children’s art and play in the city, the site offers a stage for innovative, playful arts programs of all kinds. Under the direction of a Creative Producer, the small organisation has reached out to a wide and diverse audience.

**Structure**

ArtPlay is a large open space formed by the elegant architecture of the former industrial building. The building was stripped back to its essentials during the re-purposing of the powerhouse from its former use to its new identity as a generator of creative practice in childhood. The interior is voluminous, with a mezzanine balcony over a basketball-court-sized open space. Naturally lit from above by enormous industrial-scale windows, the space offers ultimate flexibility and adaptability to the requirements of the diverse ArtPlay program.

Each year, approximately 300 different events take place, celebrating artistic and creative practice in the

company of world-class musicians, dancers, chefs, potters, puppeteers and more.

A second venue for children’s arts and culture has been developed by City of Melbourne in 2009: Signal is a space for 13–20-year-olds and features an array of options for artist-participant interaction in a space designed to offer new platforms for arts media for a teenage population.

**Figure B.15 ArtPlay makes art particularly fun**



**Program**

The centre runs more than 300 workshops, events and performances every year. Short workshops for young children sit alongside extended creative

experiences for older children. Artists, workshop content and participants reflect Melbourne's diversity.

ArtPlay's activities are either free or offered at affordable prices. They include weekend programs, school holiday activities, weekday school and under fives programs as well as special programs run in conjunction with Melbourne events and festivals.

ArtPlay caters for babies through to children aged up to 12 years of age.

### Communications

In addition to an E-Newsletter, Facebook and Twitter effort, there is an our ArtPlay YouTube channel where there is stop-motion animation, sand art animation and other films made by kids or with kids in them. There are kids playing music, kids dancing with a wolf, and kids imagining their future.

### Partnerships and governance

ArtPlay operate through partnerships with participants, artists, arts organisations, funding agencies, philanthropic groups and university researchers.

### B.3.4 Children's Art Centre: Queensland Art Gallery/Gallery of Modern Art (GOMA)

#### Synopsis

The Queensland Art Gallery (QAG) has been a leader for innovative children's programs in Australian art museums.

Their innovation comes from research via a partnership with the Queensland University of Technology (QUT) Museums Collaborative research group. QAG implemented many new design and exhibition practices for young audiences, thus providing an ideal situation to study children's responses to innovative, interactive learning in an art gallery. Researchers worked collaboratively with gallery staff to investigate children's participation during a series of exhibitions.

#### Programs

Among many innovative practices, QAG designs special exhibitions of contemporary art for children, provides multi-sensory and technologically interesting interactive resources, publishes children's activity books to advance artistic understanding, provides teacher in-service education, and focuses on both school and family audiences.

Figure B.16 Kazakhstani photography set and framed photos (below)



The Children's Art Centre profiles the work of contemporary Australian artists through a dedicated annual exhibition program, presents an annual touring program throughout regional Queensland and an award-winning publishing program for young audiences. Some programs examples include:

- Kazakhstani artist Erbossyn Meldibekov's interactive photography project reflected his interest in the politics and history of significant landmarks and cultural monuments across Central Asia. Relating to his Family album photographs, this project is designed to introduce young visitors to Meldibekov's homeland, its history and culture. Children were invited to have their photograph taken with one of six key sites in Kazakhstan and its surrounding areas, making them virtual tourists. Accompanying their photograph was information about the selected location. When complete, participants added their photograph to a virtual album screened in the space or they could send it to family and friends via email and social media
- 'Fly Away Home' encouraged visitors to explore the world from a bird's perspective as they made a bird and nest using paper money;
- The 'Kangaroo Crew' exhibition was based on 'The Sacred Hill', an indigenous story engaged through hands-on and multimedia interactives, and a story book published by the Children's Art Centre, illustrated with more than 20 paintings by the artist. The art works produced for the publication were also on display in the exhibition
- Persian for kids is a multimedia activity complementing Forouhar's ongoing print series Persian for Beginners. In keeping with the Islamic calligraphic tradition and the artist's methods of working, players can manipulate the Farsi script and animal silhouettes on multimedia tablets to create their own zoomorphic images. A custom-designed multimedia program allows participants to watch their Farsi creature become animated, and the creature can then be shared with friends and family via email and social media. Screening in the gallery space is the artist's own animation — an idyllic scene of zoomorphic images in a wilderness also created from Farsi script.

**Figure B.17** Persian installation setting and child using a tablet



**B.3.5 Bozar Studios (Brussels)**

**Synopsis**

Creativity, quality, and artistic diversity is at the heart of BOZA. BOZAR believes art and people must find and recognise each other, must interact with and enrich each other. Their commitment is not only to the provision of a range of artistic activities, but also to achieving a “total experience” for friends, family, alone, as a couple, in a group, or with a class. Young or old, fans of video or of string quartets, are all invited to feel, to breathe, to view and to check out the atmosphere of the Centre for Fine Arts.

**Programs**

BOZAR offer discovery trails, which are veritable guided tours of exhibitions, punctuated with fun things to do. Family Days focus on a particular artist, style, or country. A wide range of educational activities and supervised projects are offered for primary, secondary, specialised, or post-secondary education. BOZAR invite the public to discover art from the inside by singing, playing an instrument, by creating something with other individuals who are keen on a unique experience.

**Figure B.18 Children’s programs that involve families are a major focus of the Bozar Studios**



**Events**

Bozar has a partnership with the company Europalia to organise festivals that drive awareness and visitation to Bozar Studios. Each festival focuses on one culture via a program of music, fine arts, photography, cinema, theatre, dance and literature. Each festival fills numerous locations in Brussels, other Belgian cities and in neighbouring countries. The festival offers guest countries a unique

opportunity to present their cultural heritage and contemporary arts in an optimal format. In this way, Europalia hopes to promote better understanding between nations and stimulate cultural exchange between peoples. Europalia contributes to the cultural dimension of European construction by promoting Europe’s diverse cultures and encouraging their dialogue with the world’s great cultures. Young Belgian Painters Award The non-profit organisation Young Belgian Painters Award has awarded the Young Belgian Painters Award since 1950. In addition to sculpting and painting, the prize is now also open to photography, graphic art, video, drawing, the environment, installations, and performances.

**Communications**

In addition to a newsletter, facebook, twitter and flickr, BOZAR TV promotes music, literature, cinema, theatre, dance and architecture through youtube clips.

**B.3.6 The TarraWarra Museum of Art (Victoria)**

**Governance structure and overall responsibility**

The TarraWarra Museum of Art was established as a company limited by guarantee in October 2000. It is the first privately funded public visual arts museum to be set up under the Australian Government’s philanthropic measures announced in March 1999. TarraWarra Museum of Art is a not-for-profit institution, with a charter to display Australian and international art from the second half of the twentieth century to the present day. The Besen Family Foundation is the museum’s principal sponsor.

Founders Eva Besen AO and Marc Besen AO have been passionate collectors of Australian art since the 1950s. Not only did they gift the building that houses the museum, and 10 acres of land on a 99 year lease, they also donated a significant proportion of their private collection for the enjoyment of the public.

Overall responsibility for the Museum is held by the Board and the Director. Setting, arrival experience and building.

**Figure B.19 The setting and arrival experience and building’s integration with views are fundamental contributors to the experience**



The experience of arrival along the winding driveway, parking in the well planted car park and navigating the open-air entry sequence form an important part of the experience of visiting the gallery. The museum shares the site with Tarrawarra Estate restaurant and cellar door which serves food and wine and sells wine produced at the Estate.

The setting and arrival experience and building’s integration with the views are fundamental contributors to the experience. The building is sited in the picturesque landscape of the Yarra Valley and the TarraWarra Estate vineyard, a separately owned business.

The award-winning building was designed by architect Allan Powell and the use of natural materials of the Museum’s exterior, limestone and rammed earth, enable the building to blend sympathetically and harmoniously with the surrounding landscape. The voluminous, flexible and purpose built gallery spaces are ideal for the presentation of both modern and contemporary art and the large windows facing north and west are designed to frame the views.. The entry courtyard provides guests access to both the gallery and the restaurant and cellar door of the TarraWarra Estate. TWMA is an excellent example of a museum where the experience of the site and built form are as much of an attraction as the exhibit itself.

**Programming**

TarraWarra Museum of Art is committed to promote, develop and exhibit the collection, and generate and host exhibitions of modern and contemporary art from both Australia and abroad. Their aim is to foster

knowledgeable, passionate and critically aware audiences; to stimulate innovative and creative activities by providing exhibitions and public programs that make an original contribution to the fields of modern and contemporary art; and to promote access to and encourage participation in the Museum while respecting the creative integrity of the artist and international museum standards and ethics. Eva and Marc Besen have a pioneering vision and it is the intention of the Museum to continue in this spirit into the future. TarraWarra Museum of Art has a commitment to excellence and to viewing the important history of modernism through the filter of the present.

The collection, which has been lovingly assembled over the last fifty years by Eva and Marc Besen, includes works by leading figures in Australian art from each decade of the last sixty years. The Museum continues to acquire key works to further enhance this collection and aims to build an exemplary collection of contemporary Australian art. The significant collection is a major draw card to the Museum.

In 2012, the Archibald prize exhibition at the gallery is reputed to have brought an additional \$4 million to the regional economy. The appeal of visiting the Museum is co-aligned with the appeal of visiting the Yarra

Valley, with many visitors travelling on to Healesville to visit the Healesville Sanctuary, other vineyards and cellar doors, stay in many of the region's exemplary accommodation establishments and dine as guests with fine food and beverage offerings. The Museum is an important part of the Yarra Valley destination experience.

### **B.3.7 Tate (United Kingdom)**

#### **Synopsis**

The Tate is an institution that houses the United Kingdom's national collection of British art, and international modern and contemporary art. It is a network of four art museums: Tate Britain, London, Tate Liverpool, Tate St Ives, Cornwall and Tate Modern, London, with a complementary website, Tate Online.

#### **Programs**

Tate holds the national collection of British art from 1500 to the present day and international modern and contemporary art. Their collection includes over 70,000 artworks by over 3,000 artists and grows every year.

Tate Modern started with a modest and reportedly unremarkable collection. They raised the Museum profile and visitation through the installation of exhibits within the overall exhibition that are highly distinctive, immersive and interactive. For example, the 'Weather Project' covered the ceiling of the Turbine Hall with a mirror, and filled humidifiers with a mix of sugar and water to create sweet smelling mist. Visitors lie on the floor to watch a giant sun made out of hundreds of yellow lights rise out of the gloom, arrange themselves in distinctive groups to see their reflections on the ceiling. Visitors can influence the movement and create their own 'artistic impressions'. The impact was primal and communal

Tate runs a special website for children that covers exhibitions, games and films for children, as well as a gallery to upload their own art.

**Figure B.20 The Weather Project**



Tate offers four free guided tours each day. Tours highlight different areas of the Collection Displays using interpretive themes, including poetry and dreams, transformed visions, structure and clarity and energy and process.

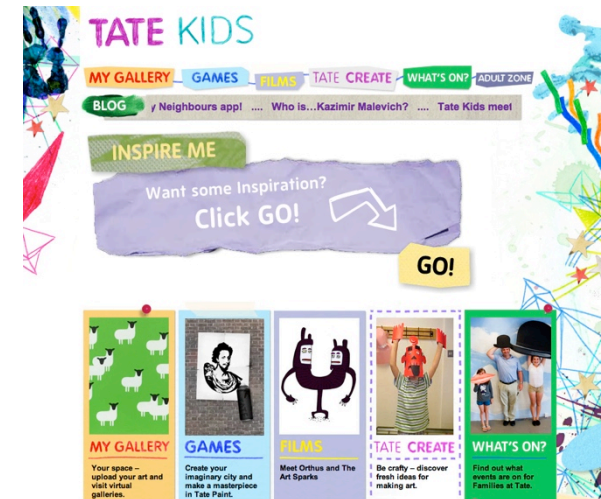
Tate offers a wide range of workshops, some free and some charged, such as:

- artist talks about their work;
- How art can help activate creativity
- in-depth examination of Tate as it is today, offering a rare opportunity to hear about what goes on behind the scenes in a range of departments and learn how such a large-scale arts institution operates on a daily basis
- after hours poetry course to engage closely with international masterpieces to develop your own poetry in unexpected directions
- the practice of contemporary curating and what it means in an international public arts institution
- key themes concerning the future of the Museum, such as modes of experimentation, critique and participation, the impact of publics, architecture, business and policy
- program for teachers, gallery educators and artists to work with practicing artists to explore practical and creative approaches to engaging with art and the gallery.

**Figure B.21 Summer school activity as part of Tate teachers' courses**



**Figure B.22 Tate website specifically for children**



In addition to workshops and exhibitions, Tate offers a range of events, including:

- Screenings of relevant films about artists
- Wine tastings matched to artworks; and
- Super Sunday – a regular event for families to get creative, investigate art, play with ideas and explore the galleries.

### Partnerships and governance

Tate is used as the operating name for the corporate body, which was established by the Museums and Galleries Act 1992 as The Board of Trustees of the Tate Gallery. Tate is not a government institution, but its main sponsor is the Department for Culture, Media and Sport. The Tate receives annual funding from the Department for Culture, Media & Sport. It is administered by a board of trustees, who are responsible for the running of the gallery and appoint the Director (for a period of seven years). Under the Charities Act 1993, the Tate is an exempt charity accountable directly to Government rather than the Charity Commission for financial returns etc. However, the Trustees are still expected to follow the broad responsibilities of charity trustees, and may be subject to Charity Commission oversight on these elements of their activities.

Various bodies have been set up to support the Tate including Tate Members for the general public, where a yearly fee gives rights such as free entry to charging exhibitions and members rooms. There is also Tate Patrons for a higher subscription fee and the Tate Foundation. There are a number of corporate sponsors. In addition individual shows are often sponsored.

### Funding

In addition to its retail outlets at its galleries, Tate runs an online shop to sell books, prints and souvenirs, art materials, homewares and clothing.

Tate now spends around £1 million of its general funds each year on purchasing acquisitions and their related costs. The Outset Contemporary Art Fund was established in 2003, by Tate patrons Yana Peel and Candida Gertler. In collaboration with the Frieze Art Fair, the fund buys works from the fair for the Tate's collections. Other funds for acquisitions are raised by Tate funding groups such as the Members, the Patrons and the American Patrons of Tate and its sub-committees, the North American Acquisitions Committee and Latin American Acquisitions Committee. The American Patrons were renamed in 2013 to reflect their expanding geographical base of

support; since 1999, this support group alone has raised more than \$100 million.

### **B.3.8 Bayeler Art Museum (Switzerland)**

#### Objectives

The Bayeler Art Museum was triggered by the donation of a vast collection of works that could not be accommodated by the local government.

Subsequently, a Foundation was established that raised the funds for a purpose built art museum.

#### Building design

The landscape and building were purpose designed to integrate nature, art and architecture. to experience the Museum and its collection on a single floor without the need to climb stairs, and that a pond be created outside the south-facing façade, was fulfilled by sinking the entire complex to a lower level in the ground. This draws the Museum into closer communion with the landscape as well as lending it a more intimate character.

Resting on top of the solid foundation walls, the lightweight glass roof, white enamelled on the



reverse, admits northern light but screens off light from the East and the West.

**Figure B.23 Innovative architecture integrates inside with outside landscape**

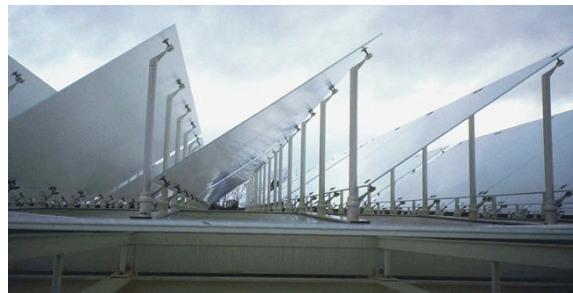


Along the northern and the southern sides the roof projects far beyond the walls, shading the glass façades from the sun. Unlike conventional top lighting this roof allows the zenithal daylight to filter into the building's interior in its natural statement instead of homogenising it and making it diffuse and milky.

There are also three systems with artificial light sources that illuminate the rooms when there is insufficient light from outside.

The first two exhibition spaces house the permanent collection of paintings and tribal objects while the third exhibition space is reserved for special exhibitions to complement the permanent collection.

**Figure B.24 A multi-layer glass roof has an active shading system to keep light levels within predetermined limits**



**Additional innovation**

Basel Tourism and Fondation Beyeler partnered to offer a visitor package that includes one night in a hotel, a Mobility Ticket for free travel on the city's public transport, city tax and admission to the Fondation Beyeler. The Beyeler has an online shop and a newsletter to subscribe to.

## C. Market Research Report

### C.1 Results of online testing

#### Objective of the testing

Online testing was conducted to test the comparative strength of the three experience options across the target markets. To be considered competitive, each product was expected to achieve a majority score of 'Quite interested' or 'Extremely interested' (as opposed to neutral or not keen). To achieve this objective:

1. An online survey was designed to test the appeal and the strength of each product to motivate a visit to Shepparton
2. Three 30 second promotional videos were created to visualise the experience, with voice over delivering the italicised text shown in **Section 3.3**,
3. The videos were loaded onto an online survey;
4. The online survey was run for five days to recruit 300 participants from the target markets.

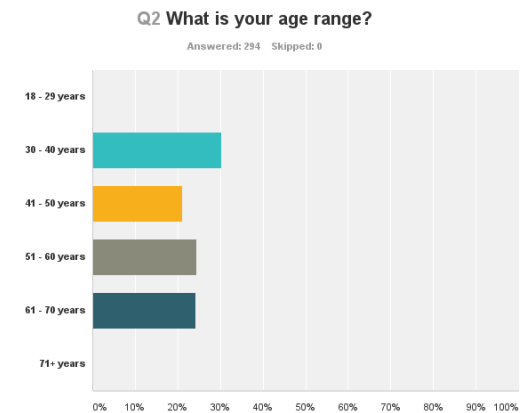
Recruitment of participants targeted people with the following traits:

- female (females lead travel decision making and are more likely to visit art museums);
- aged between 30 and 70 years;
- lived in Melbourne (the main potential visitor catchment for Shepparton);
- had visited within the past 12 months, or planned to visit regional Victoria within the next 12 months; and
- had visited within the past 12 months, or planned to visit an art museum or art gallery within the next 12 months.

#### Participant profile

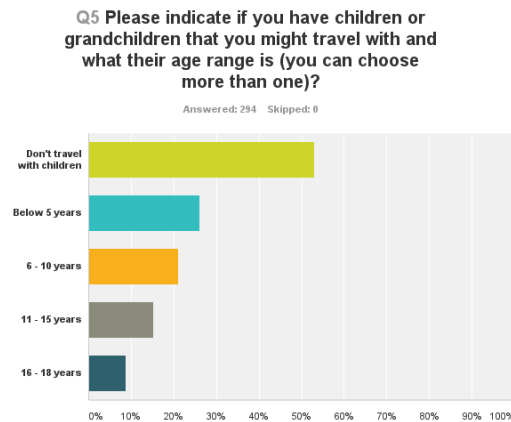
The age distribution of survey participants was relatively evenly spread, with slightly more in the 30-40 years segment (see **Figure C.1**).

**Figure C.1** Age distribution of respondents



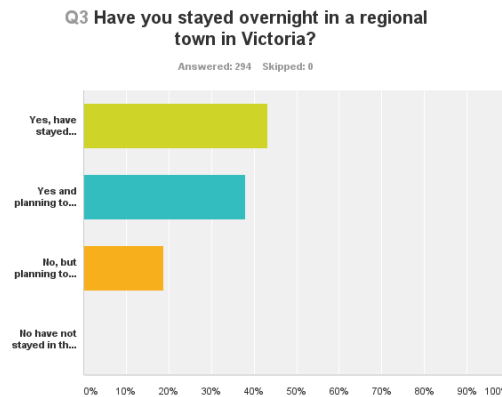
Approximately half the respondents said that they had children or grandchildren that they might travel with. Of the respondents that did have co-travelling children or grandchildren, the most likely age group for the children was the youngest, and the least likely was the older teens (see **Figure C.2**). This is important information for contemplating what age group of children a new art museum should target – the younger the target market the more of them are likely to come.

**Figure C.2 Distribution of children and grandchildren likely to travel to regional Victoria**



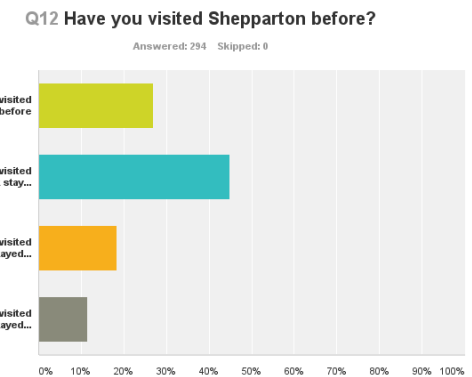
The sampling asked visitors whether they had stayed overnight in regional Victoria in the past 12 months, and found this category to be higher than those who had stayed and planned to again, with an even smaller sample that had not stayed recently but planned to (see **Figure C.3**). This is an important characteristic because it means that the sample is an active overnight staying market. The ultimate target market could be those that have and plan to stay again in the next 12 months. So this segment is a focus of analysis later in the Report.

**Figure C.3 Respondent tendency to stay overnight in regional Victoria**



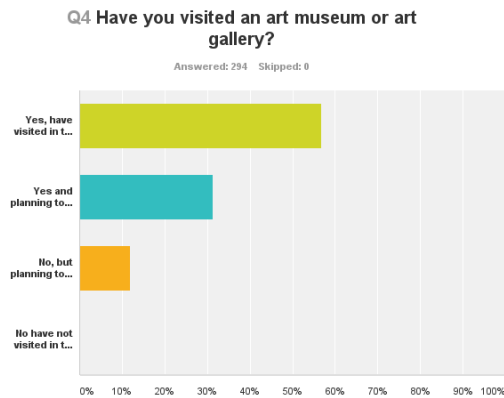
Only 27% of the sample had never visited Shepparton (see **Figure C.4**). Approximately 45% had visited but not stayed overnight. Only 20% of respondents had visited and stayed overnight – consistent with the broader tourism statistic patterns. The ultimate target market should include those that have visited but not stayed overnight, so this segment is a focus of analysis later in the Report.

**Figure C.4 Respondent visitation to Shepparton**



The sampling asked visitors whether they had visited an art museum or gallery in the past 12 months, and found this category to be higher than those who had visited and planned to again, with an even smaller sample that had not visited recently but planned to (see **Figure C.5**). This is an important characteristic because it means that the sample is an active gallery visiting market. The ultimate target market could be people that have and plan to visit again in the next 12 months, so this segment is a focus of analysis later in the Report.

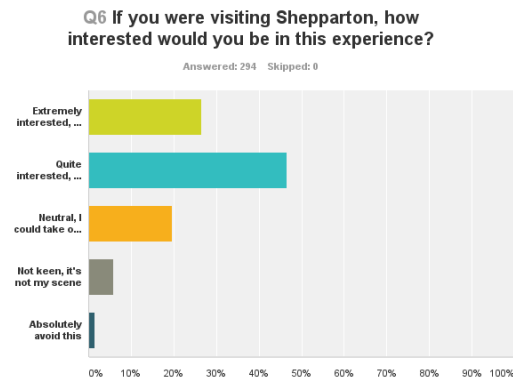
**Figure C.5 Respondent tendency to visit an art museum / gallery**



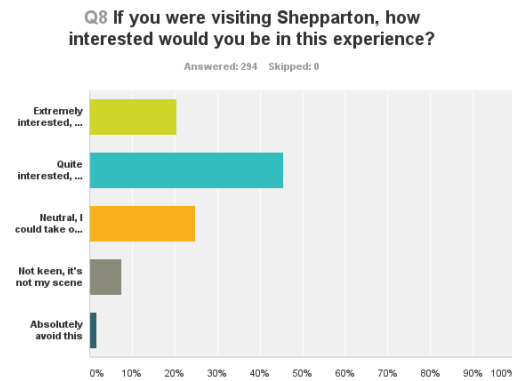
**Interest in visitor experience options**

Figures C.6 to C.8 present respondent interest in each experience option, and how likely each might influence them to visit Shepparton. The highest ranking for all three options was ‘Quite likely’ – meaning they were all attractive propositions. Consistent with most surveys, participants score their level of interest higher than their motivation to take a trip to Shepparton.

**Figure C.6 Respondent interest in Inside Out and its motivational stimulus to visit Shepparton**



**Figure C.7 Respondent interest in Going Outside and its motivational stimulus to visit Shepparton**



**Figure C.8 Respondent interest in Food & Art and its motivational stimulus to visit Shepparton**

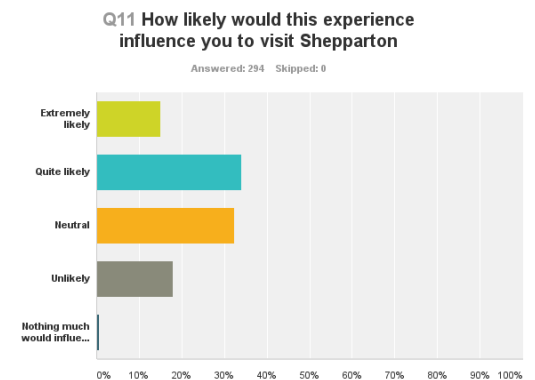
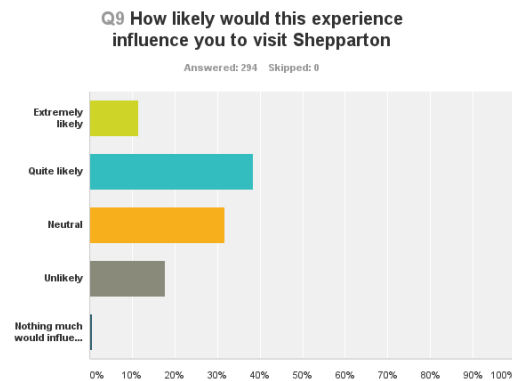
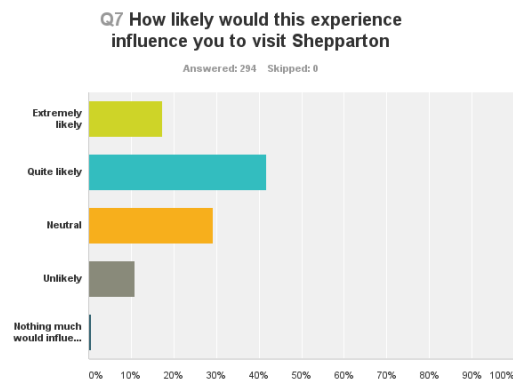
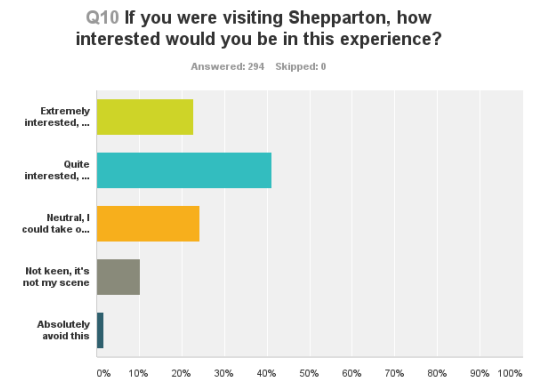


Table C.1 presents the comparative results of the three options and identifies that:

- Inside Out and Food and Art generated the highest immediate level of extreme interest (25% and 23%)
- Going Outside generated the highest immediate interest to visit Shepparton (38%)

Looking at combined overall positive results:

- the experience with the strongest overall interest is Inside Out;
- the experience with the strongest power to motivate a visit to Shepparton is Going Outside; and
- Food and Art has lower product appeal and expected Shepparton visitation than the other two options.

**Table C.1 Comparative appeal of the three experience options**

Level of interest in experience	Option 1 – Inside Out	Option 2 Going Outside	Option 3 Food & Art
<b>Extremely interested</b>	25%	20%	23%
<b>Quite interested</b>	46%	45%	41%
<b>TOTAL POSITIVE</b>	71%	65%	64%
Strength of experience to motivate a visit to Shepparton	Option 1 – Inside Out	Option 2 Going Outside	Option 3 Food & Art
<b>Extremely interested</b>	18%	38%	15%
<b>Quite interested</b>	42%	32%	33%
<b>TOTAL POSITIVE</b>	60%	70%	48%

**Interest in visitor experience options by market segment**

**Table C.2** shows the results of further analysis of positive responses to the three option experiences from respondents that had visited an art museum or gallery in the past 12 months, or planned to visit in the next 12 months. **Table C.2** indicates that:

- As could be expected, generally respondents that had visited and planned to visit were the most likely to be motivated to visit a new art museum;
- The Inside Out and Going Outside options performed similarly well on motivating respondents to visit Shepparton, particularly with respondents that had visited an art museum and planned to again soon;
- Food and Art appealed less to the experienced and committed art museum visitors, but 'held its ground' among the tougher less frequent visiting market

**Table C.3** shows the results of further analysis of positive responses to the three option experiences from respondents that had visited Shepparton in the past 12 months, or planned to visit in the next 12

months. This form of experience was different to the art museum responses:

- Overall this trait rated the options higher than those that had visited an art museum or gallery;
- Inside Out performed overall better than the other two experiences across all visitation categories – even those that had never visited, and ranked particularly strong in motivating visit to Shepparton from respondents that had visited Shepparton before and planned to again;
- Going Outside and Food and Art were stronger at motivating a visit from those that had never been to Shepparton before

**Table C.4** shows the results of further analysis of positive responses to the three option experiences from respondents who were likely to travel with children or grandchildren. **Table C.4** suggests that:

- The primary school market of 6 to 10 years is the most likely to be attracted to the experiences, followed by 11 to 15 years
- Children under 5 years and 16 to 18 years are not strong markets likely to be motivated to visit Shepparton to experience these option experiences.

**Table C.2 Comparative appeal of the three experience options for respondents that have or plan to visit an art museum within 12 months**

Level of interest	Inside out			Going outside			Food & Art		
	Yes, visited in last 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths	Yes past 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths	Yes past 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths
<b>Extremely interested</b>	27	27	23	20	22	17	21	28	17
<b>Quite interested</b>	47	45	51	42	47	60	44	39	31
Level of motivation to visit	Inside out			Going outside			Food & Art		
	Yes, visited in last 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths	Yes past 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths	Yes past 12 mths	Yes & plan to in next 12 mths	No but plan to in next 12 mths
<b>Extremely likely</b>	16	22	11	14	11	3	14	17	11
<b>Quite likely</b>	43	45	42	43	52	47	26	34	36
<b>Influence total per segment</b>	59	67	53	57	63	50	40	51	47
<b>Total positive motivation total per Option</b>	179			170			138		
<b>Ranking</b>	1			2			3		



**Table C.3 Comparative appeal of the three experience options for respondents that have or plan to visit Shepparton**

Level of interest	Inside out				Going outside				Food & Art			
	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions
<b>Extremely interested</b>	33	23	30	21	20	17	26	24	27	20	22	26
<b>Quite interested</b>	39	48	48	53	47	43	44	53	32	45	44	44
Level of motivation to visit	Inside out				Going outside				Food & Art			
	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions	Never visited	Visited but not stayed	Visited & stayed overnight	Visited & stayed overnight on multiple occasions
<b>Extremely likely</b>	18	13	26	21	11	8	19	15	16	12	20	18
<b>Quite likely</b>	41	45	39	35	44	33	35	47	30	34	37	35
<b>Influence total per segment</b>	59	58	65	56	55	41	54	62	46	46	57	53
<b>Total positive motivation total per Option</b>	238				212				202			
<b>Ranking</b>	1				2				3			

Table C.4 Comparative appeal of the three experience options for respondents with children of varying ages

Level of interest	Inside out				Going outside				Food & Art			
	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years
Extremely interested	30	35	24	31	34	35	19	27	22	29	22	27
Quite interested	49	47	58	35	45	47	56	46	40	27	40	38
Level of interest	Inside out				Going outside				Food & Art			
	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years	Under 5 years	6 to 10 years	11 to 15 years	16 to 18 years
Extremely likely	19	31	27	19	18	29	24	12	17	23	20	15
Quite likely	43	45	42	42	43	52	47	46	26	34	36	27
Total positive influence total per segment	62	76	69	61	61	81	71	58	43	57	56	42
Total positive influence total per Option	268				271				198			
RANKING	2				1				3			

## C.2 Objectives-based assessment

**Table C.5** assesses the comparative strength of the three experiences in supporting project objective to Activate Shepparton as a vibrant cultural destination by providing a visitor experience that reflects emerging market trends and needs/preferences of target markets.

It is problematic to include an assessment of the visitor experience base case, because it is problematic to define a consistent visitor experience that reflects the diversity of an exhibition-based approach. Each exhibition reflects differing characteristics, strengths and limitations. The only way this could be done is to ignore the content of the exhibitions and position the base case as an experience of ‘Walk around, look at art, read labels and reflect’.

**Table C.5** suggests that the strength of the proposed experiences were led by Option 1, then 2 then 3, but that the three experiences performed relatively similarly against many of the criteria, so they generated similar results. Option 1 and 3 depend on the availability and quality of facilitation by the artist / instructor. When this works, they are very strong experiences. In contrast, Option 2 doesn’t peak or trough in this respect, because it is more self-reliant.

**Table C.5** Assessment of three additional experiences (supporting project objective to Activate Shepparton as a vibrant cultural destination by providing a visitor experience that reflects emerging market trends and needs/preferences of target markets)

Objective	Weighting	Option 1 Inside out		Option 2 Going outside		Option 3 Food & Art	
		/5	Wtd	/5	Wtd	/5	Wtd
<b>Wow factor</b>	10%	3	3.3	2	2.2	2	2.2
<b>Opportunity for cognitive stimulation</b>	10%	4	4.4	4	4.4	4	4.4
<b>Opportunity for emotional stimulation</b>	10%	4	4.4	3	3.3	3	3.3
<b>Opportunity for interactivity between artwork and visitor</b>	20%	5	6	5	6	3	3.6
<b>Opportunity for interactivity between visitors</b>	10%	3	3.3	3	3.3	3	3.3
<b>Opportunity for interactivity between visitors and staff / volunteers</b>	5%	4	4.2	3	3.15	4	4.2
<b>Opportunity to be entertained</b>	20%	3	3.6	4	4.8	4	4.8
<b>Curatorial / conceptual rigour</b>	15%	2	2.3	2	2.3	2	2.3
<b>TOTAL</b>		28	31.5	26	29.45	25	28.1
<b>RANKING</b>		1		2		3	

Another challenge in the assessment is that the three option-based experiences have sub-elements. Option 1 contains two facilitated elements (artist interaction with the visitor and art workshop trainers). One sub-element may perform differently to another, and the performance may vary at different times.

### **Match to target markets**

Though the experiences have sub-elements and vary over time, they could still be naturally more orientated towards certain target markets than others:

#### **Option 1 – broad interest but pulling mature age visitors**

Option 1 may appeal most to mature age visitors, particularly cultural tourists. But the appeal can be changed depending on the artist and their artwork. Nonetheless, the challenge to satisfy such a wide-ranging audience may be in the design providing a substitute experience when facilitators for the two elements are not present

#### **Option 2 – young families**

Option 2 has narrower appeal because it is being designed to specifically appeal to young families. In order to appeal strongly to children, some teenagers

and older age groups may not be as interested. Nonetheless, there is evidence from Art Museums that parents like to engage with children and some adults prefer the labels written for children.

#### **Option 3 – mature age visitors**

Option 3 is likely to appeal more to mature age visitors. Importantly, Option 3 could provide the ‘entertainment, social and novelty hook’ to attract traditionally non-visitor segments to a art museum. In addition, if packaged with other parts of SAM. Option 3 could increase length of stay into overnight.

#### **Substituting interactivity for wow factor**

None of the three experiences generate a strong wow factor, because they have been designed to provide more personal and interactive approaches that intrinsically don’t lead to wow in the way that a highly distinctive attraction experience does. This means that marketing the experiences will require clever photography and testimonials that reveals the novelty, social interactions and emotions experienced.

### C.3 SAM FOCUS GROUP - results

#### C.3.1. Executive summary

On 27<sup>th</sup> October 2014, Focus Groups were used to test the strength of the refined optional experiences for a new art museum, and to explore any further ways that the experiences could be further refined, prior to them being finalised for costing and forecasting. The focus groups recruited two groups of 8 women, who all had children aged 5 to 10, lived in northern suburbs of Melbourne, had visited a regional centre of Victoria with their children in the last 12 months and had visited an art museum or art gallery with their children in the past 12 months.

#### C.3.1 Overall likelihood to trigger a visit to Shepparton

Overall respondents were not confident that even the full proposed new art museum would motivate them to visit Shepparton:

- Approximately 25% of respondents said that they were unlikely to visit Shepparton at all because they were time poor, it was not an attractive destination (even with a new art museum) and

there were more competitive alternatives available in Melbourne (such as Bendigo and Ballarat)

- 25% believed that they would visit with their children, though most parents believed they were only likely to visit on long weekends and school holidays
- 50% believed they might visit if a package of other complimentary experiences was marketed to them

#### C.3.2 Overall appeal of each experience

Respondents presented with a brief profile of each experience, and then asked to confidentially complete survey questions that asked them how much they liked the experience and how likely the experience would trigger them to visit Shepparton. The responses are provided in the detailed sections that follow. The responses were then indexed to calculate comparative strength of each product. The Table below indicates that respondents believed that the most powerful experience to motivate them to visit Shepparton and SAM is the mystery trail, followed by make your own art and then artists in residence

Experience	How much they liked it	Likelihood to trigger a visit to Shepparton
The current SAM	21	-4
Artists in Residence	35	18
Make your own art	43	26
Mystery Trail	45	32

#### C.3.3 Strength of experience by market sub-segment

Respondents were then asked to indicate which experience was the most attractive to themselves and to their children. The table below indicates that respondents believed that:

- Make your own art was the strongest experience likely to attract their children
- The Mystery Trail was the strongest experience likely to attract parents

Experience	Best for child	Best for parent	Best for both	Total
Artists in residence		4	1	5
Make your own art	7	2	1	10
Mystery Trail	5	7	5	17

### C.3.4 Respondent profile

#### *Experience visiting regional Victoria*

Coastal destinations are stronger destinations than inland for this market segment – participants were more likely to have visited a coastal rather than inland destination. Inland destinations included Echuca, Mansfield, Hamilton, Cowra, Yarrawonga, Horsham, Wodonga, Marysville, Halls Gap, Corowa, Seymour, Bright, Bairnsdale, Mt Bulla.

This market looks for attractions and activities for children before making a commitment to visit. The most popular attraction is water (beach, lake or river) playgrounds and outdoor activities. Art museums are not considered part of the mix.

Approximately 25% of participants had visited Shepparton before. Participants who had not visited had minimal awareness and understanding of the destination. At best these respondents perceived Shepparton as a basic simple country town not aligned to tourism. Respondents that had visited Shepparton had done so in order to visit friends or relatives – if they stayed overnight it was with them not with commercial properties and formed most of their positive impression from Kids Town and the water park none of the participants were aware of SAM.

#### *Experience with cultural attractions, art museums and galleries*

Participants did not offer many cultural attractions that they had visited recently. The most popular attraction for this market segment was Science Works, because of its highly interactive nature. Some respondents visit Science Works on a monthly basis. The next most memorable attraction was NGV, Geelong Gallery Heidi and the Ian Potter Gallery.

Respondents looked for attractions that allow them to spend quality time with their children in an interactive learning way and are turned off by artworks that are

exposed (fear of breakage) and artworks within glass cases (untouchable and inaccessible making them feel too remote to engage with). Respondents like the opportunity for children to be challenged with an achievable outcome and perhaps a reward for success. Respondents also liked galleries with separate children’s spaces and generally prefer to supervise them rather than leave them in the space on their own, unless it is a programmed activity with structured start and finish time. Another tactic for enjoying a gallery is parental tag teaming, where parents take it in turns to supervise children or explore the gallery on their own. Respondents were cautious about the use of handheld technology, recalling incidents where the objects are forgotten and the technology becomes the focus of attention.

Respondents have a rough guide on pricing for entry as a maximum of \$10 per person in a family unit. Respondents do not like to be forced to exit a museum through the gift shop (as apposed to passing along side it).

**Shepparton Art Museum**

None of the respondents had visited SAM after being presented with a short video of the current SAM experience initial impressions were that it looked contemporary, formal, square, breakable and not orientated for children to enjoy. Only two of the sixteen respondents were motivated to visit.

**How much do you like this experience?**

Extremely interested, I love the idea	2
Quite interested, it has my attention	4
Neutral, I could take or leave it	9
Not keen, it's not my scene	1
Absolutely avoid this	0

**How likely would this experience influence you to visit Shepparton?**

Extremely likely	1
Quite likely	2
Neutral	5
Unlikely	8
Nothing would influence me to visit Shepparton	0

**C.3.5 A new art museum – core ingredients and layout**

All respondents preferred the café to be located on the ground floor so that children could play outside and be fully supervised. Respondents suggested the café be accessible from the lake frontage so that it was not essential to come through the museum. Respondents suggested that if a two-storey building was proposed, that it focus the adult based experiences upstairs and the family/children experiences downstairs. They suggested moving the Great Galley and Precious Gallery upstairs and allowing the Great Gallery to operate as a function space upstairs and finally suggested that perhaps their could be café seating allocated upstairs as a semi-enclosed area that can become part of the function space when not in use as part of the café.

Respondents really liked having the children's gallery alongside the café so that it could perform two functions – one as an interactive learning environment on an independent or facilitated manner, and also as a space where children could return to enjoy themselves while the parents were in the café.

**C.3.6 A new art museum – Artists in residence**

Respondents perceived this as a value add to the main experiences – it was not perceived as a motivator to visit a new art museum. Respondents believed that this experience was best suited to adults and believed that children's short attention span could be an issue, particularly if the artists personality was not engaging and they were not good at holding the attention of children or that the art they were making was not very tactile and slow to produce.

**How much do you like this experience?**

Extremely interested, I love the idea	5
Quite interested, it has my attention	9
Neutral, I could take or leave it	2
Not keen, it's not my scene	0
Absolutely avoid this	0

**How likely would this experience influence you to visit Shepparton?**

Extremely likely	3
Quite likely	5
Neutral	5
Unlikely	3
Nothing would influence me to visit Shepparton	0

**C.3.7 A new art museum – Making your own art**

There was immediate and positive feedback about this experience. Respondents like the idea of combining hands and minds and to produce art that could either be left at the venue or taken home as a souvenir.

There was strong interest in this experience focusing on indigenous art (eg. dot painting an object such as a boomerang and making animals)

**How much do you like this experience?**

Extremely interested, I love the idea	11
Quite interested, it has my attention	5
Neutral, I could take or leave it	0
Not keen, it's not my scene	0
Absolutely avoid this	0

**How likely would this experience influence you to visit Shepparton?**

Extremely likely	3
Quite likely	7
Neutral	5
Unlikely	1
Nothing would influence me to visit Shepparton	0

**C.3.8 A new art museum – Children's Mystery Trail**

There was an immediate strong positive reaction to this experience. The concept resonated with other similar experiences in other counties such as the UK.

Respondents were keen to undertake this activity with their children, they liked the opportunity to touch and climb on sculptures. They suggested that there be two different levels of challenges – one for 5-7 and one for 8-10 year olds, they preferred to pay for a package of useful tools that would support the challenge and which they could keep rather than a simpler free option with no package. They liked it being set in bushland They suggested a reward for successful completion such as a certificate, gift (eg fridge magnet) or uploading of name and photo to a SAM facebook site.

Respondents suggested that the experience be educational, and that each sculpture have its own interpretation for visitor use, regardless whether they are on the mystery trail or not. Respondents suggested a quality experience of approximately 30 minutes in duration, and stressed the need for it not to be too short (less than 20 minutes).

**How much do you like this experience?**

Extremely interested, I love the idea	13
Quite interested, it has my attention	3

Neutral, I could take or leave it	0
Not keen, it's not my scene	0
Absolutely avoid this	0
<b>How likely would this experience influence you to visit Shepparton?</b>	
Extremely likely	3
Quite likely	10
Neutral	3
Unlikely	0
Nothing would influence me to visit Shepparton	0

**C.3.9 Marketing a new art museum**

***Preparedness to pay for the experiences***

Participants prefer to have free entry to SAM and a charge for the differentiating experiences.

Respondents perceived the core experience as being the exhibitions, Artists in Residence and Children's Gallery.

Respondents were prepared to pay approximately:

- \$13 for an adult or child to participate in a structured program of Make Your Own Art
- \$7 for an adult or child to access a Mystery Trail Kit



If there was a charge respondents believed it to be worth approximately \$7 per adult and no charge for children. There was no variation in preferred price between the current SAM and a new art museum.

Experience	Average price value
The current SAM	\$6.70
Entry to a new art museum	\$6.90
Artists in residence	Part of entry to new art museum
Make your own art	\$13.10
Mystery Trail	\$6.93

Participants warned against a parking charge, on the basis that it would not be expected in a regional area, and that it might set them in a negative mood before they have entered the new art museum.

**How much would you pay for the current SAM experience?**

I wouldn't pay, I would expect free entry	2
\$1 - \$5	2
\$6 - \$10	11
\$11 - \$15	1

**How much would you pay for entry to the new art museum experience?**

I wouldn't pay, I would expect free entry	2
\$1 - \$5	2
\$6 - \$10	10
\$11 - \$15	2

**How much would you pay for the make your own art experience?**

Less than \$20	14
\$20 - \$50	2
\$51 - \$100	0
\$101 - \$150	0

**How much would you pay for the children's mystery trail experience?**

I wouldn't pay, I would expect free entry	2
Less than \$5	6
\$5 - \$10	5
\$11 - \$15	4
\$16 - \$25	0

**Promotional techniques**

Several respondents were positive and active users of a museum membership program. This program resulted them visiting the venue more frequently. Respondents suggested that a new art museum might

be able to join this program as a means to increasing awareness and potential visitation.

Several respondents also suggested that promotion of a new art museum actively engage with bloggers from the regional or bloggers associated with art museums. Other social media suggested included Groupon.com.au, Deals on Line and Kidspot.

## D. Governance Options Report

This material was lifted from the Research Report.

### D.1 Current governance model

SAM's current governance rests largely within the Council. Council is in charge of all operational aspects of SAM, including the budget, financial performance and employment of staff. The Museum Director reports to the Council's Director of Community. The Museum structure has been recently changed and another structure is about to be announced. SAM has DG status (meaning collection donations to SAM are tax deductible).

The recently established SAM Foundation is the first innovation beyond the traditional government run model. The main role of the SAM Foundation is to source funding to assist and enhance the performance of SAM. Though still in its early formative period, the Chairperson of the SAM Foundation has expressed a desire for a closer relationship with Council and greater influence over the SAM operation.

The Research Report investigated a number of governance structures, and reported on a significant trend towards more independent models.

SAM has recently been approached by philanthropists offering significant donations largely contingent on an alternative governance model that reflects independence from Council. An alternative governance model with the potential to enhance SAM's ability and capacity to raise funds from public and private sectors for its proposed redevelopment is supported by all relevant stakeholders. Though wary of their job security, most SAM staff would be receptive to alternative governance models as they may provide them with greater career development opportunities.

Most of the Councillors are open to considering an alternative governance model, providing the existing SAM collection remains in public ownership, the risk profile is legitimately shared and local community benefits are enhanced.

### D.2 Assessment of options

From the Research Report and consultation, two models were identified and further developed:

1. Not for profit limited by guarantee - an example of this governance model in operation in Victoria is the Ballarat Art Gallery
2. Company limited by guarantee - an example of this governance model in operation in Victoria is the Tarra Warra Museum of Art

**Tables D.1 to D.3** compares the characteristics, advantages and disadvantages of these two models against the base case (current situation).

**Table D.4** provides an assessment of the two governance options and the base case using project objective/assessment criteria: "Project Governance and Business Model that shares risks, financial burden and capitalises on opportunities amongst long term project partners/sponsors".

**Table D.1 Assessment of alternative governance models**

Base case (current situation – local government governance with a Foundation to support fund raising)		
Characteristics	Advantages	Disadvantages
<ul style="list-style-type: none"> <li>▪ Council is the owner and operator of the Art Museum</li> <li>▪ Museum Director reports to nominated Council Director</li> <li>▪ All staff employed by Council</li> <li>▪ Council owns and insures the collection on behalf of local ratepayers</li> <li>▪ Council structure has SAM and the visitor attraction and event promotion activities of Council in different reporting lines and isolated from each other</li> <li>▪ Separate incorporated Foundation to raise funds for SAM</li> <li>▪ Support groups</li> <li>▪ GDR status.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collection is publicly owned and managed for the public</li> <li>▪ Some cost savings through centralised services and buying power of Council</li> <li>▪ Public can theoretically access information about how SAM is run through requests to staff, Councillors and Freedom of Information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Security of the Collection depends on Councillors</li> <li>▪ Financial burden to operate entirely rests with local ratepayers, volatile net operating loss of SAM exposes Council to financial risk</li> <li>▪ Some cost burdens of Council support for the SAM are buried in common cost accounting within Council</li> <li>▪ Some cost inefficiencies in government operational requirements and Awards</li> <li>▪ History of restructuring can destabilise operation and staff morale</li> <li>▪ Some private collectors will not donate to Council</li> <li>▪ Private sector reluctant to continuously financially support operation</li> <li>▪ Operating Art Museum is not Shire core business</li> <li>▪ Council visitor attraction and event promotion activities and SAM visitor attraction and event promotion activities are not integrated</li> </ul>

**Table D.2 Assessment of alternative governance models**

<b>Option 1 – Company Limited by Gurantee with Shire as sole shareholder</b>		
<b>Characteristics</b>	<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>▪ Council is the sole shareholder</li> <li>▪ Board of Directors</li> <li>▪ All staff employed by Council</li> <li>▪ Museum Director reports to both the Board and Council</li> <li>▪ Council operates facility</li> <li>▪ Council owns their collection and anything donated and responsible for all insurance</li> <li>▪ A Foundation is structured to generate capital and assist in funding acquisitions. The Foundation is separate to Council</li> <li>▪ Separate Foundation to raise funds for acquisitions</li> <li>▪ DGR Status</li> </ul>	<ul style="list-style-type: none"> <li>▪ Council retains control</li> <li>▪ Only a modest change so those not keen on change may support</li> <li>▪ Limits liability for Council in event of windup</li> </ul>	<ul style="list-style-type: none"> <li>▪ Council still required to continue funding operation and exposed to uncertain operating losses</li> <li>▪ Less attractive for gaining donations from outside the Council for building or new acquisitions</li> <li>▪ Some cost burdens of Council support for the SAM are buried in common cost accounting within Council</li> <li>▪ Senior Council staff still need to allocate precious time and focus to assist manage the Art Museum</li> <li>▪ Some cost inefficiencies in government operational requirements and Awards</li> </ul>

**Table D.3 Assessment of alternative governance models**

<b>Option 2 – Publicly Owned Company limited by Guarantee</b>		
<b>Characteristics</b>	<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>▪ Non-profit organisation</li> <li>▪ Board of Directors in charge of managing the company</li> <li>▪ Art Museum Director appointed by Company Board who he/she reports to</li> <li>▪ Art Museum Director works with Board Sub-committees</li> <li>▪ Company has several sub-committees to assist with management and operations</li> <li>▪ Council owns its collection</li> <li>▪ Company owns &amp; insures donated acquisitions offered to new art museum</li> <li>▪ Operation funded by a mix of revenue generated, fixed allocation from Council (CPI adjusted and/or performance based) and Foundation investment portfolio earnings and income earned through company’s incentives, retail, events and Federal &amp; State Govt. grants.</li> <li>▪ Council leases land and building to Museum at peppercorn rent</li> <li>▪ DGR status</li> <li>▪ Company insures collection including Council owned collection, at cost to Council</li> <li>▪ Non-representational skills based board</li> <li>▪ Shire nominates two board positions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Makes a new art museum more likely</li> <li>▪ Raising funding for capital and acquisitions from private sector easier and offers more potential</li> <li>▪ Divests Council of operating budget risk</li> <li>▪ No further call on Council for new acquisitions</li> <li>▪ Increases speed of SAM decision making and potential for innovation as management of budget and gallery in hands of a Board with more appropriate skills and solely focused on this task</li> <li>▪ Greater funds potentially available for capital from private sector and easier access to RDV funding</li> <li>▪ Frees up time of senior Council staff on their core activities</li> <li>▪ All cost burdens to Council of existing SAM are identified and allocated to either Company or retained and measured within Council</li> <li>▪ Increases job security for professional staff</li> <li>▪ Increases chances of attracting the best staff applicants to SAM and focuses SAM staff recruitment in an organisation focused solely on SAM excellence</li> <li>▪ Distances Council from any controversial exhibition decisions by SAM</li> <li>▪ Shire’s contribution capped to fixed annual rate + CPI (and or performance based on KPIs)</li> <li>▪ Shire gets credit for reinvigorating SAM and for the benefits that this will bring to Shepparton</li> <li>▪ Shire gets credit for promoting Shepparton nationally and internationally</li> <li>▪ Option that offers the greatest potential economic benefit to the Shepparton City economy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Shire faces potential short term costs of redundancies</li> <li>▪ Shire relinquishes some control of operation</li> </ul>

**Table D.4 Assessment of two governance options against the base case (supporting project objective for a Project Governance and Business Model that shares risks, financial burden and capitalises on opportunities amongst long term project partners/sponsors)**

Criteria	Weighting	Base case		Option 1 – Not for Profit Organisation		Option 2 – Not for Profit Company	
		/5	Wtd	/5	Wtd	/5	Wtd
Potential for management partnership between organisations that shares risk	40%	0	0	3	4.2	5	7
Potential for existing SAM collection to remain in public ownership	20%	4	4.8	4	4.8	4	4.8
Potential for new partners to join and contribute	20%	1	1.2	3	3.6	5	6
Potential for base operating costs to be underwritten	20%	3	3.6	3	3.6	3	3.6
<b>TOTAL</b>		<b>8</b>	<b>9.6</b>	<b>13</b>	<b>16.2</b>	<b>17</b>	<b>21.4</b>
<b>RANKING</b>			<b>3</b>		<b>2</b>		<b>1</b>

### D.3 Recommendations

The choice of a governance model is a critical decision. Consultations on the existing SAM and other art galleries highlighted that the current governance model may not be conducive to the capital raising required to achieve the Project vision/objectives.

An alternative model would have the potential to:

- limit the financial risks facing the Council;
- encourage significant private collection gifts and financial donations towards ongoing operations;
- facilitate State Government funding of capital investment;
- access higher calibre skills and experience into the strategic management of the operation; and
- through a stronger sense of independence, increase motivation, innovation and performance of staff and volunteers.

#### ***Adopt Publicly Owned Company Limited by Guarantee model (POCLbG)***

It is recommended to proceed to implement a governance model based on a POCLbG. Even if a new art museum does not prove feasible or fails to attract sufficient capital investment, there are strong

arguments for moving to the POCLbG governance model in ongoing management of the existing SAM.

This model is the most effective way to significantly involve philanthropists and the private sector in funding and expertise to develop and operate a new art museum. This is critical to support a significant investment and increased operating risk. The other supporting reasons for this choice are:

- allows SAM to accept Carillo Gantners collection, and ensure that this gift is not offered to a competitor
- share out financial risk, so that local government is not the only risk taker
- generate financial reserves to periodically source capital for product reinvigoration
- source funds from the private sector and to support ongoing operational requirements
- protect Council ownership of the existing collection
- create a highly functional facility which supports Shepparton communities;
- promote Shepparton nationally and globally by building a twenty first century state of the art facility that will attract world class exhibitions;
- generate higher levels of staff motivation and performance that typically comes from

independent organisations with strong brand values; and

- attract valuable collections / art donations from those not prepared to donate to local government.

## E. Site Options Report

### E.1 Site location options

#### E.1.1 Introduction

There are many potential sites within the Shepparton area that could have been scrutinised as part of this project. Three sites mentioned through consultation but discounted by the Project Board included:

1. The Ardmona Factory, Maroopna, two km west and offering a historic building and close proximity to the current Shepparton Railway Station, but discounted by the PB due to it being privately owned and therefore unaffordable to purchase
2. Nagambie, as part of a wider Settlement Museum concept, to drive a touring route of northern Victoria, but discounted due to it being too far out of Shepparton to attract staff and regular local use (50km)
3. Taking over more of the existing Council building as a consequence of moving 'back of house' Council offices 6km south east to the Doyles Road site, but discounted due to the move not being a Council priority

The consultants relied on the guidance of the Project Manager to establish a shortlist of potential locations to investigate. These sites were:

1. Immediately behind the current SAM building, over an existing parking area
2. Over the top of Monash Park
3. In the north west corner of Victoria Park
4. In the south east corner of Victoria Park,
5. In the south western corner of Victoria Park

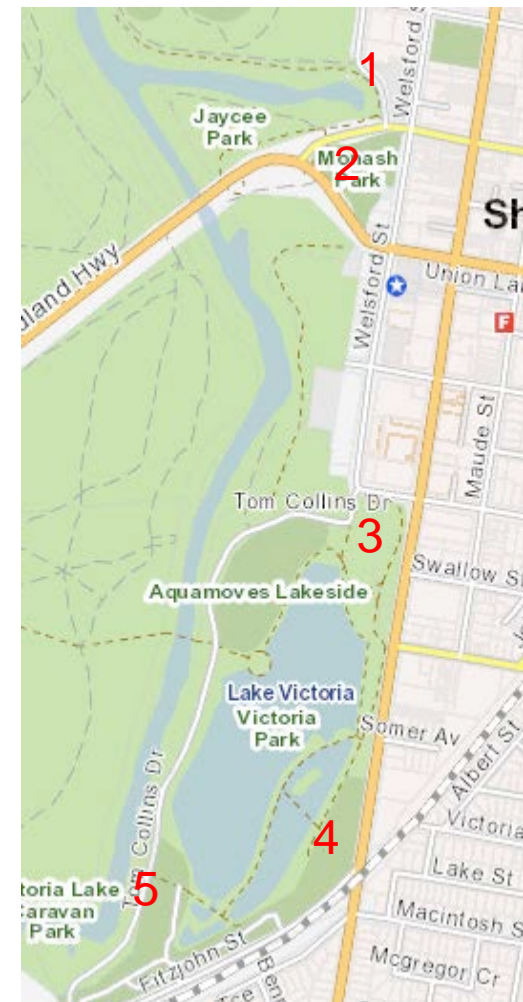
These five sites are located on **Figure E.1**.

All of these sites are on public land owned and managed by the City of Greater Shepparton. This tenure was a major influence on the selection, as purchasing private land was likely to induce a major cost and unpredictable negotiation and timeframe.

To assist assess sites, a basic footprint requirement was estimated for the parking and building as being:

- Car parking 4,500m<sup>2</sup> (150 cars)
- Coach parking 1,000m<sup>2</sup> (5 coaches)
- Building footprint 2,500m<sup>2</sup> (total area 5,000m<sup>2</sup> over two storeys)

**Figure E.1 The main sites investigated**





**Figure E.2 Photo collage of the base case and five sites being assessed**



Base case – current site



Option 2– immediately behind the current SAM building



Option 2 – over the top of Monash Park



Option 3 – in the north west corner of Victoria Park



Option 4 – in the south east corner of Victoria Park



Option 5 – in the south west corner of Victoria Park

### E.1.2 Outline of sites

#### *Option 1 – Immediately behind the current SAM building, over an existing parking area*

The first option is a minimalist approach that builds on the existing site awareness, retains the existing SAM building and extends to the rear (west) to provide the additional floor space required.

**Figure E.3** presents a scaled version of the major footprints associated with Option 1, over an aerial view of the site and its surroundings.

A two-storey building would be constructed to interconnect with the current building. The new ground floor could provide the main storage area and conservation works area. Upstairs could be the expanded exhibition area, workshops and café with views to the south-west bushland. Dedicated service lift and security access would be included to resolve the security clash that occurs, currently, when the existing services lift is used by Riverlinks.

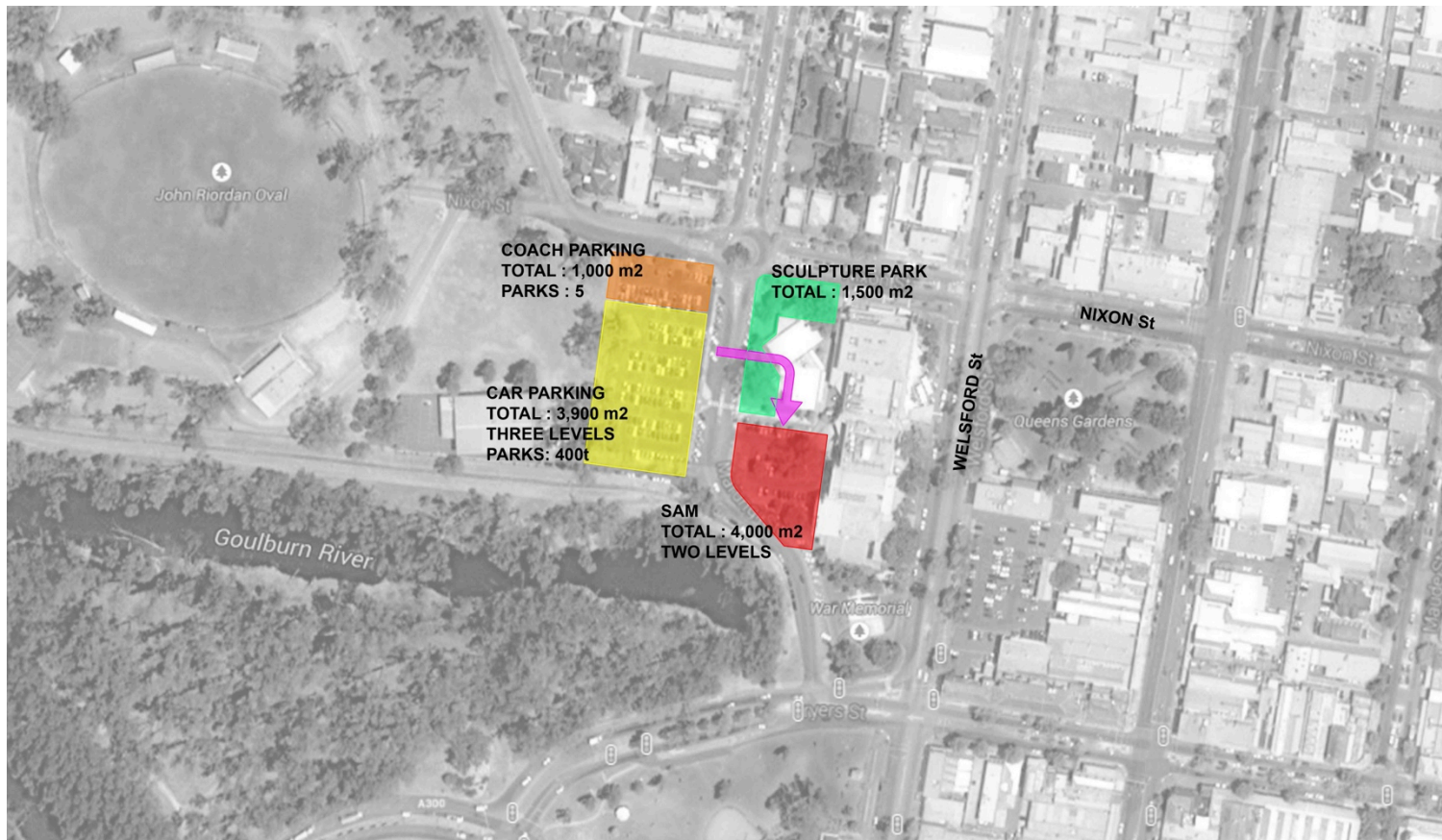
A multi-storey carpark would be built over the existing Council carpark and coach parking would be provided to the north of this. A small sculpture park could envelop existing buildings at the rear. Visitors could

arrive from the existing entrance or the rear, as they currently do.

This proposal could be a catalyst to reinvigorate the bushland to the east as an outdoor natural parkland, featuring cycleways towards Maroopna.

One of the downsides of this site are that the experience of visiting SAM remains aligned to a visit to the Council's municipal offices.

Figure E.3 Aerial of Site 1 Option showing footprint of parking and building and arrival route (pink arrow)



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

**Option 2 – Over the top of Monash Park**

The second option (Monash Park) offers a high profile site where traffic on the Midland Hwy arriving into Shepparton from western districts drive directly up to and around Monash Park. The strength of this option is therefore to position a new art museum as part of a visitor arrival experience – although there is an existing study, and anecdotal evidence, that visitors to Shepparton arrive in equal numbers from the west and the south. This site would be better positioned if the bypass of Shepparton is built.

**Figure E.4** presents a scaled version of the major footprints associated with Option 2, over an aerial view of the site and its surroundings.

The site has sufficient space to convert the front (western side) into an outdoor sculpture facility. Behind this could be a new two storey building and to the north a two storey carpark. Visitors could drive into the parking facility via Fryers and the Welsford Street. Visitors could then leave their car and enter the northern side of the building via the sculptural park (to create some sort of arrival experience).

There may be some curatorial advantage in this sites physical proximity to the history museum in a similar

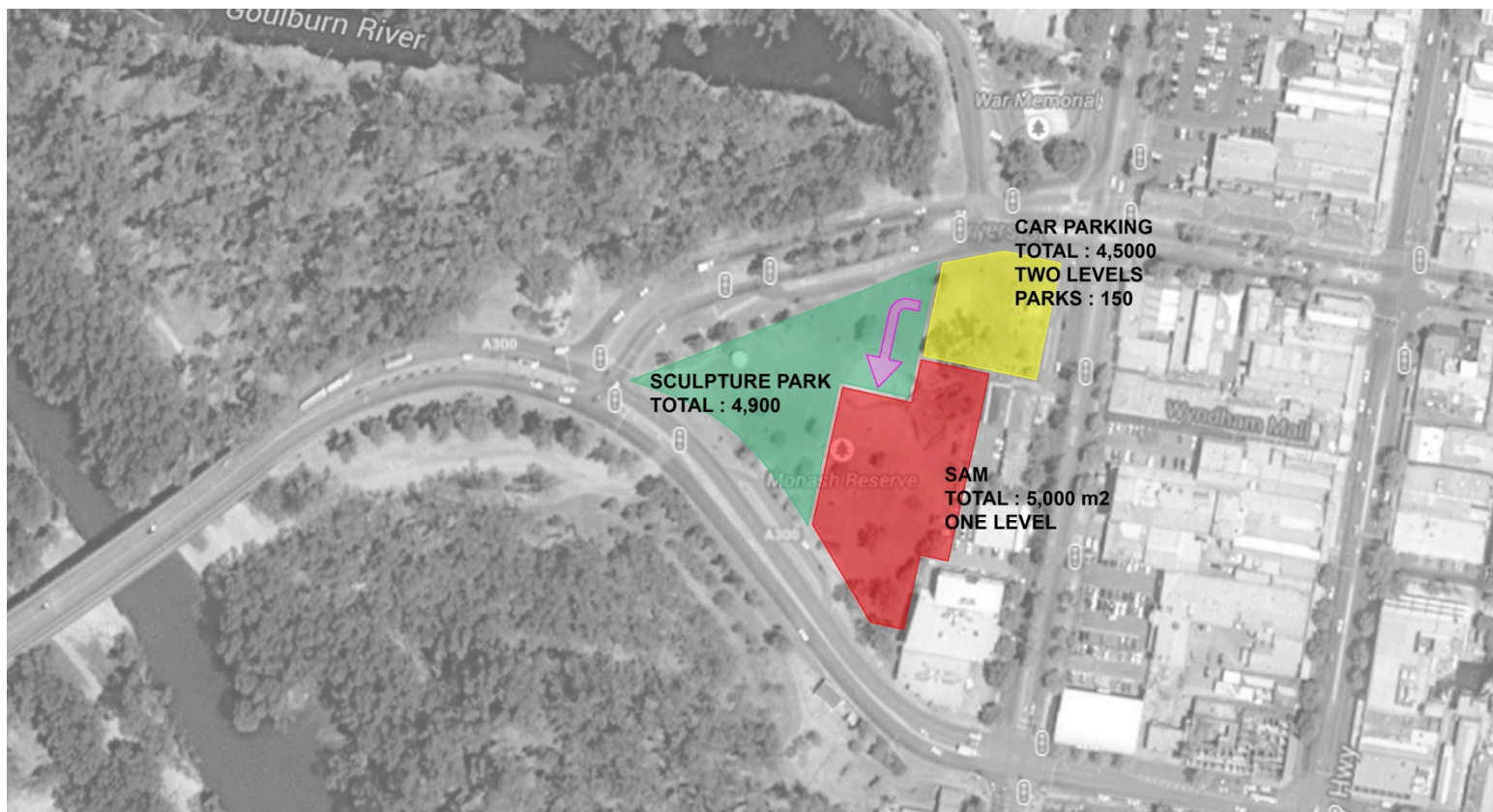
manner in which the Bendigo Gallery makes use of its alignment to the Bendigo Post Office Gallery to tell the story of Bendigo.

An existing tunnel under the Midland Highway could be used by visitors to access a shared walk and cycle path that ventures into bushland and the Goulburn River. This route could then be enhanced with outdoor sculptures as an art trail.

The land associated with Monash Park is deep infill over the top of the former Goulburn River route. There have been no geotechnical studies to determine where stable ground exists to sink foundations into and it would be reasonable to assume that such a study would reveal that the costs associated with foundation works for a new art museum on this site would be prohibitive.

Also, while this site is suitable in size for the areas being considered in this report, this site offers little opportunity for future expansion of a new art museum – leaving the facility hobbled.

Figure E.4 Aerial of Site 2 Option showing footprint of parking and building and arrival route (pink arrow)



**Option 3 – In the north west corner of Victoria Park**

The third option offers a strong connection to the main recreational facilities in Shepparton, and so a strong local base from which to convert residents into Art Museum visitors. The site is located adjacent to the Goulburn Valley Highway on open space within the north-eastern corner of Victoria Park.

**Figure E.5** presents a scaled version of the major footprints associated with Option 3, over an aerial view of the site and its surroundings.

The main strength of this site is the proximity to lake and river, but also proximity to the city. Siting a new art museum here would go a long way to helping the city of Shepparton feel more connected to its river and its lake. Also, of the two lake sites, the northern one makes it easier to demonstrate flow-on economic effects to businesses located within the main built up area of Shepparton.

In addition to general recreational use, the site is used for outdoor events. Consequently, utilising this location would need to minimise the loss of open space.

Within the area there is a shortage of parking for existing users, so another consideration is to not add to this problem, and perhaps use the parking facility

required for SAM to add additional parking for the area. So a carpark on the northern side of Sobraon Street could be built for SAM and other recreation users. To the south of Sobraon Street could be coach parking.

Also south of Sobraon Street would be a new two-storey building. On the ground level would be a lobby, storage, conservation works areas and offices. On the second level could be exhibition and cafe. A modest outdoor sculpture area to the south of the building could provide a transition to the open space parkland. This site would be close to a site mooted for a new visitor information centre, but this would further complicate parking availability in this area.

Figure E.5 Aerial of Site 3 Option showing footprint of parking and building and arrival route (pink arrow)



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

**Option 4 – In the south east corner of Victoria Park**

The fourth option offers a combination of high profile and lake frontage. The site is located adjacent to the Goulburn Valley Highway within the south-eastern corner of Victoria Park. Current uses of the site include open space, a service station, a kiosk / café and a tourist / caravan park. The high profile site could capture visitors travelling north into Shepparton, as well as overnight visitors staying in adjacent tourist accommodation. The location offers lake frontage and access to bushland associated with the southern end of the Park. The area formerly included the Visitor Information Centre building (burnt down). The open space has significant local use. A sense of arrival to Shepparton could be created, as well as an outdoor performance area. A SAM Station could be established.

**Figure E.6** presents a scaled version of the major footprints associated with Option 4, over an aerial view of the site and its surroundings. Option 4 may be the only site that could easily accommodate a ground floor building. **Figure E.7** presents a second version of Option 4, using a ground floor building, to show the additional footprint required.

The concept for this site could be to place the building on the northern end of the site (to maximise visibility) and ground level parking to the south. Visitors could take a left hook turn into Fitzjohn Street, park and walk through a landscaped area back to a two-storey building. The ground level could provide a lobby, storage conservation works areas and offices. The first level could provide exhibition and cafe. Visitors could then venture into an outdoor sculpture area within the bushland at the southern end of the Lake. Artists in Residence buildings could be placed on the edge of the Goulburn River, allowing a new art museum to capitalise on the demand from international artists and curators to be immersed in the native Australian environment.

The feasibility of this site is dependant on the details of the lease termination, in particular those outlining who would be responsible for the clean up costs of the service station site. Also, an environmental assessment would be need to be undertaken, and there is a chance that this assessment would stipulate that no construction at all would be allowed within a radius of the service station site.

Of all the sites examined, this and Option 5 are the ones furthest from the built up area of Shepparton, making it the site for which it is hardest to demonstrate

flow-on economic benefits to existing business in Shepparton.

This site allows for the possibility of a dedicated SAM train stop.

This site offers the greatest potential to further enhance the appeal of the existing recreation precinct around the lake. A new art museum at the South East corner would balance the Aquamoves building on the North West corner of the lake.



**Figure E.6 Aerial of Site 4 Option showing footprint of parking and building and arrival route (pink arrow)**



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

Figure E.7 Aerial of Site 4 Option Version 2 (single storey building) showing footprint of parking and building and arrival route (pink arrow)



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

**Option 5 – In the south western corner of Victoria Park  
(Version 1)**

The fifth option offers an immediate connection to the Goulburn River, bushland setting and arrival experience. The site is located to the south west of Option 4. Two versions of Option 5 have been generated using a reversal of parking placement.

**Figure E.8** presents a scaled version of the major footprints associated with Option 5, over an aerial view of the site and its surroundings.

The objective of the first version of Option 5 is to maximise the arrival experience, by creating a walk along the lake edge and through the bushland, to arrive at the building. Visitors could park in a simple ground level facility, and coaches would drive a little further south. The northern bushland could feature an outdoor sculpture area.

The ground level of the building could provide lobby, storage and back of house, and the first level the exhibition and food & beverage experience. In the south western corner of the building, accommodation and private workshops could be provided for the Artists in Residence.

To the north, an iconic SAM sculpture could be built to the western edge of the Goulburn Highway, to help promote the presence of a new art museum deeper into the landscape.

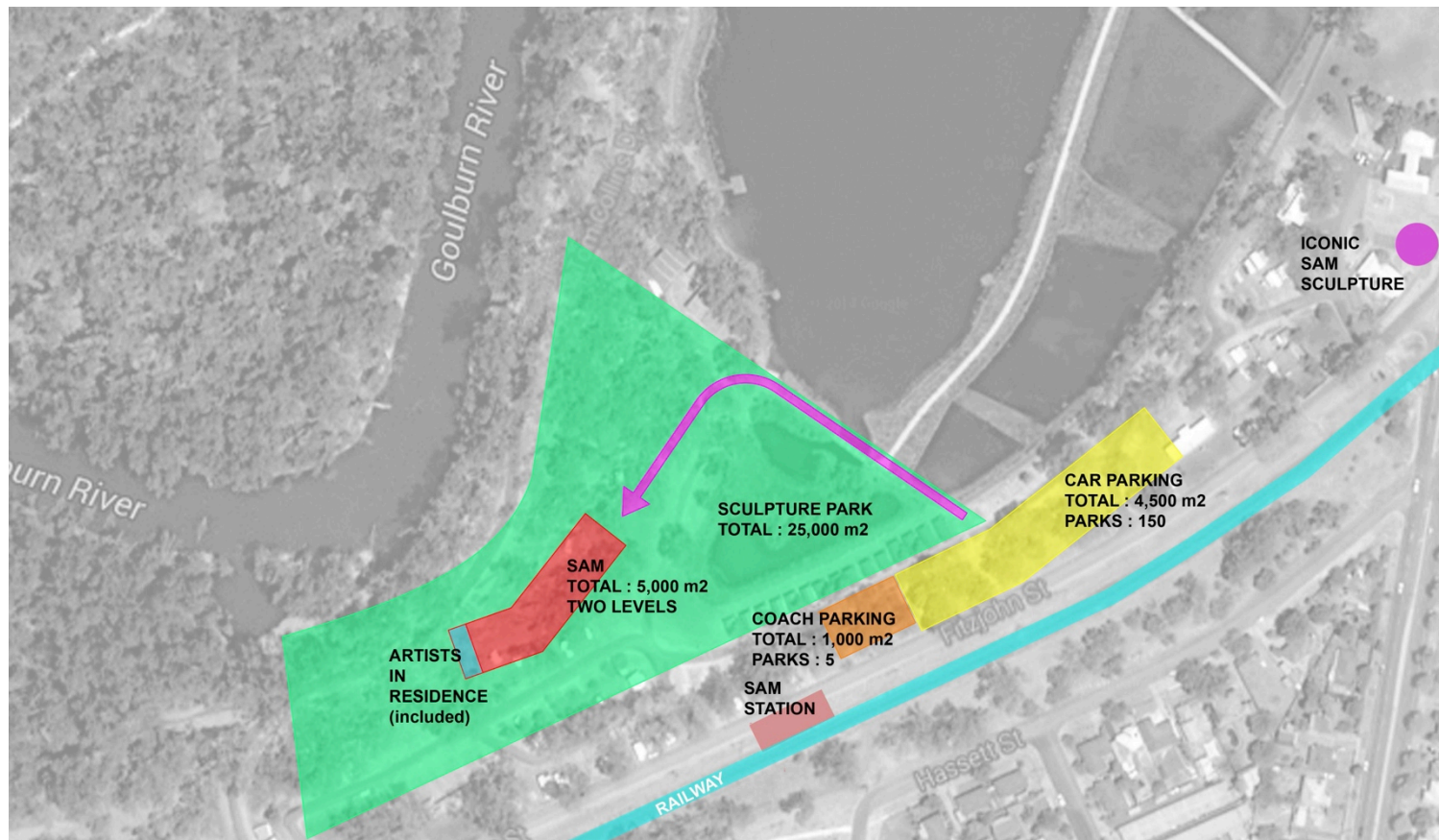
A site for a new railway station is identified.

Siting a new art museum on this site would render the building less visible for passing visitors who were not already explicitly aware of the existing of the facility. Also, greater care would need to be taken to minimise the destruction of mature trees in the creating a building site, and in designing the facility to be able to defend it from bush-fires.

The lower visibility of this site compared to the other options makes it less attractive for the adjacent location of a Visitor Information Centre. Adjacent location of a visitor information centre makes it far easier to boost the current low level of visitation to a new art museum. A new Visitor Information Centre is expected to receive around 50,000 visitors to Shepparton each year.

This site at a short distance from the lake would not lend itself as much as Option 4 to enhancing the existing recreation precinct around the lake.

Figure E.8 Aerial of Site 5 Option Version 1, showing footprint of parking and building and arrival route (pink arrow)



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

*Option 5 – south western corner of Victoria Park*

The second version of Option 5 forgoes some of the arrival experience impact to provide more pragmatic pedestrian access between the parking areas and new art museum building.

**Figure E.9** presents a scaled version of the major footprints associated with Option 5 Version 2, over an aerial view of the site and its surroundings.

Visitors could walk through a section of the sculpture park to enter the main building. The building is identical to the first version. As per the first version, the iconic sculpture and potential location for a railway station are also identified in the same place, though no work has been done to identify the footprint of a station, which is likely to be bigger than that shown.

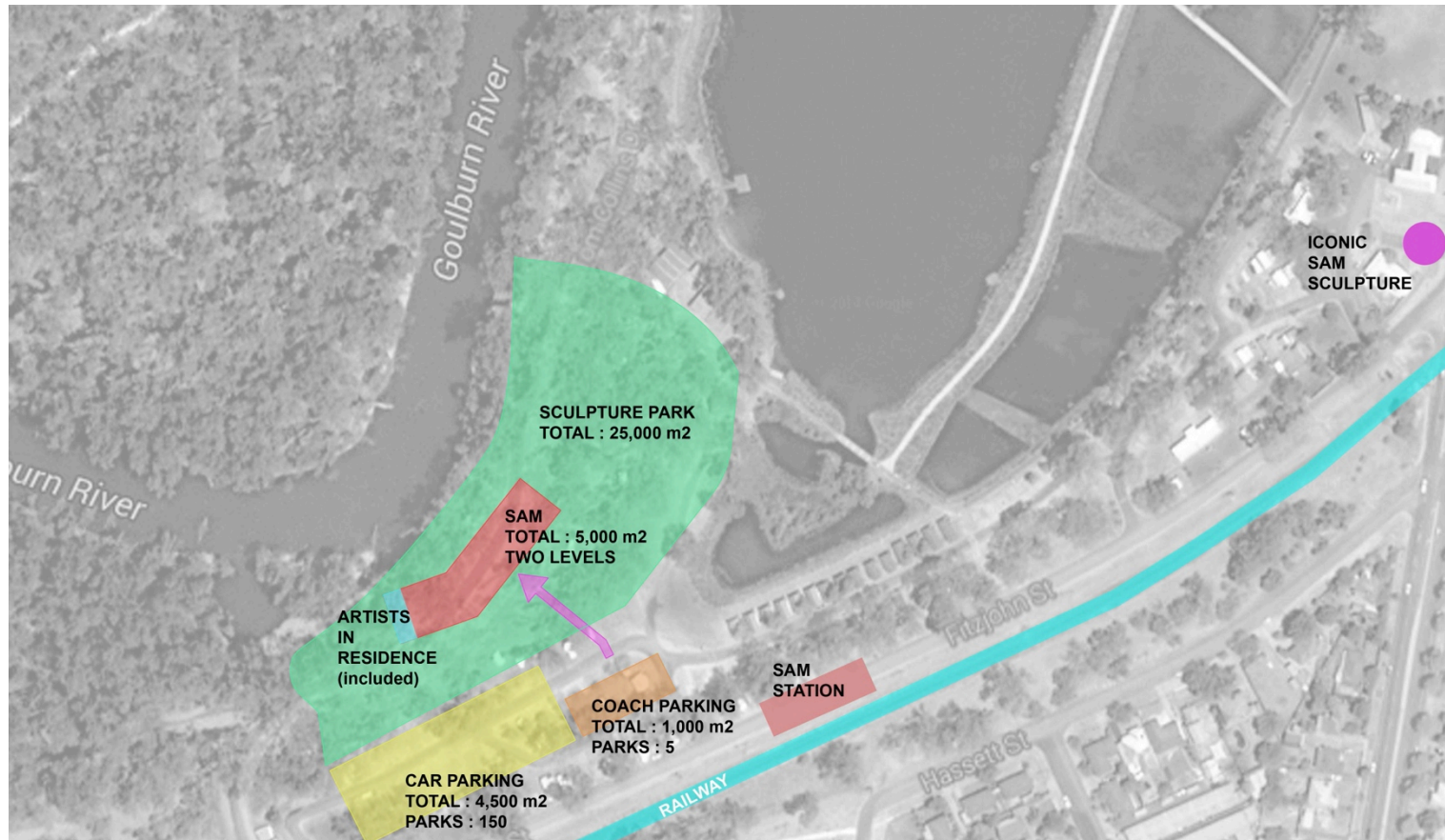
Both versions of Option 5 offer an immediate connection to the Goulburn River, bushland setting and an arrival experience. Option 5 could therefore offer the strongest direct interpretation of the Goulburn River and native bushland. Ironically, it would require clearing native forest for the parking and building footprints.

Neither version of Option 5 provides a building visible from the Goulburn Valley Highway, though the second version could be visible from the carpark. An

arrangement for visitors with limited mobility would need to be made to assist them move between the carpark and building.

As with the first of these two options, siting a new art museum on this site would render the building less visible for passing visitors who were not already explicitly aware of the existing of the facility. Also, greater care would need to be taken to minimise the destruction of mature trees in the creating of a building site, and in designing the facility to be able to be defended from bush-fires.

Figure E.9 Aerial of Site 5 Option Version 2 showing footprint of parking and building and arrival route (pink arrow)



**NOTE:**  
 LOCATE BUILDING  
 TO MINIMISE  
 TREE REMOVAL

### E.1.3 Evaluation of sites

The following section evaluates the five location sites and the current base case location against a set of criteria developed and endorsed by the Project Board based on the objective for a site to reflect the Shepparton brand and present minimal site and infrastructure constraints.

#### *Best site*

**Table E.1** presents the results of the site evaluation, and reveals that the sites can be subsequently ranked as follows:

1. Option 4 (in the south east corner of Victoria Park), which had a raw score of 35, weighted score of 38.25)
2. Option 5 (in the south west corner of Victoria Park), which had a raw score of 31, weighted score of 33.8)
3. Option 2 (over the top of Monash Park), which had a raw score of 29, weighted score of 31.45)
4. Option 3 (in the north west corner of Victoria Park), which had a raw score of 27, weighted score of 29.4)

5. Option 1 (immediately behind the current SAM building, over an existing parking area), which had a raw score of 26, weighted score of 27.9)
6. Base case (current site) which had a raw score of 21, weighted score of 22.4)

The key strengths of Option 4 pushing it into being the strongest location are (in order of strength):

- High visibility from a major road (being on the edge of the Goulburn Valley Highway);
- High potential for safe vehicle and pedestrian access (through being set well back from the main road);
- Strong portrayal of Shepparton brand values (such as multi-cultural and young family integration);
- A strong preference from the SAM Foundation that this site was the best available; and
- Space for future expansion.

The limitations of the Option 4 site are its distance from the city centre and public transport and the risk of the clean-up costs of the service station, if being allowed to build there at all. However, as the site is on the edge of Lake Victoria, to a large extent the visitor base already travels to the area and so can be capitalised on.

This site also provides the opportunity for the development of high-end accommodation to be built on the caravan park site. This accommodation would be designed in conjunction with the design for the new art museum as was done at MONA.

#### *Second best site*

The second best site – Option 5, presents the strongest potential to reflect Shepparton brand values. The site also offers the strongest arrival experience (walking past the lake and through the bushland to reach the building – though this presents some logistical challenges for persons with limited mobility. The key limitation is that it is not visible from a major road. In addition, the site requires significant tree clearing for the building footprint and further clearing to view the Goulburn River – reducing the visual amenity and creating the most significant environmental impact of all the sites. Finally, the building has greater fire safety risk as it will be surrounded by a high fuel load, while the destruction of some mature trees would be required in creating a suitable site.

**Table E.1 Assessment of five option sites against the base case (supporting project objective for a site that reflects the Shepparton brand and maximises the first two objectives and presents minimal site and infrastructure constraints)**

Criteria	Weight	Base Case		Option 1		Option 2		Option 3		Option 4		Option 5	
		/5	Wtd	/5	Wtd	/5	Wtd	/5	Wtd	/5	Wtd	/5	Wtd
Setting offers Shepparton brand values	15%	1	1.15	1	1.15	2	2.3	3	3.45	4	4.6	5	5.75
Visible from a major road or attraction	15%	1	1.15	1	1.15	5	5.75	5	5.75	5	5.75	2	2.3
Potential for safe vehicle & pedestrian access	5%	4	4.2	4	4.2	2	2.1	3	3.15	5	5.25	4	4.2
Proximity to city centre	5%	3	3.15	3	3.15	4	4.2	3	3.15	2	2.1	2	2.1
Proximity to public transport route	5%	2	2.1	2	2.1	4	4.2	3	3.15	1	1.05	1	1.05
Sufficient space adjacent for parking	10%	1	1.1	3	3.3	2	2.2	1	1.1	4	4.4	4	4.4
Sufficient space for building footprint	10%	1	1.1	4	4.4	3	3.3	3	3.3	4	4.4	4	4.4
Sufficient space for future expansion	10%	1	1.1	1	1.1	1	1.1	1	1.1	4	4.4	3	3.3
Suitability of zoning / land classification	5%	5	5.25	5	5.25	4	4.2	3	3.15	4	4.2	4	4.2
Flooding potential	5%	2	2.1	2	2.1	2	2.1	2	2.1	2	2.1	2	2.1
<b>TOTAL</b>		21	22.4	26	27.9	29	31.45	27	29.4	35	38.25	31	33.8
<b>RANKING</b>		6		5		3		4		1		2	



**Key limitations of other sites**

Option 2 offers the next best performance, but is a very compressed site and has limited room for expansion. There are also significant potential geotechnical and traffic management challenges.

Option 3 has excellent visibility from a major road but significantly reduces open space and requires a very expensive parking solution.

Option 1 does not generate much benefit. The building extension may be comparatively cost effective but additional car parking will counter this saving and the building would require a dedicated lift to logistically separate SAM from Riverlinks.

**G.1.4 Recommendation**

Option 4 is the superior site, based on an assessment using the selection criteria provided by the Project Board, and significant disadvantages of the other sites identified.

Option 4 provides the opportunity for a sense of arrival to Shepparton – which will pay dividends to all visitors. There is even an opportunity for a SAM Railway Station.

Option 4 provides the best compromise between capitalising on local brand values, high visibility from a major road, existing user base and flexibility to expand. A feasibility assessment on Option 4 could investigate:

- Current zoning and planning regulations governing acceptable use and development on the site, to gauge compliance with proposed parking, operational and commercial uses, in particular an issues around construction on and around Crown Land.
- The terms of the lease for the existing Shell Service Station, including date the lease finishes, tenant and landlord obligations for site remediation (and the costs and time associated with this) and penalties for Council terminating the lease earlier or options for Council negotiation of an acceptable alternative site with the tenant
- An assessment as to whether it is possible to build on the service station site at all
- Policy guidelines for vegetation removal within the area and any compensatory obligations for replacement vegetation
- Road and rail management requirements for cars and coaches accessing, turning and leaving to Goulburn Valley Highway and Fitzjohn Street;
- Pedestrian access issues close to the rail line;
- Interest in a new Visitor Information Centre being built north and adjacent to the new Art Museum (roughly where the existing public toilet block is located)
- Terms for the closure of the Tourism Caravan Park and issues with reallocating the demand to another local facility
- Potential for further development of the caravan park area for complimentary activities, such as artist in residence accommodation and art-centre-themed and visitor accommodation
- Identification of existing services that may facilitate or impeded issue free and cost effective development
- Potential for a land claim to be made on the proposed site
- Other flagged uses of the site
- Existing recreational use of the site
- Geotechnical and water seepage issues that may arise from the neighbouring lake
- Opportunities to enhance the lake precinct as an after dark event precinct
- Any effects on the lake, its flora and fauna that construction adjacent to it might have.

**F. Development costs in detail**

*Area allocations and costs / m2*

<b>Ground floor</b>	<b>Notes</b>	<b>Area</b>		<b>\$/m2</b>
Drop Off	Floor & awning	200 m2		\$1,500
Great Hall	15m high	250 m2		\$2,500
Reception, retail, cloak & store		120 m2		\$2,700
Visitor Information Centre		60 m2		\$2,700
Gallery Kaiela		150 m2		\$2,000
After hours office (Ground)		20 m2		\$2,000
Loading, Crate Storage & Work Area		300 m2		\$1,500
Kitchen		100 m2		\$3,000
Cafe		50 m2		\$2,800
Function space		100 m2		\$2,800
Ceramics Wall		70 m2		\$2,500
Toilets		20 m2		\$2,500
<b>Total Ground level</b>		<b>1,440</b>		
<b>Level 1</b>	<b>Notes</b>			<b>\$/m2</b>
Access Gallery		100 m2		\$3,500
Home Coming Gallery	Full height	150 m2		\$3,500
Temporary exhibition space	Double height	250 m2		\$3,500
Children's Gallery		100 m2		\$3,300
Black Box		50 m2		\$2,200
Toilets		50 m2		\$2,500
Circulation space		50 m2		\$1,600
<b>Total Level 1</b>		<b>700</b>		

<b>Level 2</b>	<b>Notes</b>	<b>Area</b>		<b>\$/m2</b>
Collection storage		600 m2		\$1,500
Conservation & Preparation		100 m2		\$3,000
Meeting Place / Community Gallery / Friends Lounge (L2)		100 m2		\$2,000
Back of house store		100 m2		\$1,500
Toilets		50 m2		\$2,500
Circulation space		25 m2		\$1,600
<b>Total Level 2</b>		<b>950 m2</b>		
<b>Level 3</b>				<b>\$/m2</b>
Open Space		900 m2		\$1,100
Store		40 m2		\$1,500
<b>Total Level 3</b>		<b>940</b>		
<b>Level 4</b>				<b>\$/m2</b>
Staff Offices		100 m2		\$2,000
Auditorium		100 m2		\$2,000
Board Room		30 m2		\$2,000
Workshops / Art Practice		100 m2		\$2,200
Artist in Residence		100 m2		\$2,400
Circulation space		50 m2		\$1,600
<b>Total Level 4</b>		<b>430 m2</b>		
<b>Level 5</b>				<b>\$/m2</b>
Plant		300 m2		\$1,600
<b>Total Level 5</b>		<b>300</b>		
<b>Total building area</b>		<b>4,760</b>		

<b>Internal building fitout costs</b>	(additional to building)	<b>Area</b>	<b>\$/m2</b>	<b>Building extra overs</b>			
Collection storage	Painting hanging racks			Façade costs			
Collection storage	Shelving			Service lift and passenger lift			
Exhibition spaces	5 spaces incl Great Hall	900 m2	\$2,500	Services - air conditioning plant			
Kitchen	Equipment			Services - air conditioning to Ground Floor	1,440 m2	\$280	
Café	50 seat	50 pax	\$1,000	Services - air conditioning to Level 1	700 m2	\$310	
Great Hall	120	120 pax	\$1,500	Services - air conditioning to Level 2	950 m2	\$310	
Function Room	80	80 pax	\$1,000	Services - air conditioning to Level 4	430 m2	\$280	
Board Room	20 seat	20 pax	\$1,000	Services - electrical and data & fire	(excluding store & plant)	4,000 m2	\$250
Auditorium	55 seats	55 pax	\$800	Sustainability initiatives	(solar, water)	5,400 m2	\$150
Meeting place	20 seats	20 pax	\$500	Services - connections	(water, electricity)	m2	
Staff offices	10 workstations	10 pax	\$5,000	Services - substation		m2	
Artists in Residence	Benches and equipment			Services - waste management	(eg compactor)	m2	
Workshop / Art Practice	Includes kiln			Services - security monitoring and alarm systems			
Retail space	(display cases)	70 m2	\$1,000	Drainage / tanks	Installed		
Point of sale	Entry, retail, café			Site preparation	Underground collection		
Furniture for level 3 open space	50 Ground & 30 Level	80 pax	\$1,000	<b>Total Extra overs</b>	Ground levelling	m2	
Black box	Video projection equip						

<b>Outdoor areas</b>		<b>Area</b>	<b>\$/m2</b>
Children's play area	Near café	30 m2	
Landscaped forecourt		4,000 m2	\$150
150 cars (includes drainage & landscaping)		5,000 m2	\$150
11 cars (staff) (includes drainage & landscaping)		500 m2	\$150
5 coaches (includes drainage & landscaping)		1,500 m2	\$150
Iconic sculpture at entrance			
Design of Mystery Trail			
Environmental sculptures for Mystery Trail			
Outdoor art wall on outside of building	Ceramic tiles		
Clay pit			
Signage			
Outdoor lighting	Front and back		
<b>Total outdoor areas</b>			
Transfer of old SAM to new art museum			
Preopening / launch marketing			

**Detailed development costs - building**

<b>Building costs - Ground level</b>	<b>Cost</b>
Drop Off	\$300,000
Great Hall	\$625,000
Reception, retail, cloak & store	\$324,000
Visitor Information Centre	\$162,000
Gallery Kaiela	\$300,000
After hours office (Ground)	\$40,000
Loading, Crate Storage & Work Area	\$450,000
Kitchen	\$300,000
Cafe	\$140,000
Function space	\$280,000
Ceramics Wall	\$175,000
Toilets	\$50,000
<b>Total Ground level</b>	<b>\$3,146,000</b>
<b>Building costs – Level 1</b>	<b>Cost</b>
Access Gallery	\$350,000
Home Coming Gallery	\$525,000
Temporary exhibition space	\$875,000
Childrens Gallery	\$330,000
Black Box	\$110,000
Toilets	\$125,000
Circulation space	\$80,000
<b>Total Level 1</b>	<b>\$2,315,000</b>

<b>Building costs – Level 2</b>	<b>Cost</b>
Collection storage	\$900,000
Conservation & Preparation	\$300,000
Meeting Place / Community Gallery / Friends Lounge (L2)	\$200,000
Back of house store	\$150,000
Toilets	\$125,000
Circulation space	\$40,000
<b>Total Level 2</b>	<b>\$1,675,000</b>
<b>Building costs – Level 2</b>	<b>Cost</b>
Collection storage	\$900,000
Conservation & Preparation	\$300,000
Meeting Place / Community Gallery / Friends Lounge (L2)	\$200,000
Back of house store	\$150,000
Toilets	\$125,000
Circulation space	\$40,000
<b>Total Level 2</b>	<b>\$1,675,000</b>
<b>Building costs – Level 3</b>	<b>Cost</b>
Open Space	\$990,000
Store	\$60,000
<b>Total Level 3</b>	<b>\$1,050,000</b>

**Detailed development costs – building (CONT)**

Building costs – Level 4	Cost
Staff Offices	\$200,000
Auditorium	\$200,000
Board Room	\$60,000
Workshops / Art Practice	\$220,000
Artist in Residence	\$240,000
Circulation space	\$80,000
<b>Total Level 4</b>	<b>\$920,000</b>
Building costs – Level 45	Cost
Plant	\$480,000
<b>Total Level 5</b>	<b>\$480,000</b>

**Detailed development costs – building fitout**

Internal building fitout costs	Cost
Collection storage	\$180,000
Collection storage	\$41,000
Exhibition spaces	\$2,250,000
Kitchen	\$200,000
Café	\$50,000
Great Hall	\$180,000
Function Room	\$80,000
Board Room	\$20,000
Auditorium	\$44,000
Meeting place	\$10,000
Staff offices	\$50,000
Artists in Residence	\$20,000
Workshop / Art Practice	\$25,000
Retail space	\$70,000
Point of sale	\$50,000
Furniture for level 3 open space	\$80,000
Black box	\$30,000
<b>Total Internal fitout</b>	<b>\$3,380,000</b>

**Detailed development costs – building extra overs**

Building extra overs	Cost
Façade costs	\$1,500,000
Service lift and passenger lift	\$600,000
Services - air conditioning plant	\$300,000
Services - air conditioning to Ground Floor	\$403,200
Services - air conditioning to Level 1	\$217,000
Services - air conditioning to Level 2	\$294,500
Services - air conditioning to Level 4	\$120,400
Services - electrical and data & fire	\$1,000,000
Sustainability initiatives	\$810,000
Services - connections	\$250,000
Services - substation	\$300,000
Services - waste management	\$50,000
Services - security moitoring and alarm systems	\$150,000
Drainage	\$150,000
Site preparation	\$500,000
<b>Total Extra overs</b>	<b>\$6,645,100</b>

**Detailed development costs – outdoor areas**

Outdoor areas	Cost
Children's play area	\$75,000
Landscaped forecourt	\$600,000
150 cars (includes drainage & landscaping)	\$750,000
11 cars (staff) (includes drainage & landscaping)	\$75,000
5 coaches (includes drainage & landscaping)	\$225,000
Iconic sculpture at entrance	\$500,000
Design of Mystery Trail	\$50,000
Environmental sculptures for Mystery Trail	\$500,000
Outdoor art wall on outside of building	\$25,000
Clay pit	\$25,000
Signage	\$50,000
Outdoor lighting	\$150,000
<b>Total outdoor areas</b>	<b>\$2,950,000</b>
Other costs	Cost
Transfer of old SAM to new art museum	\$100,000
Preopening / launch marketing	\$150,000
<b>Total construction cost</b>	<b>\$22,811,100</b>
Project management	\$750,000
Extra over regional development costs	\$2,281,110
Architect and consultants	4,265,676
Development and building applications	50,000
Contingency	2,940,789
<b>Total costs</b>	<b>33,098,674</b>

**New facility storage fit out cost estimates**

**1. Shelving requirements**

**a. Current capacity and future growth requirements**

**Current**

<b>Room</b>	<b>Shelving 500mm deep</b>	<b>Shelving 1000mm deep</b>
Basement 1	136m	27m
Basement 2	<i>36m</i>	<i>16m</i>
Basement 3	28m	NA
	<i>22m</i>	<i>16m</i>
Outside lift	25m	16m
<b>TOTAL</b>	<b>189m</b>	<b>43m</b>
Current overflow (0.5%)	10m	2m
10% future growth	20m	4m
<b>FINAL REQUIREMENT IN NEW FACILITY</b>	<b>220m</b>	<b>50m</b>

1. All figures in linear metres.
2. All current wooden shelving will be replaced with new powder coated steel shelving.
3. All figures in italics indicate powder coated steel shelving to be kept and relocated to new facility.
4. Anticipate 0.5% space increase requirement per year for future growth. This is more than catered for in the above figures, as all current wooden shelves

(approx. 500mm and 1000mm) will be replaced with shelves of greater depth (as standard in manufacture)

**b. Cost**

Costings based on purchasing Dexion powder coated steel shelves, 2400w x 900mm x 2000h with 4 shelves per unit. (Using two units back to back where required for greater depth). Each bay of the above dimensions holds the equivalent of 7.2 linear metres.

<b>FINAL REQUIREMENT IN NEW FACILITY</b>	<b>220m</b>	<b>50m</b>
Number of shelving units	30	7
Shelving unit \$700 + GST each.	37 units x \$700 = \$25,900	
Supply to site and install	\$ 5,000	
Deinstall, move and install existing shelves	\$10,000	
<b>Total</b>	<b>\$40,900 + GST</b>	



2. **Painting hanging racks**  
 a. **Option 1 – retain current hanging rack and add extra bays of greater size**

**Current capacity**

- 27 double sided pull out racks: 2500mm h x 24000mm w
- These are not long enough for large works.
- These racks are at capacity and there are many additional works stored against walls.
- Future growth is estimated at 1 -2 works per year, or approximately 30 works by 2034. This could be estimated at 3 double-sided racks.

We recommend adding 8 more racks that can be added to the existing system, but of larger dimensions: 2500mm h x 3000mm w

- |   |           |
|---|-----------|
| 1. Dismantle current racking                | \$ 15,000 |
| 2. Transport and reinstall                  | \$ 5,000  |
| 3. Add another 8 racks (supply and install) | \$ 80,000 |

**TOTAL ESTIMATED BALLPARK \$100,000 + GST**

- b. **Option 2 – supply and install all new racking of larger dimension**

Rather than adding several larger dimension racks, an option is to build a new system where all racks are the same, larger size; 2500mm h x 3000mm w. This will accommodate 20 years of future growth

1. Supply and install 30 racks

**TOTAL ESTIMATED BALLPARK \$180,000 + GST**

## G. Assumptions driving operating forecasts

### G.1 Visitation forecast

#### *Our approach and assumptions*

To forecast visitation to a new art museum, we first reviewed the visitor analysis to Shepparton and comparable regional city galleries across Australia, documented in the (first) Research Report. **Table G.1** presents a comparison of this data for Ballarat and Benalla averaged over four years to 2012-13 (Bendigo data was unavailable at the time). Visitation to Benalla is biased by being a pit stop off the Hume, otherwise the share of locals would be much higher. Ballarat has access advantages for tourists that Shepparton and Benalla do not.

#### *Our forecast visitation*

We believe that by Year 5 a new art museum could generate visitation between these regional cities, at around 100,000 per annum, with a higher proportion of locals to tourists, but with most medium term growth coming from tourists. This forecast is based on the following four assumptions:

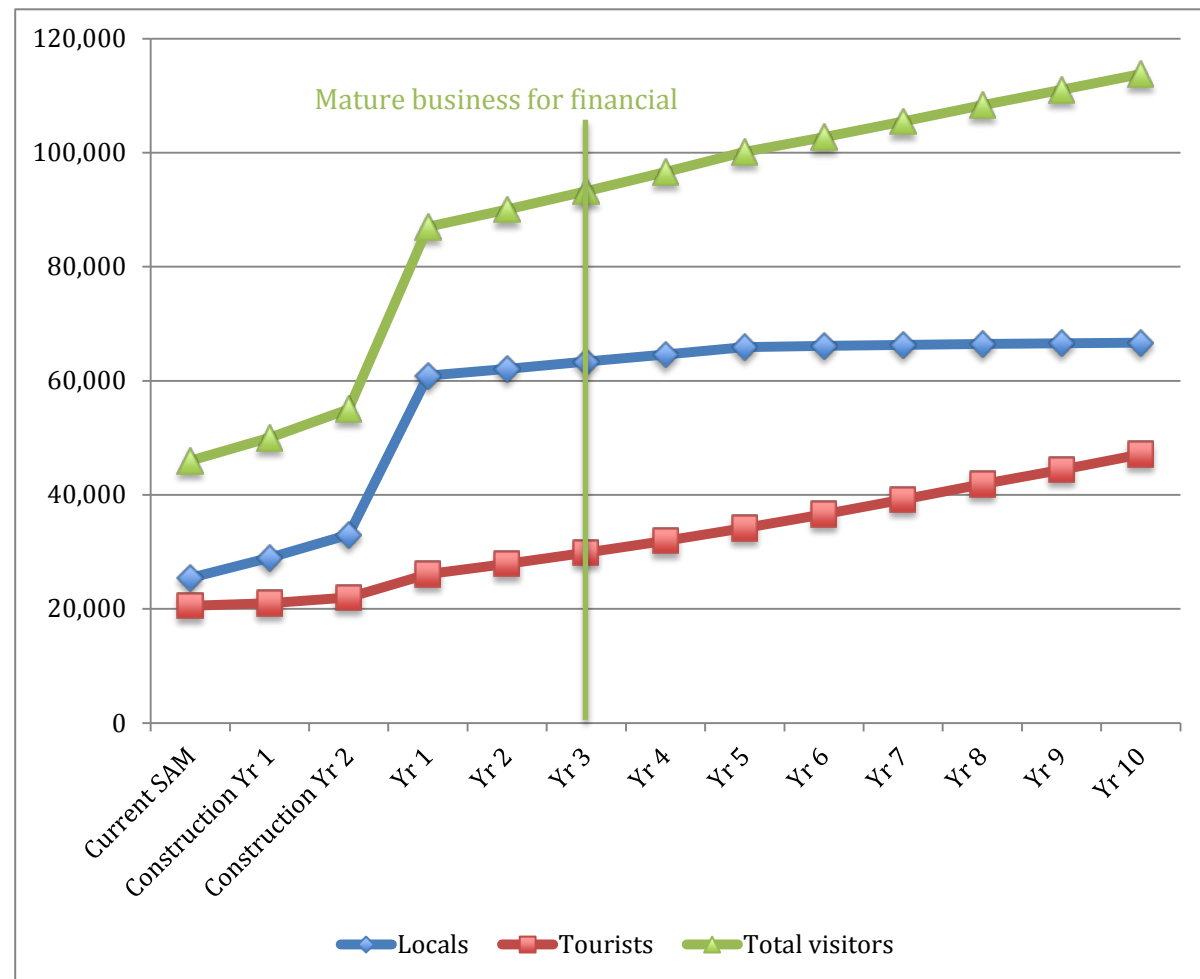
**Table G.1 Visitation mix for regional art museums in Victoria using blended Arts Victoria and Tourism Research Australia data averaged over four years to 2012-2013**

Victorian regional cities	Ballarat	Benalla	SAM
Locals	51,041	40,233	19,169
Day trips within 50km	860	3,400	2,000
Day trips 50-100km	5,930	3,800	3,100
Melbourne & other day trips	27,070	NA	--
Melbourne overnight	14,369	12,460	7,600
Regional Vic overnight	NA	1,800	1,200
Interstate overnight	12,170	13,685	3,100
International overnight	3,823	1,619	700
<b>TOTAL</b>	<b>115,263</b>	<b>81,622</b>	<b>36,869</b>

1. The addition of a lakeside cafe will bring many more locals
2. There is a pre-opening and opening stimulus budget of \$150,000
3. The Shepparton Visitor Information Centre is located within the same building.
4. Marketing starts increasing visitation in the two years leading up to opening.

**Figure G.1** presents a 10 year visitation forecast. Year 1 is considered to be 2016/17, allowing 2.5 years from this report to commencement of construction. The forecast follows a two-year market-building program by the existing SAM through the construction period. **Figure G.1** suggests that the initial growth will largely come from locals – some curious to see their new major attraction and some keen for a new socialising venue. Then local growth will flatten out, and tourist growth of 7% will then slowly ‘close the gap’, probably reaching equal proportions 16 years after commencement. Year 3 was chosen as the year that a new art museum could be considered sufficiently mature in its visitation and business, from which to prepare full financials and a feasibility assessment.

**Figure G.1** 10 Year forecast visitation to a new art museum, including pre-opening build-up



**Table G.2** presents a forecast of visitation against the target markets, and suggests that while the key initial markets are cultural tourists, it will be Grey Nomads and Young Families that generate long-term growth.

**Table G.3** breaks down the end of Year 4 forecast visitation across the various experiences / services.

**Table G.3** suggests that the exhibitions / Artists in Residence and the SAM Café will experience the highest visitation (80,000 and 70,000 respectively), followed by The Mystery Trail (57,000). Implicit in these forecasts are that some visitors will only undertake one activity (such as visit the café) and some visitors will do multiple activities.

In addition to the visitation forecast assumptions, the following assumptions further underpin this forecast:

- SAM (excluding café) is only closed Mondays, Good Friday and Christmas Day. But open all other days including Monday public holidays;
- 21,000 visitors to special exhibitions are sourced from 3 special exhibitions per annum, attracting 7,000 people per exhibition.

**Table G.2 Market segment split driving End Year 3 forecast visitation for a new art museum**

Target markets	Year 3 proportion	Year 3 visitation	Growth trend
Cultural tourists	40%	37,297	↓
Grey nomads	27%	25,175	↑
Young families	30%	27,973	↑
Students (upper secondary and lower secondary)	3%	2,797	↓
<b>TOTAL</b>	<b>100%</b>	<b>93,242</b>	

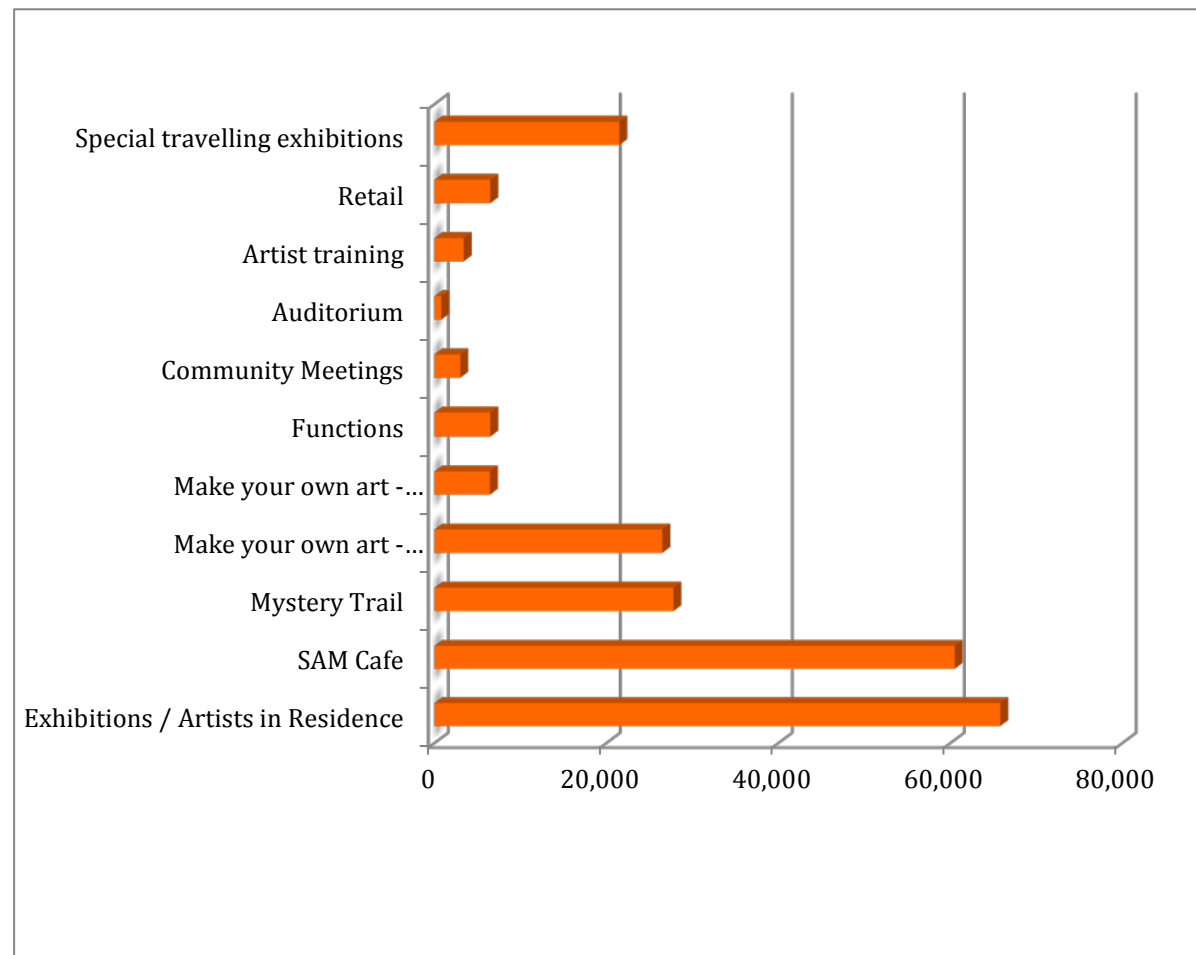
**Table G.3 Breakdown of forecast visitation for a new art museum experience for end of Year 3**

Experience	Adults	Children	Students	Total
<b>TOTAL</b>	<b>72,445</b>	<b>18,000</b>	<b>2,797</b>	<b>93,242</b>
Exhibitions and Artists in Residence (free)	50,000	13,000	2,797	65,797
SAM Cafe	60,000	10,000	500	70,500
Mystery Trail	13,000	22,000	2,797	27,797
Make your own art - independent	9,000	14,000	2,500	26,500
Make your own art - programmed	1,650	2,000	2,797	6,447
Functions	6,000	500	0	6,500
Community Meetings	3,000	0	0	3,000
Auditorium	800	0	0	800
Artist training	3,403	0	0	3,403
Retail	1,500	3,750	1,250	6,500
Special exhibitions (entry fee)	17,000	3,000	1,500	21,500

- Programmed 'Make your own art' visitation is made up of 2,800 pre-booked students and 3,650 people making programmed activities, 130 sessions that occur 3 times a day on Saturdays, Sundays, school and public holidays and 235 sessions that occur once per weekday. Maximum group size 10 people per programmed activity. Duration 1-2 hours;
- 50 functions per annum that attract 120 adults and 10 children per function;
- 3,000 visitors for community meetings, sourced from 150 meetings per annum that attract 20 people per meeting, for approximately 1.5 hours per time;
- 20 uses of the auditorium per annum for approximately two hours per time, that attract 40 people per session;
- 3,403 visitors for art training, sourced from 3 training sessions per week over 34 weeks, attracting an average of 10 people per session.

Figure G.2 presents a summary of total forecast visitation across the proposed experiences.

**Figure G.2 Breakdown of forecast total visitation for a new art museum experience for end of Year 3**



## G.2 Current operational performance

**Table G.4** presents the financial base case for operating the current SAM. A detailed breakdown of the current (2014/15) SAM budget was undertaken to further understand how well the current operation could be interpreted into a business model. The analysis suggested that:

- SAM commercial activities generate only 17% (\$59,000) of total revenue (the remaining \$285,000 is raised from grants and donations);
- For every dollar of income SAM requires almost \$3 in expenditure.

**Table G.4** also indicates that Council currently underwrites direct operating costs by approximately \$1M per annum. However, SAM operates as part of a wider set of Council support that distorts the true operating cost.

**Table G.5** presents a list of other services, critical to SAM, that indirectly subsidise the operation, costed at approximately \$200,000. This means that Council really subsidises SAM by at least \$1.2M per annum.

**Table G.4 SAM Financial performance 2012/13 and budget 2014/15**

Budget	2013/14	2014/15
Revenue	\$374,412	\$344,320
Expenses	\$1,386,053	\$1,101,997
<b>Net loss (direct subsidisation)</b>	<b>\$1,011,641</b>	<b>\$757,677</b>

**Table G.5 SAM estimated indirect cost support**

Service	Service estimate / annum	Estimated cost
Human resource management	Payroll, recruitment, oh&s (approx. 25 days per year@\$307/day)	\$7,962
Financial management	Contracts, accounts, payments (40 days / year@\$307/day)	\$12,280
Energy	Air conditioning, heating, lighting	\$50,000
Communications	Phone lines, mobile phones, eftpos access, website	\$5,000
Cleaning	Internal building approx 2,000m <sup>2</sup> of 4,000m <sup>2</sup> regular cleaning	\$15,000
Plant maintenance	Specialist cleaning and repairs	\$20,000
Fire services & pest control	Equipment inspections and servicing	\$20,000
Collection insurance	For collection valued at \$25-30M	\$20,000
Building insurance	For building valued at approx. \$35M	\$30,000
Senior managerial support	3 managers 5 days@\$500/day, 1 Director 10 days/annum @ \$700/day	\$11,500
Office equipment	Printer \$2,000/yr, 12 computer workstations @\$1,000/station/annum	\$14,000
Vehicle (to attend meetings etc)	1 vehicle operating costs@\$10,000/annum	\$15,000
<b>TOTAL (indirect subsidisation)</b>		<b>\$209,242</b>

### G.3 Operational forecast assumptions

#### Revenue

To forecast potential revenue from a new art museum, pricing assumptions were developed, market tested with target markets, refined and presented in **Table G.6**. By Year 3, when the business has reached a mature state, total revenue is forecast to be approximately \$2M.

Revenue was split between Direct commercial activities and Indirect sources (grants, subsidies and donations). The higher the Direct revenue, the greater capacity a new art museum has to be self-sufficient. By Year 3, when the business has reached a mature state, Direct revenue in the new art museum modelling accounts for approximately 31% of total revenue – low for a commercial business, modest for a regional art museum and high compared with the current SAM (17%).

By Year 3, the biggest revenue generators for a new art museum will be (in order) retail, Arts Victoria Grant, the Mystery Trail and 'Make your own art' and a lease fee from a suitably experienced café / function operator, (a lessee allows SAM management to focus on core SAM business).

**Table G.6 Proposed charging structure for a new art museum**

Service	Charge	Explanation
Parking	No charge	Disincentive and likely to create on-street parking displacement
Non-SAM event Parking	\$5 per vehicle	For use of a portion of the carpark Revenue and expenditure has not been factored in because it is unlikely to be significant profit
General admission	No charge	Disincentive to visitors, particularly locals
Special exhibitions	\$10 per adult Children no charge Students \$5	Variation could reflect strength of exhibition
Make your own art - programmed	\$15 / person	For a 1-2 hour experience, average group of 7
Mystery Trail	\$7 per person	For Mystery Trail pack that facilitates doing the Mystery Trail, captures children & students
Average spend in café per adult	\$9	Averaged between coffee and lunch break
Average spend in café per child / student	\$3.50	Averaged between drink and snack
Retail capture rate	25% exhibitions	Average from similar regional art museums
Average spend in retail per person	\$8	Average from benchmarked regional galleries
Hire of meeting room	\$20/hr	To cover cleaning and energy
Hire of auditorium	\$50/hr	To cover cleaning and energy
Hire of Great Hall for Function	\$1,500/5hrs	To cover cleaning, energy & security
Average function spend per adult	\$50	Assumes functions are dinners & drinks
Average function spend per child	\$20	Assumes functions are dinners & drinks
Gallery Kaiela	\$200 / week	To cover cleaning, energy, amenities, GK provide 8 hours of indigenous expertise per week for Artist in Residence, Make Your Own Art

To determine a potential revenue from a cafe / function lease fee, some preliminary forecasting was undertaken. Annual turnover of \$1.1M was forecast in Year 3 from:

- \$540,000 revenue from adult café visitors;
- \$36,750 from children and student café users;
- \$75,000 in function room hire charge;
- \$310,000 in function food and beverage revenue.

Assuming a lease is based on 10% of turnover, then SAM could raise approximately \$96,000 in café / function lease fees. The operator would also be individually metered and charged for energy (not estimated in forecasts)

There are a number of grants listed in indirect revenue that form ongoing reliable sources of income – though many also largely represent ongoing outgoings. There may be a range of additional grants that could be procured to source additional revenue; such as training and education grants and employment support. However, these are speculative and often operate as a ‘money in money out’ that does not realise additional profitability for the business. Additional grants have therefore been conservatively treated as un-forecast potential upside.

**Table G.7 Revenue forecast for a new art museum (Years 1 – 3)**

Revenue	Year 1	Year 2	Year 3	% of total Yr 3 revenue
<b>Operational (direct) revenue</b>				
Make your own art (user fees)	\$54,397	\$72,529	\$96,705	
Mystery Trail Packages	\$60,161	\$80,215	\$106,953	
Special Exhibitions (user fees)	\$13,781	\$18,375	\$24,500	
Retail	\$74,022	\$98,696	\$131,594	
Special events run by SAM	\$50,000	\$51,500	\$53,045	
Photography and advertising	\$50,000	\$51,500	\$53,045	
Café & functions lease	\$110,000	\$113,300	\$116,699	
Café & functions utilities	\$15,000	\$15,450	\$15,914	
Meeting venue hire	\$1,300	\$1,400	\$1,500	
Auditorium hire	\$1,700	\$1,800	\$2,000	
Gallery Kaiela (rent & expense contribution)	\$25,000	\$25,750	\$26,523	
<b>Total operational revenue</b>	<b>\$455,361</b>	<b>\$530,514</b>	<b>\$628,477</b>	<b>31%</b>
<b>Indirect revenue</b>				
Shepparton Council direct financial support	\$1,000,000	\$1,030,000	\$1,060,900	
Arts Victoria, Regional Partnership Funding	\$115,000	\$115,000	\$115,000	
Artwork acquisitions (Grant)	\$40,000	\$40,000	\$40,000	
Exhibitions (Grants)	\$10,000	\$10,000	\$10,000	
Indigenous award (Grant)	\$35,909	\$35,909	\$35,909	
Sidney Myer ACA (Contributions)	\$63,700	\$63,700	\$63,700	
Artwork acquisitions (income budget)	\$55,000	\$55,000	\$55,000	
<b>Total indirect revenue</b>	<b>\$1,319,609</b>	<b>\$1,349,609</b>	<b>\$1,380,509</b>	<b>69%</b>
<b>Total Revenue</b>	<b>\$1,774,970</b>	<b>\$1,880,123</b>	<b>\$2,008,986</b>	



## Expenditure

Like revenue, expenditure has been split into Direct and Indirect forms. Direct expenditure is that principally orientated around direct revenue. It is possible that some staff costs could be moved into direct expenditure (such as retail staffing), but for the purposes of a feasibility study this is not critical.

By Year 3 Direct expenses are forecast to be \$0.5M (28% of total revenue – a reasonable outcome).

However, Indirect expenses are forecast at \$2M, 50% more than total Revenue, caused predominantly by Salaries & Wages, which will also be high due to the number of non-commercial position required in the operation of an art museum. Given that the main cost of operating a new art museum would be staffing, a Salary forecast was constructed for all full time staff positions identified. The salary forecast is a projection at Year 4, and therefore assumes a smaller base for some positions at commencement with CPI increasing to the Year 4 forecast. The actual packages have been excluded in the Report for confidentiality reasons, but are available on request. In addition, a Performance Incentivisation Program has been budgeted for.

**Table G.8 Expenses forecast for a new art museum (Years 1 – 3)**

Additional part time / casual staffing costs to provide programmed public contact programs have been included as a cost of goods sold. Other service providers operating as contractors have been costed separately under the service (eg cleaning).

An allocation of approximately \$280,000 for special exhibitions assumes approximately \$90,000 per exhibition. This amount could be decreased if the SAM Director decided to reduce the number of special exhibitions.

Indirect expenses also include a modest FF&E Reserve of 5% of revenue, to progressively save funds for capital replacement and product reinvigoration.

There is an assumption that the new building would be owned by Council and leased to the new organisation at \$1 per annum. Use of the surrounding public land for the experiences would be a part of this arrangement. There is potential for utilities costs to be reduced through investment in sustainability initiatives flagged in the Development Budget.

Direct expenses	Year 1	Year 2	Year 3	% of total Yr 3 revenue
Make your own art (0.60% cogs casual staff & materials)	\$20,888	\$34,814	\$58,023	
Mystery Trail Packages (0.65% cogs)	\$29,372	\$45,188	\$69,519	
Artists in Residence (stipend)	\$28,227	\$29,100	\$30,000	
Artists in Residence (accom allowance)	\$4,516	\$4,656	\$4,800	
Special Exhibitions (acquisitions from lenders)	\$282,270	\$291,000	\$300,000	
Retail (55% cogs)	\$40,712	\$54,283	\$72,377	
Bank charges (including EFTPOS on sales)	\$11,250	\$15,000	\$20,000	
<b>Total Direct Expenses</b>	<b>\$417,235</b>	<b>\$474,040</b>	<b>\$554,719</b>	<b>28%</b>
In direct expenses	Year 1	Year 2	Year 3	% of total Yr 3 revenue
FT staff salaries, wages & oncosts	\$855,650	\$881,320	\$907,759	
Casual labour support to Front of House	\$30,000	\$30,900	\$31,827	
Performance incentivisation program	\$47,045	\$48,500	\$50,000	
Sales & Marketing expenses	\$90,000	\$93,600	\$97,344	
Events and public programs	\$20,000	\$20,600	\$21,218	
Trainers, teachers & speakers for artist development	\$20,000	\$20,000	\$20,000	
Sidney Myer ACA	\$24,000	\$24,000	\$24,000	
Collection storage & conservation expenses	\$20,000	\$20,000	\$20,000	
Art Work acquisitions	\$100,000	\$103,000	\$106,090	
Communications	\$9,409	\$9,700	\$10,000	
Office equipment, stationary, postage	\$28,227	\$29,100	\$30,000	
Memberships, publications, subscriptions	\$1,882	\$1,940	\$2,000	
Sundry	\$18,818	\$19,400	\$20,000	
Legal & Financial management (Book keeping, accounting and auditor)	\$56,454	\$58,200	\$60,000	

**Table G.8 Expense forecast for a new art museum (Years 1 – 3) (CONT)**

<b>Indirect expenses</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>% of total Yr 3 revenue</b>
Utilities (energy, water, gas)	\$121,500	\$135,000	\$150,000	
Insurance (building & collection)	\$122,317	\$126,100	\$130,000	
Fire services, pest control and AH security	\$16,875	\$22,500	\$30,000	
Cleaning	\$19,688	\$26,250	\$35,000	
Repairs and Maintenance (building, plant)	\$22,500	\$30,000	\$50,000	
Vehicle	\$14,114	\$14,550	\$15,000	
FF&E Reserve (5% revenue)	\$88,748	\$94,006	\$100,449	
<b>Total indirect expenses</b>	<b>\$1,727,226</b>	<b>\$1,808,666</b>	<b>\$1,910,687</b>	<b>-95%</b>
<b>Profitability</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>% of total Yr 3 revenue</b>
<b>Net Loss</b>	<b>-\$369,492</b>	<b>-\$402,583</b>	<b>-\$456,421</b>	<b>-23%</b>

## H. Economic and Social Evaluation – cost benefit analysis

### H.1 Introduction

For a new art museum to be feasible it needs to answer yes to both:

- Will a new art museum be financially viable? (covered in Section 5); and
- Will a new art museum increase community welfare?

This section answers the second question and is based on the “Economic Evaluation for Business Cases Technical Guidelines” from the Victorian Department of Treasury and Finance (August 2013 edition). These technical guidelines are drawn up to help the State Government decide whether or not to invest State Government resources in a wide range of projects including those like a new art museum. If a new art museum is to be built it will rely on a major capital cost contribution from the State Government along with contributions from local stakeholders and possibly the Commonwealth Government.

The balance of this section of the Report is set out in line with the Guidelines provided by the Department of

Treasury and Finance for economic evaluations.

As recommended by the evaluation guidelines, this section provides a cost benefit analysis of a new art museum. The community benefits from art museums are more difficult to measure than are the costs their provision imposes on the community, in part because they commonly have free entry, and require analysis tools similar to those used to evaluate national parks and key publicly provided recreation infrastructure.

A cost benefit analysis approach requires an answer to the key question of: ‘What is the community’s willingness to pay for a new art museum?’ Ideally, assessing the community’s willingness to pay for a new art museum requires estimates of dollar values at three steps that can be summed to provide an overall measure of community willingness to pay for a new art museum. However, in practice identifying the dollar value of some benefits is problematic and they can only be assessed qualitatively and their relative significance described.

The cost benefit analysis then compares the assessed benefits that could be valued in dollar terms with assessed costs to the community using an appropriate discount rate to derive an estimate of net present value excluding non-quantifiable benefits.

If the net present value is positive the project provides an increase in welfare to the Victorian community.

If the net present value of the project is negative but the non-quantified benefits are assessed as more valuable than the negative net present value then the project is worthwhile in increasing the welfare of the Victorian community.

### First step – estimating willingness to pay to visit the facility

This stage assesses the willingness to pay for a new art museum by its visitors (or in economists jargon it estimates a demand curve for a new art museum).

Thankfully, economists have developed a method for estimating the benefits to consumers of recreation assets whose price of entry (normally free) does not fully reflect the benefit individuals receive. This relies on applying an indirect or revealed preference method for assessing the true willingness to pay by visitors to a new art museum. As noted in the Guidelines from the Department of Treasury and Finance: by observing the choices made by consumers in terms of the opportunity cost of time and travel costs incurred by consumers an estimate of the value of non-market supply, especially for recreational goods can be

provided.<sup>4</sup>

On top of the consumer surplus estimated by the travel cost method are added admission and other fees for using a new art museum that contribute to the total willingness to pay to use the new art museum.<sup>5</sup>

### Second step – assessing non-visitor use benefits

In writing a practical guide to performing cost benefit analysis Boardman (2011) has reported a classification of benefits beyond active use of the facility through visitation that should be considered in performing a cost benefit analysis.<sup>6</sup>

While art galleries have not been a key focus of cost benefit analysis, wilderness and environmental reserves, which offer similar classes of benefits, have been.

Boardman (2011) reports a study of three natural sites in the UK with specific scientific interest by K.G. Wallis. Wallis used survey data and found that the consumer surplus associated with visiting the sites only accounted for 12% of the total willingness of the

<sup>4</sup> Victorian Department of Treasury and Finance, (2013) "Economic Evaluation for Business Cases Technical Guidelines", page 14.

<sup>5</sup> Boardman, et al (2011), 'Cost-Benefit Analysis, Concepts and Practice', Fourth edition, page 362.

<sup>6</sup> Boardman, et al (2011), *ibid*, page 227

community to pay for the preservation of the sites.<sup>7</sup>

There can be indirect consumption of the output of an art gallery through watching a film of the exhibitions. The Russian Ark about the Winter Palace at The Hermitage Museum in St Petersburg is the best-known example. The potential for films on the Ceramic collection and especially the Gantner indigenous collection should be important services to the Australian community by the new art museum.

With more and more of the tourist experience becoming available online, this is a key but difficult to measure community benefit of a new art museum.

There is also community value in having the option of visiting the facility in future as another difficult to quantify benefit. The community puts a value on the option of visiting, beyond the value it puts on visiting.

There is also a range of existence values related to a new art museum. There is first the intrinsic value of knowing the exhibitions in the new art museum are in place. This is most relevant to the value to the community of knowing that the Gantner collection is on public display at the new art museum rather than locked away from public consumption with its private

<sup>7</sup> Boardman, et al (2011), *ibid*, page 227

owner. For the many Australians and international visitors with a strong interest in indigenous art, having this collection on public display is an important social benefit even if they never visit. This benefit also extends to future generations in what Boardman terms an "altruistic existence value".

Non-visitor benefits proved impossible to quantify in this study. Instead the existence value of exhibitions in a new art museum is assessed as a significant source of non-quantifiable community welfare.

### Wider community benefits as a key sub-class of non-visitor use benefits

This report accepts that allowing for wider community benefits is controversial in cost benefit analysis. This is obvious in the debate over the inclusion of wider community benefits in the State Government's cited cost benefit analysis of the East-West Link.<sup>8</sup>

In this cost benefit analysis the wider community benefits are decisive in making the project have an assessed positive net present value and hence benefit to the community.

<sup>8</sup> R. Eddington (2008), 'Investing in transport: East-West link needs assessment report' - with wider economic benefits the link had a benefit/cost ratio of 1.4 and without them 0.7 <http://www.smh.com.au/federal->

Wider economic benefits from a new art museum come from four sources.

### **Existence value to the community of a major indigenous collection**

First, related to the existence value of a major indigenous art collection at a new art museum is that it can provide an important boost to the recognition of indigenous culture and increase the confidence, labour force participation and health outcomes of indigenous people in Shepparton and beyond. This is a significant wider community benefit of a new art museum with the Gantner collection, mystery trail and other features that educate visitors about indigenous culture through its art.

Within the Shepparton community a key organisation providing similar wider community benefits is the Rumbalara Football and Netball Clubs. These clubs are affiliated with the Rumbalara Aboriginal Co-operative and have produced major benefits to the health and social outcomes of their players. However, they have also produced a wider community benefit by lifting the pride, wider community engagement and confidence of the Shepparton aboriginal community.

### **An iconic focus to a rebranded Shepparton**

Second, a new art museum is expected to provide an iconic focus to the Shepparton Community in an updated lakeshore precinct beyond its role as an art museum. It is expected that the new art museum will be used for a wide range of community events that will give Shepparton a new image. Rebranding Shepparton is a vital issue to the local community, and a new art museum will be a significant contribution to this effort.

### **An art and art business training centre of excellence**

A third category of wider community benefits from a new art museum is the training it will provide to aspiring artists and art based businesses, including in the indigenous community. The proposed design of programs for the new art museum provides training for 3,400 people per annum in artistic skill and business development.

### **Energise investment in tourism and other community infrastructure in lake precinct**

In the cost benefit analysis for the East-West Tunnel wider community benefits arose from faster transport increasing productivity of other investments. A fourth

and final category of wider community benefits from a new art museum is that it will energise the lakeside precinct by fostering significant private and public sector investment in facilities for tourists and further community assets.

Wider community benefits with a new art museum could not be assessed within the limits of time available for this project. They are expected, however, to be highly significant to overall community benefits from a new art museum.

The justification for including wider community benefits in this cost benefit analysis is reinforced by the later sections explaining the problems facing the Shepparton community and the justifications for government intervention in supporting this project.

### **Third step – estimating the benefits from use of the existing SAM building by Council**

The two floors of exhibition and office space and basement areas of the existing SAM will become available to Council once a new art museum is operating.

Council in recent years has had to build a purpose built office building to take office staff at the Doyle's Road Depot. The existing Council building, beside the

existing SAM, had become overcrowded. In a cost benefit analysis this building is valued on its best use to Council, which may be office space for Council staff. Rather than assess this value at replacement cost, it is assessed at an annual rental as office space appropriate to its location. Well-positioned office space in the heart of Shepparton is currently available for around \$26,000 per annum for 100 m<sup>2</sup>. For the estimated size of the existing SAM of 2,000 m<sup>2</sup> this suggests a rental potential of around \$500,000 per annum.

#### Fourth step - estimating costs

Against these benefits we need to consider the costs to the community of a new art museum. Most of these costs are similar to the costs used in a financial viability or accounting analysis. But some approaches like valuation at opportunity cost and the reliance on discounting benefits and costs over time in a consistent way are quite different to an accounting treatment.

The financial cost of the land provided by the Council for a new art museum might be zero, as an aspect of their contribution to the project. However, in theory this land has an opportunity cost that needs to be included in the cost benefit analysis. The Council

already owns the caravan park so no lease charges apply. The Council is currently leasing the service station and café site to Shell, but independent of whether a new art museum is built, Council has decided that this land will be returned to community rather than commercial use in 2017, so no opportunity cost for these assets is included.

Economists use discounting instead of including interest payments or asset depreciation. The choice of the discount rate is often critical to the outcome of a cost benefit analysis.

#### Discount rate used

The “Economic Evaluation for Business Cases Technical Guidelines” from the Victorian Department of Treasury and Finance indicates that the appropriate discount rate for a new art museum is 4% real (or after inflation). This reflects that a new art museum is providing services in a traditional core service delivery area of government where benefits of the project can be articulated but are not easily translated to monetary terms.<sup>9</sup> A new art museum is more akin to provision of a new civic open space than it is to provision of a

<sup>9</sup> Victorian Department of Treasury and Finance, (2013) “Economic Evaluation for Business Cases Technical Guidelines”, page 25.

road or public housing where beneficiaries and benefits can be more readily estimated using well established methods and where the guidelines recommend a higher discount rate of 7% real.

#### Sensitivity testing

Finally, this cost benefit analysis recognises that there is uncertainty over the valuation of visitation benefits and for this reason includes sensitivity testing of the estimated net present value of the project to a more pessimistic forecast for visitation.

## H.2 A summary of the problem

### The problems and opportunity being addressed

Compared to other areas of regional Victoria, Shepparton City has a weak economy and major social problems.

Unemployment is comparatively high and youth unemployment is a major social problem. In addition the risk exists of further cutbacks to manufacturing employment that could significantly increase regional unemployment.

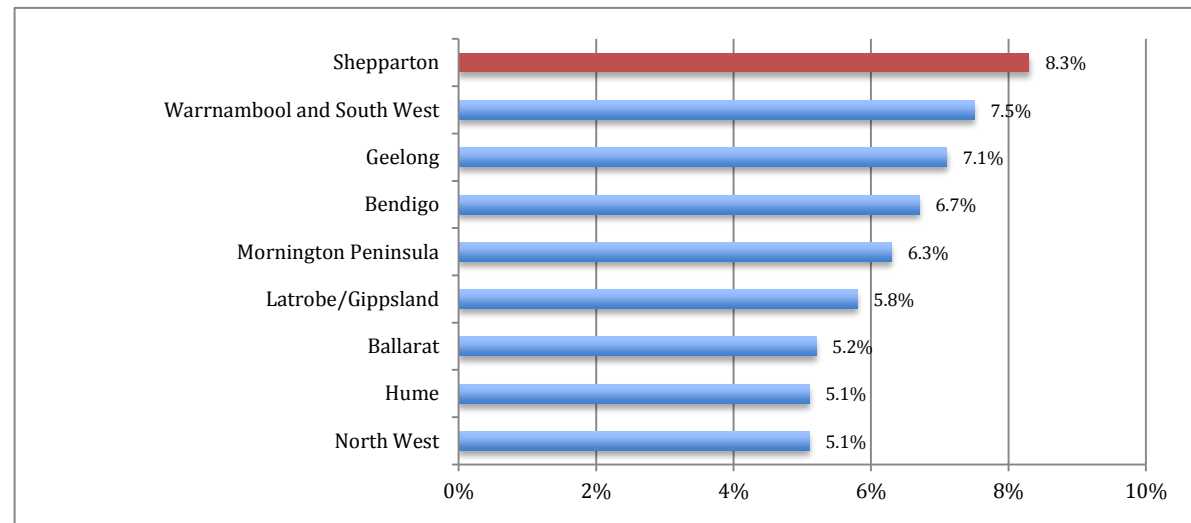
**Figure H.1** indicates that unemployment in Shepparton is the highest of any region in Victoria in the first seven months of 2014.

Shepparton has a large indigenous population as well as a large population of recent migrants to Australia with poor English skills, although Council officials consider that ABS Census data from 2011 understates these ratios due to reporting biases. **Table H.1** highlights that Shepparton has higher ratios in these areas on the Census measures than do comparable Victorian inland regional cities.

Tourism to the region makes a smaller economic contribution than it does to other significant regional inland cities of Ballarat, Bendigo and Benalla.

In addition, tourism to existing museums and art galleries is a far less common activity among the tourists that do reach Shepparton compared to the tourists that reach the other three inland towns. The existing SAM does a poor job of attracting tourists. The current governance model for the existing SAM with strong City Council oversight is not best practice for encouraging innovative SAM management or grants of art or funding for new acquisitions from private benefactors.

Figure H.1 Unemployment in regions of Victoria in the first seven months of 2014 (Source: ABS)



**Table H.1 ABS Census 2011 indications of community challenges in Shepparton City**

Local Government Area	Aboriginal	Speak English not well or not at all	Speak other language than English at home	Migrant since 2000
Ballarat City	1.1%	0.6%	4.0%	2.7%
Benalla (RC)	1.1%	0.3%	2.9%	1.4%
Greater Bendigo	1.3%	0.5%	3.0%	2.0%
Greater Shepparton (C)	3.3%	2.9%	12.3%	5.3%
Average of 3 cities other than Shepparton	1.2%	0.5%	3.5%	2.3%



A new art museum with a best practice governance model will not, on its own, fix the economic and social problems facing Shepparton City. These are major problems at a whole of Victoria level.

The opportunity exists for a new art museum to act as a pivotal investment toward rebuilding Shepparton City economic performance and social cohesion. A new art museum can:

- Increase the number of tourists to Shepparton;
- Increase the share of tourists to Shepparton visiting museums and art galleries;
- Improve social cohesion with the indigenous and new migrant communities; and
- Lift community pride and optimism.

A summary of the problems facing Shepparton that a new art museum can address is provided in **Figure H.2**. More broadly a new art museum has potential to contribute to improving understanding of aboriginal culture by both Australians and visitors.

**Figure H.2** Problems facing Shepparton City that a new art museum can address



**The justification for government intervention**

The economic problems and social issues facing Shepparton are not ones that can be addressed purely by market forces. For example, while market forces ensure lower cost housing due to a weak local economy that will attract some new residents, these residents are unlikely to bring entrepreneurial skills and capital that will transform the local economy. Indeed there is a risk that low cost housing will attract additional welfare recipients to this region, entrenching regional disadvantage.

Market forces have also delivered a high unemployment rate to Shepparton City.

The proposal for a new art museum is a good fit with the existing key State Government program that addresses regional development. It is, however, recognised that an incoming Government may amend this program after the current Victorian election.

Recognising the special economic and social problems facing some Victorian regions, the Victorian Government established the Regional Growth Fund (RGF) within Regional Development Victoria (RDV). The RGF has \$1billion to invest over eight years with around \$500m still to spend over 2015-18. The RGF's goals are to increase competitiveness (more jobs) and

improve liveability.

Within the existing RGF program there are three streams of which the largest (\$300m left to spend) is the Economic Infrastructure Program (EIP). Within the EIP there are four program areas of which one is "Building Strategic Tourism and Cultural Assets".

The RDV website notes that the Building Strategic Tourism and Cultural Assets infrastructure program will create new, or redevelop existing, tourism and cultural assets. Projects seeking funding will need to demonstrate that they will have a beneficial impact on communities and surrounding regions, and support an improved experience for those who visit and reside in regional Victoria.

RDV notes that under the existing program developing cultural assets is crucial to ensuring the livability of regional Victoria. Cultural asset funding will seek to improve the attractiveness and lifestyle benefits of regional Victoria by supporting projects that enhance the aesthetic and cultural vibrancy of communities and regions. Cultural assets are also important in attracting regional tourists, in supporting major events and festivals, and providing increased opportunities for ancillary spending within regional communities.

The RDV website notes that regional tourism has significant impacts on the economy and employment opportunities within regional Victoria. Encouraging visitation to Victoria's regions helps stimulate regional economic activity, attract private sector investment and ensure that regional economies are robust and diverse. Infrastructure grants may be provided for tourism and cultural projects that support and expand performing arts centers or regional art galleries.

The RDV notes under the current program all Building Strategic Tourism and Cultural Asset sub-program applications will be considered on an individual basis and will need to address distinct criteria. Criteria for cultural infrastructure projects may include how the project will:

- Improve community connectedness
- Improve cultural vibrancy and access of communities
- Support and/or expand regional investment and business opportunities
- Showcase regional cultural assets *and/or*
- Support and encourage services complementary to key infrastructure.

Criteria for RDV strategic tourism projects may include how the project will:

- Leverage private sector investment
- Showcase regional natural assets
- Support and encourage services complementary to key tourist infrastructure
- Attract intrastate, interstate and international visitors and/or increase tourism yield.

In October 2014, the Commonwealth Government announced the new National Stronger Regions Fund (NSRF). This new \$1 billion fund over five years commencing from 2015–16 is a recognition by the Commonwealth that more disadvantaged regions struggle to gain private sector and public investment that can contribute to economic and social performance.

The National Stronger Regions Fund is an initiative to boost social and economic development in Australia’s regions by funding priority infrastructure projects in local communities. Funding will be provided for capital projects that involve construction of new infrastructure, or the upgrade, extension or enhancement of existing infrastructure. The Guidelines indicate that projects selected for funding should deliver an economic benefit to the region beyond the period of construction, and should support disadvantaged regions or areas of disadvantage within a region. Clearly to honour its

objective of lifting disadvantage regions this fund should be targeting investment projects in Shepparton.

Local Government and incorporated not-for-profit organisations are eligible to apply for grants of between \$20,000 and \$10 million. Grant funding must be matched in cash on at least a dollar for dollar basis, and the funded part of the project must be completed on or before 31 December 2019.

This new Commonwealth based fund beside the current Victorian Regional Growth Fund is clear recognition by Governments in Australia of the justification for government intervention in promoting regional development.

### **H.3 Discussion of the evaluated option, how this option was developed and how it addresses the problem outlined**

#### **Introducing the base case or counterfactual into the future**

The base case or counterfactual assumes that the existing SAM remains unchanged in its: operations; collection; governance model and site. A counterfactual is used in cost benefit analysis as a key

comparator for the developed option. In addition, by evaluating the counterfactual, insights are derived that inform the evaluation of options for development.

Under the base case the existing SAM fails to gain new donations from private philanthropists and is likely to lose competitiveness over time against more innovative and better-funded regional art galleries. Over time this asset is expected to slowly lose visitation from both locals and tourists. As a result, it is expected that the subsidy required from Council will progressively increase and/or cut backs in operations will accelerate the decline in visitation.

#### **The evaluated option for a new art museum and how it addresses the problem**

A new and best practice governance model is central to restoring competitiveness to a new art museum. Consultations with stakeholders highlighted that a new governance model is an essential pre-condition to a new art museum being a success. This partly reflects that private philanthropists looking to make significant collection or financial contributions to a new art museum will only do so if a best practice governance model is introduced. But it also reflects that innovations are required in the presentation of the collection to make a visit to a new art museum a

compelling experience that will build visitation to Shepparton as a whole.

The second key dimension of the evaluated option is an iconic building that gives a reason to visit Shepparton and the new art museum. This building is designed to best exploit the third key dimension of engaging experiences in and around the new art museum that will prove popular with key target markets.

The final dimension of the evaluated option is that the new Shepparton Visitor Information Centre (VIC) is located adjacent to the new art museum, very close to its former site. This boosts tourist visits to the new art museum and to the VIC.

#### ***How this evaluation seeks to avoid bias in the analysis***

This evaluation is a cost benefit analysis focusing on community welfare for residents of Victoria rather than particular stakeholder interests.

This evaluation ties its forecasts for visitation to a new art museum to the performance of comparable regional Victorian cities of Ballarat and Benalla in attracting tourists and locals to museums and art galleries in the last five years. As a result, forecast visitation has a conservative bias.

This evaluation uses a comprehensive review of Tourism Research Australia and Arts Victoria data to model the visitation from key geographic target markets. By using data from both the galleries and the major national tourism data collections, bias in analysis is avoided.

#### **H.4 Analysis of the base case including any assumptions about the future**

##### ***Confirming the best available data on visitation to the existing SAM and comparable facilities***

Getting the best available data on the origin of visitors to the existing SAM and comparable facilities proved challenging and is important to establishing the credibility of estimated benefits of the existing SAM and new art museum.

A single source of comprehensive high quality data on visitation to art galleries and museums does not exist. Data on total visitation from the art galleries as supplied to Arts Victoria is of good standard, but the data on the origin of guests is more problematic as it is collected from convenience sampling. Locals who come a number of times a year may not be surveyed as often as tourists from much further afield who may

have more time for being surveyed and may linger around the reception.

In addition, this data source does not separately identify visitors from the local council area from those from elsewhere in regional Victoria or whether visitors from regional Victoria, Melbourne or interstate are on day trips or on overnight journeys. Separately identifying visitors by location and whether on day trips or overnight travel is critical to assessing the benefits of visitation to the art galleries in this cost benefit analysis.

From Tourism Research Australia data we have reasonable estimates of the number of tourists who visit museums and art galleries in Victorian cities by origin and by whether on day trips or overnight visits. This Tourism Research Australia data source has, however, high sampling errors and therefore it has been averaged over the last five financial years as shown in the **Table H.2**. This is despite the key TRA data source for domestic tourist visitation, the National Visitor Survey, being a population survey of 120,000 Australians annually answering a phone survey of 70 questions. Benchmarking gallery data provided to Arts Victoria against this TRA source helps to overcome a risk of biased findings and makes the analysis of benefits from visitation more accurate.

**Table H.2 Tourist visitors to museums and art galleries averaged over the last five financial years**

Victorian regional cities	Domestic overnight visitors	Domestic day trip visitors	International visitors	Total
Ballarat	50.4	86.8	10.6	147.8
Bendigo	55.4	116.2	6.8	178.4
Greater Shepparton City	6.4	6.6	4.4	17.4
Benalla	10.8	9.6	1.1	21.5

(Source: TRA National Visitor Survey and International Visitor Survey averages over the last five years)

**Table H.3 Comparing tourist measures of four key regional city destinations in Victoria on a per head of local population basis (Source: TRA Online from the National Visitor Survey and International Visitor Survey with tourism measures averaged over the last five financial years to 2013/14 and ABS Census 2011 for population)**

Victorian regional cities	Domestic overnight nights	Domestic day trips	International visitor nights
Ballarat	11	15	2.3
Bendigo	12	15	1.5
Greater Shepparton City	9	11	5.7
Benalla	14	14	2.6

A comparison of the performance of museums and art galleries in Shepparton and three other regional centres in attracting tourists – highlights how limited the current SAM is in appealing to tourists. This data is shown in **Table H.2**. Benalla has a resident population of less than a quarter that of Shepparton, while Ballarat and Bendigo have resident populations around 50% larger.

The poor tourist attraction performance of museums and art galleries in Shepparton is partly due to the lower tourist visitation to Shepparton than the other three cities that benefit from better access from major population centres (see **Table H.3**). However the larger factor is that far fewer of the domestic tourism market that do make it to a regional city visit museums and art galleries in Shepparton on their trip than they do in the other regional cities (see **Tables H.4 & H.5**).

Over the four years to 2012/13 total visitation to the existing SAM from Arts Victoria data averaged 36,869 people. The TRA estimate is that 17,400 of these visitors were tourists implying that 19,169 or 52% were locals. However, it is recognised that TRA data is for visitation to all museums and art galleries in these regional cities and would overstate tourist visitation to any one facility.

**Table H.4 Comparing domestic overnight tourist visits to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, NVS 2009/10 to 2013/14)**

Victorian regional cities	Overnight visitors	Visit Museums or Art Galleries	Share of overnight visitors to art galleries or museums
Ballarat	528	50.4	9.5%
Bendigo	501	55.4	11.1%
Greater Shepparton City	238	6.4	2.7%
Benalla	96	10.8	11.2%

**Table H.5 Comparing domestic day trip visits to museums and art galleries in key Victorian regional centres for the average of the five years ending 2013/14 (Source: TRA Online, National Visitor Survey, 2009/10 to 2013/14)**

Victorian regional cities	Day trip visits (000s per annum)	Day trip visits to museums or art galleries (000s per annum)	Share of day trip visits to museums or art galleries (%)
Ballarat	1500	86.8	5.8%
Bendigo	1368	116.2	8.5%
Greater Shepparton City	675	6.6	1.0%
Benalla	194	9.6	5.0%

In addition, the TRA data overstates the number of international visitors who visit museums and art galleries compared to the more realistic estimate from Arts Victoria as TRA reports on international visitors who visited museums and art galleries anywhere on their whole Australian trip. In addition, TRA data does not pick up visitation to a destination's art gallery that occurs on an overnight trip that has a stopover other than at that destination. For example, overnight domestic tourists coming along the Hume Highway frequently stop off at the Benalla Art Gallery but then go on to an overnight stay outside Benalla. These domestic overnight visitors to Benalla are not captured in the TRA data.

The TRA data was therefore used to allocate Arts Victoria data on domestic visitors to their origin region (whether local or in particular areas of regional Victoria) and on whether domestic visitors are on day trips or on overnight travel.

Without Arts Victoria data being available on a timely basis from Bendigo Art Gallery the core comparison is with the Art Gallery of Ballarat and the Benalla Art Gallery. In practice, the high profile internationally sourced exhibitions featured at Bendigo Art Gallery are also a less obvious comparator to the existing SAM or

proposed new art museum. This led to the core data set on existing visitation as shown in **Table H.6**.

**Table H.6 Comparing local and tourist visitation to the existing SAM, Benalla Art Gallery and Art Gallery of Ballarat for the average of the four years ending 2012/13**

<b>Tourists</b>	<b>SAM</b>	<b>Benalla Art Gallery</b>	<b>Art Gallery of Ballarat</b>
Day trips from regional Victoria	5,100	7,200	6,790
Day trips from Melbourne	0	2,600	27,070
Regional Victoria Overnights	1,200	1,800	7,169
Melbourne overnight	7,600	14,460	7,200
Interstate overnight	3,100	13,685	6,372
Overseas overnight	700	1,600	3,823
<b>Total</b>	<b>17,700</b>	<b>41,345</b>	<b>58,424</b>
<b>Locals</b>	<b>19,169</b>	<b>40,258</b>	<b>56,839</b>
Locals as % of LGA resident population	32%	295%	61%
Locals as a share of visitors	52%	49%	49%
Tourists as a share of visitors	48%	51%	51%
<b>Total Visitors</b>	<b>36,869</b>	<b>81,622</b>	<b>115,263</b>

Beyond looking at whether day and overnight domestic tourists came from regional Victoria, Melbourne or interstate, the TRA data also allowed estimates of how many visitors to the art galleries came from variously distanced travel zones around the galleries.

**Assessment of benefits to the community of the base case**

While visiting SAM was normally free of charge to enter, for tourists there was a real cost of visiting SAM. This real cost of travelling to SAM is akin to a price. The further away from which you journey to SAM the higher the effective cost of your visit, and the greater barrier cost represents to your travel.

**Methodology for valuing willingness to pay to visit the current SAM**

Boardman et al notes that as the market for visits to a recreation asset features different visitor origins this entails different travel costs depending on proximity to the asset. So although admission fees are the same for all persons (normally zero), the total cost faced by each visitor varies because of differences in travel costs resulting in different usage of the asset. The total cost of a visit is used as an explanatory variable in place of the admission price in a demand

equation.<sup>10</sup> This approach is a variant of revealed preference methods that are normally considered superior to the alternative methodology of stated preference methods that rely on surveying people about their willingness to pay for an asset.

Under the Zonal Travel Cost Method we used data on visits from various source markets at known distances and consistently estimated travel costs from the current SAM to estimate an equation of the form:

$$TC = A + B * V/P$$

Where

TC= Travel costs by zone

V= Visits by zone

P= Population by zone

A is the Y intercept and B is the slope of the curve.

This formulation is equivalent to a demand curve where price is a function of quantity demanded.<sup>11</sup>

Further explanation on the approach followed here is

<sup>10</sup> Boardman et al (2011), 'Cost-Benefit Analysis, Concepts and Practice', Fourth edition, pages 358-364.

<sup>11</sup> A possible difference in tourist taste for visiting art galleries between Melbourne and regional Victoria residents was tested using NVS data. For both day trips and overnight travel regional Victorians had a slightly higher likelihood than Melburnians of domestic travel that involved a visit to a museum or art gallery.

provided in a detailed worked example from Boardman et al (pages 359-363).

The data available over the last five years from TRA guided the development of travel zones. There are seven travel zones identified in the data set for the existing SAM. The first is locals, from within the Greater Shepparton City Council area. The second and third are day trips in concentric circles of distance from Shepparton of between 25kms and 40kms and between 40kms and less than 85kms. TRA shows no one came in five years on a day trip to Shepparton museums and art galleries from beyond 85kms away. The fourth is domestic overnight visitors from regional Victoria (mostly Central Murray region and Bendigo). The fifth is domestic overnight visitors from Melbourne and the sixth interstate overnight visitors (most from Adelaide and Sydney). The final concentric circle is for international visitors to Australia – with population set as total inbound visitors to Australia and average distance assumed as from Sydney, as the primary point of entry to Australia.

ABS Census 2011 data is used to estimate the number of residents in Shepparton, in the area of a circle 40kms from the existing SAM – but outside the Greater Shepparton City Council boundary. Similarly ABS data is used to estimate the population inside a



circle of 85kms but outside the circle of 40kms from the existing SAM.

Overnight regional Victoria visitors are assumed to come from an average of 123 kilometres away (corresponding to Bendigo). Interstate overnight and international visitors are assumed to come from Sydney.

For each road distance, the cost of running the vehicle is estimated from the Australian Taxation Office data on vehicle travel costs of 77.5 cents per kilometre.<sup>12</sup> Road distance and travel time data is derived from Google Maps.

The differing incomes of populations within the travel zones influence the estimate of costs of travel time. ABS Census 2011 data on personal incomes by local area are used in association with the recommendation from Austroads that for cost benefit analysis, travel time savings per hour for private purpose car trips be estimated at 40% of average weekly earnings.<sup>13</sup>

For overnight visitors it is assumed that an average of two nights accommodation in Shepparton is

<sup>12</sup> Vehicle costs as calculated by the RACV are very similar to those of the ATO. For example, base models of a VW Golf and Holden Commodore have vehicle costs per kilometre averaged over five years of \$0.54 and \$0.81 respectively without considering road tolls.

<sup>13</sup> Austroads (1997), 'Value of travel time savings', page 9.

associated with visiting SAM at a daily per person cost for accommodation/food/beverages of \$91 per day (from the TRA National Visitor Survey). Two nights is the average stay of domestic overnight visitors in Shepparton.

The modelling used also recognises the criticism of zonal travel models that for longer trips it is common that there are other purposes of the trip, including points visited on the way or beyond Shepparton.<sup>14</sup> It is assumed that domestic overnight visitors from within Victoria have only one third of total trip costs (vehicle costs+travel time cost+two nights accommodation) allocated to visiting SAM. Similarly, for the longer trips by interstate domestic overnight visitors (often grey nomads) and international visitors only one eighth of total trip costs (vehicle costs+travel time cost+two nights accommodation) are allocated to visiting SAM.

The plot of travel costs against visits/population produces the chart shown in **Figure H.3**. This model provides a very good fit against the data for the existing SAM, with an R squared of 91% (or 91% of the variance explained by the one variable model).

The area under the curve to the Y-axis for each travel zone provides an estimate of consumer surplus or the

<sup>14</sup> Boardman et al, page 364.

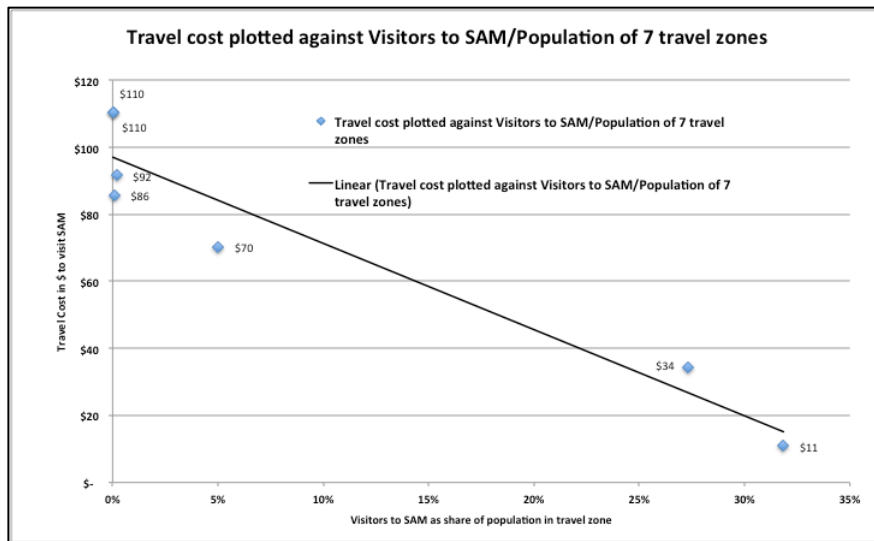
willingness to pay to visit the existing SAM. As the visitors from further away pay most to visit the existing SAM, after travel costs they have the lowest consumer surplus. This model establishes that the key beneficiaries of the existing SAM are local residents and those in surrounding areas. This model, therefore highlights the key reason for local Council support for the existing SAM and support for a new art museum.

The data underlying the estimation of annual consumer surplus is shown in **Table H.6**.

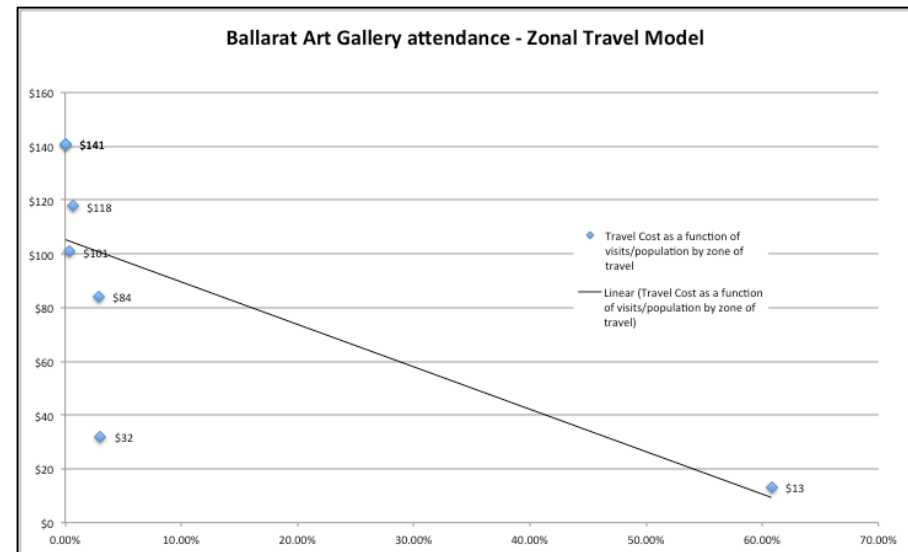
In total the model indicates that the community benefit from visitation to the existing SAM is just under \$1.1 million per annum.

To test the robustness of this approach, this model with identical assumptions was also applied to the existing Ballarat and Benalla art galleries over the four years to 2012-13. This led to the following two charts.

**Figure H.3 A demand curve for the existing SAM**



**Figure H.4 A demand curve for the existing Art Gallery of Ballarat**



**Table H.6 The benefits to the community due to visiting the existing SAM per annum over the four years to 2012-13**

	Visits/population	Total travel cost	Zonal Model Estimate	Estimated consumer surplus per visit	Number of Visits	Consumer Surplus per travel zone
Locals	31.8%	\$ 11	15 \$	41	24269	\$ 994,257.66
Day trips within 40 kms	27.3%	\$ 34	27 \$	35	2000	\$ 70,248.45
Day trips less than 85kms	5.0%	\$ 70	84 \$	6	3100	\$ 20,039.94
Regional Victoria Overnights	0.1%	\$ 86	97 \$	0	1200	\$ 136.23
Melbourne overnight	0.2%	\$ 92	97 \$	0	7600	\$ 1,862.51
Interstate overnight	0.0%	\$ 110	97 \$	0	3100	\$ 76.56
Overseas overnight	0.0%	\$ 110	97 \$	0	700	\$ 10.51
					<b>TOTAL</b>	<b>\$ 1,086,632</b>
			SLOPE		-257.32033	
			Intercept		97.0841745	
			R Squared		91%	

**Table H.7 The benefits to the community due to visiting the existing Art Gallery of Ballarat per annum over the four years to 2012-13**

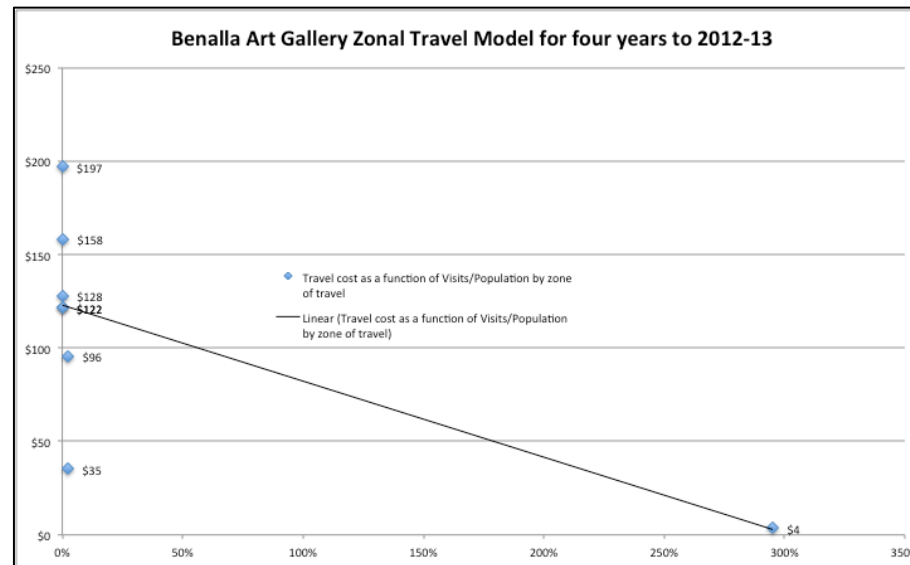
	Visits/Population	Travel Cost	Zonal model estimate of travel cost	Estimated consumer surplus per visit	Number of Visits	Consumer Surplus per travel zone
Locals	60.79%	\$13	\$9	\$48	56,839	\$2,729,224
Day trips 25-50 kms	3.06%	\$32	\$101	\$2	860	\$2,076
Day trips 50 - 100 kms	2.88%	\$84	\$101	\$2	5,930	\$13,507
Melbourne overnight	0.36%	\$101	\$105	\$0	27,070	\$7,700
Day trips Melbourne and other 100-160 kms	0.66%	\$118	\$104	\$1	14,369	\$7,512
Interstate overnight	0.04%	\$141	\$105	\$0	6,372	\$199
Overseas overnight	0.06%	\$141	\$105	\$0	3,823	\$192
					<b>TOTAL</b>	<b>\$115,263</b>
Total Visitors	SLOPE	-157.97713				
	INTERCEPT	105.336688				
	R- SQUARED	50%				

In total the model indicates that the community benefit from visitation to the existing Art Gallery of Ballarat is around \$2.8 million per annum. Ballarat is favoured with considerable day trip visitation from Melbourne due to its greater accessibility. Nevertheless, a high share of total visits come from local residents of the Ballarat City. With far less convenient access from Melbourne, particularly for day trips, it is expected that a new art museum would have a higher share of local visitation in at least the first few years of operation.

Despite the much smaller population of Benalla (less than 14,000, or a quarter of Shepparton's or 15% of Ballarat's population), its art gallery also receives a high share of visits from residents of the local council area.

Benalla also benefits from being a stopover point for long distance travellers on the Hume Highway. Often these travellers visit the Benalla Art Gallery and then press on with their trip stopping overnight at another destination on their domestic travel itinerary. It is expected that a new art museum would have a higher proportion of local visitors than Benalla, due to a higher local population and not being as accessible for long distance domestic overnight travellers.

**Figure H.5 A demand curve for the existing Benalla Art Gallery**



**Table H.8 The benefits to the community due to visiting the existing Benalla Art Gallery per annum over 2012-13**

	Visits/Population	Travel Cost	Zonal model estimate of travel cost	Estimated consumer surplus per visit	Number of Visits	Consumer Surplus per travel zone
Locals	295.08%	\$4	\$3	\$60	40,258	\$2,418,488
Day trips 25-100 kms	2.34%	\$35	\$122	\$0	3,400	\$1,623
Day trips 100-140 kms	2.42%	\$96	\$122	\$0	3,800	\$1,872
Day trips Melbourne (211 kms) 140-220	0.06%	\$197	\$123	\$0	2,600	\$30
Regional Victoria Overnights	0.13%	\$128	\$123	\$0	1,800	\$49
Melbourne overnight	0.36%	\$158	\$123	\$0	14,460	\$1,067
Interstate overnight	0.08%	\$122	\$123	\$0	13,685	\$236
Overseas overnight	0.03%	\$122	\$123	\$0	1,619	\$9
				TOTAL	81,622	\$2,423,373
Total	SLOPE	-40.717335				
Visitors	INTERCEPT	122.954444				
	R- SQUARED	46%				

In total the model indicates that the community benefit from visitation to the existing Benalla Art Gallery is around \$2.4 million per annum or only around 12% less than the Art Gallery of Ballarat that has around 40% more visitors.

***Net Present Value of costs of the existing SAM***

The existing SAM runs at an operating annual deficit after direct and indirect revenue and direct and indirect expenses of around \$1 million per annum. This operating deficit varies with the cost of visiting exhibitions, visitation and other operating variables. This operating deficit is assumed to increase at 8% per annum (before inflation or just over 5% pa after inflation) as the existing SAM faces losing competitiveness against competing attractions over the construction period and to the end of the 10 year forecast period of 2027-28.

While the existing SAM building represents a sunk cost, the opportunity cost for using this building as an art gallery rather than other Council purposes needs to be estimated. As noted in the introduction to this chapter use of the existing SAM building as office space is assumed to bring in rent of \$500,000 per annum that increases in line with inflation.

***Net Present Value of the Existing SAM***

The consumer surplus (as expressed in after inflation dollars) of the existing SAM is assumed to decline by 3% per annum over both the three years to 2018-19 and the ten year forecast period, to reflect declining competitiveness against competing attractions.

The net present value over the next 10 years of the existing SAM is estimated at negative 10.73 million, as shown in **Table H.9**.

**H.5 A summary of relevant benefits and costs for the evaluated option**

***Forecasts of visitation to a new art museum by region of visitor***

The background to the development of operational cost and revenue forecasts is explained in more detail in Section 5. of this report. Using the 10-year forecasts of tourists and locals from Section 5, annual consumer surplus of visitors (before visitor charges) can be derived by re-estimating a zonal travel model for each year.

Population within each of the travel zones is expected to grow in line with ABS population forecasts for

Victoria (Series B, the median forecasts) at 1.4% compounding annually for the three year development and 10-year operating forecast period.

Re-estimating the zonal travel model for Year 1 provides the result of an indicated consumer benefit from visitation to the new art museum of \$3.4 million. This benefit is slightly higher than the measured consumer surplus for Art Gallery of Ballarat reflecting both that more of the visitation to a new art museum in Year 1 is expected from visitors with the highest consumer surplus, that is local Shepparton residents and residents of neighbouring areas in regional Victoria, and that those tourists that do come travel from further away and have higher travel costs.

To this estimate of travel cost benefits we add revenue from visitors to the new art museum of \$274,000 for total visitor willingness to pay of \$3.7 million.

As shown in **Table H.9** the R-Squared of the zonal model travel model is at 79% for Year 1, indicating the model continues to explain most of the zonal visitation to the new art museum. Indeed the zonal travel model for all 10 forecast years using forecasts on visitors/populations explains between 79% and 89% of the variation in travel costs.

Going through the same process for Year 3 (before discounting) produces an estimate of zonal travel benefits of \$3.56 million (after inflation), plus additional revenue of \$529,000 for total visitor willingness to pay of \$4.2 million.

Going through the same process for Year 10 (before discounting) produces an estimate of zonal travel benefits of \$3.7 million (after inflation), plus additional revenue of \$680,000 for total visitor willingness to pay of \$4.2 million.

This process is repeated for each of the 10 forecast years to derive **Table H.10**. This table includes discounted values of consumer surplus, prices paid to SAM by visitors and the rental of the existing SAM building. Discounting of consumer surplus and the building rental is at 4% pa to reflect that these were after inflation values, while discounting of the prices paid to SAM are at 6.5% pa to reflect nominal dollar estimates of direct revenue (see **Table H.9**).

The total net present value of the consumer surplus plus prices paid to visit the new art museum (e.g. undertake activities or buy goods/services) is \$33.15 million.

**Table H.9 The estimated NPV of the existing SAM**

Year	Consumer Surplus from the Zonal Travel Model (real \$m)	Net operating subsidy (nominal \$m)	Rental opportunity cost of existing SAM building (real \$m)	Discounted value of consumer surplus (NPV \$m)	Discounted value of Net operating Subsidy (NPV)	Discounted value of rental opportunity of existing SAM building (NPV \$m)	Net Present Value of existing SAM (NPV \$m)
1	0.96	-1.36	-0.5	0.93	-1.28	-0.48	-0.83
2	0.94	-1.47	-0.5	0.87	-1.30	-0.46	-0.89
3	0.91	-1.59	-0.5	0.81	-1.31	-0.44	-0.95
4	0.88	-1.71	-0.5	0.75	-1.33	-0.43	-1.00
5	0.86	-1.85	-0.5	0.70	-1.35	-0.41	-1.06
6	0.83	-2.00	-0.5	0.66	-1.37	-0.40	-1.11
7	0.81	-2.16	-0.5	0.61	-1.39	-0.38	-1.16
8	0.78	-2.33	-0.5	0.57	-1.41	-0.37	-1.20
9	0.76	-2.52	-0.5	0.54	-1.43	-0.35	-1.24
10	0.74	-2.72	-0.5	0.50	-1.45	-0.34	-1.29
<b>TOTAL NPV OF EXISTING SAM</b>							<b>-10.73</b>

**Table H.10 The zonal travel cost benefits to the community due to visiting the new art museum in year 1 (2018-19)**

Year 1	Visits to SAM	Population	Visits/population	Travel Cost	Zonal Model Estimate	Estimated consumer surplus per visit	Consumer Surplus per travel zone
Locals	60,900	66,628	91.40%	\$ 11	-2	54	3,285,317.24
Day trips within 40 kms	2949	8,102	36.40%	\$ 34	63	21	63,361.09
Day trips less than 85kms	4571	68,286	6.69%	\$ 70	98	4	18,060.34
Regional Victoria Overnights	1769	1,505,222	0.12%	\$ 100	106	0	122.77
Melbourne overnight	11207	4,416,056	0.25%	\$ 122	105	0	1,678.53
Interstate overnight	4571	17,874,513	0.03%	\$ 122	106	0	69.00
Overseas overnight	1032	6,640,686	0.02%	\$ 122	106	0	9.47
						<b>TOTAL</b>	<b>3,368,618.44</b>
				SLOPE	-118.04046		
				INTERCEPT	105.797244		
				R- SQUARED	79%		

By appropriately discounting each of: the value of the willingness to pay to visit the new art museum; the value of rental of the existing SAM building and a terminal value after 10 years of the new art museum of \$30 million we derive the Net Present Value of the measurable benefits of a new art museum at \$57.5 million. This calculation is summarised in **Table H.11**.

**Net present value of costs of a new art museum**

Drawing on the data from the financial viability chapter we know that the upfront cost of the new art museum is \$34.5 million. We also know forecasts of direct expenses and indirect expenses as partly offset by indirect revenue. Indirect revenue does not come from consumers and includes items such as the annual grant from Arts Victoria toward operating costs. We also know that in line with cost benefit analysis practice we do not include interest costs in the cost benefit analysis (as these are subsumed into the discounting assumption).

The estimates of discounted total costs is compiled in **Table H.12**, which gives a total net present value of the cost of the project of just under \$48.32 million.

**Table H.11 Measurable benefits to the community due to the new art museum in years 1-10 (2018-19 to 2027-28)**

Year	Total Consumer Surplus from Zonal Travel Model (\$ million in real terms)	Price paid for SAM (\$ million in nominal dollars)	Total visitor Willingness to Pay after discounting at 4% pa real or 6.5% nominal pa	Existing SAM building rental \$m in real terms but discounted by 4%pa	NPV of terminal value of building in year 10 at \$25m	NPV per annum of measurable benefits \$ million
1	3.37	0.27	3.50	0.48	0.00	3.98
2	3.46	0.36	3.52	0.46	0.00	3.98
3	3.56	0.48	3.56	0.44	0.00	4.01
4	3.67	0.50	3.53	0.43	0.00	3.95
5	3.78	0.53	3.49	0.41	0.00	3.90
6	3.77	0.56	3.36	0.40	0.00	3.75
7	3.76	0.58	3.23	0.38	0.00	3.61
8	3.74	0.61	3.10	0.37	0.00	3.47
9	3.73	0.64	2.99	0.35	0.00	3.34
10	3.72	0.68	2.87	0.34	20.27	23.48
Net Present Value of benefits			33.15	4.06		57.47

**Table H.12 Measurable costs in \$ millions to the community due to the new art museum in years 1-10 (2018-19 to 2027-28)**

Year	Construction	Direct Expenses	Indirect expenses - interest - indirect revenue	Total Costs before discounting	Discounted Total Costs
0	34.50			34.50	34.50
1		0.37	1.16	1.53	1.44
2		0.43	1.23	1.66	1.46
3		0.50	1.33	1.83	1.52
4		0.52	1.37	1.89	1.47
5		0.54	1.42	1.96	1.43
6		0.55	1.47	2.02	1.38
7		0.57	1.52	2.09	1.34
8		0.59	1.57	2.15	1.30
9		0.60	1.62	2.22	1.26
10		0.62	1.67	2.29	1.22
Total Net Present Value of all costs					48.32

Putting the results of **Table H.11 and H.12** together provides the estimate of the Net Present Value of the project without considering benefits that are not measurable.

On the basis of the measurable benefits and costs the project has a measurable net present value over ten years of \$9.15 million.

However, extending the analysis period beyond the ten-year forecasting window would see the positive net present value reduced. As years 11-15 are expected to produce an increase in net present value of between \$1.5 and \$2m per annum – it is expected that the measurable net present value of the new art museum will be zero by the 15<sup>th</sup> year even without considering the termination value in this year of the building.

### **H.6 The underlying assumptions in the analysis and their justifications**

#### ***Critical cost assumptions***

The key assumptions are that the cost assumptions outlined in **Section 5** of this report prove accurate.

As per normal cost benefit analysis practice building depreciation and interest costs are not included, with these factors subsumed in the discount rate applied and the assumed terminal value of the building.

#### ***Assumptions underlying the forecasts for visitation to a new art museum***

The critical assumptions about forecast visitation are appropriately conservative. The key forecasts are that:

- The new art museum in its first year (2018-19), has only 6% more visitors than the Benalla Art Gallery and 25% fewer visitors than the Art Gallery of Ballarat had over the four years ending 2012-13
- The new art museum has a larger share of its visitation in 2018-19 from local residents than did Benalla Art Gallery or Art Gallery of Ballarat over the five years ending 2013-14, reflecting that
  - Benalla has a much smaller resident population than Shepparton and much better access by interstate and overnight domestic tourists travelling along the Hume Highway
  - Ballarat has much easier access for day trip visitors from Melbourne and Geelong,

as well as a stronger base of established attractions for local residents

- The new art museum builds its number of tourists at a healthy rate after opening (7% pa) as word spreads about the facility and its experiences, even as the number of local visitors grows only very slowly (less than 2% pa).

### **H.7 An assessment of the final distributional impacts**

#### ***Shepparton as a disadvantaged region***

As noted in section 6.2 the Shepparton region is arguably the most economically disadvantaged heavily populated region in Victoria.

Development of a new art museum promises to help redress this disadvantage, but a new art museum cannot on its own lead the Shepparton economy to sustainable fast economic growth. What it can do, as outlined in the discussion of direct benefits and of wider economic benefits in the introduction is to provide:

- A small increase in tourism to the Shepparton region off its current low base

- If 50% of the additional visitors to a new art museum are incremental visitors to Shepparton, this would increase total tourist visits to Shepparton by around 27,000 per annum or 4% and visitors spending by over \$3 million per annum.
- An iconic focus to the Shepparton Community in an updated lakeshore precinct. It is expected that the new art museum will be used for a wide range of community events that will give Shepparton a new image. Rebranding Shepparton is a vital issue to the local community, and a new art museum will be a significant contribution to this effort.
- Training to aspiring artists and art based businesses, including in the indigenous community. The proposed design of programs for the new art museum provides training for 3,400 people per annum in artistic skill and business development. In time this is expected to foster increased arts based businesses in the Shepparton region.
- Energise the lakeside precinct by fostering significant investment in facilities for tourists and further community assets.

In addition, the construction of this project will be a major economic generator over the two to three year construction period. On the basis, of the economic evaluation using REMPLAN methodology for the one third smaller Ballarat Museum and Exhibition Centre proposal, construction of the new art museum should generate around 165 full time construction jobs, paying estimated wages of around \$20 million. Using the REMPLAN methodology, this one third smaller construction project was estimated to create an economic impact from construction worth just over \$40 million.

***Expected creation of low skill jobs in tourist servicing***

One of the key distributional impacts with a new art museum is the creation of a number of low skill jobs in tourist servicing. Around 5% of Shepparton's current employment is based around tourist spending (ABS Census 2011, Table Builder). While tourism employment is sometimes criticised as low wage and part time, this ignores that tourism jobs are:

- Often the first jobs for young people – providing training in employment skills
- Often the first job from unemployment

- Sometimes high income for managerial roles and for some of the many tourism dependent small businesses.

***Expected impact on the indigenous community in the Shepparton region***

Related to the existence value of a major indigenous art collection at a new art museum is that a new art museum can provide an important boost to the recognition of indigenous culture and increase the confidence, labour force participation and health outcomes of indigenous people in Shepparton and beyond. This is a significant wider community benefit of a new art museum with the Gantner collection, mystery trail, recognition of aboriginal culture in the areas adjoining the new art museum and its building as well as other features that educate visitors about indigenous culture through its art.



**H.8 A description of the impacts that were not monetised, with explanations of why they were not monetised and the implications for the analysis**

***Implications of distributional issues***

The limited time available for this cost benefit analysis made it impractical to measure the impact of distributional issues, beyond noting that assisting Shepparton as a disadvantaged region will promote a better distribution of income for Victoria and Australia.

***Public access to previously private art collections dependent on this project***

This is an important benefit that arises from the governance model recommended for a new art museum. The new governance model is expected to see a range of previously private art collections housed or displayed at the new art museum.

***Implications of an excess burden of taxation for local Government rates and State Government***

It is recognised that there are costs of raising taxation revenue to cover both the construction and operating deficits of a new art museum. As noted in the Guidelines,

taxation generally creates an 'excess burden', which is a cost to society from taxation distorting economic behaviour. Where a proposal is to be funded by state taxation (e.g. through consolidated revenue), the Guidelines recommend that agencies could multiply all net financial costs by 1.08 as a conservative estimate for Victoria's excess tax burden. The Guidelines also note that the excess burden due to Council rates is very low at only 2%, compared to the 8% recommended for State Government taxation.<sup>15</sup> Applying an extra 8% to half the construction cost, with 2% applied to the other half reduces net present value of the project by \$1.6 million. Adding 2% to all running costs, as payable by Council, reduces the net present value by a further \$0.3 million. This deduction of just under \$2 million in net present value does not affect the decision on whether the project is in the community interest or not.

**H.9 Summary of the overall results**

Community welfare for the people of both Victoria and Shepparton is enhanced by development of a new art museum as per the approach to governance, building

<sup>15</sup> Victorian Department of Treasury and Finance, (2013) "Economic Evaluation for Business Cases Technical Guidelines", page 48-50.

and experience design recommended in this feasibility study.

A new art museum provides a far superior community welfare outcome to the continuation of the current SAM.

***NPV of the base case***

The net present value of continuing the current SAM is a negative \$10.73 million over the next 13 years, which covers the construction period and the first 10 years of a potential new art museum.

***NPV of the evaluated option***

The net present value of new art museum assessing only monetisable benefits and all costs is \$9.15 million in its first 10 years of operation, including a \$30 million terminal value of the building (before discounting).

This conclusion is reinforced if the forecast period is extended to 15 years rather than 10, as at the 15<sup>th</sup> year the project has a near zero monetised net present value not including the net present value of the terminal value of the building.

In addition, the case for a new art museum is further reinforced with consideration of the significant benefits of the project that could not be monetised. Inclusion

of values for the currently non-monetised benefits would further increase the positive net present value of the evaluated option.

***Key sources of risk and sensitivity testing of the NPV of the evaluated option to more pessimistic visitation and terminal building value assumptions***

There are three key risks to delivery of the evaluated option. The first is that the recommended governance model for this project is not fully implemented. Without the reformed governance model the dynamism/innovation in gallery experiences and access to private collections will not eventuate.

The second key risk is that the Visitor Information Centre (VIC) is not located adjacent to the new art museum. The forecast for tourist visitors are predicated on the basis that the VIC is located very near the new art museum and helps draw tourists to the new art museum. If the VIC is remote to the new art museum, tourist visitation to the new art museum will be lower by around 10,000 or 38% in year 1 and 15,000 or 32% in year 10. While this change will not significantly change the net present value of the project it will significantly reduce the tourism benefits to the Shepparton economy of a new art museum. This reflects that the major contributions to consumer

surplus are for local residents and residents in adjoining areas.

The third key risk is that the visitation forecasts will not occur. As noted earlier, the visitation assumptions for the new art museum from 2018-19 are conservative compared to the visitation over the four years to 2012-13 to the Benalla Art Gallery and Art Gallery of Ballarat.

If instead a 25% lower increase in local and tourist visitation over the existing SAM is assumed, this reduces total visitors in Year 1 from 87,000 to 74,000. This also reduces the net present value of total willingness to pay by 16% or around \$550,000 in the first year and the same percentage in year 10. Applying a 16% reduction to the \$33 million in willingness to pay leads to a reduction of \$5.3 million in the net present value of monetisable benefits. The overall project monetisable net present value also falls by \$5.3 million to \$3.85 million, so the project remains worthwhile even if it sustains a 25% lower level of growth in visitation than forecast – even without considering the value of non-monetisable benefits.

Owing to the use of 4% discounting, changes in the real terminal value of the building after ten years have a smaller impact on project viability. The net present

value of the project falls from \$9.15 million to \$2.40 million, if a \$20 million real terminal value is assumed instead of a \$30 million real terminal value of the building in the 10<sup>th</sup> year before discounting. So, even with a one third fall in the real terminal value of the building after the 10<sup>th</sup> year the project remains worthwhile.

**I. Benefit Management Plan Outline**

**I.1 Shepparton gains a new iconic attraction**

- KPI 1: Providing a gain in net welfare to the people of the State of Victoria
- KPI 2: Providing a direct boost to the economy through construction
- KPI 3: Providing a new reason for tourists to visit and stay longer
- KPI 4: Providing an indirect boost to business and consumer confidence in the region
- KPI 5: Providing a catalyst for further investment in tourism

**I.2 Cultural life of the community is enriched**

- KPI 1: Providing a meeting place for the multi-cultural community
- KPI 2: Providing increased recognition of indigenous art
- KPI 3: Developing indigenous arts industries in the region
- KPI 4: Integrating Indigenous and non-Indigenous art

**I.3 Shepparton becomes a State leader in indigenous culture and art and art education for young Australians**

- KPI 1: Attracts major philanthropic donations
- KPI 2: Provides popular educational experiences in indigenous art
- KPI 3: Providing popular educational experiences in art education for the young