



Regional  
Development  
*Australia*  
NORTHERN INLAND NSW

# Glen Innes Powerhouse Museum Business Case



# Executive Summary



The Glen Innes Powerhouse Museum project would involve the retention, remediation and repurposing of an iconic architectural structure and power-generating machinery – the now-defunct Glen Innes Power Station in Church Street, a site owned by Essential Energy – into a state of the art, multi-disciplinary, community-accessible, heritage and cultural destination.

In partnership with the Sydney Powerhouse Museum, the new attraction would not only display local heritage artifacts, but also exhibition material from the Sydney Museum which has over 500,000 objects collected over 135 years.

The Museum will contribute economically to the region in two ways: through admission revenues and through increased visitation from the burgeoning cultural heritage and education tourism market. The Museum will be an important regional heritage institution that will draw tourists to the New England region by capitalising on the region's strengths in cultural heritage, the science and education.

It is estimated the museum would attract an additional 18,000 new visitors annually to the Glen Innes Severn shire – 7,100 new day visits and 30,400 new overnight stays with 50% of these visitors from outside of NSW.

\$4.6M of additional tourist expenditure from these visitors would generate another 28 jobs for the local economy. The majority of this new expenditure is made in the food and accommodation sectors.



*The power station is a unique tourism draw-card for Glen Innes*



*18,000 new visitors to the Glen Innes Shire*



*\$4.6 Million of additional tourist expenditure*



*28 jobs will be created for Glen Innes*

After further investigation of Essential Energy's plans for this site, it appears that only two options for operating the museum are available to GISC:

1. Essential Energy retains ownership of the site and leases it to GISC at a peppercorn rate (\$0).
2. Essential Energy gift the site to GISC.

The key financial parameters for these two options (in the base case) which will be important for GISC are as follows:

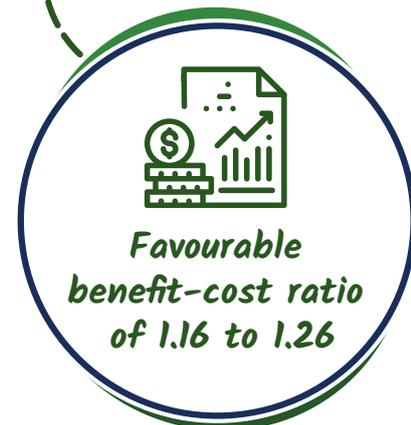
1. Peppercorn Lease Option:
  - Building modifications and fitout - \$2.5M grant funded
  - Maintenance/repairs - \$25,000 pa
  - Future asset renewal costs - \$150,00 pa
2. Gifted to GISC Option:
  - Building modifications and fitout - \$2.5M grant funded
  - Maintenance/repairs - \$30,000 pa
  - Future asset renewal costs - \$160,00 pa

Despite Essential Energy placing the site on the open market, these options seem reasonable given that previous Glen Innes councils were the original owners of the site before a change in legislation which saw the site handed over to the NSW Government at no cost.

Under these two options, with a base case capital cost of \$2.5M for the new museum works and with annual operating costs of \$442,000 to \$457,000, the project generates a favourable benefit-cost ratio of 1.16 to 1.26, driven by the additional visitor expenditure.

However, under most scenarios examined, the project would run at a net loss which would be borne by GISC if they were the museum operator. In the base case, this operational loss is \$144,000 to \$159,000 per annum.

This operational loss is driven largely by the need for GISC to set aside funds for the renewal of the museum assets.



## Recommendations and Actions

1. GISC to consider the results of this business case and in particular the two operating structure options and the operating budget implications of those options.
2. GISC to decide if operating the museum at a net cost to council is acceptable.
3. In conjunction with the Sydney Powerhouse Museum, further refine the museum layout and content so that a more accurate capital cost quote can be obtained. This will have implications for the best operational structure and the operational budget.
4. Submit an expression of interest to the real estate agent handling the sale of the site with two options – either Essential Energy retaining ownership and providing to GISC at a peppercorn lease or gifting the site to GISC.

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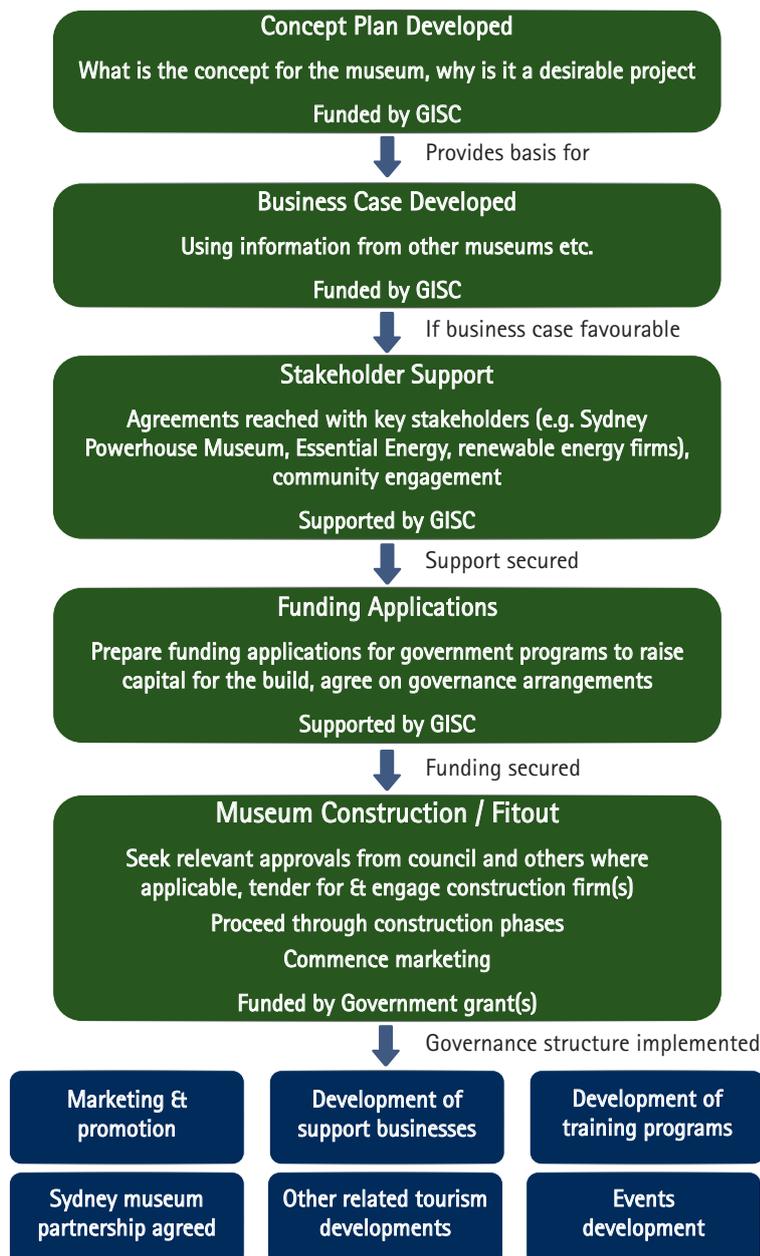
# Purpose of this Business Case



This business case and the accompanying concept plan provide a basis for Glen Innes Severn Council (GISC) to consider the merits of the Powerhouse Museum project. It represents a high-level investigation into whether or not it is worthwhile proceeding to the next stage of the project. It is a key analytical stage in ensuring that a valid and sustainable project exists (see Figure 1).

Note that a museum once existed on the proposed site, but had limited access and has not operated for over three decades.

Figure 1. The Project Development Process



# Issues Addressed

This business case addresses the following key issues:

- The need for the project – what is the case for change?
- What is the driving philosophy behind the project?
- How does the project align with local, state and national plans?
- What options have been considered?
- What are the characteristics of the project end-users?
- What is the unique selling proposition the project is offering? How will it differentiate itself from similar museums and hence be an attractive offering to potential visitors?
- What is the estimated additional visitation and expenditure generated by the project?
- An estimate of economic and social impact from this new visitation.
- An estimate of the financial self-sustainability of the project and potential financial implications for GISC.
- Project success – how would it be measured?
- Stakeholder support – who and how?
- Regulatory issues – what approvals will be needed to operate on the site.
- How will the project be funded, including on-going asset maintenance?
- An overview of project risks and risk mitigation strategies.
- Project governance and operational options – how to they compare?
- Preliminary benefit-cost analysis. This will be critical to attract grant funding.

## The Case for Change – Why is this Investment Needed?

This section of the business case provides supporting evidence about why the Powerhouse Museum is an important project to boost economic and social outcomes in the Glen Innes Severn LGA and provides additional economic benefit to New South Wales.

It presents information confirming the need for government intervention to address these issues, including the need for funding assistance if the project is to proceed.



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### Goal

**This tourism activation project will create an iconic, sustainable visitor destination that contributes economically, educationally and culturally to the New England region, providing a unique experience for the region's 3.0 million annual visitors (Destination NSW 2020) and 183,000 residents (ABS 2016).**

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# Glen Innes and its Economy

Glen Innes is a regional town located in Northern NSW 111kms south of the Queensland border, 579kms north of Sydney and 368kms south of Brisbane on the New England Highway. The population of the Glen Innes Severn LGA was 8,887 in 2019 (REMPLAN 2020).

As a tourist destination, Glen Innes has good proximity to the major population centres of Toowoomba (3.7 hour drive with a population of 161,000) and Brisbane (4.6 hour drive with a population of 2.3 million).

Historically like most regional centres in Australia, Glen Innes has relied on agriculture as the driver for its economy and this remains the case today with economic output and employment dominated by the agriculture sector, particularly livestock grazing enterprises (Figures 2a and 2b).

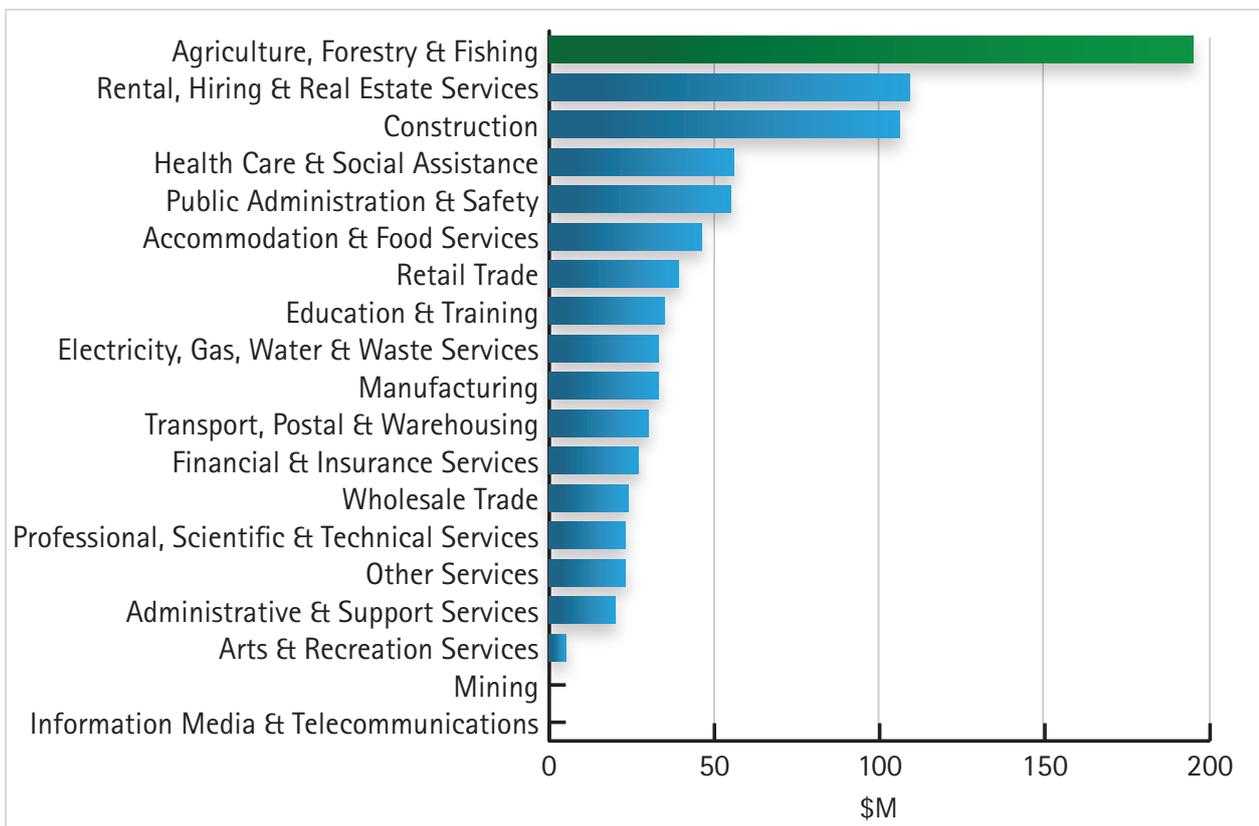
There is virtually no local value-adding to these products, so minimal economic capture of the higher returns available further along the supply chain.

Combined with an aging population and loss of youth (Figure 3) and a comparatively high level of youth disengagement (Figure 4), it is precisely this economic structure which drives the case for change and the need for investment in new economic activities.

A heavy dependence upon agriculture leaves the local economy vulnerable to the negative effects of climate, internationally determined commodity prices and the political whims of foreign government trade policies. Agriculture has become increasingly capital-intensive, shedding labour resulting in an ongoing reduction in employment opportunities for locals.

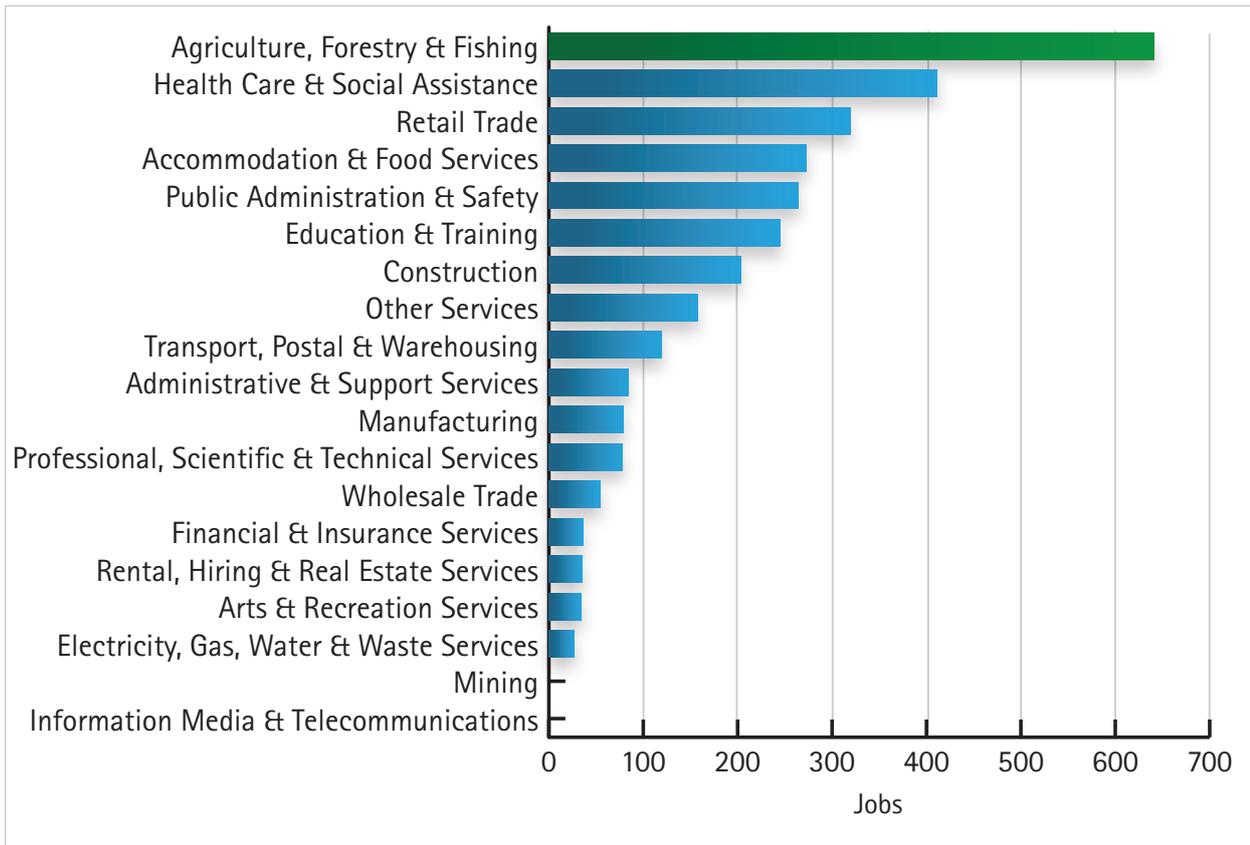


Figure 2a. Glen Innes Severn LGA Economic Output



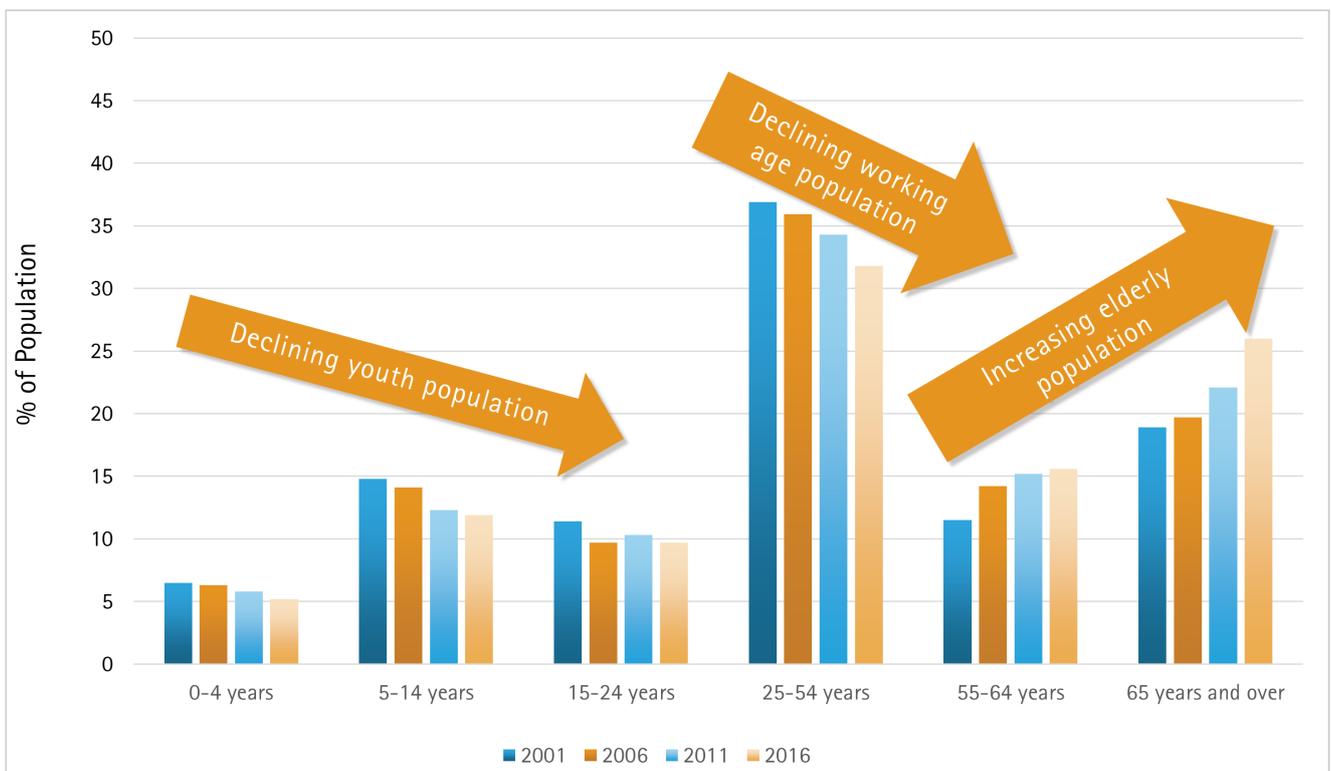
Source: REMPLAN 2021

Figure 2b. Glen Innes Severn LGA Employment



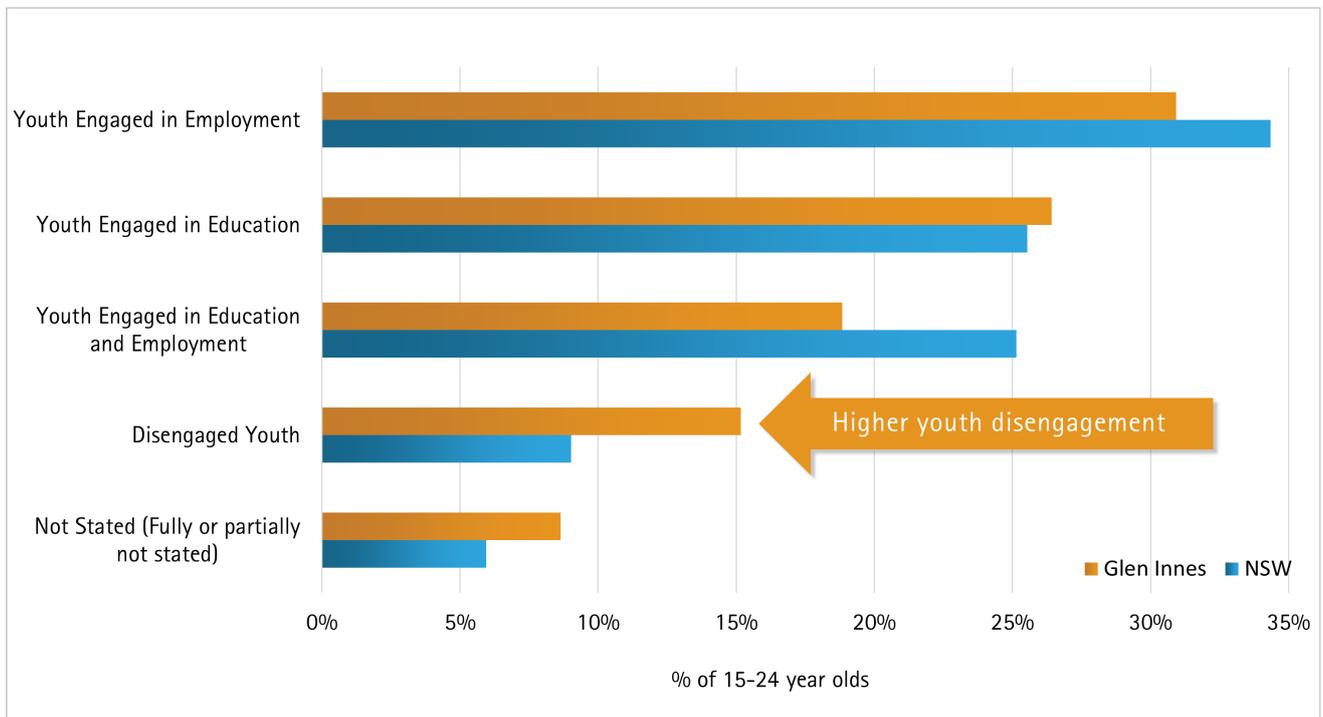
Source: REMPLAN 2021

Figure 3. Glen Innes Severn LGA Changing Population Structure



Source: ABS Census 2001-2016

Figure 4. Glen Innes Severn LGA Youth Engagement

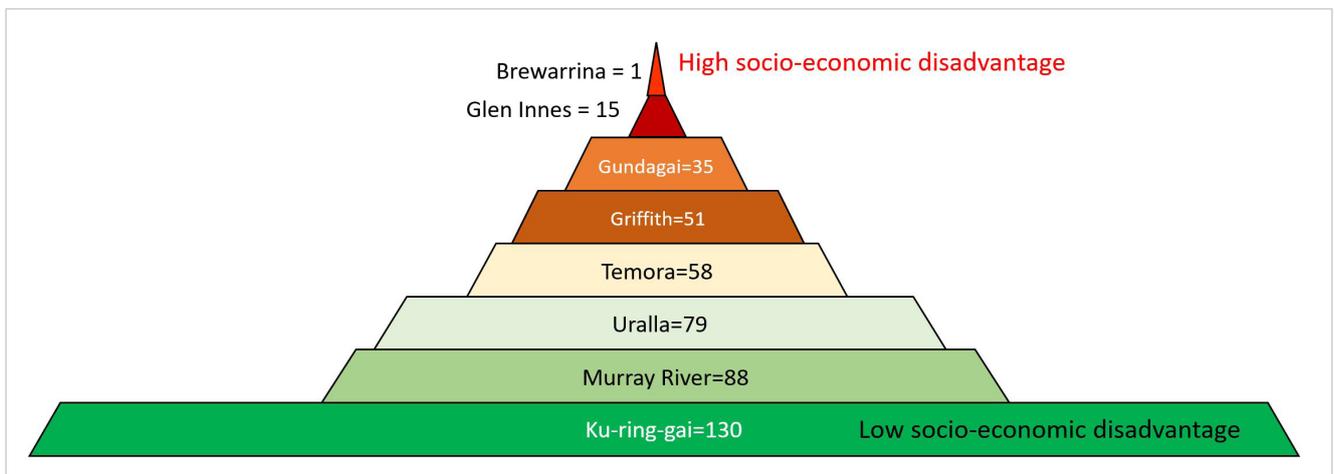


Source: REMPLAN 2021

Population rose by 2.2% between the 2011 and 2016 Census dates, however this driven by an increase in the over 55 age group while under 55 age groups have all fallen - a reflection in part of the lack of local employment opportunities.

In terms of socio-economic performance (based on factors such as income, education, employment and housing), the Glen Innes LGA performs very poorly ranking 15th worst out of 130 LGAs in NSW (Figure 5).

Figure 5. Socio-economic Disadvantage Index



Source: ABS 2020

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**Across a range of key economic and demographic measures there is a clear indication that the performance of the LGA is declining.**

**New economic opportunities are required to reverse this trend.**

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## Tourism in Glen Innes

Tourist visits to the Glen Innes LGA are dominated by those seeking country, natural environment and heritage experiences. The town is close to several National Parks including:

- Washpool National Park – gorge and rainforest scenery, camping, swimming, hiking.
- Gibraltar Range National Park – gorge and forest scenery, camping, swimming, hiking, mountain biking, picnic areas, colonial history relics.
- Mann River Nature Reserve – scenic views, fishing, picnicking, camping.

Other key activities and tourist attractions have a strong heritage theme including:

- Australian Celtic Festival and Celtic tours.
- Australian Standing Stones – a Celtic monument.
- Fossicking for gemstones.
- Land of Beardies History House Museum – includes some powered vehicle displays and these could be included in the Powerhouse Museum.
- Emmaville Mining Museum.
- Over 50 heritage-listed buildings in Glen Innes and more in surrounding villages.
- A Gem Festival.
- The largest annual gem, fossicking and jewellery show in Australia.
- Adventure sports including kayaking and canoeing, fishing, fossicking, hiking, mountain biking or road touring.
- Indigenous culture and arts and crafts.
- Garden visits.
- Farm stays.

The Glen Innes township is also located on the New England Highway, a major north-south traffic route between Sydney and Brisbane. Many visitors stop while passing through on their way to other destinations. Similarly, the proximity to the east-west Gwydir and Bruxner Highways links the Glen Innes area to the north coast and northern inland areas of NSW providing further through traffic. Both these key transport routes establish opportunities to have travellers stay in Glen Innes for longer periods.

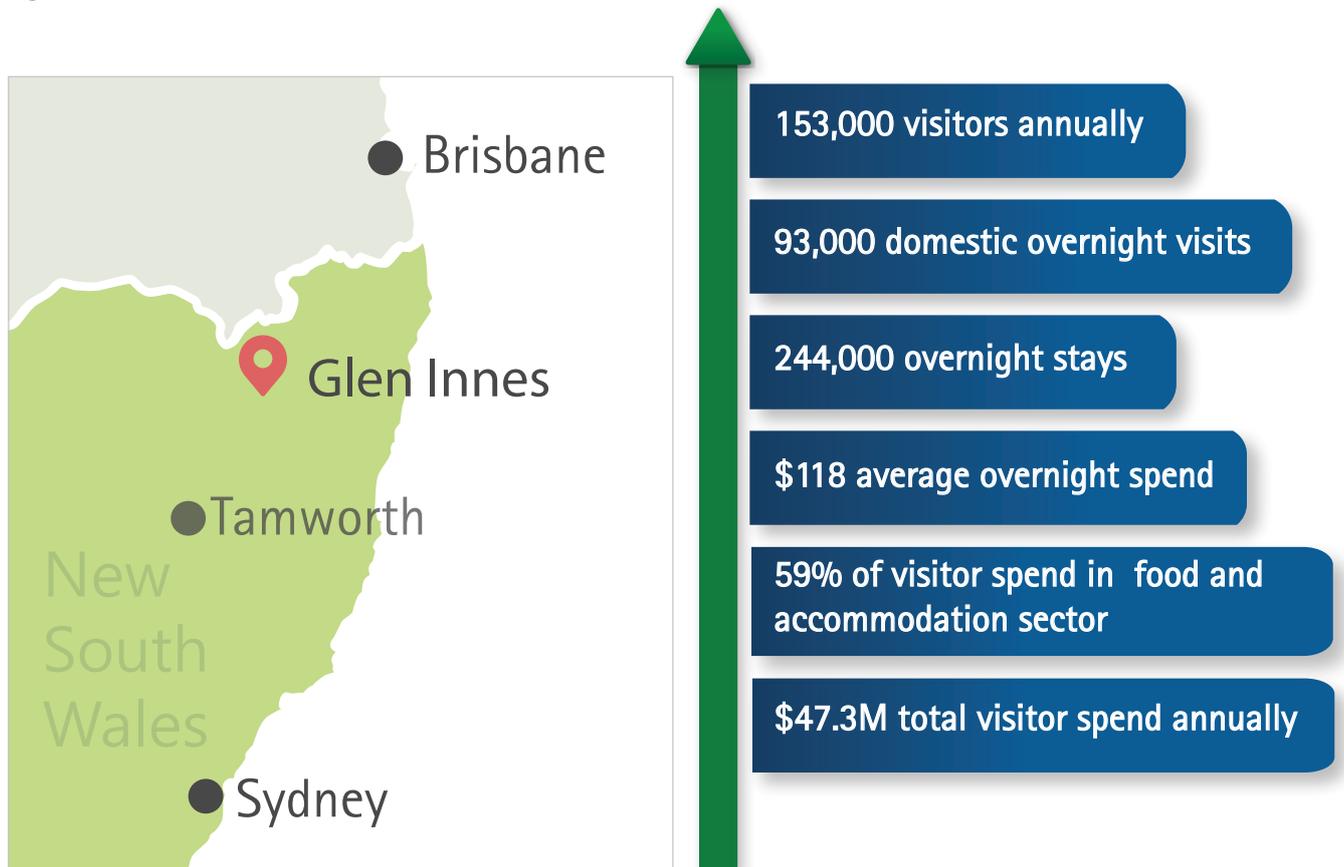
Current visitation to the Glen Innes LGA is summarised in Figure 6. At present, domestic overnight visitors stay an average of 3 nights. International visitation stays are documented at 4 nights, but with an average spend of only \$45 per night, this suggests they are staying with friends/relatives rather than in commercial accommodation so the local economic benefits are lower (Tourism Research Australia (2019), REMPLAN (2021)).

Tourism Research Australia (2019) report 119 businesses in the Glen Innes LGA as being involved in the tourism sector with 56% of those businesses employing at least one other person in addition to the business owners. 37% of those businesses have 1-4 employees.

A key objective of the Powerhouse Museum project is to extend the number and length of overnight stays and the daily spend for both domestic and international visitors, thus contributing to the social mission of stimulating the local economy and improving socio-economic performance within the Glen Innes LGA.



Figure 6. Glen Innes Visitation



Sources: Tourism Research Australia (2019), REMPLAN (2021)

The broader New England–North West tourism region of which Glen Innes is a part reports annual visitation of 4.1 million people, 5.8 million overnight stays, annual visitor expenditure of \$1.1 billion and an average spend per night of \$152 per person in the year ending September 2019 (Destination NSW 2019). 34% of these visitors were in the 50–69 years age group, which is a strong demographic for heritage-focused tourism (Destination NSW 2019).

In the year ending September 2020, visitation dropped significantly due to the Covid pandemic, however there were still 3 million visitors to the New England North West region staying 4.1 million nights and spending \$0.8 billion. 48% of these visitors were in the 50 years and over age group.

Day trip visitors to the region spent on average \$131 per day while overnight visitors spent on average \$144 per night, and \$410 for their entire trip. On average, overnight visitors stay 2.9 nights.

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**Tourism in Glen Innes is dominated by domestic visitation with visitors attracted to the rural outdoor lifestyle, scenery, heritage and cultural attractions and urban escape opportunities. Its location on the intersection of important north–south and east–west highways and proximity to high population centres in south–east Queensland provide opportunities to boost visitor numbers if new attractions and amenities can be created.**

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# Strategic Alignment

The Powerhouse Museum project has strong alignment with a number of local, state and national policies as summarised in Table 1.

Almost exclusively these policies refer to growing the visitor economy and employment in regional NSW.



Table 1. Project Strategic Alignment

Policy	Alignment
<p><b>Northern New England High Country Regional Economic Development Strategy</b></p> <p><b>"A region seeking to encourage economic development should therefore concentrate on factors that enable the growth of endowment-based industries, as well as building local leadership and institutional capacity and capabilities to facilitate businesses and public agencies and services to capitalise on the opportunities that a region's endowments present."</b></p> <p><b>"Tourism is another important industry in the Region. Accommodation and Food Services (which is a proxy for tourism) is the 4th largest employer. It is also independent of agricultural industries, helps raise the profile of the Region and plays a part in relocation decisions. There are opportunities to continue to grow the 'short-break' and day visitor markets from south east Queensland and the Northern Rivers area of NSW, as well as the special interest and activity-based markets and the long-haul touring market."</b></p> <p><b>"Grow the tourism sector (visitor economy) through product development, improved signage, marketing promotion, and growing the events sector".</b></p> <p><b>"Investment in the tourism sector including:</b></p> <ul style="list-style-type: none"> <li>• product development – improving existing attractions and facilities and developing new attractions</li> <li>• improved tourism signage</li> <li>• improving the quality and range of event facilities".</li> </ul>	<ul style="list-style-type: none"> <li>• Provides an additional tourism attraction which utilises the heritage and cultural endowments of the region.</li> <li>• Upgrading the historical, educational and visual amenity opportunities for both visitors and the local community.</li> <li>• Providing additional opportunities to boost overnight stays.</li> <li>• Drive growth of the local economies and employment opportunities through enriching the visitor experience and complementing the wider array of New England North West tourism experiences.</li> <li>• Provide further diversification for the NSW regional economy.</li> <li>• Provide new tourism job training opportunities.</li> </ul>

Policy	Alignment
<p><b>New England North West Regional Plan 2036</b></p>	<ul style="list-style-type: none"> <li>• Goal 1 Direction 7: "Build strong economic centres".</li> <li>• Goal 1 Direction 8: "Expand tourism and visitor opportunities".</li> <li>• Goal 4 Direction 17: "Strengthen community resilience," 18: "Provide great places to live," 19: "Support healthy, safe, socially engaged and well-connected communities".</li> </ul>
<p><b>Glen Innes Highlands Destination Management Plan Summary 2021-2026</b></p> <p>"The on-going development of the visitor economy is a priority for Glen Innes Severn Council (GISC) and the Glen Innes Highlands (GIH) community. GISC is the key driver of, and stakeholder in, the visitor economy".</p>	<ul style="list-style-type: none"> <li>• Provides an additional tourism attraction which utilises the heritage and cultural endowments of the region.</li> <li>• Providing additional opportunities to boost overnight stays.</li> <li>• Interact socially with locals and other travellers – to hear their 'stories' and to 'learn'.</li> </ul>
<p><b>Glen Innes Council Community Strategic Plan 2017-2027</b></p> <p>"Review tourism opportunities and promotion with a particular focus on strengthening accessibility and providing incentives to draw visitors into the Glen Innes Highlands."</p> <p>"The community would like to see the heritage character preserved, particularly civic and business buildings along Grey Street in Glen Innes."</p> <p>"Improve opportunities for passive recreation opportunities around our natural and heritage assets".</p> <p>"The visitor economy is a significant economic contributor for Glen Innes with a number of local tourist attractions and events including the Australian Standing Stones and the Celtic Festival".</p>	<ul style="list-style-type: none"> <li>• Diversity local tourism attractions.</li> <li>• Would generate further tourism business opportunities.</li> <li>• Increase visitation.</li> </ul>

Policy	Alignment
<p><b>Glen Innes Severn Council Delivery Program 2017-2021</b></p> <p>"Review tourism opportunities and promotion with a particular focus on strengthening accessibility and providing incentives to draw visitors into the Glen Innes Highlands."</p> <p>"Ensure heritage planning controls continue to be included in the LEP."</p> <p>"Better utilise existing heritage grant budget provisions and advocate for additional funding and/or supplement funding from Council's funds".</p>	<ul style="list-style-type: none"> <li>• Diversifies the destination proposition for tourists.</li> <li>• Increases tourism spend.</li> <li>• Conservation and expansion of local heritage attractions.</li> </ul>
<p><b>Restart NSW/Rebuilding NSW</b></p> <p>"The Government is committed to supporting the development of strong, diverse and innovative regional communities across New South Wales and making those communities appealing places for people to live, work and invest".</p>	<ul style="list-style-type: none"> <li>• Providing a high-quality tourist destination for both visitors and the local community.</li> <li>• Improving the amenity appeal/opportunities in the region.</li> <li>• Diversifying the local economy further.</li> </ul>
<p><b>State Infrastructure Strategy</b></p> <p>"productive regional industries and connected regional communities".</p>	<ul style="list-style-type: none"> <li>• Working with other community groups to provide new &amp; upgraded heritage facilities.</li> </ul>
<p><b>NSW Visitor Economy Industry Action Plan 2030</b></p>	<ul style="list-style-type: none"> <li>• Aligns with all strategic imperatives (1-7) outlined in the final report. This includes increase visitation, grow physical capacity, renew and revitalise a NSW destination, improve the visitor experience, increase visitor spend, make NSW more competitive and change of mindset.</li> <li>• Contributing to the NSW Government's strategic target of doubling overnight visitation by 2020.</li> <li>• Improve the visitor experience through new facilities, diversified offerings through non-water recreation.</li> </ul>

Policy	Alignment
<p><b>Create in NSW &amp; the NSW Arts and Cultural Policy Framework 2015</b></p> <p>"arts and culture are central to the life of the state"</p> <p>"...focuses on increased access for audiences, organisational strength, and artistic and business excellence across NSW, with an emphasis on regional NSW, Western Sydney and metropolitan Sydney."</p>	<ul style="list-style-type: none"> <li>• Increased access to heritage and cultural exhibitions/items in regional NSW and Sydney.</li> <li>• Curatorial knowledge transfer to a regional area to develop/improve tourism offerings.</li> <li>• Support creative industry jobs and partnerships.</li> </ul>
<p><b>NSW 2021 Plan. A Plan to Make NSW Number One</b></p>	<ul style="list-style-type: none"> <li>• Improve the performance of the NSW economy through development a new tourism asset.</li> <li>• Drive regional economic growth through development of a core capability of the Northern Inland.</li> <li>• Increase the competitiveness of doing business in NSW through development of a new NSW tourism asset.</li> </ul>
<p><b>Destination Country and Outback NSW Destination Management Plan 2018-2020</b></p> <p>"Support regions to leverage and plan for new and potential opportunities, for example the proposal under consideration for a New England Rail Trail from Armidale to Wallangarra in Queensland"</p>	<ul style="list-style-type: none"> <li>• Boost brand awareness through heritage and cultural based tourism for 'visiting friends &amp; family' visitation market segment.</li> <li>• Compliments the potential New England Rail Trail which at present would terminate in Glen Innes.</li> </ul>

## Anticipated Outcomes

Project outputs and outcomes are summarised in Table 2 along with the inputs required to achieve these results.

Again it is important to state that the project has both social and commercial objectives.

Social objectives include:

- Preservation, storage and improvement of important local heritage/cultural assets.
- An economic boost to the Glen Innes economy through increased visitor expenditure.
- Local job creation.
- Reduced youth unemployment/disengagement.
- A partnership with an internationally recognised museum (Sydney Powerhouse) providing a regional location for their displays and skills training for local museum staff.
- Partnerships with local renewable energy providers.
- Local volunteer opportunities and a place for enthusiasts to maintain and share their mechanical/restoration skills.
- Fact-based audience development and educational opportunities.
- A place for families, both local and traveling.



Commercial objectives include:

- Increased turnover in existing local businesses which support the visitor economy.
- The development of a heritage trail/heritage tours which financially benefit a number of venues in the region.
- Greater exposure to Sydney Powerhouse Museum exhibits.
- Improve local tourism and heritage display skills.
- A local heritage museum which is financially self-sufficient and not a major drain on local ratepayers.
- Financial input from local renewable energy firms.



Table 2. Project Output and Outcome Logic

Objective	Inputs	Activities	Outputs	Outcomes	Benefits
Develop the Concept Plan	GISC funding, stakeholder consultation and feedback, consultants time	Consultant & GISC liaison with stakeholders to agree on the museum concept	Concept Plan developed	Project can proceed to Business Case development	Stakeholder agreement on the concept allows progression to investigate the feasibility of the plan
Develop the Business Case	GISC funding, stakeholder consultation and feedback, consultants time, Sydney Powerhouse Museum to agree on Concept Plan & partnership	Consultant & GISC liaison with stakeholders esp. Sydney Powerhouse Museum. Background research and financial analysis.	Business Plan Completed	Feasibility of the proposal analysed, options considered to identify the best business model	Robust business case is available to form the basis of funding applications and to ensure community and GISC support for the project
Form partnerships with Sydney Powerhouse Museum and local renewable energy firms	GISC, stakeholder & consultants time	Meetings with Sydney Powerhouse Museum & local renewables firms	Formal agreements with Sydney Powerhouse Museum & local renewables firms	Project can proceed to funding application stage	Formal partnership agreements will significantly boost the financial and operational credentials of the project
Apply for capital funding grants	As above	Identify suitable funding options and write applications	Funding applications submitted	Capital funding secured	Project can proceed to construction & fit-out stage
Construction/fit-out complete & museum open to the public	GISC, contractors, stakeholders, Sydney Powerhouse Museum, volunteers, paid staff time and materials	Tendering process, site construction & fit-out, sourcing of exhibits, staff recruitment & training, volunteer recruitment	Museum completed, staffed and operational	A major new tourist attraction for Glen Innes	Increased visitor expenditure and economic activity in Glen Innes, a new local community venue, improved staff skills, new exhibition opportunities for the Sydney Powerhouse Museum

## Stakeholder Support

The project was established initially in collaboration New England Heritage Traction Club as a community-led opportunity. Council engaged Chris Earl, Regional Renewal Consultant to conduct a preliminary appraisal for the ideal of reinstating the Glen Innes Powerhouse Museum with the following ambition:

“ To bring to the regional community of Glen Innes in the NSW New England High Country a collaborative partnership with Powerhouse Museum Sydney through the sharing of its collection and the creation a Regional NSW Powerhouse, including either first-run exhibitions or exhibitions given a regional run following the Sydney showcase – sharing the state’s historic collection with regional NSW, growing regional destination tourism and local economies”.

The report clearly outlined that the central repository model of collection and exhibition does not fully share the treasures of history and achievement with rural and regional communities and diminishes their ability to carve out a unique place in regional destination tourism. The model also has metropolitan areas keeping a tight hold on curatorial and preservation skills that should be at the forefront of sharing history in regional areas.

In contrast, over the past 20 years, Britain has developed a more inclusive, supportive and resourced model for engaging its country in cultural and historical collections through the establishment of several “regional” branches.

Good ideas are driven from local communities. However, flexibility in concept discussion stage will be essential in firstly, gaining interest and attention from potential supporters and stakeholders, and secondly, advance a great idea well beyond a passionate discussion.

This is why Council funded the development of the Glen Innes Powerhouse Museum proposal and embarked on developing a business case to determine the operating model, capital expenditure and the social and economic impact of the idea.

Other community group in support of the project included The Men’s Shed, the History House Museum and the Glen Innes and District Services Club.

Council’s Heritage Adviser was also engaged along with the Chief Executive and Director, Curatorial, Collections and Exhibitions of the Museum of Applied Arts and Sciences. We were delighted to share our proposal and receive a letter of support from the Sydney Powerhouse Museum giving us confidence in progressing with the proposal and business case development.

Regional Development Northern Inland were appointed to do the proposal and business case given their experience in delivering quality business cases grounded in the fundamentals of economics which has secured the benefit and viability of the Glen Innes Powerhouse Museum.

Council submitted a request to Essential Energy to open direct conversations on the Essential Energy building where the historic assets are located, however and unfortunately, decided that the building would be placed on the open market.

It is the opinion of the community groups, the Heritage Adviser and GISC that this asset should be returned to the community and developed into the Glen Innes Powerhouse Museum in partnership with Sydney Powerhouse Museum and return to the community social and economic growth and prosperity. Letters of support are in Appendix 2.

## Project Description

The Powerhouse Museum in Glen Innes is likely to cost in the vicinity of \$2.5M (detailed plans and costings have not yet been made) and involves the retention, remediation and repurposing of an iconic architectural structure and power-generating machinery – the now-defunct Glen Innes Power Station in Church Street, a site owned by Essential Energy – into a state of the art, multi-disciplinary, community-accessible, heritage and cultural destination.

In partnership with the Sydney Powerhouse Museum, the new attraction would not only display local heritage artifacts, but also exhibition material from the Sydney Museum which has over 500,000 objects collected over 135 years.

Travelling exhibitions from Museum of Applied Art and Sciences (Sydney Powerhouse Museum) are designed for a range of venues and audiences including galleries, museums, libraries and small local venues. Exhibition packages generally include the display and also promotional and educational material. In many cases, Museum staff can assist with installation, opening, publicising and dismantling of the exhibition. The level of security, climate control and size of venue required by each show varies and is assessed by a facilities report.

Adaptive reuse of industrial sites is increasingly recognised as the most effective way to preserve precious cultural histories while sustainably transforming disused sites into commercially and culturally viable community assets.

The Museum will contribute economically to the region in two ways: through admission revenues and through increased visitation from the burgeoning cultural heritage and education tourism market. The Museum will be an important regional heritage institution that will draw tourists to the New England region by capitalising on the region's strengths in cultural heritage, the science and education. Annual visitation from over 18,000 new day and overnight visitors will contribute over \$4 million per year to the local and regional economy.

Key tasks to be achieved in realising the project include:

- Formalising a partnership with the Sydney Powerhouse museum to share exhibits and staff experience.
- Understanding the requirements (e.g. climate control) that the Sydney Museum requires for display of their exhibits.
- Securing exclusive ownership of or access to the site either through purchase or leasing.
- Designing the museum layout.
- Designing the museum fitout including any interactive or digital displays.
- Designing any building structure changes required.
- Designing the reception area and café.
- Obtaining a firm quote(s) for the cost of the construction works.
- Sourcing display material from other museums and private sources.
- Establishing an entity to oversee museum construction and on-going operations.
- Calculating staff requirements.
- Sourcing funding for the capital works – building modifications, fitout and display relocation costs.
- Finding an operator to lease the café.
- Sourcing contractors to conduct the build and fitout.
- Marketing and communication activities to attract visitors.
- Deciding upon a governance and operational structure for the museum.

## The Museum Market

Families are a key audience for museums in Australia. In regional museums in New South Wales, contrary to established beliefs, almost one-third of visitors are families. Families value spaces for young children within museums that are enjoyable, promote hands-on learning, and stimulate children's curiosity and creativity while providing a chance to explore and discover within the special context of the family. Interactive, hands-on and playful space that engages all the senses through continually updated exhibitions are important (Kelly 2011).

---

### 1.6 million Australians visit museums or galleries each year.

**During July 2020 (i.e. during Covid), a survey of audience members revealed one in four had attended an arts or cultural event in the last fortnight with museums and galleries the most common venues.**

**(Australia Council for the Arts 2020)**

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"On a grassroots level the integration of arts and cultural experiences has been shown to build community identity and pride, leading to the establishment of positive community norms, such as diversity, tolerance and free expression. The arts has long been viewed as a lens through which communities and individuals can view, understand and express themselves free from onerous political consequence" (Johnstaff 2018, Final Business Case New Western Sydney Museum).

Research has shown that visitors seek the following features when visiting museums:

- Experiences that encourage discovery, interaction, cater for the unexpected, provide many pathways to explore, give a taste for what happens behind-the-scenes and are fun.
- Content that is challenging, real, authoritative, meaningful, encourages questions and is well-organised and easy to navigate.
- Staff that can relate to all kinds of visitors, are respectful of visitors' ideas and views, are knowledgeable in their field and are easy to talk to.
- Opportunities to socialise, hang out with family/friends and learn together (Australian Museum 2009).

However, the way in which many visitors interact with museums has changed radically in the age of the smartphone. Many of the younger generations don't just want to look at interesting collections as they can do that from their smartphones.

With such easy access to information from all over the world it is easy to understand why cultural institutions worry about attracting new museum visitors when there is so much content already available in virtual settings. But there are some experiences that are much more than the virtual world can offer (Straughan 2019).

Key contemporary aspects of museum visitation are:

1. A social media presence – many people will visit after a review, video or photo they have seen online. A preview of a museum by a potential visitor may convert them into an actual visitor. Allow visitors to share museum content online – this is free marketing.
2. Providing social spaces - collections may be highly focussed but cafés, conference and outdoor spaces can play host to all sorts of community groups that don't share the obvious interests within the museum.
3. Educational spaces – educational spaces especially for children can provide a key market segment.
4. To continually attract new audiences operators must strive to keep the museum attractive, interesting and relevant as a social space and community resource.

5. Museum seating is universally desired by visitors.
6. The people who work at the museum will shape its reputation, image and visitor experience.
7. The availability of interactive hands-on activities.
8. The availability of smartphone apps to guide visitors through the exhibits – recognise that the biggest competitor for visitors is often not other museums, but digital technology that keeps people at home.
9. Holding unique events at the museum can convert one-off visitors into repeat customers.
10. Build partnerships to add more value beyond what the museum can offer.

Figure 7 describes the characteristics of two key museum visitor market segments. This is further refined in Figure 8.

Given the nature and location of the proposed Glen Innes Powerhouse museum, it is likely that visitation will be dominated by the non-core visitor group and by browsers and followers (see Figure 7 and Figure 8 for definitions), at least initially until the museum gains a wider reputation and following. This is because passing travellers on the New England Highway and school/tour groups are likely to be primary visitors and therefore museum exhibit material, facilities and marketing/communications must be aimed at this audience.

However, as the museums reputation grows, and as exhibits are shown from the Sydney museum, enthusiasts including searchers and researchers are more likely to visit. As time goes on, this may require some shift in exhibit types, facilities and marketing/communication efforts.

Figure 7. Broad Heritage Museum Visitor Segments

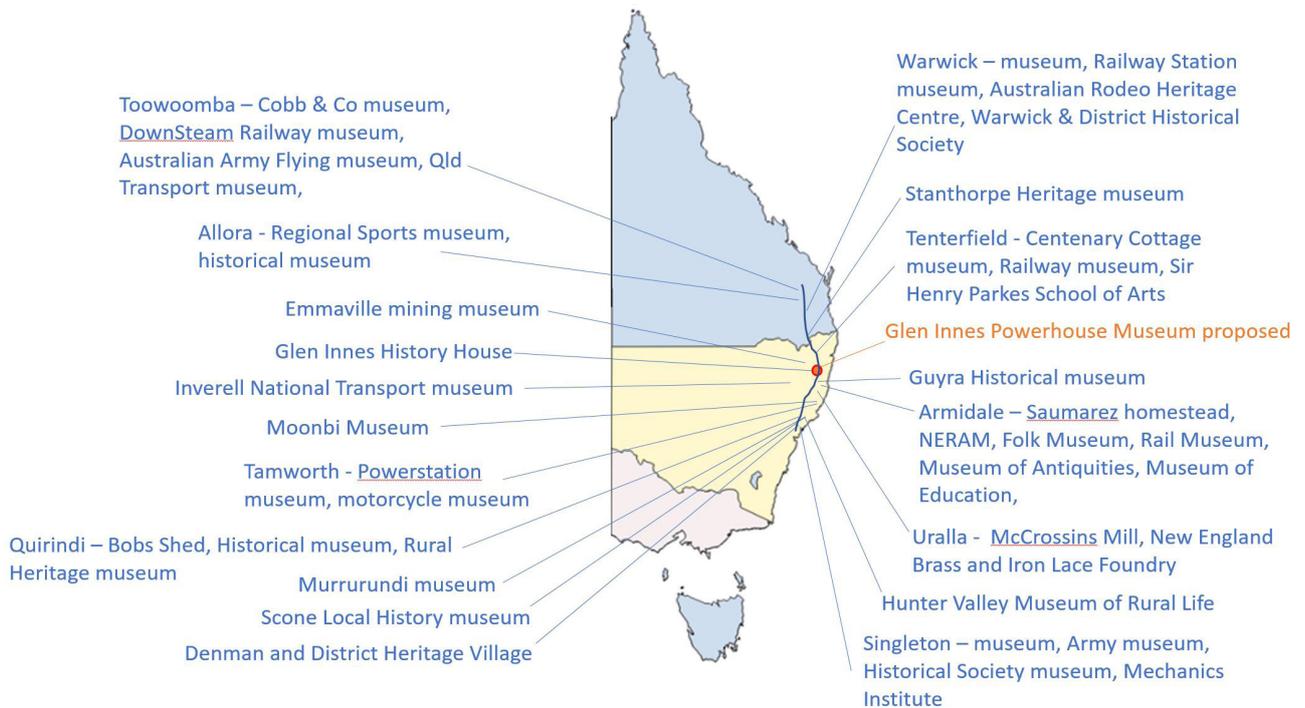


Figure 8. Refined Museum Market Segments

Key Market Segment	Type of Engagement	Why?	What?	How?
Browser	Passive / reactive	<p>Awe and wonder:</p> <ul style="list-style-type: none"> <li>• Visually arresting</li> <li>• Famous</li> <li>• Intrinsic appeal</li> </ul>	<p>Just enough objects to look at</p> <p>Headline information catch attention</p>	<ul style="list-style-type: none"> <li>• Impact on the senses</li> <li>• Involving</li> <li>• Interactive displays</li> </ul>
Follower	Passive / reactive	<ul style="list-style-type: none"> <li>• Points of engagement and connection</li> <li>• Promised experiences or outcomes</li> <li>• Themes and narratives</li> </ul>	<p>Enough objects to constitute themes (some objects could repeat)</p> <p>Enough information to develop themes</p>	<p>Mix of media to involve in themes:</p> <ul style="list-style-type: none"> <li>• Lo-tech, eg. Information sheets</li> <li>• Hi-tech, eg. Audio, video, digital, 2D, 3D</li> </ul>
Searcher	Proactive	<ul style="list-style-type: none"> <li>• Need to be able to locate objects of interest</li> <li>• Signposts to contextual information if required</li> </ul>	<ul style="list-style-type: none"> <li>• All objects in the collection</li> <li>• Enough information to identify and distinguish objects of interest</li> <li>• Clear description and explanation</li> </ul>	<ul style="list-style-type: none"> <li>• User friendly way of accessing information</li> <li>• Glossary or key to jargon and codes</li> <li>• Pictures</li> <li>• Information to take away</li> </ul>
Researcher	Proactive	<p>As for Searcher plus:</p> <ul style="list-style-type: none"> <li>• Ability to search for particular items</li> <li>• Detailed provenance</li> <li>• Links to academic sources of information, publications</li> <li>• Location of related collections</li> </ul>	<p>As for Searcher plus:</p> <ul style="list-style-type: none"> <li>• Links to similar collections</li> <li>• Authoritative, scholarly commentary</li> <li>• Physical/ technical data</li> </ul>	<ul style="list-style-type: none"> <li>• Functional, uncluttered way of accessing information</li> <li>• Pictures</li> <li>• Information to take away</li> </ul>

It must be acknowledged that there are numerous museums along the New England Highway between the Hunter Valley in the south to Toowoomba in the north (Figure 9). While the size, quality and accessibility of these varies enormously, the fact remain that there is a lot of competition for museum visitors along and just off this highway route.

Figure 9. Museums Along the New England Highway Tourist Route



Museums need wide appeal, not just interest.  
 They must educate and entertain through a variety of programs.  
 (Kaufman 2018)



## Museum Operational Considerations

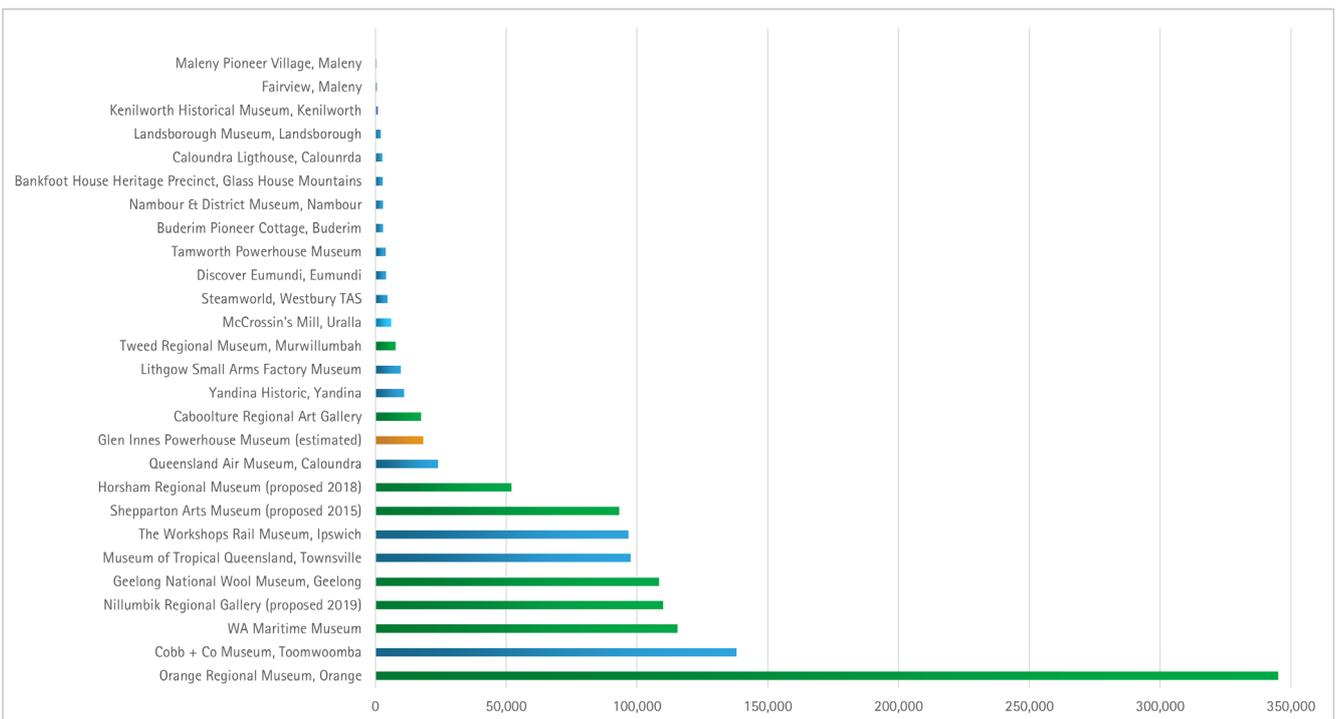
In developing this business case for the Glen Innes Powerhouse Museum, there are a number of operational aspects that need to be considered. Insights into these issues have been gained by researching key operational aspects of other museums and galleries as outlined in the following sections.

### Annual Visitation

Annual visitation to the museum is clearly the major driver of museum profitability and will dictate many of the operational aspects such as opening hours and staffing. Figure 11 shows a range of visitation numbers from other heritage-type museums on the east coast of Australia. Those shown as blue bars are smaller local museums, while the green bars represent larger regional museums.



Figure 10. Visitation Precedents



Key drivers of visitation to the proposed Glen Innes Powerhouse Museum will be:

- **Passing traffic** on the New England Highway and the number of travellers who will be interested to stop and visit. Having a café on-site will be an attraction (e.g. travellers stopping for lunch), as will visibility and other advertising which improves the knowledge and appeal of the museum. Easy access to parking will be important.
- **The quality/uniqueness of the displays/exhibits.** Museums which develop a reputation for possessing interesting and interactive displays will always attract more visitors than those with static displays. This will be particularly important to attract school groups and families.
- **Facilities.** Access to clean toilets, a gift shop, café and seating areas will be important for many potential visitors and passing travellers, particularly those in the older age groups. Tour groups will require quality facilities of these types.
- **Opening hours.** This will be a key determinant of visitor numbers.

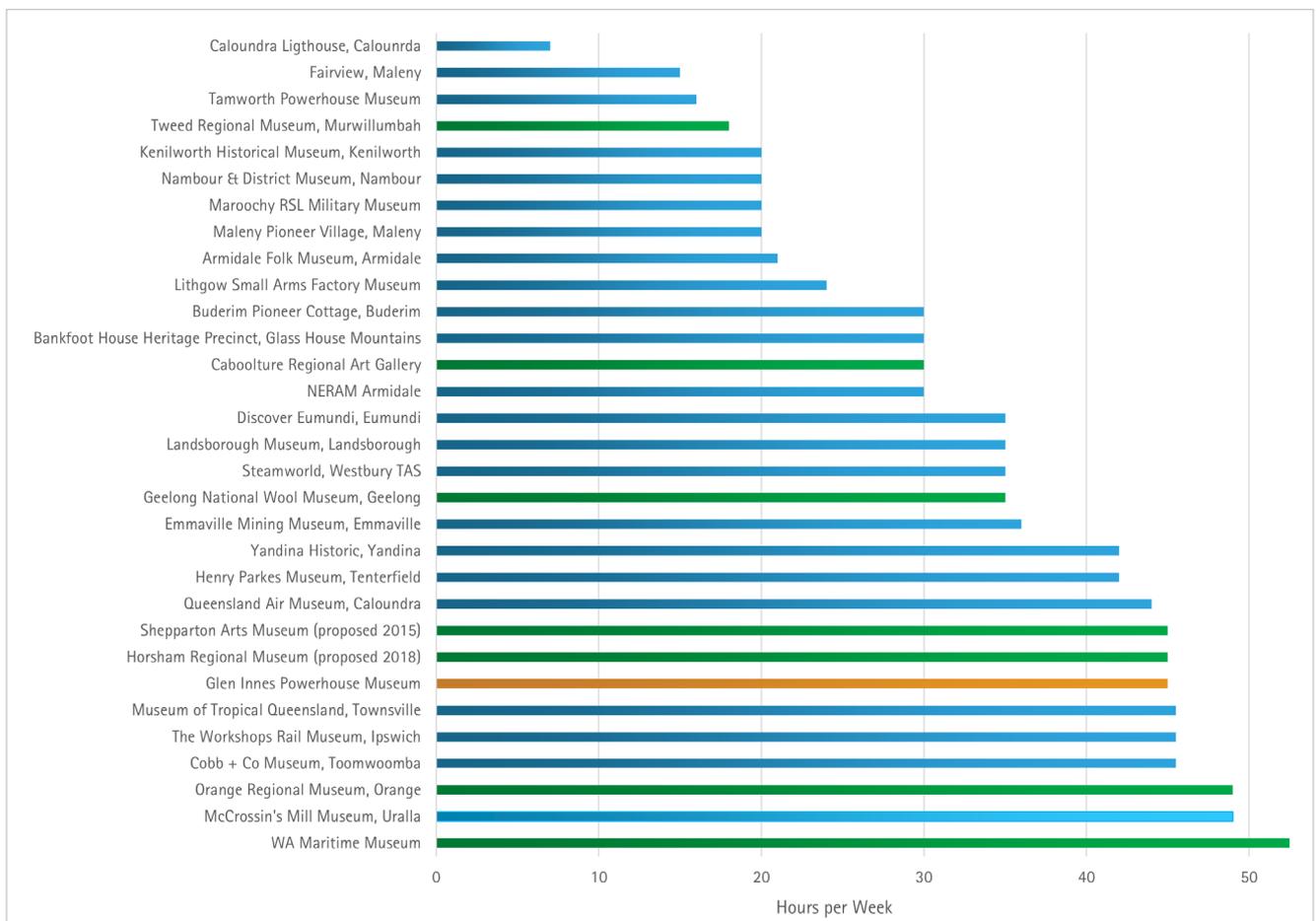
## Opening Hours

Many small local museums have quite limited opening hours and visitation is low. In the past, the previous Glen Innes Powerhouse Museum had limited opening hours, or was only open on special request. This situation must change if the new museum is to become a commercially viable venture or at least operate on a break-even basis so as not to require council/ratepayer subsidisation.

Staffing (both paid and volunteers) will be a key factor in determining opening hour options. Given the location on the New England Highway and the importance of passing traffic to the site, opening on weekends is likely critical to the financial sustainability of the museum.

Some local museums (e.g. McCrossin's Mill in Uralla) are open seven days a week for seven hours per day. If the Glen Innes Powerhouse is to be part of a museum/heritage trail or an organised tour, synchronising opening hours with other museums will be necessary.

Figure 11. Opening Hours Precedents

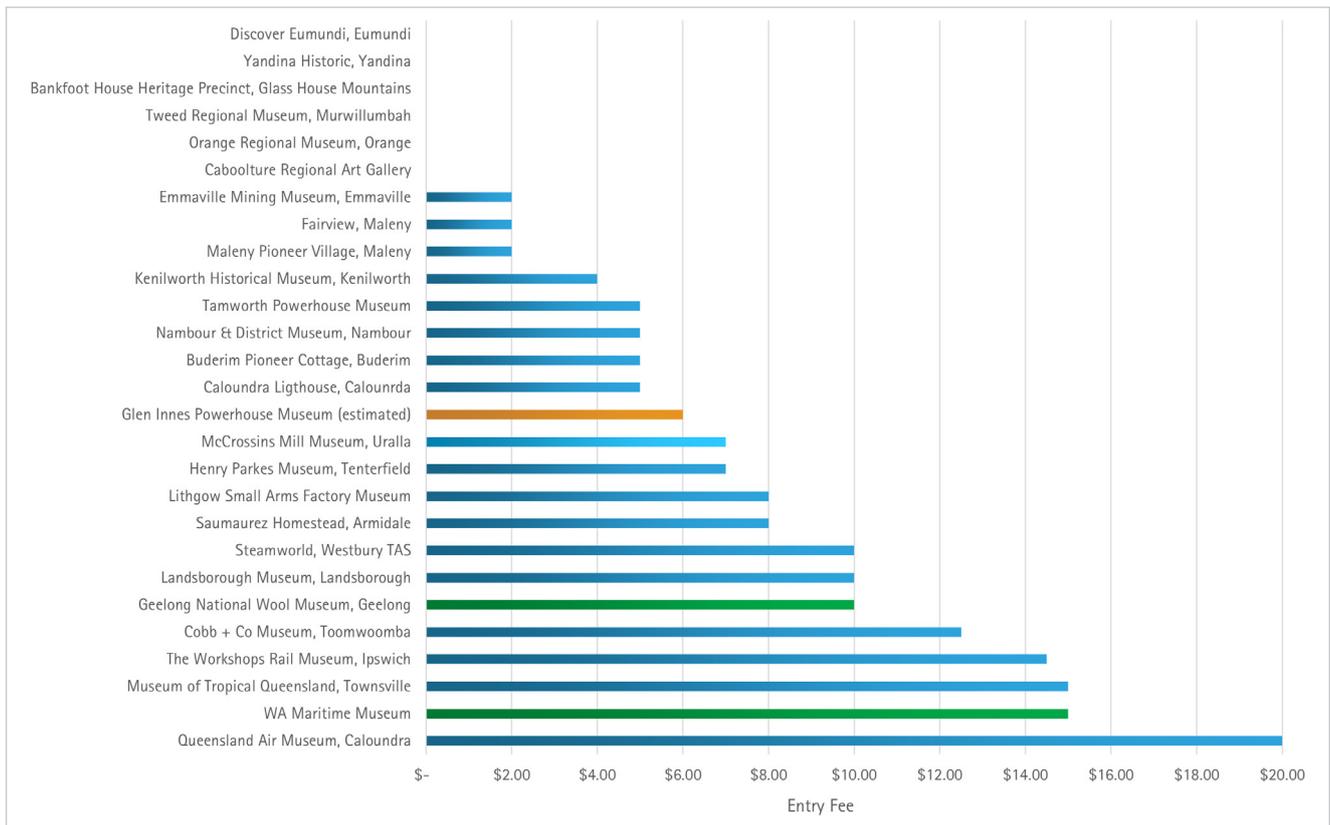


## Entry Fees and Other User Charges

Some museums/galleries, even large regional ones (e.g. Orange, Caboolture) have no entry fee or a gold coin donation system. Again, given the reliance on passing travellers as a large proportion of the potential visitors, this approach is unlikely to provide the revenue required to generate a break-even business situation for the Glen Innes proposal.

Figure 12 provides an overview of the basic per-person entry fee from a range of other heritage museums and galleries. This data does not include concessionary or family group fees.

Figure 12. Museum Entry Fees (Per Person, Non-Concession)



Other sources of user-revenue for heritage museums include:

- Café and shop merchandise sales or lease fees
- Special exhibition and event charges
- Room hire
- Donations

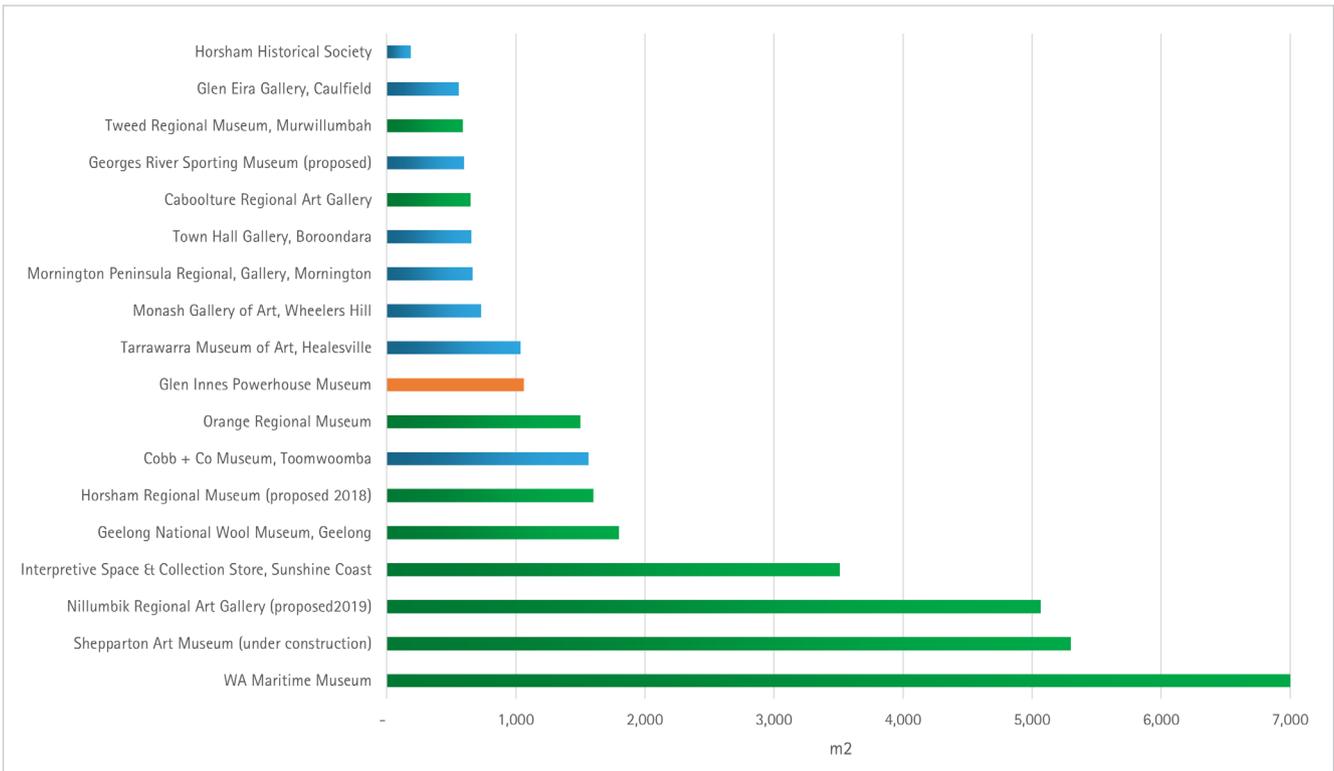
However these are primarily driven by visitation levels.

## Museum Floorspace

As shown in Figure 13, there is a large variation in floorspace area amongst a selection of regional heritage museums and galleries. Even some prominent regional museums (e.g. Tweed, Caboolture) have a much smaller area than what is available for the Glen Innes Powerhouse.

However, the Glen Innes Powerhouse already has two large engines in situ which take up around 307m<sup>2</sup> (29%) of the total available floorspace of approximately 1,064m<sup>2</sup>. And it is likely more large powered displays will be found for the museum which will take up considerable space, though some of these may be located outside the buildings.

Figure 13. Museum Floorspace



Available floorspace will also determine the feasibility of housing other facilities within the museum such as a café, gift shop, cinema and reception area. In the case of the Glen Innes Powerhouse site, there will be ample space for such facilities.

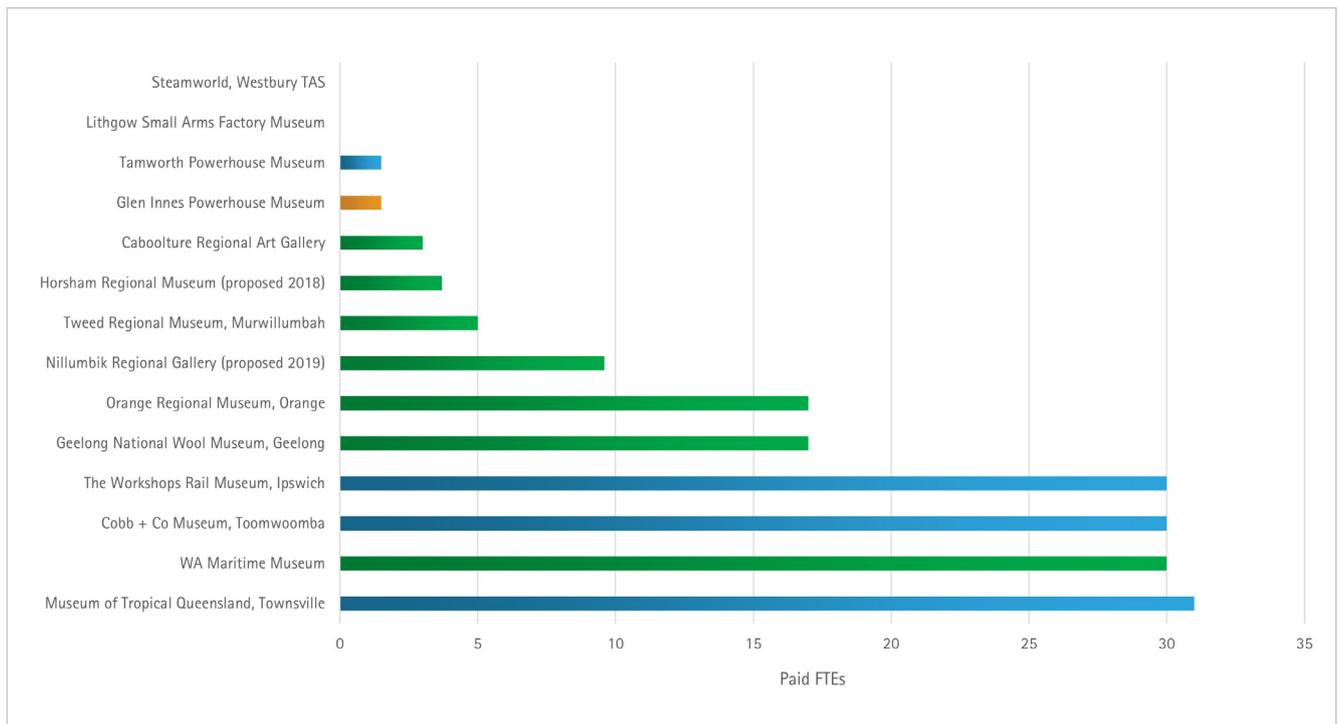
## Staffing

Staff costs are the largest cost item in any museum/gallery operating budget by far. Many small local museums have no paid staff and operate solely on the good-will of volunteers. However, larger museums inevitably have some paid staff (Figure 14).

Volunteer staffing alone is unlikely to be a viable option for the Glen Innes Powerhouse Museum as it will require professional staff to ensure a sound working partnership with the Sydney Powerhouse Museum who will expect a certain level of professionalism and presence if they are to exhibit their displays at the site.



Figure 14. Paid Museum Staff Numbers



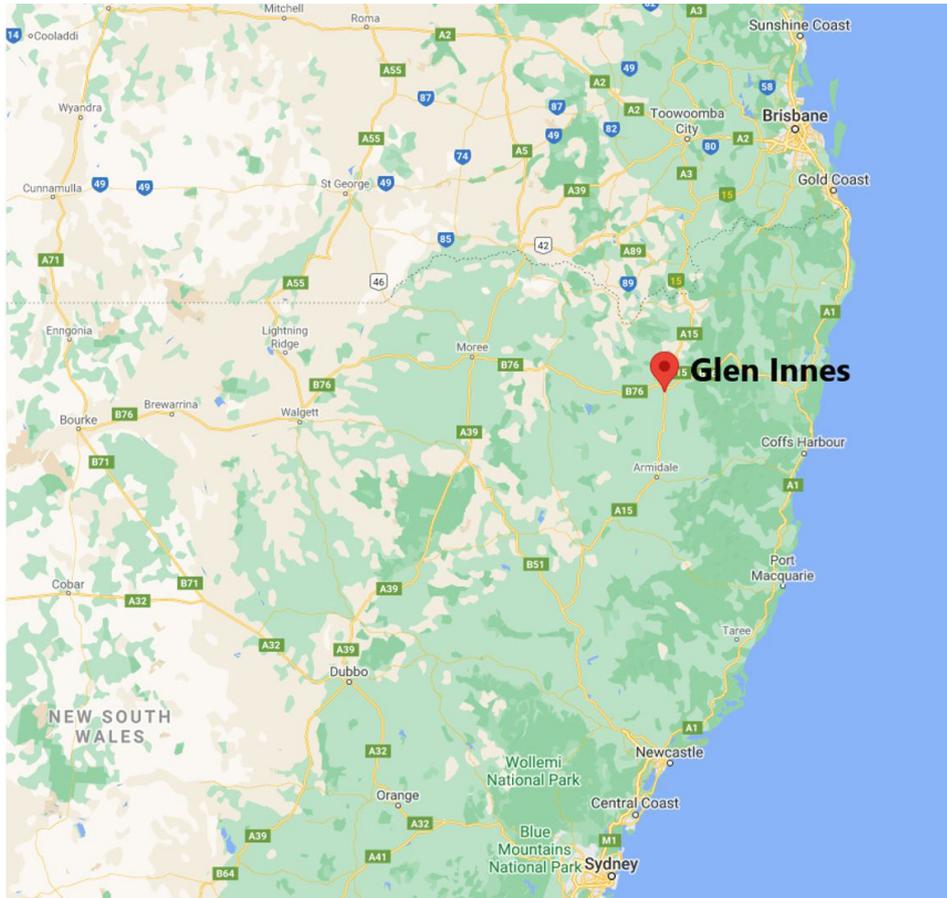
There is generally a strong correlation between visitation and paid staff numbers. However, unpaid volunteer numbers can often be quite high (e.g. the Cobb + Co Museum in Toowoomba has over 60 volunteers to support 30 paid staff and the Wool Museum in Geelong has 80 volunteers supporting 17 paid staff).

## The Project Site

Glen Innes is situated in the New England high country region (Figure 15). At an elevation of 1,062 metres, it has a cool temperate climate with warm days and cool nights in summer and cold frosty nights and cool days in winter.

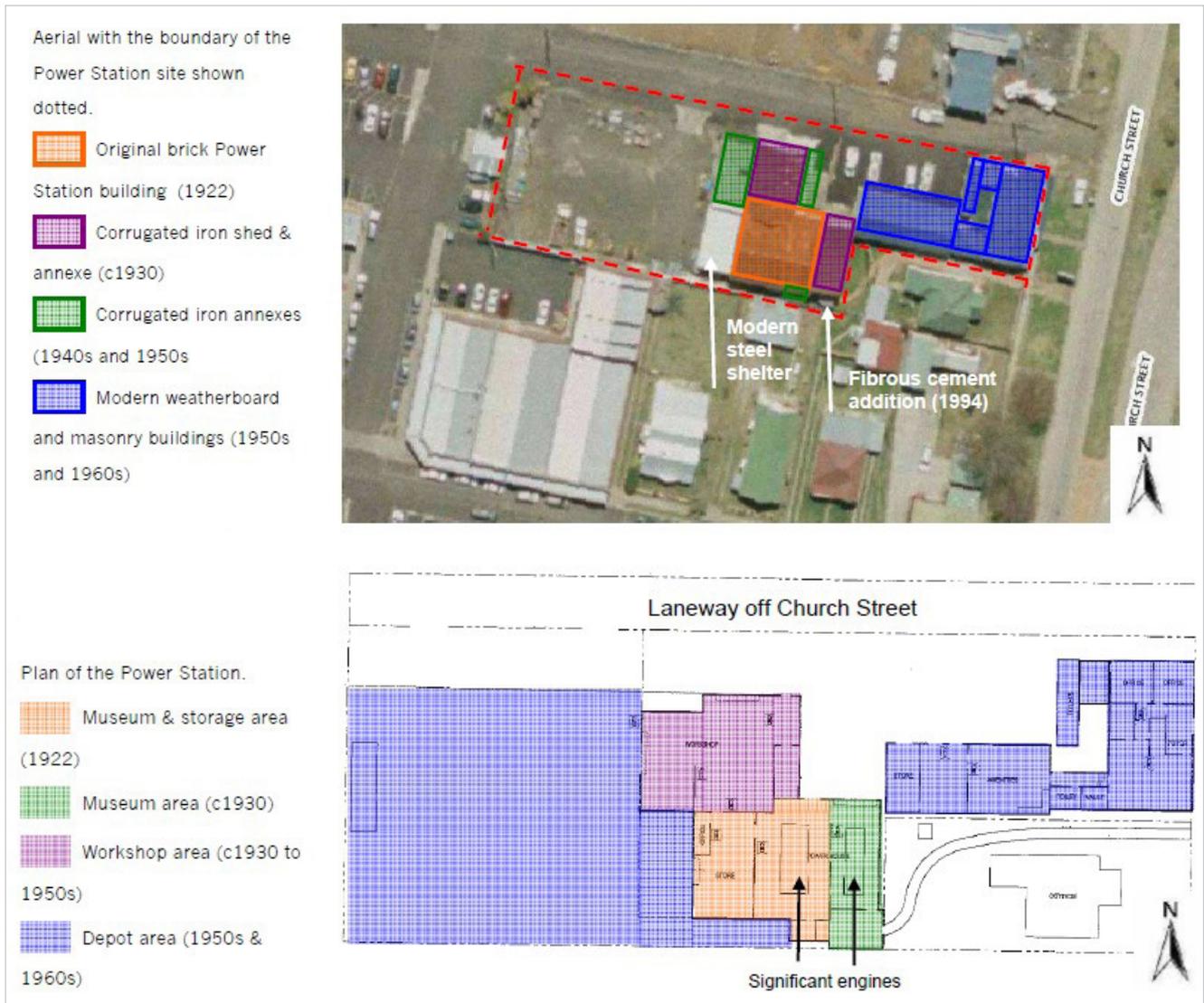
The region experiences the vivid colours of each of the four seasons. Glen Innes is located 4.6 hours from both Brisbane and the Gold Coast and 6.8 hours from Sydney by car.

Figure 15. Broad Project Location



The specific project location for the museum is within the Glen Innes township on the New England Highway. The Highway runs parallel to the east of the Glen Innes main street (Grey Street) and has a number of fast-food outlets and service stations to cater for passing traffic (Figure 16).

Figure 16. Specific Project Location



The location has a range of attributes which would suit various segments of the market including:

- Easy access off the New England Highway for travellers – suits the Browser and Follower market, families, Grey Nomads etc.
- The presence of a café would be important to the above visitor segments.
- Significant area for parking at the rear – important for travellers.
- Existing historical power generating equipment in situ – important for all market segments.
- Access to other local heritage assets – important for all market segments.
- Close proximity to other heritage attractions up and down the New England Highway lending itself to heritage tours and heritage trails.
- The heritage credentials of the site may make it difficult to develop for other purposes and therefore more suited to a museum.
- Recent upgrades to the roof and guttering will protect assets exhibited inside.

**The site takes advantage of its highway location.**

**Proximity to other highway facilities, heritage credentials and to other heritage assets to make it a desirable site for the museum.**

## Unique Selling Proposition

As illustrated in Figure 9, there are many heritage-type museum venues along the New England Highway route, and more in close proximity to the east and west of the highway. It will therefore be important to distinguish the Glen Innes Powerhouse Museum proposal from competing options.

A number of important 'selling points' have been identified for the museum and these are illustrated in Figure 17.

Of high significance is the clearly visible and accessible location of the site on the New England Highway, in close proximity to multi-national fast food outlets and service stations. With a café, the museum will provide an attractive alternative stopping point for passing travellers.

Figure 17. Glen Innes Powerhouse Museum Selling Propositions



# Proposal Analysis



## Success Indicators

Both social and commercial value are imperative to the success of this project. This does not mean it will be a cost neutral project: on the contrary, it will impact both the social and commercial sectors, creating a sustainable business model.

The challenge is to contribute to the long term sustainable economic growth of the Glen Innes LGA by diversifying the economy and attracting increased visitation, longer stays and greater expenditure within the area. Table 3 outlines the key measures of project success.

Table 3. Project Success Indicators

Higher Level Goals	Success Measure
<b>Broad community support</b>	The Glen Innes community support the project and recognise its economic and social value
A popular new tourism attraction created for the Glen Innes LGA	18,375 new visitors per year (a 12% increase) \$4.7M in new visitor expenditure (a 10% increase) New business development (cafe, gift shop)
A successful partnership with the Sydney Powerhouse Museum	At least 5 displays of exhibits from the Sydney Museum each year
Financial sustainability for the Museum	The museum at least breaks-even and does not require council (ratepayer) subsidisation
Lower Level Goals	Success Measure
Funding applications prepared and submitted	Funding for the capital works secured
Staffing	A museum manager is hired and support staff (paid and voluntary) are in place to ensure smooth operation of the museum
The museum becomes part of a New England heritage trail	Heritage trail & heritage tours established
Local skills development	Regular workshops with Sydney Museum staff on curatorial and museum operation skills
Good governance and management	A governance structure is in place and sufficient revenue is captured for the Museum to be financially self-sustaining

# SWOT Analysis

A SWOT analysis (an acronym for strengths, weaknesses, opportunities and threats) is a structured planning process that allows a business or organisation to assess internal and external factors that are favourable or unfavourable to the success of an objective.

Figure 18 provides a summary of the key points from a SWOT analysis that has been conducted for the Glen Innes Powerhouse Museum proposal.

Figure 18. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• New England Highway location – highly visible and accessible to passing traffic.</li> <li>• Existing heritage building with recent roof upgrades.</li> <li>• Heritage nature of building may limit its use for other purposes.</li> <li>• More modern building at the front which could be used for reception and a leased café.</li> <li>• Interesting historical exhibits already in situ.</li> <li>• Active traction club and historical society in Glen Innes.</li> <li>• Access to additional display material from other museums and private collections.</li> <li>• Off-street parking available.</li> <li>• Close proximity to Visitor Information Centre, fast-food outlets and service stations.</li> </ul>	<ul style="list-style-type: none"> <li>• Aging volunteers.</li> <li>• Need to raise capital for building and fit-out.</li> <li>• Budget for staffing – must become largely self-sustaining financially.</li> <li>• Distance from major capital cities.</li> <li>• No major complimentary tourist attractions in Glen Innes. Development will require a strong and resilient effort over an extended period of time.</li> <li>• Display environment may require more climate control etc. to allow visiting exhibits to be displayed.</li> <li>• Lack of local curatorial expertise.</li> <li>• Needs longer operating hours than the previous museum.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Partnership with the Sydney Powerhouse Museum.</li> <li>• Tell a time-line story of power generation which has both local and national significance – educational and engaging, not just static.</li> <li>• Visiting exhibits to supplement local collection.</li> <li>• Special events.</li> <li>• Develop interactive and digital material to grow the market.</li> <li>• Needs a key point of difference – a unique selling proposition.</li> <li>• Develop heritage package tours.</li> <li>• Develop a museum trail based on the New England Highway route.</li> <li>• Combine with Visitor Information Centre.</li> <li>• Develop a café to attract more travelers – lease it out to assist with operating costs. Also possible a gift shop.</li> <li>• Essential energy gift the site to council or lease for peppercorn rent.</li> <li>• Attract more volunteers.</li> <li>• Training opportunities for local staff and volunteers via partnership with Sydney Powerhouse.</li> <li>• Grow the Glen Innes tourism product, visitation and local economy.</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity to raise capital for building and fit-out.</li> <li>• Staffing and volunteer levels – can they be funded/ sourced?</li> <li>• Competition from other similar museums.</li> <li>• If council purchase the site, it is another asset on their book to maintain &amp; depreciate.</li> <li>• Essential Energy may sell site for another purpose.</li> <li>• Volunteer burnout.</li> <li>• Cost of developing digital and interactive displays.</li> </ul>

# The Base Case and Options Considered

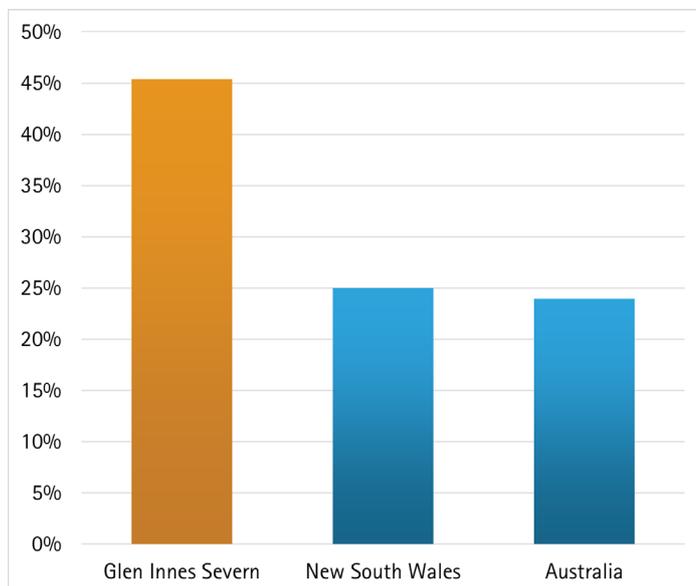
## Base Case

The base case would be the current 'business as usual' situation, where the Powerhouse site remains 'mothballed' and the heritage items inside are not able to be viewed.

The Glen Innes economy would retain its heavy reliance on agriculture, health care and social assistance and the retail sector as the major employers (see Figure 2).

As explained in Section 3.3, this is not a desirable strategy as it will lead to a continuation of current negative trends in population, youth disengagement, and an aging population structure. This population path leads to a high dependency ratio (the number of people aged 65 and over who are 'dependent upon' the 15-64 aged working population). As shown in Figure 19, this ratio is already very high for Glen Innes compared to the rest of NSW and Australia.

Figure 19. Comparative Dependency Ratios



Source: ABS (2016)

## Option 1 – Sale of the Site for Another Purpose

This is possible, though the options are limited due to the local heritage importance of the site.

It is possible that should the GISC EOI be unsuccessful that the new owner may not utilise the entire space and a down-scaled version of the Glen Innes Powerhouse Museum could move forward. This would require a revised proposal and business case and threaten the potential BCR and social and economic contribution to the community.

## The Preferred Option – A New Glen Innes Powerhouse Museum

The Powerhouse Museum seeks to differentiate itself from other local heritage museums by delivering an interesting, educational and interactive story line about the progression of power generation and associated equipment in the region.

An important part of this story is the current development of a Renewable Energy Zone (REZ) in the areas surrounding the Glen Innes LGA, a story which is still unfolding today. Enlisting the support of the firms developing these solar, wind and battery farms will be critical to making the museum relevant to a large proportion of the intended audience.

**No other destination will offer a power generation time-line story of this type, with modern interactive exhibits, displays and video presentations.**

Table 4. Powerhouse Museum Significance Levels

Significance Level	Key Features
Local Significance	<ul style="list-style-type: none"> <li>• Old Glen Innes power generating engines still in situ.</li> <li>• Powered equipment and engines from other local sources can be housed in the museum or placed on temporary display.</li> <li>• The building has local heritage significance as the first site of power generation in the town.</li> </ul>
Regional Significance	<ul style="list-style-type: none"> <li>• Electricity generated at the site was ultimately replaced by other generating assets in the region.</li> <li>• However, the power station was maintained in good order to assist with peak loads.</li> <li>• The power station formed a part of Country Energy's (now Essential Energy's) northern region.</li> <li>• Key location on the New England Highway.</li> </ul>
National Significance	<ul style="list-style-type: none"> <li>• Part of the national journey in power generation to the current focus on renewables.</li> <li>• Appeal to both domestic and international markets.</li> <li>• Could form part of a heritage trail extending from the Hunter region of NSW to the Darling Downs region of Qld.</li> </ul>

The development of the museum is the preferred option for a number of key reasons:

- The assets already at the site.
- An excellent location for attracting passing travellers.
- The presence of local heritage clubs who can support the museum and already have a track record of restoring the machinery.
- An opportunity to form an important partnership with the Sydney Powerhouse Museum to share exhibits and extend the relevance of both museums.
- Preserving the heritage value of the site – important for the local community.
- The existence of more modern facilities at the front of the site which are well suited to a reception area, café and shop.
- Greater potential for local economic benefit than having the site run by a multi-national entity.
- Synergies with other heritage attractions and assets in the region.

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**The project would deliver a unique heritage attraction in Northern NSW, with access to the highly populated south-east Queensland market and features which differentiate it from other heritage locations.**

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## Project Scope

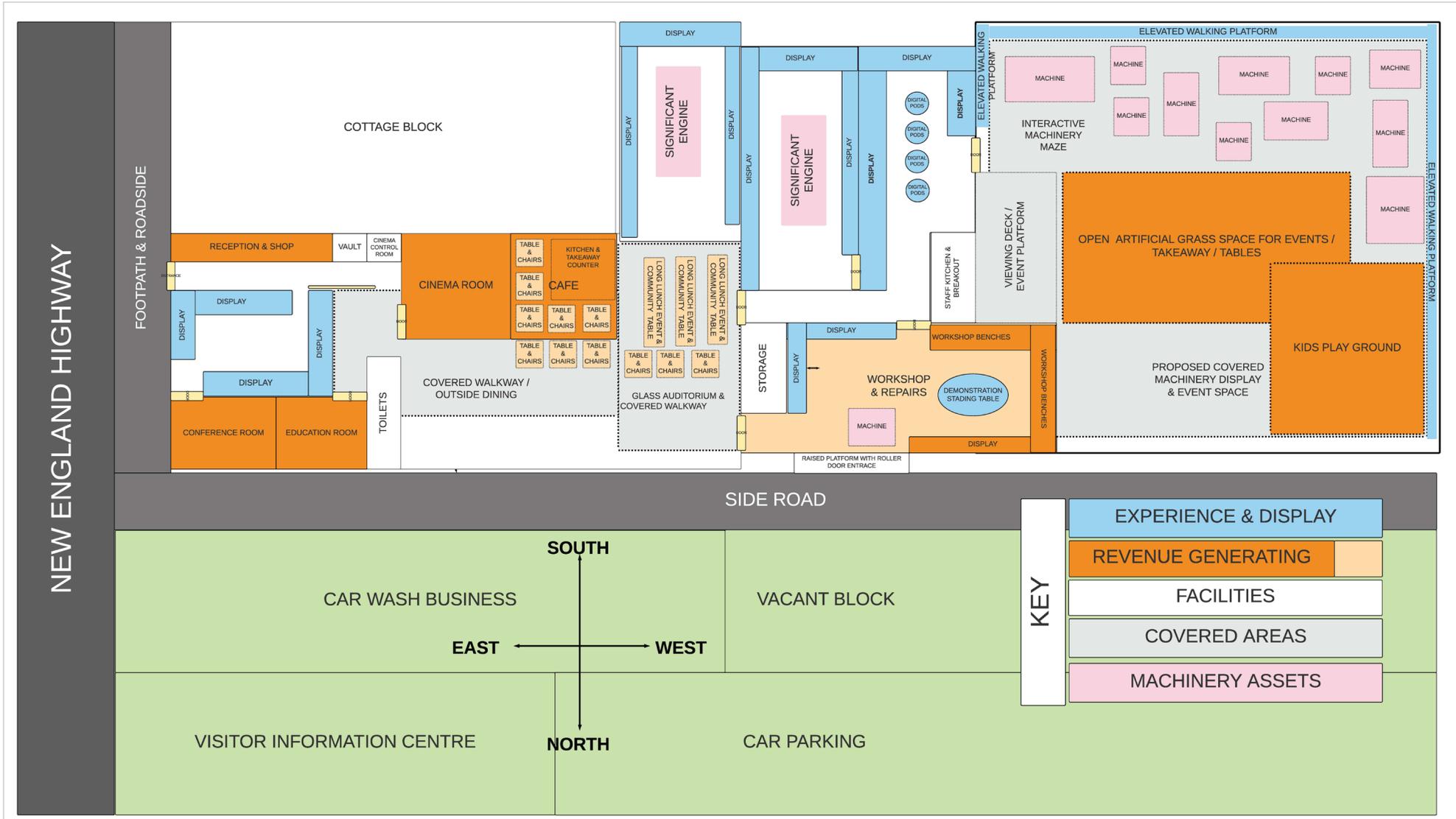
The project scope is illustrated in Figure 20.

Key aspects are as follows:

- Develop the existing Glen Innes Powerhouse site into a new and captivating museum based around the story of local power generation.
- Make use of the existing power generating assets in situ.
- Build a new reception area with a gift shop.
- Build a café area.
- Build seating areas.
- Build toilet facilities.
- Build a children's play area.
- Build a cinema and function rooms.
- Build a workshop/restoration area.
- Build new display areas/facilities.
- Build new storage areas.
- Build raised platforms for viewing displays.
- Build and install interactive displays.
- Revamp existing parking areas.
- Install roadside signage.

The project scope is limited to upgrading the existing site (buildings, internal fitout and surrounding land) to produce a tourist attraction that will appeal to passing travellers, tour groups, school groups and the local community.

Figure 20. Project Scope

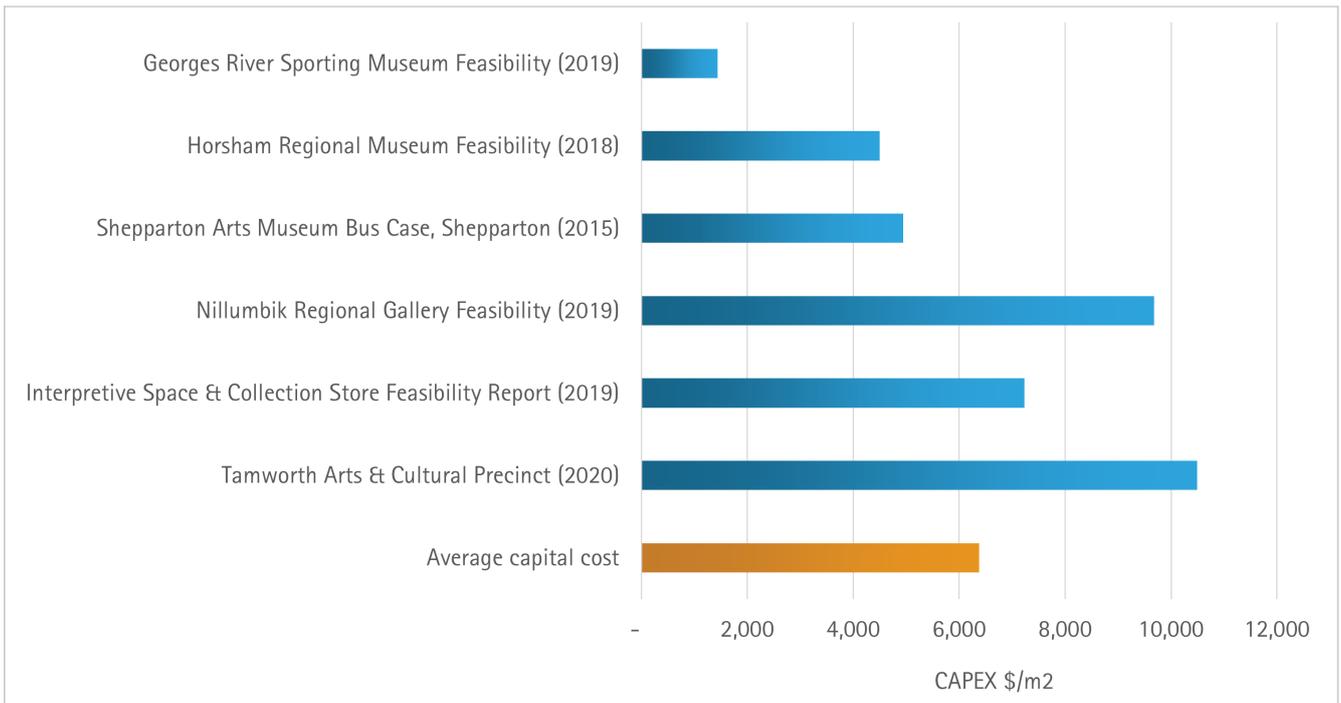


# Project Costs

Because the details of the building work and internal fitout have not yet been agreed – in part because further consultation with the Sydney Powerhouse Museum is needed – a precise capital cost for the project is currently unknown.

Research has been conducted on the capital costs of building other museum and galleries and indicates a very wide range of capital costs per square metre (Figure 21).

Figure 21. Project Capital Costs



Sources: Various museum and gallery feasibility studies.

The average capital cost from these studies is \$6,381/m<sup>2</sup>. Given that the Glen Innes site is 1,064 m<sup>2</sup>, this would suggest the capital cost could be as high as \$6.8M, however this is highly unlikely given that the buildings already exist, that several key exhibits are already in situ, and that it is largely internal building works and fitout that are needed.

Many of the costs shown in Figure 21 refer to greenfield sites where there is no existing infrastructure. The Tamworth Arts & Cultural Precinct is particularly expensive due to the special acoustic nature of the building.

For the purposes of this business case, it is estimated the capital cost of the Glen Innes Powerhouse Museum will be in the vicinity of \$2.5M. However, a range of capital costs from \$1M to \$5M have been analysed to ascertain the economic impacts.

## Visitation and Economic Benefits

Probably the most critical factor in this business case is estimating additional visitation to the Glen Innes Severn shire. Visitor numbers will drive additional expenditure in the local economy and hence economic benefits. Moreover, from a government funding and benefit-cost analysis perspective, the number of additional visitors attracted from other jurisdictions (i.e. from interstate or overseas) are important.

As shown above in Figure 10, visitation numbers to museums can vary enormously depending on the size and nature of the museum, its location and communication and marketing activities.

A key driver of visitation to the Glen Innes Powerhouse Museum will be passing traffic due to the location on the New England Highway which runs north-south, and close proximity to the Gwydir Highway which runs east-west.

Analysis of traffic counters on those highways has revealed the flowing traffic movements (Table 6). These equate to 876,365 light vehicles passing per year.

Table 6. Traffic Counts Around Glen Innes

Traffic Counter	Light Vehicles (daily)
<b>New England Highway (Dundee), southbound</b>	722
New England Highway (Glencoe), northbound	832
Gwydir Highway east of town, eastbound	621
Gwydir Highway west of town, westbound	226
<b>Totals</b>	<b>2,401</b>

The following assumptions were made to estimate annual visitation to the museum:

- 1% of passing light traffic stops at the museum.
- Average occupancy per vehicle is 2 people, 40% of occupants are children.
- 20 school groups visit per year, with 25 children in each group.
- 15 tour groups stop per year with 10 people in each group.
- 2 special events are held each year with 100 people attending each event.

These assumptions provide the following annual visitation figures.



Table 7. Estimated Museum Visitation (Annual)

Passing Traffic	
Cars per day passing on New England Highway	2,401
<b>Visitation rate from passing traffic</b>	1%
Average car occupancy	2
Children proportion (~ 40%)	7,010
<b>Annual visitation from passing traffic</b>	<b>17,525</b>
School Groups	
Children per group	20
Groups per year	25
<b>Annual school visitation</b>	<b>500</b>
Tour Groups	
People per group	15
Groups per year	10
<b>Annual tour group visitation</b>	<b>150</b>
Special Events	
Events per year	2
Visitors per event	100
<b>Annual special event visitation</b>	<b>200</b>
<b>Total Annual Visitation</b>	<b>18,375</b>
<b>Adults</b>	<b>10,715</b>
<b>Children</b>	<b>510</b>
<b>Concession</b>	<b>150</b>

These visitation figures are used to estimate total new visitor expenditure when combined with information on the average length of overnight stay and expenditure estimates for day and overnight visitors (Table 8).

New visitor expenditure is also used to estimate the number of new jobs in the Glen Innes economy (REMPPLAN 2021, GISC 2021).

Table 8. New Visitor Economic Impacts

Overnight stay (%) <sup>1</sup>	63
Average length of overnight stay (nights) <sup>1</sup>	2.7
New day visitors	7,114
New overnight visitors	11,262
New overnight stays (number of nights)	30,406
Day visit expenditure per person <sup>2</sup>	\$153
Overnight stay expenditure per person <sup>2</sup>	\$118
Total new expenditure per annum	\$4.676M
Total new visitor value added per annum	\$2.106M
New direct jobs from new visitation (FTE) <sup>2</sup>	21
New indirect jobs from new visitation (FTE) <sup>2</sup>	6
<b>Total new jobs<sup>2</sup></b>	<b>27</b>

## Project Operating Budget

The financial impact of the museum proposal on GISC and hence ratepayers is a key issue in the decision of whether to proceed with the project or not.

Initially, a range of operating options were analysed and the financial implications of these are shown in Appendix 1.

However, as issues surrounding the future of the site progressed within Essential Energy, it became clear that for GISC there are only two options available:

1. For Essential Energy to retain ownership of the building and lease it to GISC to operate as the museum at a peppercorn lease rate (\$0). In this instance, it is assumed that GISC would incur annual maintenance costs of 1% of any new capital expenditure on the building and fitout. Essential Energy would be responsible for any maintenance of the old building/site.
2. For Essential Energy to gift the site to GISC. In this instance, it is assumed that GISC would again incur annual maintenance costs of 1% of any new capital expenditure on the building and fitout and also on the old building/site.

Gifting the site to the GISC is possible at the NSW Treasurer's Direction. That is made possible under the Government Sector Finance Act 2018 where the property:

- is genuinely surplus to the agency's requirements.
- cannot be transferred, with or without payment, to another agency which requires or can use the property.
- a sale at fair value would be uneconomical.

and at least one of the following conditions is met. The property:

- holds historical or symbolic significance for the proposed recipient.
- holds some other special significance for the proposed recipient, and there are compelling reasons to justify gifting the government property to that recipient.
- is a low value asset, and the gifting supports the achievement of a NSW Government policy objective.

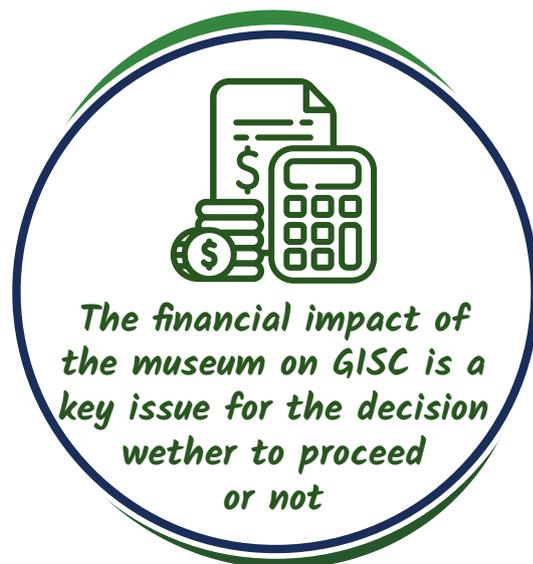
The gifting of the site to GISC for the purpose of creating the Powerhouse Museum meets all of the above conditions.

The cost side of the operating budget is heavily dependent upon two key issues:

- The value of the building works and fitout as this will impact both the GISC maintenance costs and asset renewal set aside.
- The operational arrangements – if the site is retained by Essential Energy and leased to GISC for a peppercorn lease, GISC are only responsible for maintenance costs on the new building/fitout work. Or if the site is gifted to GISC the maintenance costs extend to not only the new building/fitout work, but also the old building/site.

In relation to these issues, the following assumptions are made:

- Capital costs for new building works and fitout in the range of \$1M to \$5M are tested. It is acknowledged that this is a large range of costs, however at this stage of business plan development it is not possible to get a firm quote on construction and fitout costs. Moreover, because of the effect of capital costs on maintenance and asset renewal costs, testing a range of capital costs is important to gauge the effect on operational costs and hence the profitability of the proposal.



- Maintenance costs for buildings and fitout are set at 1% of the CAPEX.
- Discussions with local real estate agents indicated the site could sell for \$400,000 to \$800,000. In the case where the site is gifted to GISC, it is assumed the capital cost of the old site is \$500,000. This amount has implications for GISC maintenance and asset renewal costs
- Where GISC are responsible for setting aside an asset renewal allowance on the capital (which is most likely the case), this is based on straight line depreciation rates of a 50 year life for building works and a 10 year life for the fitout. Any new CAPEX is deemed to be 50% building works and 50% fitout.
- Note that sponsorships/donations/grants form a large part of the revenue stream, around 40% (\$118,000 per annum). This is based on the findings from several other museum/gallery financial reports and feasibility studies. The profitability of this project will depend heavily on sourcing these funds and the local renewable energy sector must be engaged early as a potential sponsor and provider of exhibits.

For the two operating scenarios described above and across a range of CAPEX levels the profit/loss situation for the project has been estimated. These are summarised in Figure 22.

Figure 22. Summary of Profit and Loss Results

Profit / Loss	With Asset Renewal Costs		Without Asset Renewal Costs	
	Peppercorn lease, 1% maintenance cost	Gifted to GISC, 1% maintenance cost	Peppercorn lease, 1% maintenance cost	Gifted to GISC, 1% maintenance cost
CAPEX				
\$1M	-\$38,810	-\$53,810	\$21,190	\$16,190
\$2M	-\$108,810	-\$123,810	\$11,190	\$6,190
\$2.5M	-\$143,810	-\$158,810	\$6,190	\$1,190
\$3M	-\$178,810	-\$193,810	\$1,190	-\$3,810
\$4M	-\$248,810	-\$263,810	-\$8,810	-\$13,810
\$5M	-\$318,810	-\$333,810	-\$18,810	-\$23,810

Base Case Results

The results of the operational profitability analysis indicate that under the base case scenarios, the project would run at an annual loss of \$144,000 to \$159,000 per annum, a cost which would be borne by GISC. The Peppercorn lease arrangement is slightly more favourable as GISC are not paying maintenance and asset renewal costs on the old building/site. However, both scenarios are loss-making.

If fact, any scenario where GISC are responsible for the asset renewal costs on the capital items produces a loss situation. A profit making situation only occurs when those asset renewal cost are not included in the operational budget and when the CAPEX cost for the new building works and fitout is \$3M or less.



# Benefit-Cost Analysis

A benefit-cost analysis of the project has been conducted. This differs from the above operating budget analysis as it captures the broader economic benefits to the Glen Innes economy (i.e. the benefits of additional tourist visits and overnight stays).

The benefit-cost analysis includes the following key parameters:

## Costs:

- Capital costs in the range of \$1M to \$5M are tested. It is acknowledged that this is a large range of costs, however at this stage of business plan development it is not possible to get a firm quote on construction and fitout costs. Because of the effect of capital costs on maintenance and asset renewal costs, testing a range of capital costs is important to gauge the effect on operational costs and hence the benefit cost results.
- Annual operating costs also vary depending on which of the two operating options are used and the CAPEX. They are in the range to \$277,500 to \$632,500 per annum.

## Benefits:

- New visitor expenditure benefits – measured as the value-added associated with \$4.676M of additional annual visitor expenditure. Value-added rather than gross expenditure is a more correct measure of this benefit as it is an approximation of the additional producer surplus and caters for leakage and intermediate input effects.
- New visitor expenditure is based on an average daily spend of \$153 for day visitors and \$118 for an overnight stay. These figures are taken from the REMPLAN (2021) information on tourism in the Glen Innes Severn LGA. The overnight stay expenditure likely lower than for a day visit as many visitors stay with relative of friends hence incur lower costs.
- Only the additional expenditure from visitors outside of NSW has been included as the NSW Government only includes inter-state and international visitation in its benefit assessments.
- There would also be an increase in consumer surplus (what visitors are willing to pay to visit the museum over and above what they actually pay) however this has not been included in the benefits stream, hence the results are likely a more conservative underestimate of the total benefits.

Sensitivity analysis of key parameters has been conducted to assess the robustness of the benefit-cost ratio (BCR) and the project profit/loss (see project cash-flow).



The base-case assumes the following:

- The CAPEX for any building works and internal fitout for the new museum are supplied from a government grant.
- CAPEX for building works and fitout is \$2.5M.
- 50% of visitors are from outside NSW. This is based on data contained in the Glen Innes Destination Management Plan (GISC 2021).
- Annual visitation is 18,375 people with 40% being children and 1% being concession holders.
- The value of the existing building/site is set at \$500,000 because in the case where the site is gifted to GISC, this will impact the maintenance and asset renewal costs.
- GISC are responsible for setting aside an asset renewal allowance on the \$2.5M, and also the \$500,000 if they are gifted the site.
- CAPEX spend is based on straight line depreciation rates of a 50 year life for building works and a 10 year life for the fitout. 50% of the new CAPEX is deemed to be for building works and 50% for fitout.
- An internal maintenance cost is included and is set at 1% of the capital amount per annum.
- 1.5 FTE staff are employed with a total salary cost of \$90,000 plus 15% oncosts.
- The café is leased out hence cost of goods sold only apply to the gift shop at reception.
- Other operating costs are based on average costs per visitor from a range of other museum/gallery business cases and feasibility studies.
- It takes 4 years for the full visitation potential to be realised.

For the sensitivity analysis, several other assumptions come into effect:

- The two alternative operating scenarios are examined – peppercorn lease versus gifting the site to GISC.
- A range of CAPEX values between \$1M and \$5M are tested for the new building/fitout.

The Benefit-Cost Ratio (BCR) results for a range of CAPEX and operating arrangement scenarios are shown in Figure 22.

The base case produces a favourable BCR of 1.26 (Figure 21). However, depending on the assumptions made about CAPEX and operating, the BCR can vary from 0.73 to 2.28.

Net Present Value (NPV) results follow the same pattern as the BCR results, with BCRs of less than 1.0 also producing a negative NPV. BCRs of greater than 1.0 produce a positive NPV result.



Figure 23. Summary of Benefit-Cost Results

Profit / Loss	With Asset Renewal Costs		Without Asset Renewal Costs	
	Peppercorn lease, 1% maintenance cost	Gifted to GISC, 1% maintenance cost	Peppercorn lease, 1% maintenance cost	Gifted to GISC, 1% maintenance cost
CAPEX				
\$1M	1.96	1.72	2.28	2.02
\$2M	1.43	1.30	1.81	1.64
\$2.5M	1.26	1.16	1.64	1.49
\$3M	1.13	1.05	1.49	1.38
\$4M	0.93	0.87	1.27	1.19
\$5M	0.79	0.75	1.11	1.04

Base Case Results

Most scenarios produce a BCR of greater 1.0 (along with a positive NPV) which is a favourable result and indicates the project should proceed from the broader economic perspective. A BCR of less than 1.0 (along with a negative NPV) only occurs at higher CAPEX rates of \$4M and \$5M and when GISC must include asset renewal costs in their operating costs.

However, as outlined in the Project Operating Budget, many of these scenarios which produce a favourable BCR result also generate an operating loss for GISC which may not be desirable. GISC must weigh up the broader economic benefits for the local economy against the additional costs to council for many of the scenarios. Only a very limited number of scenarios result in an operating profit for GISC, and these all involve the situation where asset renewal on the new museum assets are not included as an operating cost. Research to date suggests that it is not possible to exclude asset renewal costs from council operating budget. Since the introduction of the fit-for-the-future system for local government, asset renewal costs have become a key inhibitor to new council infrastructure investment.



# Employment Benefits

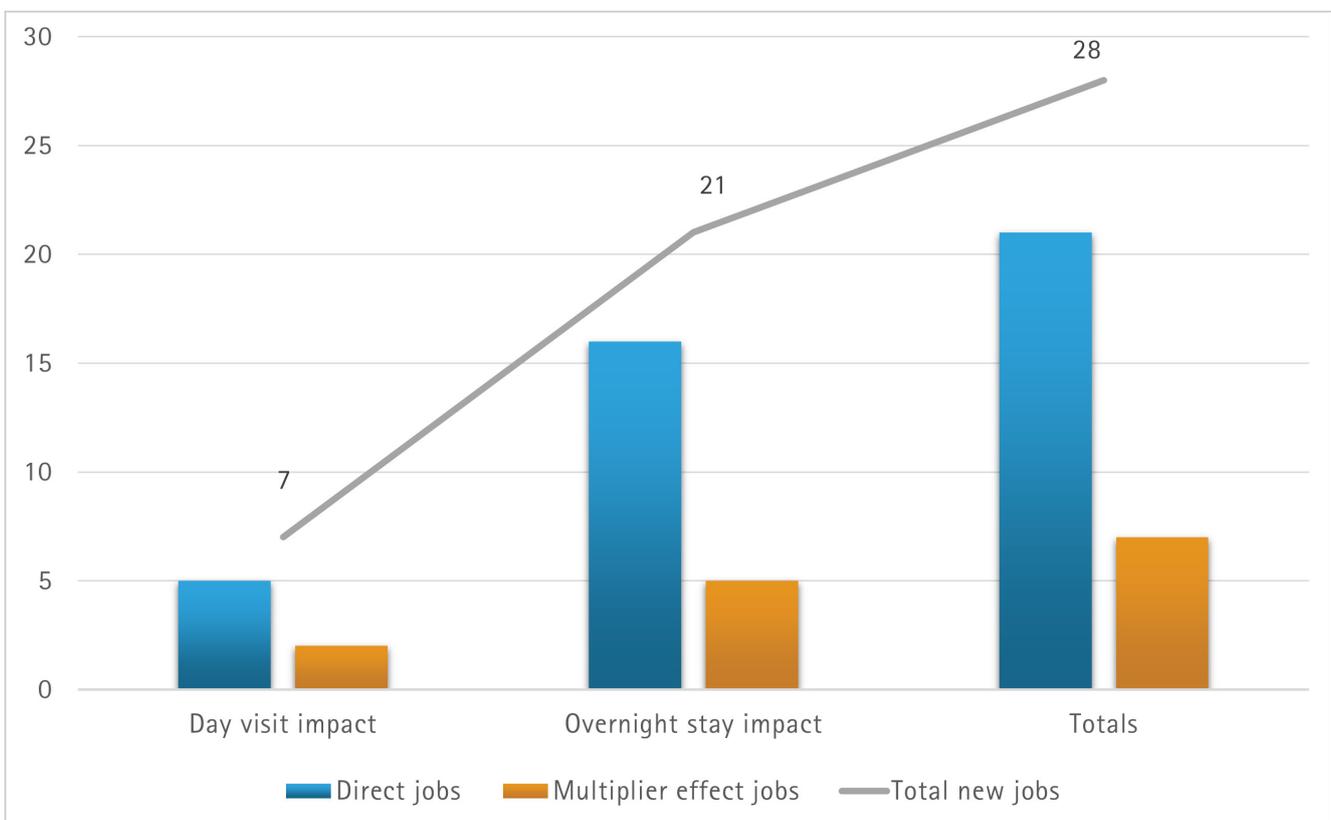
## Jobs created from new visitor expenditure

The REMPLAN software was used to calculate the additional employment in the Glen Innes Severn shire which would be generated from new visitor expenditure (Figure 24). The project would generate an additional 28 jobs in the Glen Innes economy.

Note that the employment impacts are based on the additional visitor expenditure in the economy under its current structure and do not account for the employment that would be generated with the development of any new businesses that emerge because of the museum.



Figure 24. Employment Impacts



## Jobs created during construction

The REMPLAN software was also used to calculate the additional employment in the Glen Innes Severn shire during the construction period based on a total capital expenditure of \$2.5 in one year (this assumes building and fitout can be completed in 12 months).

Construction would generate 10 jobs (5 direct and 5 indirect jobs) during that 12 month period in the Glen Innes economy.



# Project Implementation



## Key Tasks and Milestones

Key Tasks & Milestones to be confirmed on advice from Glen Innes Severn Council.

Gantt chart to be confirmed on advice from Glen Innes Severn Council.

## Project Governance and Legal Structure

To be confirmed on advice from Glen Innes Severn Council.

# Risk Assessment and Mitigation Strategies

Table 9 outlines the project risks and the risk mitigation strategies to be adopted.

Table 9. Project Risk Matrix

Item	Risk(s)	Likelihood	Consequence	Rating	Mitigation Strategy	Residual Risk	Responsibility
<b>Logistics</b>							
Site availability	Site can't be secured by GISC, sold to another party	Moderate	Very high	High	Enter into early negotiations with Essential Energy, highlight benefits of council use as a museum, enlist community support for the project including from renewable energy firms and Sydney Powerhouse, highlight heritage aspects and impacts on development options	Medium	GISC
Sydney Museum partnership	Partnership does not occur	High	Very high	High	Enter into early negotiations with Sydney Powerhouse Museum, highlight mutual benefits of a partnership, enlist community support for the project including from renewable energy firms. Re-assess viability of project if partnership is not secured.	High	GISC
<b>Financial</b>							
Funding	Secure external funding capital works	Moderate	Very high	High	Ensure funding submissions meet required guidelines & highlight the importance of the project to the community. Do not commit to the construction phase until access to the funding is secured	Medium	GISC
	Council funds available	Low	High	Low	Set funds aside for funding application development, or write applications internally	Low	GISC
Costs	Tenders higher than estimated costs	Low	High	Medium	Detailed costings developed in business case from quote(s). In line with Council procurement process, reconsider project scope and/or seek Council approval for budget variation	Low	GISC
	Variations during construction	Moderate	High	High	10% contingency factored into costs. Ensure appropriate contracts in place to tenderer must account for variations	Low	GISC
	Lack of financial reporting/ monitoring	Low	Low	Low	Monthly reports prepared in line with Council procedures, management group monitors	Low	GISC
	Operational profitability	Moderate	High	High	Analyse profitability of different operating scenarios before committing to project. GISC to be aware of implications. Secure sponsorships / grants from renewables sector and other sources.	Low	GISC

Item	Risk(s)	Likelihood	Consequence	Rating	Mitigation Strategy	Residual Risk	Responsibility
<b>Regulatory</b>							
Regulations	Approvals not forthcoming	Low	High	Medium	Ensure early engagement with council planners before commencing construction to gauge likelihood of securing approvals and any issues which will modify plans.	Medium	GISC
Planning approvals	Delay in approvals	Moderate	Moderate	Medium	Ensure external contractor supplies appropriate documentation. Ensure preliminary meetings with appropriate Council staff to reduce unnecessary delays. Obtaining all necessary approvals, permits, designs, specifications and environmental/heritage assessments before commencing	Low	GISC & contractor
Grant documentation	Approval & acquittal documentation not completed	Low	Low	Low	Ensure appropriate financial records kept, expenditure meets guidelines & all documents completed & checked prior to return	Low	GISC
<b>Procurement</b>							
Detailed design & tender documentation	Delayed	Low	Moderate	Low	Detailed design work will have been completed before going to tender. Council experienced in developing tender documents.	Low	GISC
Successful tenderer	Delay in response or engagement	Moderate	High	High	Ensure documentation is accurate. Ensure queries responded to/information supplied in a timely manner. Follow Council procurement processes	Low	GISC
Poor response to tender	Delayed	Low	High	Medium	Develop clear precise tender documentation, ensure sufficient reach in advertising, sufficient time to respond, target specific firms for feedback, re-write & re-advertise if needed	Low	GISC
<b>Pre-Construction</b>							
Approvals and consultation with landholders/ community	As above and below	Moderate	High	High	Extensive must be conducted and any issues resolved during approvals process	Medium	GISC

Item	Risk(s)	Likelihood	Consequence	Rating	Mitigation Strategy	Residual Risk	Responsibility
<b>Construction</b>							
Project management	Appropriateness of Project Manager & team to deliver	Low	Low	Low	Experienced Project Manager and team from GISC to be involved, experienced contractor selected	Low	Contractors, GISC
	Staff coverage	Moderate	Moderate	Medium	Regular meetings of project team with contractor to ensure continuity, appropriate documentation kept to allow temporary team replacement at short notice	Low	GISC
Communication	Poor community consultation	Low	Moderate	Low	Should not be an issue considering the site and lack of neighbours and the minimal changes to the site	Very Low	GISC, contractors
Safety	WHS incidents	Moderate	Moderate	Medium	Successful tenderer to have own risk management controls in place, sub-contractors are the tenderers responsibility	Low	Contractors, GISC
Flooding of the construction site.	Delays	Low	Low	Low	Not an issue due to site location	Low	Contractors, GISC
Timeframe	Delays	High	High	High	Regular onsite meetings with successful contractor to ensure potential delays identified and addressed ASAP	Low	GISC, contractors
Design changes	Site characteristics require design amendments	Moderate	High	Medium	Most likely to relate to internal fitout rather than major structural changes as few will be required	Low	GISC, contractors
	Changes to design by Councils/community/landholders/NSW Govt post-start	Moderate	High	Medium	As above	Low	GISC, contractors
Construction materials	Unable to be sourced	Low	High	Low	Unlikely as materials commonplace. Select tenderer with proven ability to source materials. Regular onsite meetings with successful contractor to ensure potential materials issues are identified ASAP.	Low	GISC, contractors
Community cooperation/opposition	Unable to secure support or opposition to the project from community in general or adjacent landholders	Low	High	Low	Unlikely due to consultation during project development, relatively low number of private neighbouring landholders and the minimal scale of the construction works	Low	GISC, contractors

Item	Risk(s)	Likelihood	Consequence	Rating	Mitigation Strategy	Residual Risk	Responsibility
<b>Operations phase</b>							
Visitation	Estimated visitation levels not met	Moderate	High	High	GISC/Glen Innes Highlands to develop a detailed marketing & communication plan, ensure it is implemented.	Medium	GISC/Glen Innes Highland
Maintenance	Maintenance not conducted to standards	Low	Low	Low	Business case has factored in budgetary requirements for maintenance, GISC and volunteers can contribute, on-going maintenance requirements likely to be low	Low	GISC/Museum management committee
Maintenance	Lack of funding for maintenance	Low	High	High	As above. Also secure grants and sponsorship to support maintenance	Medium	GISC/Museum management committee
Social goals	Social mission of boosting local employment not met	Moderate	Moderate	Medium	Local residents not only given priority in employment, but included in the initial planning process, underscoring the intention of community value creation	Low	TSC, Angry Bull Team
Environment	Environmental damage	Low	Low	Very Low	Minimal scope for environmental impacts, contractors will employ any necessary protection measures	Very Low	GISC/Museum management committee/ contractors

# Asset Management

Maintenance is important for a number of reasons:

- Achieve maximum usage by the intended visitors.
- Make exhibits last as long as possible.
- Visitor safety.

Responsibility for asset management will depend on the operating structure chosen:

1. If Essential Energy retain ownership of the site and lease it to GISC at a peppercorn rate, GISC may only be responsible for maintenance on any new building/fitout required for the museum and Essential Energy are responsible for the old assets.
2. If Essential Energy gift the site to GISC, GISC would be responsible for maintenance on all the assets new and old.

A budget of 1% of the total CAPEX (building purchase plus fitout) has been included in the financial analysis to cover maintenance costs. In the base cases, this amounts to \$25,000-30,000 per year.

It will also be important to seek on-going sponsorships and donations to assist with operational aspects such as maintenance. In the base case it has been assumed that \$118,000 per year can be sourced from sponsorships, donations and grants. Financial assistance from renewable energy firms operating in the New England REZ will likely be an important component of this.



# Regulatory Approvals

To be confirmed on advice from Glen Innes Severn Council.

# Marketing

It is critical to be aware of the significant role of technology in marketing the museum.

The internet, and in particular social media have enabled consumers to investigate and participate in an ever-increasing number of product/service reviews. TripAdvisor, as an example recorded 150 million reviews in February 2014 alone and records over 2 billion website visitors per year.

Peer reviews, 360° video tours and access to increasing amounts of data, allow consumers to make highly informed choices. The museum must provide effective narratives and stories within its marketing strategies, as these will be key to the projects ongoing success.

The Marketing Strategy will focus its attention to both psychographic and behavioural segments.

Both psychographic segments (this deals with lifestyle choices) and behavioural segments (takes into account a customer's response to particular products and services) will need to be considered.

Research has identified a number of culture market segments which are applicable to museum visitors and may help guide marketing efforts (Figure 25).

It is likely that for the Powerhouse Museum, the following market segments will apply:

1. Passing Travellers – Entertainment, Release, Stimulation, Expression
2. School Groups – Entertainment, Stimulation
3. Tour Groups – Enrichment, Essence, Perspective
4. Events – Enrichment, Essence, Perspective, Affirmation
5. Local Community – Entertainment, Expression, Release, Enrichment

Figure 25. Culture Market Segments

Key Cultural Segment	Characteristics	Marketing Messaging	Other Tips
Essence	<p>Arts &amp; culture are essential to their being</p> <p>Confident and knowledgeable, lifelong learners</p>	<ul style="list-style-type: none"> <li>Marketing is not for them</li> <li>Make a virtue out of not being influenced</li> <li>Focus on high quality &amp; sophistication</li> <li>Acknowledge their discerning tastes</li> </ul>	<ul style="list-style-type: none"> <li>Low tolerance for amateurism</li> <li>Not natural joiners</li> <li>Have a singular personal agenda</li> <li>Privileged access important</li> </ul>
Expression	<p>Full of enthusiasm</p> <p>Community and family important</p> <p>Fun-loving</p>	<ul style="list-style-type: none"> <li>Don't want to be marketed to</li> <li>Want to be inside, part of the conversation</li> <li>Want emotional &amp; personal connections</li> <li>Appeal to community spirit</li> </ul>	<ul style="list-style-type: none"> <li>Often visually driven</li> <li>Like beautiful natural images</li> <li>Like to see the artist</li> </ul>
Affirmation	<p>Self-identity</p> <p>Conscientious, planners</p> <p>Keen to do the right thing</p>	<ul style="list-style-type: none"> <li>Need supporting evidence</li> <li>Word of mouth important</li> <li>No risk that the experience will be a dud</li> <li>The devil is in the detail</li> </ul>	<ul style="list-style-type: none"> <li>Membership options provide affirmation</li> <li>High users of customer review websites</li> <li>Make your museum the best choice</li> </ul>
Enrichment	<p>Lovers of history and heritage</p> <p>Respect the past</p> <p>Independently minded</p>	<ul style="list-style-type: none"> <li>Plain English information, don't want to be tricked</li> <li>Need reassuring</li> <li>Price sensitive</li> <li>Focus on nostalgia, traditional, established</li> </ul>	<ul style="list-style-type: none"> <li>Nostalgic</li> <li>High users of customer review websites</li> <li>Make your museum the best choice</li> <li>Share insights accurately</li> <li>Keen to volunteer</li> </ul>

Figure 25. Culture Market Segments (continued)

Key Cultural Segment	Characteristics	Marketing Messaging	Other Tips
Stimulation	<ul style="list-style-type: none"> <li>Love adventure and big ideas</li> <li>Independently minded</li> <li>Take risks</li> </ul>	<ul style="list-style-type: none"> <li>Enjoy clever marketing</li> <li>Highlight the incredible and different</li> <li>Spark their interest, but don't reveal too much</li> </ul>	<ul style="list-style-type: none"> <li>Create a sense of urgency</li> <li>Easy to engage online</li> <li>Active on social media</li> <li>Pay attention to roadside advertising</li> </ul>
Release	<ul style="list-style-type: none"> <li>Looking to escape stresses of life</li> <li>Feel they are time poor</li> <li>Busy, ambitious prioritisers</li> </ul>	<ul style="list-style-type: none"> <li>One shot to capture their attention</li> <li>Highlight multiple benefits (e.g. kids activities)</li> <li>Unmissable calls to action</li> </ul>	<ul style="list-style-type: none"> <li>Prioritise work, home and family</li> <li>Efficient transactions are important</li> <li>Not likely to become supporters</li> </ul>
Perspective	<ul style="list-style-type: none"> <li>Happy &amp; fulfilled in their own bubble</li> <li>Limited number of interests</li> <li>Self-sufficient and independent</li> </ul>	<ul style="list-style-type: none"> <li>Don't fear missing out</li> <li>Must align with their passions</li> <li>Less open to marketing persuasion</li> <li>Offer taster sessions</li> </ul>	<ul style="list-style-type: none"> <li>Self-centred, unlikely to be supporters</li> <li>Only follow their personal interests</li> <li>Need to build on their existing interests</li> </ul>
Entertainment	<ul style="list-style-type: none"> <li>Culture/heritage not so important</li> <li>Seeking escapism and entertainment</li> <li>Socially motivated – family and friends</li> </ul>	<ul style="list-style-type: none"> <li>Popularity &amp; celebrity important endorsements</li> <li>Flashy billboards will get noticed</li> <li>Emphasise the one-offs</li> </ul>	<ul style="list-style-type: none"> <li>Not culture seekers</li> <li>Cultural attractions must deliver on social aspects</li> <li>Want shiny, special experiences</li> </ul>

## Targeting and Positioning

As described above, there are various types of visitors to the museum who could fit into various market segments. Using the characteristics of these segments as summarised in Figure 25 will be important in targeting marketing activities.

Museum management will have to make decisions about which market segment they deem to be the most important and this will guide the marketing strategy. It may be that the museum needs to be in operation for a few years before it becomes clear which market segments are the most important. In the short-term however, it is likely that passing travellers will be most important and will form the largest potential type of visitor.

## Marketing mix

The museum is providing a product that is essentially an experience, so three key elements will need to be considered.

1. People, the role of those delivering the experience.
2. Physical attributes, the environment the experience resides within.
3. Process, how the experience is delivered.

Promotion will concentrate on the following methods:

- Direct marketing to members/supporters/partners (Enews).
- Digital social media platforms such as Facebook and Instagram. User co-created content to be easily uploaded to social media unedited and organic.
- Website constructed that identifies the museum, who is involved, contacts, supporters, history, content, downloads, donation/supporter portal, supporter directory, events etc.
- Public relations, feeding news outlets, podcasts, blogs etc.
- Memberships/Supporter strategy. To encourage sponsorship and donations for museum content and operations.
- Merchandise. High quality, sustainable, recycled material used to produce visually attractive merchandise.

# Sources



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# *Appendix One*

Initial Scenarios Analysed  
and  
Initial Benefit-Cost Analysis

# Initial Scenarios Analysed

Initially, the following assumptions were made and scenarios examined:

- Where the site is purchased by GISC, it is assumed to be done so using a TCorp loan over 20 years with a 1.75% interest rate.
- Discussions with local real estate agents indicated the site could sell for \$400,000 to \$800,000. This range of costs has been considered in developing the various financial scenarios.
- Where GISC are responsible for setting aside an asset renewal allowance on the CAPEX grant spend, this is based on straight line depreciation rates of a 50 year life for building works and a 10 year life for the fitout. 50% of any CAPEX is deemed to be building works and 50% fitout.
- Note that sponsorships/donations/grants form a large part of the revenue stream, around 40% (\$118,000 per annum). This is based on the findings from several other museum/gallery financial reports and feasibility studies. The profitability of this project will depend heavily on sourcing these funds and the local renewable energy sector must be engaged early as a potential sponsor and provider of exhibits.

A range of CAPEX and operating scenarios have been estimated to calculate the profit/loss situation for the project. These are summarised in Figure 26.

Figure 26. Preliminary Summary of Profit and Loss Results

Profit / Loss	With Asset Renewal Costs				Without Asset Renewal Costs			
	No lease cost, 1% maintenance cost	Purchased \$400K	Purchased \$800K	Leased	No lease cost, 1% maintenance cost	Purchased \$400K	Purchased \$800K	Leased
CAPEX								
\$1M	-\$38,810	-\$56,687	-\$84,563	-\$100,810	\$21,190	\$7,313	-\$16,563	-\$32,810
\$2M	-\$108,810	-\$116,687	-\$144,653	-\$160,810	\$11,190	\$7,313	-\$16,563	-\$32,810
\$2.5M	<b>-\$143,810</b>	-\$146,687	-\$174,563	-\$190,810	\$6,190	\$7,313	-\$16,563	-\$32,810
\$3M	-\$178,818	-\$176,687	-\$204,563	-\$220,810	\$1,190	\$7,313	-\$16,563	-\$32,810
\$4M	-\$248,810	-\$236,687	-\$264,563	-\$280,810	-\$8,810	\$7,313	-\$16,563	-\$32,810
\$5M	-\$318,810	-\$296,687	-\$324,563	-\$340,810	-\$18,810	\$7,313	-\$16,563	-\$32,810

Base Case Result

The results of the operational profitability analysis indicate that under the base case scenario, the project would run at an annual loss of \$144,000 per annum, a cost which would be borne by GISC.

If fact, any scenario where GISC are responsible for the asset renewal costs on the grant funded CAPEX works produces a loss situation. A profit making situation only occurs when those asset renewal costs are not included in the operational budget and when the CAPEX cost is below \$4M, or where GISC can purchase the site for \$400,000.

*In the base case the operational loss is \$144,000 per year*

## Benefit–Cost Analysis

A benefit–cost analysis of the project has been conducted. This differs from the above operating budget analysis as it captures the broader economic benefits to the Glen Innes economy (i.e. the benefits of additional tourist visits and overnight stays).

The benefit–cost analysis includes the following key parameters:

### Costs:

- Capital costs in the range of \$1M to \$5M. It is acknowledged that this is a large range of costs, however at this stage of business plan development it is not possible to get a firm quote on construction and fitout costs. Moreover, because of the range of possible operating/ownership structures and the effect of capital costs on debt and asset renewal costs, testing a range of capital costs is important to gauge the effect on operational costs and hence the profitability of the proposal.
- Annual operating costs also vary depending on the operating/ownership structures and are in the range to \$299,000 to \$623,000 per annum.

### Benefits:

- New visitor expenditure benefits – measured as the value-added associated with \$4.676M of additional annual visitor expenditure. Value-added rather than gross expenditure is a more correct measure of this benefit as it is an approximation of the additional producer surplus and caters for leakage and intermediate input effects.
- New visitor expenditure is based on an average daily spend of \$153 for day visitors and \$118 for an overnight stay. These figures are taken from the REMPLAN (2021) information on tourism in the Glen Innes Severn LGA. The overnight stay expenditure likely lower than for a day visit as many visitors stay with relative of friends hence incur lower costs.
- Only the additional expenditure from visitors outside of NSW has been included as the NSW Government only includes inter-state and international visitation in its benefit assessments.
- There would also be an increase in consumer surplus (what visitors are willing to pay to visit the museum over and above what they actually pay) however this has not been included in the benefits stream, hence the results are likely a more conservative under-estimate of the total benefits.



Sensitivity analysis of key parameters has been conducted to assess the robustness of the benefit–cost ratio (BCR) and the project profit/loss (see section 5.6 on project cash–flow).

The base-case assumes the following:

- The CAPEX for any building works and internal fitout for the new museum are supplied from a government grant.
- CAPEX for building works and fitout is \$2.5M.
- 50% of visitors are from outside NSW. This is based on data contained in the Glen Innes Destination Management Plan (GISC 2021).
- Annual visitation is 18,375 people with 40% being children and 1% being concession holders.
- The building is purchased by the NSW Government for \$600,000 and provided to GISC to operate as a museum at no cost.
- GISC are responsible for setting aside an asset renewal allowance on the \$2.5M CAPEX spend based on straight line depreciation rates of a 50 year life for building works and a 10 year life for the fitout. 50% of the CAPEX is deemed to be for building works and 50% for fitout.
- An internal maintenance cost is included and is set at 1% of the CAPEX grant per annum.
- 1.5 FTE staff are employed with a total salary cost of \$90,000 plus 15% oncosts.
- The café is leased out hence cost of goods sold only apply to the gift shop at reception.
- Other operating costs are based on average costs per visitor from a range of other museum/gallery business cases and feasibility studies.
- It takes 4 years for the full visitation potential to be realised.

For the sensitivity analysis, several other assumptions come into effect:

- Rather than the NSW Government purchasing the site for \$600,000, GISC purchase it at either \$400,000 or \$600,000.
- Where the site is purchased by GISC, it is done so using a TCorp loan over 20 years with a 1.75% interest rate.
- Where the site is purchased by a third party rather than GISC and leased to GISC, the lease rate is 8% per annum of the purchase price.

The Benefit-Cost Ratio (BCR) results for a range of CAPEX and operating arrangement scenarios are shown in Figure 27.

The base case produces a favourable BCR of 1.26 (Figure 27). However, depending on the assumptions made about CAPEX and operating arrangements the BCR can vary from 0.73 to 2.28.

Net Present Value (NPV) results follow the same pattern as the BCR results, with BCRs of less than 1.0 also producing a negative NPV. BCRs of greater than 1.0 produce a positive NPV result.



Figure 27. Preliminary Summary of Benefit-Cost Results

Profit / Loss	With Asset Renewal Costs				Without Asset Renewal Costs			
	CAPEX	No lease cost, 1% maintenance cost	Purchased \$400K	Purchased \$800K	Leased	No lease cost, 1% maintenance cost	Purchased \$400K	Purchased \$800K
\$1M	1.96	1.75	1.54	1.50	2.28	2.02	1.77	1.71
\$2M	1.43	1.34	1.21	1.19	1.81	1.67	1.49	1.45
\$2.5M	1.26	1.19	1.10	1.07	1.64	1.53	1.39	1.35
\$3M	1.13	1.08	1.00	0.98	1.49	1.42	1.29	1.26
\$4M	0.93	0.91	0.85	0.84	1.27	1.24	1.14	1.11
\$5M	0.79	0.78	0.74	0.73	1.11	1.1	1.02	1.00

Base Case Result

Most scenarios produce a BCR of greater 1.0 (along with a positive NPV) which is a favourable result and indicates the project should proceed from the broader economic perspective. A BCR of less than 1.0 (along with a negative NPV) only occurs at higher CAPEX rates of \$4M and \$5M and when GISC must include asset renewal costs in their operating costs.

However, many of these scenarios which produce a favourable BCR result also generate an operating loss for GISC which may not be desirable. GISC must weigh up the broader economic benefits for the local economy against the additional costs to council for many of the scenarios. Only a very limited number of scenarios result in an operating profit for GISC, and these all involve the situation where asset renewal costs on the new museum assets are not included as an operating cost. Research to date suggests that this is not possible to exclude asset renewal costs from operating budget. Since the introduction of the fit-for-the-future system for local government, asset renewal costs have become a key inhibitor to new council infrastructure investments.





# *Appendix Two*

Letters of Support  
and  
Letter to Essential Energy

22 February 2022

Ms Margot Davis  
Manager of Economic Development  
Glen Innes Severn Council  
152 Church Street  
Glen Innes NSW 2370

Dear Ms Davis

**RE: Letter of support for the development of a new museum in Glen Innes**

I am writing to confirm the Powerhouse Museum's support the development of a new museum dedicated to power generation past, present and future, in the Glen Innes Powerstation.

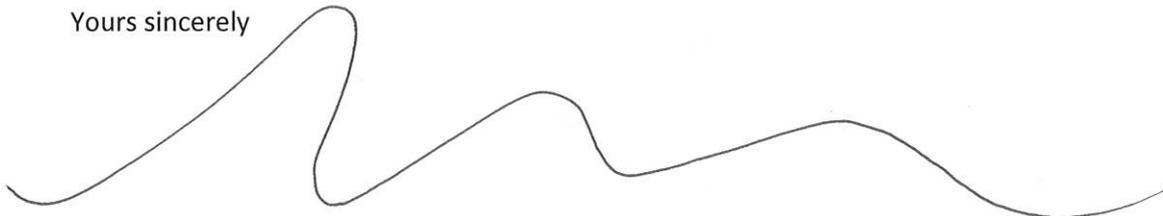
The Powerhouse Museum is one of Australia's oldest and most important cultural institutions. It is Australia's only museum of applied arts and sciences with an exceptional collection of approximately 500,000 objects. The Powerhouse is undertaking significant renewal through the creation of Powerhouse Parramatta, expansion of Powerhouse Castle Hill, the digitisation of Powerhouse Collections, the renewal of Powerhouse Ultimo and the ongoing operation of Sydney Observatory.

The Powerhouse Museum has a keen interest in the power generation assets in the Glen Innes region. A new museum in the region will showcase Australian historical machinery and equipment, and explore modern alternative power generating technologies. It will provide a nationally significant cultural institution to regional communities and educational facilities.

The Powerhouse Museum looks forward to supporting the new museum in Glen Innes. It is our intention to loan objects both to and from the new museum, share displays, and partner on program developments. The Powerhouse Museum is reviewing its regional program and would see a new museum in the Glen Innes region as a great opportunity to reactivate our outreach activities in regional New South Wales.

If you have any questions, please do not hesitate to be in touch with Matthew Connell, Director Curatorial, Collections and Programs, by email: [Matthew.Connell@maas.museum](mailto:Matthew.Connell@maas.museum).

Yours sincerely



Lisa Havilah  
Chief Executive  
Powerhouse Museum



16 February 2021

Re: Glen Innes Power house.

Dear Mr. Bennett

For several years now The New England Heritage Traction Club, based here in Glen Innes, has been monitoring the situation regarding the old Glen Innes Power House and communicating with the owners, Essential Energy.

The Power House is located at 148 Church St. right next door to the car wash. It was originally put into operation in 1922 and powered by two wood fired wood-gas engines which, in 1930, were replaced with a brand new 825hp Crossley Premier heavy oil engine, ordered, paid for, and imported from the UK by the Glen Innes Municipal Council. In 1952 a used Bellis & Morcom engine was also installed to augment the Crossley.

The generating units started to become obsolete in the late '50s as the Ashford power station came on line, and then the Liddell plant and the National Grid. However, they were kept in running order for daily peak loads, right up until 1984 when they were finally shut down and moth-balled.

In 1994, the Municipal Council and some dedicated enthusiasts cleaned up and re-opened the Power House as a museum. This operated until council amalgamation at which time the facility was abandoned and essentially absorbed by what is now Essential Energy.

Essential Energy has recently vacated the premises and plan to dispose of the asset.

The Crossley, the Bellis, and all the museum displays are now a time capsule, completely intact and undisturbed.

The Traction Club is desperate to see this facility retained and urges council to open discussions with Essential Energy regarding possible purchase or lease of the Power House and to consider the following items:

- The Power House (and by extension its contents) is heritage listed. Being heritage listed, council has a significant degree of say in what happens to the facility.
- There is tremendous and compelling local interest in the facility. (See the attachments for various letters of support.)
- Glen Innes markets itself as a heritage town. The facility, already set up as a museum, is a ready-made heritage attraction.

- Glen Innes is, for better or worse, becoming a renewable energy hub. Yet we cannot appreciate where we are, unless we remember where we have come from.
- The History House is also very enthusiastic about the project, and is open to the idea of a partnership.
- It can be argued that, as the facility was bought, built and paid for by the Glen Innes Municipal Council, who subsequently handed over the facility to the North West County Council which was, in turn, simply absorbed by Essential Energy, Glen Innes may be able to claim rightful ownership.
- Essential Energy senior staff are also loathed to see the facility scrapped; however, they have their own internal processes to follow. But if “compelling public interest” can be demonstrated, those internal processes become much simpler. I believe that senior staff will make every effort to accommodate Council advances on the issue on excellent financial terms, possibly up to and including a “peppercorn” lease or purchase.
- The exterior of the facility was recently fully renovated under a State Government grant scheme.
- The front section of the property consists of a more modern office complex of no heritage significance. However, this section presents many options:
  - Interpretive museum extension.
  - A separate tourist attraction (an “Escape Room” is suggested)
  - Additional council office space.
  - Leased out office or retail space.
  - Sub-divided and sold.
- The lot also entails a large out door secure storage area/parking area. While this would be excellent as an outdoor museum display area, it could alternatively serve to extend public parking behind the town hall.

The Heritage Traction club is a group of enthusiasts who are passionate about vintage tractors, trucks and machinery. We are convinced that both the vintage engines could be brought back to life for display purposes. We have the manpower and expertise, and we are happy to volunteer our time to make it happen.

Sincerely,

James Gresham  
 Secretary/Treasurer  
 New England Heritage Traction Club

*“The Club That’s Got It All”*



Glen Innes & District  
**Services Club**  
Ltd

10<sup>th</sup> December 2020

To whom it may concern,

Please accept this letter in full support of the proposed Glen Innes Powerhouse rejuvenation.

The idea of a revitalising the big motors that used to power Glen Innes is outstanding! The community will love visiting the Powerhouse and reliving days gone by. This type of project gets everyone excited because it spans such a wide demographic. Imagine taking your grandchildren to the museum to watch the demonstration of the big motors, mind blowing! I know our older members at the Services Club would thoroughly enjoy seeing the Powerhouse in its new form and all it has to offer.

From a visitor point of view it would add an amazing tourist attraction to Glen Innes. Many travellers would simply love to be able to get up close to such iconic pieces of machinery being demonstrated and in turn increase visitors to other businesses, win win!

The Escape Room within the Powerhouse complex is a first class idea  
The community would totally embrace it and The Escape Room would give something new to focus on and use to attract visitor groups from far and wide as escape rooms do on the coast.

The Services Club would be more than happy to take members, guests and visitor groups on special tours by courtesy bus to the Powerhouse from the Club if required.

I feel it’s a major step in the right direction as it’s not a mainstream attraction but a huge point of difference and would benefit the town in many ways.

I am in full support of this fantastic idea.

Yours sincerely



Pat Lonergan  
General Manager



**Glen Innes Men's Shed Inc.**

PO Box 201  
Glen Innes NSW 2370

**PRESIDENT:** Jim Wilson  
**SECRETARY:** Col Wallace

Phone: 02 6732 1813 (Shed)



22/2/2021

To whom it may concern.

It was with great interest that I received a phone call from James Gresham regards to the reestablishing of the Glen Innes Powerhouse Museum.

When I say reestablishing my interest came about when some years ago I was given a 2 page A 4 brochure on the Powerhouse Museum compiled by Jack Dixon, Ivan March and Geoff White and headed Glen Innes Power House Museum. All are now deceased I believe. I have over the years dropped a copy of this at the tourist centre. My belief is that most to the setup is still there.

A majority of Glen Innes residents will know little of this Museum or where it is situated..

With all towns now vying for the tourist dollar we need all we can offer and this I believe fits the bill. This a ready made attraction and a great deal of the preliminary work may have been done some years ago. It has been allowed to sit for far too long.

Growing up in the 40's at Furracabad on a clear night the steady "choof-choof" of the big Crossley engine turning the generator to power Glen Innes could be heard. When all valve radios were turned on for the Amateur Hour at 7pm the engine note changed.

I and the Committee of the Glen Innes Men's Shed are in full support or this project. Any help the Men's Shed can give please ask. Our one concern is that no part of the set up is to be sold or removed should the venture lapse as in the future it may succeed..

This is a ready made attraction. Hope all goes well..

Yours Sincerely

A handwritten signature in black ink, appearing to read "Col Wallace", written over a horizontal line.

President of Glen Innes Men's Shed Inc.



Council Ref: CB/gp

Ms Sharon Smith  
Leasing & Sales Officer  
Governance and Corporate Services  
Essential Energy  
PO Box 5730  
PORT MACQUARIE NSW 2444

24 February 2021

Dear Sharon

**Re: REQUEST FOR DIRECT NEGOTIATIONS REGARDING 148 CHURCH STREET**

Glen Innes Severn Council understands that the Essential Energy building at 148 Church Street will be placed on the open market for sale in or around June 2021.

Glen Innes Severn Council and local community groups including the New England Heritage Traction Club, Glen Innes & District Services Club, Land of the Beardies History House Museum & Research Centre and a new local tourism operator have expressed interest and have compelling uses for the buildings and their contents.

There are two potential uses that Council would have for the building:

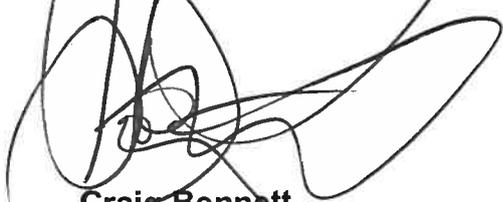
1. Front section – Council has secured funding, and a business operator, to build Escape Rooms – the position of the building is ideal for such a project as it will be popular with locals as well as visitors. We do need to have a site secured for this project by June 2021.
2. Back Section (Heritage Listed) – The community has expressed interest in developing this section of the building into a powerhouse museum, leveraging the historic equipment and the heritage building. Council is also seeking a potential partnership with the Powerhouse Museum in Sydney to have a Regional Museum here in Glen Innes.

Prior to Council deciding on whether to pursue the building for the abovementioned projects Council would like to commence direct negotiations with Essential Energy on what options are available to Council to secure the site, buildings and its contents.

Both projects have a compelling public interest and a significant potential socio-economic benefit to the community. They will create jobs, education initiatives and community/council partnerships. They also complement each other being two tourism attractions in the one location and provide more activities for residents.

Prior to Council undertaking any further business case development for these projects it would assist in being able to hold discussions with you on the terms that the building maybe available. Your early advice regarding the possibility for staff to undertake an inspection of the buildings would also be appreciated.

Yours sincerely

A large, stylized handwritten signature in black ink, appearing to be 'Craig Bennett', written over the typed name and title.

**Craig Bennett**  
**GENERAL MANAGER**



**Regional  
Development**  
*Australia*

NORTHERN INLAND NSW

[www.rdani.org.au](http://www.rdani.org.au)

Developed by RDA - Northern Inland  
for Glen Innes Severn Council

Version 2.0 - April 2022