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CITY OF
PORT PHILLIP
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21 October 2008

Mr Bob Stensholt
Chairperson
Public Accounts and Estimates Committee
Parliament House
Spring St
EAST MELBOURNE VIC 3002

Dear Mr Stensholt

**SUBMISSION TO PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE ENQUIRY INTO
VICTORIAN AUDITOR GENERAL REPORT ON MAJOR EVENTS.**

Please find enclosed the City of Port Phillip's submission to the abovementioned enquiry.

Should there be any queries or further information required in relation to this submission please contact Mr Ian Hicks, Manager Culture and Recreation, City of Port Phillip on 9209 6391

Yours sincerely

DAVID SPOKES
Chief Executive Officer

Enc: City of Port Phillip Submission

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Submission by the City of Port Phillip

**Victorian Parliament Public Accounts and
Estimates Committee**

**'Enquiry into Victorian Auditor-General's
Report into Major Events'.**

24 October 2008

Introduction

In December 2007 the City of Port Phillip established a policy position on the Australian Formula One Grand Prix being:

“Council does not support the conduct of the Grand Prix at Albert Park Reserve.

Council notes the 2007 Victorian Auditor General's report and the lack of measured and identifiable net benefit to Victoria arising from the Australian Grand Prix event.

Council calls on the State Government and the Australian Grand Prix Corporation to develop a public interest test in the form of a triple bottom line assessment for the event.

Council requests that this triple bottom line criteria be developed in conjunction with key stakeholders (including Local Government), and that any triple bottom line assessment of the event is evidence based and be undertaken and made publicly available every year.

Council notes and supports that the contract for the Australian Grand Prix event ceases in 2010; an event of the nature and extent of the Grand Prix is unsuitable for Albert Park Reserve.

Council also notes the Victorian Government's Major Events Strategy and the success of previous major events such as the Commonwealth Games Melbourne Festival.

Should Government consider an alternative major event to the Grand Prix, Council supports an event in the context of it being able to demonstrate the following outcomes for the community:

- *provide a clear and positive net community benefit;*
- *be clearly consistent with Melbourne's identity as a cultural capital and livable city;*
- *be accessible for all Victorians*
- *be of minimal disruption to community amenity, and*
- *be of minimal environmental impact, with particular regard to energy and water use.”*

In April 2008 Council resolved (in part) that:

To write once again to the Premier to remind him that the 2005 Grand Prix was studied by the Auditor-General and found to be of negative value to Victoria and recommended that the following specific studies to assess its worth:

- *An annual update of the cost benefit analysis for the three years subsequent to 2005, and;*
- *A triple bottom line approach embracing not only economic but social and environmental factors.*

The Council calls on the Premier to make these studies public and if there is no evidence of these necessary studies, the Council calls on the Premier to cease negotiations to extend the Grand Prix contract until a proper assessment of the value of this event is done.

Submission

The Victorian Auditor General's Office (VAGO) report "State Investment in Major Events", May 2007, identifies a range of deficiencies in the reporting and analysis of cost benefit associated with the Australian Formula One Grand Prix.

Broadly, the VAGO report indicates:

1. No research has been undertaken that quantified the level of increased tourism as a consequence of the Australian Formula One Grand Prix.
2. No research on major events that suggest local attendance at the Australian Formula One Grand Prix is funded by savings to the degree assumed by the Australian Grand Prix Corporation, and no basis for including these expenditures as a new (economic) impact.
3. The claimed economic impacts (of enhanced Victorian resident expenditure) are not well supported by research and the validity of the assumption must therefore be questioned. Non-economic factors were not covered in post-event evaluations. From an accountability point of view and to inform any decision-making on the future funding of events, it is important that there is an evaluation of the full range of impacts of major events.

Specifically:

1. The Victorian Auditor-General's Report (Page 64) recommends that a pre event Cost Benefit Analysis (CBA) be undertaken, then an updating of that CBA at the post event stage. As the Auditor-General has already undertaken a CBA for the 2005 Australian Formula 1 Grand Prix, sufficient time has elapsed for your government to have performed the necessary updates for the 2006 and 2007 events. Public reporting of this was specifically called for on Page 4 of the Auditor-General's report for "the public reporting of key outcomes from major events to increase transparency and accountability for the use of public funds."
2. The Victorian Auditor-General's Report, "State Investment in Major Events", May 2007, (Page 3) recommended that "a triple bottom line approach embracing not only economic but social and environmental factors" be undertaken, where practicable, as part of the post event assessment. As the Grand Prix is the biggest impact event socially and environmentally for the 90,000 residents of Port Phillip, as well as for residents and normal, non Grand Prix tourists across greater Melbourne and there is 12 years of experience and data, it can safely be assumed that the Auditor-General was referring to this event as one that is in desperate need of such a study.
3. The Victorian Auditor-General's Report, "State Investment in Major Events", May 2007, (Page 46) states that "there is no firm data available from tourism research bodies on the impact of international exposure of Australian cities from major sporting events on induced tourism". Concluding that "other than raising awareness of a host destination, audit has seen no research that has actually quantified the level of increased tourism to a destination that occurred in the future as a result of staging a grand prix event".

Recommendation

In the context of repeated claims of community benefit arising from Events, in particular the Australian Formula One Grand Prix, the City of Port Phillip supports the recommendations of the VAGO.

Alongside these recommendations the City of Port Phillip calls for the following recommendations to be implemented in order to provide public confidence and assurance that the claims associated with Government investment into the Australian Grand Prix can in fact be transparently and accurately assessed and evaluated.

These recommendations are:

- The development and implementation of a public interest test in the form of triple bottom line assessment. That such a test needs to be developed through a Cooperative Research Consortium (CRC), and in consultation with key stakeholders.
- A Public Interest Test should articulate the principles and performance outcomes to be achieved (ie: the public interest) and that such a model allows for measuring the comparative performance of events against a series of sustainable development and/or triple bottom line benchmarks.
- A model for research should be developed via a CRC that allows for a consistent methodology in the gathering and analysis of data and should include but not be limited to the:
 - level of increased tourism that has occurred and is the result of staging the Australian Formula One grand prix event.
 - economic impacts (of enhanced Victorian resident expenditure) as a result of the Australian Formula One grand prix event;
 - the indirect but measurable economic and social impacts and losses arising from staging of the Formula One Grand Prix.
- Any research model developed should transparently identify the assumptions that underpin that model;
- Mandatory reporting requirements are implemented for yearly reporting by the Australian Grand Prix Corporation on the outcomes of the community benefit model and assessment referred to above.