

Grand Prix Facts

The REAL facts on the grand prix

Save Albert Park Inc Fact Sheet 2014

The Australian Formula One grand prix car racing event has been staged annually in Albert Park since 1996. In that time, operating losses and circuit establishment and maintenance costs have cost Victorian taxpayers more than \$500 million dollars. When other government subsidies and 'lost opportunity' costs are taken into account, the real cost to the Victorian economy reaches beyond one billion dollars. This shows how wrong Premier Jeff Kennett was in his promise, "*Victorian taxpayers would not be asked to meet the cost of the event, with the State Government only prepared to act as guarantor for loans required to establish the race.*" (Herald Sun 18/12/93).

The set-up and take-down of the temporary circuit in Albert Park Reserve, and repair of damage to playing field takes around four months, and during this time the ambience of the park is destroyed by noise and dust, and movement of heavy trucks and machinery. 6,000 truck trips are made to transport 40,000 tonnes of race infrastructure is moved into and out of the park. Sports clubs are ejected from their grounds for up to two months.

The Victorian Government and its agency the Australian Grand Prix Corporation (AGPC) are unable to produce any evidence that the financial losses and the environmental effects on Albert Park Reserve can be justified on any grounds.

Premier Napthine repeats the mantra that the event has to provide 'value for money for Victorian taxpayers', but makes no case to identify where the value lies, or whether an alternative event might provide more value.

The government chooses to discount the findings of the comprehensive [cost benefit analysis of the event](#) conducted by the Auditor-General in 2007, and the [follow-up studies](#) by Economist at Large (that showed that the event is a heavy economic loser for Victoria), but is apparently unwilling to face the real facts and commission its own cost benefit study. Instead, in 2011 it commissioned an '[economic impact' assessment](#) which does not provide guidance as to the event's real value for money.

The Victorian Government continues to rely on intangible and unmeasurable benefits supposed to flow from the event such as 'international exposure' and the 'branding' of Melbourne as a world capital of sport.

Instead of doing what it should do, the Victorian government misrepresents or exaggerates the facts, and fails to undertake an honest assessment of the value of the event.

This SAP Fact Sheet for 2014 provides the real unvarnished truth on the grand prix.

Global TV audience figures are grossly exaggerated.

- Independent ratings agencies, [The Economist](#) and [F1 itself](#) indicate the global live audience for the Australian grand prix is fewer than 16 million viewers. **Warning:** GP Chairman Ron Walker claims 350 million, 500 million and 600 million viewers. He has even reported the annual F1 season telecast totals 55 billion¹, and on ABC radio 774, 54 billion. Events are compared by their live viewing audience as this is the internationally recognized benchmark. The GP corporation has never acknowledged their real global audience is only around 10 to 15 million.
- Premier Napthine [misleadingly claimed](#) an audience of [450 million](#), which is greater than the [predicted global audience](#) for the FIFA World Cup soccer final and more than four times that of the US Superbowl final! Victorians expect the truth from their premier. That's a fact he needs to apply to the grand prix.

Economic evidence

- **The Victorian Auditor-General's [peer reviewed cost-benefit analysis of the 2005 race](#)** found the GP is a net loser for Victoria and his office found there is no evidence of extra tourists coming to Melbourne because a grand prix is held here.
- **The Victorian Auditor-General (A-G) recommended an annual, follow up cost-benefit analysis (CBA) be done.** The A-G said an economic impact study *"cannot address the issue of whether a project is worth proceeding with; hence the need for a CBA (Cost-benefit analysis) approach."*
- **In 2011, the Victorian Government deliberately misled the Victorian public by commissioning an ['economic impact' study](#) (from Ernst & Young), rather than the A-G's recommended cost-benefit analysis. They know economic 'impacts' are not economic 'benefits'.** Economic impact studies ignore costs so they always come up with a positive figure. Natural disasters - and the GP - generate an 'impact' but these disasters - like the GP - cause a net loss to the state in both economic and financial terms.
- **A 2013 update of the Auditor-General's cost-benefit analysis** has been undertaken by the independent [Economists at Large Pty Ltd](#). **They found the 2011 GP caused a net economic loss to Victoria of \$51.7 million and the 2012 event was worse, with a \$60.5 million loss. They found the 2013 event reduced Victoria's welfare by \$54.3 plus million as that was the economic loss of the latest grand prix.**
- **The government's [most recent 'economic impact' study](#) (the non - recommended model) has failed an [independent peer review](#).** The report assumed Victorians would be three times more likely to travel to an interstate grand prix than other Australians currently travel to Victoria for the GP. On top of this, a patronage figure exceeding the AGPC's audited ticket sales figures was used as the key multiplier.
- Tourism Victoria and the government claimed their recent impact study showed an economic "benefit", which is deliberately misleading. **The consultants themselves (Ernst & Young) were very clear about what they were paid to do, or not do, as follows: "[T]he scope of the Assessment is limited to an economic impact analysis, and as such, it is difficult to make judgements as to whether the event leaves Victoria "better (or worse) off" from a welfare perspective. ... To understand whether the Grand Prix delivers net welfare improvements to Victoria, a full cost benefit analysis would need to be prepared.... A cost benefit analysis is outside the scope of the Assessment. (p55)"**

¹ 2002 Annual Report of the Australian Grand Prix Corporation

- **Despite the Auditor-General's findings of no *extra* tourists, the government has claimed 'branding' or 'intangible' benefits to Victoria but struggles to find independent evidence.** Bizarrely, the F1 industry publication, *FormulaMoney*, in its "Return on Investment" review, said the worldwide branding exposure of 'MELBOURNE' at the [2011 F1GP was valued at only \\$262,552](#). Now, after the AGPC wrote to it the value is \$217m. The government refused to release this 'boosterism' report and one year later the AGPC disgorged it. No wonder it was hidden; it is all smoke and mirrors. No real money is involved. **Who do you trust, the Auditor-General or a [consultant trying to boost the F1 industry?](#)**
- **For more than a decade, the corporate world has been reluctant to sponsor the grand prix. The lack of a naming rights sponsor once again in 2013 indicated the real global exposure or 'branding' of the grand prix is well south of \$1m.** The Herald Sun's business writer, [Terry McCrann told us](#) the last time this so called massive global exposure was on sale Qantas "paid just \$100,000 for naming rights." This demonstrates the absurd claims of the government and its consultant are not believed in the marketplace.

Tourism and business claims

- **On GP weekend there are plenty of spare hotel rooms** on the booking site [wotif.com](#), indicating the long claimed tourism bonanza is false. The GP suffers from the well known 'go away/stay away effect', where tourists stay away and locals go away because of the noise and disruption. The Victorian Auditor-General's finding of no *extra* tourists has settled this argument. Even way back in the so called glory days of the GP, Ansett Airlines said in 1999: *"There doesn't seem to be any increase in the number of passengers travelling on the Labour Day weekend when the Grand Prix is on compared to Labour Day when the Grand Prix was not held there."*
- The GP chairman's claims on so called tourism benefits were [reported in the Herald Sun](#) in March 2012 as follows, *"...30,000 international visitors and an even greater number of interstate visitors will flock to the city for the Grand Prix, filling nearly 70,000 hotel rooms."* **This contradicts Tourism Victoria and the ABS as they report a total 27,986 hotel rooms across greater Melbourne. Room occupancy rates were above 77% for the entire December 2012 and March 2013 quarters yet many rooms were empty on grand prix weekend. Ernst & Young (the government's consultant) [confirms the chairman's claims are wrong](#) .**
- 'MORE THAN 300,000 ATTENDEES FROM ALL OVER THE WORLD' was on the [AGPC's promotional video](#) for the GP, posted in January 2013. The viewer may be fooled into believing a crowd of 300,000 ticket buying spectators "from all over the world", yet the government's economic 'impact's study by Ernst & Young [estimated](#) the total "specific and extended stay spectators and accompanying persons" from overseas in 2011 at 9,053. **This is only 3% of the *claimed* 300,000 attendees and appears to be a new level of exaggeration on crowds by the AGPC.**
- Surveys in 1996, 1998, 2000 and 2005 by the government consultants National Institute of Economic and Industry Research (NIEIR) and by community volunteers showed that more local businesses either suffered a decrease in trade or experienced no change during the grand prix period than those that had extra business. After the first GP, the Herald Sun headline read "Grand Prix shop horror." Plus ça change!

Attendance claims

- **In 2011 and 2012 adjudications by the Press Council on specific reports in The Age and the Herald Sun showed that GP attendance and other claims of the grand prix corporation are "*strongly contested in detailed analyses from other sources*" and the GP's figures are of "*doubtful accuracy.*"**

- **The Melbourne F1GP is the only major event that has not used a bar-code, turnstile or similar direct system to accurately record attendances.** Attendance numbers for the GP were quoted as fact until the Victorian Ombudsman investigated and found attendance figures are estimated.
- The grossly inflated attendance figures were 'outed' by respected sporting journalists Greg Baum of [The Age](#) and Patrick Smith "April fools as rev heads get caught in slow lane." *The Australian*, April 01, 2006. If all areas are full, the maximum spectator number cannot exceed 70,000, yet the AGPC has incorrectly claimed this is "the largest single-day sporting event in Australia".
- **With only 27,016 grandstand and 7,400 corporate seats in 2013, the maximum possible attendance cannot exceed 70,000** as the only other spectator areas are the five grassy mounds, together carrying **12,500** at most and the outfield, in between the infrastructure. The outfield needs to be packed four deep or more to achieve another **16,000** spectators, giving a not so grand total of **62,916**. The grand prix telecast confirms those spectators along the fence are mostly spread at fewer than four deep. SAP allows a figure of 70,000 as some may come and go during the day and maybe others are just "*chugging beer in the bowels of the circuit*", as Crikey.com so colourfully described it.
- **The GP corporation's attendance and underlying patronage figures grossly exceed the audited income in their accounts.** The evidence is the plummeting ticket sales revenue and sponsorship dollars. The AGPC's 2011 audited accounts had a sales figure that, when divided by the number of grandstand and corporate seats and prices and the remainder general admission, reveals fewer than 60,000 ticket buying patrons, yet the AGPC claimed 111,000 (of those 60,000!) attended on race day and 298,000 over the four days – totally impossible, given the evidence. The event telecast also supports this. It was a similar story in 2012 and 2013. SAP estimates the AGPC adds more than 100,000 phantom attendees annually.
- Up until 2011 the GP corporation's website boasted 80,000 corporates attendances but only had 9,220 seats in 2009, dropping to 7,700 in 2011. Many of the boxes are empty for the first two days of the grand prix, showing this to be another claim that fails the test of on the ground evidence. **Audited ticket sales data and evidence in the economic reports indicate the corporate claim was out by almost 400%! This is an even greater exaggeration than the GP corporation's attendance figures!**
- In 2007, the GP corp said it cannot use temporary turnstiles because they are cost prohibitive. In 2012 we asked for proof – its answer to the FOI was "*no such documents exist.*" We asked other major events. **They use temporary turnstiles or barcode counters because, "They reduce the occurrence of fraud and are available at very little cost."** In 2013 the AGPC admitted in evidence to VCAT that their ticketing company provides bar code readers (scanners) at no cost but they refuse to use them to count patrons. The only conclusion is the government is fraudulently avoiding scrutiny while spending hundreds of millions of taxpayer dollars on the grand prix.
- The AGPC's CEO, Mr Andrew Westacott, emphatically stated on 3AW (10:40am, 17 Mar 2013) that the AGPC's attendance methodology "has been proven and reviewed" by the Auditor-General. The Auditor General's report clearly did not cover the reliability - or not - of the attendance methodology. This statement would mislead the public into believing the attendance claims have the imprimatur of the Auditor-General. [The Auditor-General's report](#), State Investment in Major Events, May 2007, clearly states this is not the case.
- In the Victorian Parliament (February 2013), the Liberal/National Party government voted to refuse a proper count of attendees at the 2013 grand prix, in denial of their election promise: "**There will be no**

hidden agendas. There will be no spin. There will be no secrecy. Accountability and transparency will be the principles that underpin our government."

- The Grands Prix Act 1994 overrules many good and valid laws, ensuring secrecy and lack of accountability as the hallmarks of this publicly funded event in a public park.

Financial losses

- The real total of taxpayer funds committed to the grand prix is estimated at \$991 million, when all government subsidies are included – that is, subsidies such as park rental from Parks Victoria, the interest (or opportunity cost) incurred by State Treasury for the cash going into the GP, TAC and VicRoads sponsorship, City of Melbourne, etc and free tickets given away. **The GP and the government choose to hide the subsidies.**
- In hindsight, broken promises are apparently the biggest lies in politics and promises made to Victorians in order to establish the race in Albert Park were definitely in this category: *"Victorian taxpayers would not be asked to meet the cost of the event, with the State Government only prepared to act as guarantor for loans required to establish the race."* This is a quote from The Hon Jeff Kennett, Premier of Victoria, in the Herald Sun, 18 December 1993. **By 2013, Treasury has handed over \$559 million just to cover the operating losses and circuit costs.** Mr Kennett also said the park would be disrupted for a week but the infrastructure, trucks, forklifts and disruption are there for up to four months every year, forcing out tourists and a whole community and its sporting clubs.
- In the grand prix corporation's 1996 annual report it committed "to make a cash surplus each financial year" but, as the previous paragraph shows, **it has demolished that by \$559 million in sunk costs and that's after all the government subsidies have been provided! With ever increasing losses, this dishonest corporation and its claims have never been investigated by the government. Why not?**

Why does the government ignore the truth and uses spin instead?

FOIs asking for claims to be substantiated have been denied because disclosure would be "contrary to public interest" and "be likely to expose the Corporation to disadvantage". The secret and unaccountable GP corporation appears to make many misleading and deceptive claims, as noted in this fact sheet. The GP and its corporate supporters therefore appear to be in contravention of Federal trade practices law, specifically the Australian Competition and Consumer Act 2010, s.18. We have a legal opinion that confirms this.

More than 30 million people fly into or out of Melbourne Airport every year. That's more than 570,000 a week. Melbourne's hotels enjoy a year round occupancy rate of greater than 70%, so do we really need to spend \$60m a year to attract a few thousand grand prix fans while other tourists go away or stay away because a grand prix is in town?

Why use spin about Melbourne's branding when our reputation as the most liveable city is well known and is underpinned by our magnificent parks and gardens. Can you imagine Albert Park without a car race and instead landscaped, loved and maintained in the same way as Central Park New York?

Contact Save Albert Park Inc:

SAP office 96993855 <http://www.save-albert-park.org.au/>

Media: Peter Logan 0412697074 or Peter Goad (President) 96997932 0407192455