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**Voodoo economics of major events**

Crikey sports editor **Patrick Fitzgerald** looks into the voodoo economics of major sporting events.

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In a speech to the Committee for Economic Development of Australia, in Brisbane on November 6, 2002, the chairman of the Productivity Commission, Gary Banks, titled “the Inter-State bidding wars: calling a truce” – he effectively demolished much of the fallacies supporting the case for State Governments scouring the world to bid for major sporting events.

“State Governments generally announce such deals with fanfare, talking up the projected benefits in terms of investment dollars committed, jobs to be created, and multiplied effects throughout the local economy,” he told the conference.

“Where they provide inducements in the form of tax-breaks or tax-holidays, governments may also reassure the community that all they are surrendering is money that they would not have collected anyway. Hence, it is claimed, these deals represent a ‘win’ not only for the recipient enterprise, but also for the Government, its taxpayers and the wider State economy.

“But the facts are that these sorts of deals are difficult to justify on economic grounds. Moreover, the processes for clinching them are even harder to justify against basic principles of good government.

“In practice, it is difficult to assess the details of the claims made about particular assistance packages because governments generally keep the analysis and budgetary costs of the assistance to themselves. This raises its own problems in terms of transparency, accountability and due process. At the extreme, it opens the door to suspicions of nepotism or even corruption.

“More generally, when public scrutiny is hindered, there is more risk that an ethos of “can do” managerialism will swamp more cool-headed “should we do?” decision-making. Indeed, on a number of occasions when the books have been opened up, it has turned out that the benefits had been significantly oversold, while the costs had been not only understated but often not understood. For these and other reasons, the purported gains for the State are often illusory, and even when they are positive there will often be negative outcomes nationally.

“These conclusions may seem somewhat radical. But they are well supported by detailed research conducted not only by my own organisation and its predecessors, but also by State and Territory Auditors-General and academic researchers in Australia and overseas.”

That’s an expert attack

But he did go on to say that such problems were not without remedy and made some suggestions for better outcomes.

Now when you have such a productivity expert casting significant doubts on the whole process and methodology that underpins the very fabric of Government sponsored or subsidised Major Sport Events as significant drivers of economic impact, surely it’s time out to rethink the basis for such practices?

According to the Victorian Auditor General’s report submitted to Parliament up to 2000, Melbourne’s Formula One Grand Prix costs in excess of $11 million a year to run, including fees and operating costs incurred by the Melbourne Grand Prix Corporation. The initial $50 million establishment costs for the race in 1996 do not include the redevelopment of Albert Park or the cost of reimbursing neighbouring homeowners for damages caused to their dwellings during construction of the track.

The economic benefits – quoted as being $130 million in 2000 for the F1 Grand Prix and $63 million for the inaugural 500cc Motorcycle Grand Prix – were prepared for the Bracks Government by outside consultants. According to former Kennett adviser and corporate consultant Kevin Balshaw of Outer Limits Communications, these figures are estimates based on best assessments. Speaking from intimate senior level experience inside the Premier’s Office of the Kennett Grand Prix years, Balshaw believes such estimates provided to Governments are: “difficult to quantify, more so to justify”.

“They are forecasts only,” he says. “There has never been a evaluation of the end benefit drawn from what the events actually contributed to Victoria’s Gross Domestic Product. While I accept that would be an equally difficult figure to calculate with any accuracy, the point is that if you could, it would be far more reliable than preliminary, unsubstantiated forecasts?”

Balshaw’s point is well made because that is what is at the heart of wildly unsubstantiated, politically self-serving economic impact “guesstimates” routinely trotted out. For instance that nice round $100 million dollar figure plucked out of the air for the economic impact arising from winning the latest major sports event for Victoria, the World Swimming Championships in 2007.

If the Government and Victoria Major Events had to apply the same financial rigour to their major events prospectus on these titles as corporate Australia, they would surely fall foul of ASX and ASIC laws and regulations for full and accurate disclosure?

Australian Grand Prix in subsidy gridlock

Of all the Major Events brought to Australia none has aroused more ire or generated greater debate than Melbourne’s F1 Grand Prix. From the outset the race has been a net cost to the taxpayers purse and despite all the economic impact mumbo jumbo, remains so. The estimate of increased taxation returns to the government are based on the forecast total economic benefit, not the hard dollars and cents of running the event. And even then they don’t add up to the total cost of staging the race each year. Remember that when F1 was originally coming to Melbourne, it was claimed by Ron Walker that the event would run at a profit – that is, an operating profit. It has not, and will never do so.

The other factor is the international TV audience – which until the last couple of years has been authenticated in the F1 case at more than 600 million. How coincidental that Victorian Major Events chairman Steve Vizard in trumpeting the winning of the FINA swimming titles, should now trot out this same figure as a minimum for his estimated audience for that event in 2007? Two totally different sporting events, one now in serious decline and the other of marginal interest in many of the biggest TV markets. Yet they can share this identical viewer estimate? This claim sounds about as credible as the rounded out $100 million benefit trotted out by Vizard and Bracks?

Aside from the disreputable methodology of economic impact, international TV is the other primary core component in talking up the case for bringing the likes of the Grand Prix to Australia. It is a major international tourism driver or so the argument goes. But does it and similar events such as the Gold Coast Indy 300, provide such clear-cut tourism benefits for host cities?

As Kevin Balshaw queries: “It is natural to wonder if the 600 million that are sitting there in front of the TV around the world are saying ‘take me to Melbourne’? Or, like most, are they just getting a hum out of it and following the fortunes of Ferrari or a Mark Webber?”

Even the sub benefits of sports news footage beamed globally fail to make a case for tourism. Just what part of Melbourne or the State is exposed along with shots of swimmers winning events in the water or standing on the victory podium via news footage in 2007? At least with the Grand Prix you do get to see Melbourne vistas in the course of the race. Yet the Victorian Government sees fit to not only spend millions to win the events from other bidding cities (instructional in itself when a main rival was the already broke Rio de Janeiro), but possibly upwards of $50 million to further extend the host venue facilities before the event. No doubt this can be further explained away as also benefiting the hosting of the Commonwealth Games?

But let’s get back to the Formula One Grand Prix in Melbourne.

In a report of the Victorian Auditor General 1995-96 it was stated: “The first Formula One Grand Prix event was staged in Melbourne in March 1996, generating considerable interest from within the State, interstate and overseas. Audit analysis revealed that total cash contributions provided by the Government to the Corporation and the MGPP which were directly related to the Grand Prix event, to 30 June 1996, amounted to $21.3 million. These contributions included an amount of $8.3 million provided for operating costs since the inception of the project and $13 million provided to assist in the acquisition of race infrastructure, including grandstands, barriers and overpasses.”

However others seems to believe the original establishment costs were far greater but with little transparency how can one know for certain?

Report of the Victorian Auditor General 1999-2000:

“To facilitate the annual staging of the two Grand Prix events (500cc motorcycle and Formula One), the State Government has provided an undertaking to underwrite any deficits incurred by the (Australian Grand Prix) Corporation in relation to the events.

“At the request of the Department of State and Regional Development, an evaluation was conducted in 1996 to assess the economic activity impact of the 1996 Formula One Grand Prix event on the Victorian economy. The conclusion of the study was that, as a result of the 1996 event, economic benefits of $95.6 million, including an estimated $6.9 million generated from additional taxation receipts, were provided to the State. In July 2000, the Department of State and Regional Development commissioned an external economic and industry research body to undertake a similar study to assess the economic impact of hosting the 2000 Formula One Grand Prix event. This study concluded that the 2000 Formula One Grand Prix event: “Increased the Victorian Gross State Product by $130.7 million in 2000 prices; and resulted in additional taxation receipts to the State Government of $9.8 million”.”

The methodology used to produce such figures is basically that which is so strikingly repudiated as so open to abuse and lacking credibility by Productivity Commission chairman Gary Banks.

Since the inception of the event, the net aggregate operating costs incurred by the State are estimated by one expert to be in the region of $75 million for both the staging of the Formula One Grand Prix and the 500cc Grand Prix, which looks small beer when set against the annual economic impact estimates. But this does not include the one off cost of the original establishment and procuring of both races which some estimates suggest could be in the vicinity of $50 million. In fact Stephen Mayne (Crikey publisher and long time critic of the Grand Prix), believes that taking into account all outlays associated with both races, the meter could be running for anywhere from $150 million to upwards of $200 million of taxpayer money.

In 2003, the Grand Prix has been claimed to return to the Victorian economy an estimated $130 million in annual economic impact which for the size of the event and its dedicated global TV audience (even if declining) sounds remarkably conservative when compared to the $100 million impact being claimed for the far inferior product that is the swimming titles. Of course as neither figure is deemed credible, one being out of whack to the other is really beside the point. They are both phoney – but you might argue the swimming is even phonier than the other! Stephen Mayne also believes the 2003 loss for the Albert Park race as underwritten by the Government nudged $10 million. Corporation chairman Ron Walker reluctantly admitted on ABC radio earlier this year that the race might have sustained a loss last year of around $8 or $9 million?

How the ACT government lost the plot

Mark Harrison, of Canberra-based Consultecon, is a specialist economic consultant who has worked directly on matters arising from analysis of the failure of the Kate Carnell led ACT Government’s Canberra V8 Super Car Race held for two years (2000-2001). He has made a close study of all aspects of economic policy development regarding the implementation of Government subsidies and tax incentives to attract high profile sports related businesses to host cities or regions around the world.

For instance he does not swallow the subsidy mantra as applied to sports events or stadia. He observed that one of the most excessive and ill-advised forays into stadium funding was also visited on the ACT by the Carnell Government. The Bruce Stadium debacle ended up costing Kate Carnell her job as ACT leader.

Tony Harris in the Financial Review in July, 2002, summarised the debacle: “Of the $27 million budgeted for the project, the Government was to provide $12 million. A guaranteed loan for $7 million was to be repaid from future stadium profits while another $8 million was to be funded from the sale of stadium services and products.

Harris wrote that ACT Auditor General John Parkinson, issued a 12-volume, 1,300-page report on the stadium in October, 2000. He revealed that the Government’s financial exposure to Bruce Stadium turned out to be about $82 million, $70 million more than originally planned.

“Even then, Territorians did not get what the Government had offered. Instead of an additional minimum of 3,600 covered seats, the redevelopment provided 1,600.” Harris reported from the Parkinson findings.

“This was not a matter of bad luck. The Auditor-General said that seven of the nine Cabinet submissions – prepared in the name of Carnell – “were inaccurate and/or (had) incomplete information”. He found that the “costs incurred in redeveloping the stadium do not represent value for money” and he offered 11 other damning opinions, including that the Government had acted illegally by spending money which had not been approved by the Legislative Assembly,” he informed his readers.

To Harrison, both ACT Carnell Government taxpayer funded projects were classic models of what not to do!

“The tourism sector is certainly infected with SARS (subsidy and rent seeking). State governments seek to snatch rents from each other, and producer groups seek subsidies. Take the use of taxpayer’s money being ploughed into sports stadiums as a major destination. It is usually stated they increase income and promote economic growth within a city or state by generating ‘exports’, usually to other cities and states within the same country. This is a global phenomenon,” he said

“Yet even while in the USA, economic impact statements produced by hired consultants predict large benefits to local governments that offer subsidies to attract sporting teams and events to their region, independent research finds no actual effect on economic activity – or even a negative effect. It compares areas with and without sporting events and controls for other variables that affect local economic conditions. The findings are consistent with the more general finding that subsidies given by regional governments to attract businesses do not boost economic activity,” Harrison told *Crikey*.

While the ACT parish-pump mentality was reckless adventurism at play it was not alone when it comes to sport engendering an abandonment of normal Government financial rigour. Or at least as it applies to large scale infrastructure projects such as the cost to Victoria for staging the 2006 Commonwealth Games.

Welcome to the Premier League!

Costs continues to blow out in what seems akin to a “Premier League sports crazy culture”, that drives a mania for hosting major sporting events as if they are some sort of indicative beacon of a State’s economic virility? This competitive “mine’s bigger than yours” trouser mentality among the Premiers and their Events Corporations also plays into the hands of international sporting associations. All this political point scoring makes Australia not only attractive as professional and stable hosts, but a soft touch to pay well over the odds as Governments scurry for events to call their own.

Take the Gold Coast Indy 300. Earlier this year the Queensland Government made much of a five-year extension to stage the CART sanctioned event which last year received $11 million local funding from the Beattie Government. Of this it is thought the annual license fee might be as much as $US4-$5 million. Yet CART’s income for 2002 stood at just $57.2 from all sources, which includes all circuit licence fees and its total TV income, while net losses were $14.5 million, and it will run out of money by next year at current losses. For a major international motor sport that laughably claims to be watched by 700 million in more than 190 countries, one can only imagine what sort of underwhelming rights fee is now being paid for the CART TV rights? In fact it may well be that CART is actually paying its broadcaster for coverage such is its declining fortunes. That becomes an increasing headache for the future of the Gold Coast race as the blue sky tourism dividend supposedly factored into the Queensland staging of the 300, is not what it is cracked up to be – but then what’s new?

Yet there is a silver lining even as CART battles against financial extinction. US commentators are all agreed the Gold Coast race is virtually the jewel in the crown of the Indy series. Not only is it seen as the series’ best street circuit. The exotic location means while the Government is paying what would appear to be the highest licence fee for any host circuit in CART, its future may not be so bleak if CART did fold as its main US-based rival would almost certainly move to affiliate with Queensland. It already boasts the bigger name drivers and teams now.

While the Indy 300 appears caught between a rock and a hard place, this is still infinitely better than being caught up in the kind of motor sport fiasco that sent the ACT Government reeling when it decided to follow Adelaide’s involvement in staging an annual V8 Super Car race. Canberra’s designs were more domestic than grandiose internationalism but even so ,after just two years the race was a basket case that brought the ACT Government and its leadership to its knees.

All of this is to suggest that on a business case alone, Governments can’t afford to be totally irresponsible as paid up members of Cargo Cult Anonymous! But despite the Canberra fiasco, getting at the real economic indicators and what the mainland State Governments outlay for such events, is still smothered in secrecy and artificial boosting in the competitive Major Events environment.

When the Victorian Government so assiduously feeds off the kudos of its own self-promotion, as “the events capital of the world” don’t expect it to shoot its own message down. No wonder voodoo financials from tricked up economic impact surveys are seen as an essential propaganda vehicle to convince voters at the next poll Victoria is a State on the move leading the rest of the country – and good sports to boot! Think of this political chicanery, as akin to reality TV, where what you see or being told, is only what they want you to see or hear! So when it comes to Major Sports Event’s financials, accountability is not a consideration.

How the ACT Government went for broke – and almost did

It took the ACT V8 Super Car initiative and the subsequent fall out to show just how irresponsible Governments could be when they got sporting stars in their eyes, although they also came massively unstuck over their redevelopment of Bruce Stadium too.

Productivity Commission chairman Gary Banks is also very much on the case with his analysis of the ill-fated attempt by Canberra to join the ranks of the petrol heads. His Brisbane speech takes up the story.

“Canberra in winter is no Surfers Paradise, and Holden and Ford V8s are not as alluring as Indy Racing Cars. Nevertheless, in 1999 the ACT Government decided to stage the V8 Super Car event in Canberra. Its decision was based on an “economic evaluation” contained in a (confidential) Cabinet submission that the event would produce significant economic benefits for the Territory.

“However, as the ACT Auditor General has recently documented, the analysis of benefits from staging the race suffered from several deficiencies.

John Parkinson’s report in part said:

“The economic benefit evaluation contained simple arithmetical errors, double counting, did not systematically allow for inflation, and did not discount future benefit and cost flows. The forecasts of interstate visitor impact, publicity value, jobs created and ticket sales are all overstated. The submission did not adequately deal with the financial risks associated with the race. The actual net financial cost of the race has been far above the predictions made in the submission, the indirect benefits much less.

“Indeed, contrary to public proclamations at the time, subsidising the race actually yielded a net loss to the ACT community of more than $11 million over three years. It was only after this was exposed publicly that the event was abandoned. Why was the sort of analysis conducted so expertly by the Auditor-General not undertaken when it was most needed – before taxpayers’ money was wasted? ‘Inconvenience’ or incompetence are perhaps the mildest explanations among those that come to mind. But lack of transparency was plainly the facilitator.”

“In the case of some ‘special events’, the total taxation receipts generated in the local economy and attributable to the event itself have been far less than the government outlay. For example, in relation to the V8 Super Car event staged in Canberra over the last few years (yes, cars again!), the ACT Audit Office found that, in 2001, net outlays on the event were over $5 million, which was more than double the direct and indirect benefits attributable to the event – including from additional tourist spending. The tax receipts from this spending were smaller again. The shortfall has of course been borne by ACT taxpayers (ACT Auditor-General, 2002), amongst whom I must declare I am one.”

Canberra Times tipped a bucket

As mentioned by Banks, the ACT Auditor General, was scathing of the ACT administration under Kate Carnell, and also backed up by an equally outraged Canberra Times.

The Canberra Times’ Jacqui Rees, in reviewing what she termed “Canberra’s costly flirtation with V8 car racing”, wrote that the most damning finding in Parkinson’s report appeared on the first page, where the Auditor states: “All financial risks from the races are borne by Canberra Tourism and Events Corporation, and therefore ACT taxpayers.”

She then went on to add based on his findings:

 “The former Carnell Government had entered an open-ended agreement with private promoters which placed all financial liability on the ACT taxpayer. No risk analysis was done. No risk management was undertaken. No risks were factored in. There was no attempt to negotiate shared risks with the promoter. At the very least, the risks to taxpayers should have been capped. However, the almost complete absence of due process and the reckless disregard for the ordinary conventions of good government in the decision-making that led to the race shambles suggests a disturbing trend in Canberra in which blaming the weather is of more consequence than addressing government maladministration of serious proportions.”

Given that we were unable to provide an active link to the original Rees report online, allow us to quote the paper’s first-rate coverage in additional detail.

As Rees noted: “Former Chief Minister Kate Carnell drove through her Cabinet a submission with more holes in it than a Swiss cheese. The decision had been made to have the event and the Cabinet submission was framed to rubber-stamp the decision. Where was the frank and fearless advice from the local Treasury counselling caution and pointing to error? Where were the bureaucrats from the Chief Minister’s Department? Where were the customary processes of accountability?

Warming to the tone of the Auditor General’s spanking she added:

“The determination to have the event was so great that the Treasury forgot how to add up. Figures were plucked out of the air. And costs, as we now know, were not considered at all. Advisers could easily have checked assertions such as those related to international television coverage, for example. International coverage was stated in the Cabinet submission to be worth $12.2 million. Canberrans were told the city would be “showcased” via television screens to 400 million homes world-wide. The Auditor requested proof. None was forthcoming.”

Rees also very rightly dined out on the report that showed there was:

“A heavy reliance in the Cabinet submission on the supposed success of the 1999 V8 race in Adelaide as a measure of the success Canberra could expect to enjoy”.

“It is odd,” she wrote, “that sports bureaucrats, or indeed CTEC, did not check the purported attendance figures for the Adelaide race. A rival motor-racing group currently has an $18 million lawsuit before the Supreme Court concerning alleged grossly overstated attendance numbers put out by the South Australian Government for the Adelaide V8 race. According to the state parliamentary Hansard, the number of ticket-holders attending the 1999 Adelaide race was overstated by 60,000. These were the figures upon which our decision-making was based.”

Further as Mark Harrison told Crikey:

“This report concludes that the vast economic literature available that establishes economic impact statements, are closer to something lying around in cow paddocks than ‘hot air’. They use flawed methodology at odds with standard cost-benefit analysis and overstate the net benefits from tourism events.”

He says it is an interesting case study of how State governments not only make decisions but also provides an insight into “the true impact of tourism events”.

Harrison calculates that annual subsidies to tourism and event corporations by State and Commonwealth governments total $425 million. He says that although conspicuous, events and tourism subsidies are only a fraction of the billions of dollars spent by state governments competing to retain and attract businesses with preferential taxes and subsidies. State and Territory Budgetary Assistance to industry is $3.3 billion a year (not including payroll tax concessions – both Productivity Commission estimates).

“Commissioned economic impact statements that claim large indirect benefits from increased economic activity are used to bolster the case for subsidies. But they are usually produced by hired consultants to support requests for subsidies or are commissioned by the agency that implements the project and wants it to continue,” Harrison said in contending this was hardly an independent process.

Not only did the ACT taxpayers get burnt to the tune of around $20 million over three years, much greater than any plausible benefit to the community, but Harrison points out with some irony that the ACT spent $3 million of that on concrete protective blocks, each weighing 1.7 tonnes.

Set in concrete takes on literal meaning

“Its commitment really was set in concrete. The blocks now sit in a quarry. It was thought they may be sold to Townsville for a possible street race there – but it would have cost more to transport them than to build new ones,” he remarked.

You can read the ACT Auditor-General’s Office Performance Audit of Canberra’s V8 super car race, V8 Car Races in Canberra – Costs and Benefits, Report No.5, July 2002 here.

Did Victoria win from nicking the Grand Prix

Some of the other highlights of Gary Banks’ Brisbane address on the issues confronting Government subsidies as they relate to the culture surrounding Major Sports Events include:

“The Adelaide Grand Prix of 1994 is remembered mainly for the controversy that erupted on lap 35. Michael Schumacher, his car dying after clipping a wall, crashed into Damon Hill, taking both drivers out of the race and handing the German his first World Driver’s Championship.

“But cut-throat competition in that period was not confined to the track. Behind the scenes the Victorian Government had been working assiduously to secure the future rights to host Formula One in Australia, at the expense of its neighbour. Victoria’s bid prevailed, and the rest is history. What is less clear, however, is precisely who won from this contest – apart from F1 Chief Bernie Ecclestone.

“I start with this story to illustrate an important and growing phenomenon in Australia – competition between State and Territory Governments in the form of financial inducements to attract major events and investment projects and, as they see it, income and jobs to their State.

“State Governments generally announce such deals with fanfare, talking up the projected benefits in terms of investment dollars committed, jobs to be created, and multiplied effects throughout the local economy. Where they provide inducements in the form of tax-breaks or tax-holidays, governments may also reassure the community that all they are surrendering is money that they would not have collected anyway. Hence, it is claimed, these deals represent a ‘win’ not only for the recipient enterprise, but also for the Government, its taxpayers and the wider State economy.

“But the facts are that these sorts of deals are difficult to justify on economic grounds. Moreover, the processes for clinching them are even harder to justify against basic principles of good government. In practice, it is difficult to assess the details of the claims made about particular assistance packages because governments generally keep the analysis and budgetary costs of the assistance to themselves.

“This raises its own problems in terms of transparency, accountability and due process. At the extreme, it opens the door to suspicions of nepotism or even corruption. More generally, when public scrutiny is hindered, there is more risk that an ethos of “can do” managerialism will swamp more cool-headed “should we do?” decision-making.

“Indeed, on a number of occasions when the books have been opened up, it has turned out that the benefits had been significantly oversold, while the costs had been not only understated but often not understood.

“For these and other reasons, the purported gains for the State are often illusory, and even when they are positive there will often be negative outcomes nationally.

“Another example of the tax merry-go-round occurred in the mid-1990s as States competed to attract the Australian Stock Exchange to locate in their jurisdiction. Thus Queensland cut its financial taxes, which resulted in New South Wales and Victoria responding in kind. But these tax-cuts were then followed by increases in other State taxes to make-up the shortfall. We should bear in mind that many of the taxes available to the States have undesirable efficiency and equity implications.”

“Banks singled out the Canberra V8 Super Car event for special attention at this point and then went on:

“But this is by no means the only sporting event to return less than hoped-for benefits to the host city. Detailed US research could not find a positive correlation between professional sport and the tax base. And even hosting a major event like the Super Bowl had no discernible net impact on spending in the region – merely diverting spending from other things.

“As the Sydney Olympics highlighted, there may also be a ‘feel good’ factor associated with attracting a major investment, which should not be dismissed just because it is hard to measure. However, as the Grand Prix saga illustrated, in some cases there may be ‘feel bad’ factor to consider for the losing State! And in the ACT, while the ‘petrol heads’ may have felt good about the V8 Super Car race, opinion polls showed them to be in a minority. The Audit view was that the net effect on ‘civic pride’ was ‘likely to be very small’.

“It is of course possible for a State to ‘win’ on some individual projects. The Commission’s modelling in 1996 suggested that Victoria could indeed gain some net economic benefit from the relocation of the Grand Prix (depending on the size of the inducement paid, which had not been disclosed).

Bidding wars

“But again it is necessary to consider the wider picture. In bidding wars, a State or Territory that wins today could lose tomorrow, so that over time no jurisdiction is better off than it would have been simply competing on its merits. The sense of ‘payback’ in some of these contests is palpable. In relation to the Grand Prix, the Commission’s modelling indicated that the South Australian economy lost not only the lion’s share of the national benefits associated with that event, but also saw its tax base reduce as some spending and business activity migrated to Victoria (although there were also some savings).

“From a national perspective, inter-State competition for investment conducted via selective assistance is a negative-sum game. The analysis shows that States have an incentive to ‘overbid’ for projects and events, relative to the national benefits to be obtained. Even if the investment is genuinely ‘new’ to Australia, interstate bidding can cause any national benefits to be dissipated, with foreign shareholders the only sure winners. For such reasons, if Australia is to be in the bidding game internationally, it is preferable that the Commonwealth be the main player.”

In making the case for greater transparency by “opening up the books”, the chairman also said:

“The scope for misunderstandings about the benefits and costs of selective assistance, and the risks in its provision, highlight the need for careful analysis and transparent evaluation of assistance packages. Public scrutiny is desirable to test the assumptions, methodologies and claims made for projects, and to allow those who might be adversely affected to have their concerns considered too. Without public disclosure, a ‘can do’ mentality within agencies ‘responsible’ for business is more likely to neglect a robust examination of the costs and benefits of assistance.

“One argument made for non-disclosure is a need to protect information that the recipient considers commercially sensitive. When private businesses are receiving tax-payers’ money, the presumption should be that tax-payers are entitled to know the details. Otherwise, as the Victorian Auditor General has commented:

“…the [lack] of information on public expenditure undermines public confidence in the integrity of the process and creates suspicion of corruption and waste. Indeed, if there is widespread public support for the provision of assistance to industry, then this can only be enhanced by the provision of reliable information.”

Banks then declared:

“While there may be some logic in this position, in my view there are stronger reasons in favour of full public disclosure. Non-disclosure allows poor analysis of the effects of incentives to go unchallenged. The experience in subsidising the V8 Super Car series in Canberra illustrates how problematic and costly an opaque evaluation of selective assistance can be.”

To read a complete transcript of his speech go to the Productivity Commission web site and click on “Chairman’s Speeches” and locate the speech by its November 6, 2002 date and download it either as a PDF file or rich text. It should be required reading for all State Premiers and their departments.

On the other hand it would also put a lot of people who live off Major Events either in Government or feeding off them, out of a job! And that’s only the sport component of his analysis calling for a halt to Inter-State bidding wars.

Whichever way you look at this is a Pandora’s box of pork barrelling and political expediency all in the name of sport. While we can now appreciate we are not being given anything remotely like the full story in this escalating bidding wars, as the whoppers continue to be told, hopefully the public and the media will become much more cynical.

While hopefully we can continue to get the sporting events we deserve at all levels both big and small, they should not come at a price that’s way too high, or not founded on far sounded businesses cases than we are currently being fed.

Bob Carr may be a nerd but he’s nobody’s fool, while Cain was able

Bob Carr may not be a great sport or even much care for it, but he seems to be the one Premier who has not been seduced by this mad dash for Events no matter at what cost. Federal Tourism Minister Joe Hockey might think otherwise, but NSW is surely being more prudent than its surrounding neighbours, even if it can’t lay claim to having a Melbourne Cup, Australian Tennis Grand Slam or AFL Grand Final? But then essentially they always called Australia home – we didn’t have to import them or pervert the political process to make them what they are.

And yet John Cain’s legacy of Melbourne’s hosting of the Australian Open and the building of Melbourne Park might suggest he was a man ahead of his time at least in this respect – he made a politically brave and essential down payment to guarantee the future of what has become Australian sport’s biggest international annual sporting event. While his contemporaries today seem content with tucking into a lot of over priced pork, he baked one helluva cake and got to eat it too!

Note: Among recommended reading on the subject of the practicality of sports subsidies in the USA, you should seek out Sports, Jobs and Taxes: The Economic Impact of Professional Sports Teams and Stadiums. Brookings Institution. Washington D.C. by R. Noll, and A. Zimbalist (eds). 1997.

Another helpful article to source is by Siegfried, J. and A. Zimbalist. 2000. ‘The Economics of Sports Facilities and their Communities’ in the highly respected Journal of Economic Perspectives, v.14, no. 3, Summer, pp. 95-114.

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