

New study again shows the grand prix is an economic loser

The latest update of the Victorian Auditor-General's cost benefit analysis of the Formula One grand prix shows this year's race caused another heavy economic loss to Victoria.

Using the same methodology as the Auditor-General used in 2007, Melbourne-based *Economists at Large* has now produced cost benefit analyses for the 2011, 2012 and 2013 grand prix events. These studies show the events have created economic losses in parallel to the reported financial losses of \$50.05m, \$56.65m and \$50.67m respectively.

The economic losses for these three years are now confirmed as:

2011 - \$51.7 million

2012 - \$60.5 million

2013 - \$54.3 million

Economists at Large was initially commissioned by Save Albert Park to carry out these studies because the Victorian Government refuses to follow the Auditor-General's recommendation to update cost benefit analyses at the post-event stage, and to take a "triple bottom line" approach to the evaluation of major events.

Instead the government has commissioned just one recent study, an 'economic impact' study by *Ernst & Young* of the 2011 grand prix which estimated the spending by non-Victorian grand prix visitors to be \$42 million.

Save Albert Park president Peter Goad said "That seems a lot of economic impact, but economic impact studies are entirely misleading. It costs a lot to provide services to visitors and only a small proportion of visitor spending ends up as profit for the businesses involved. As the *Ernst & Young* report stated: "To understand whether the grand prix delivers net welfare improvements to Victoria, a full cost benefit analysis would need to be prepared..."

Mr Goad said: **"The Victorian Government doesn't want to know the truth about the grand prix. The truth has been revealed in the Auditor-General's cost benefit analysis and in the updates published by *Economists at Large*. The grand prix is a bad loser for Victoria and should be axed immediately."**

The *Economists at Large* reports can be accessed here:

<http://www.ecolarge.com/work/blowout-a-cost-benefit-analysis-of-the-australian-grand-prix/>

and here for the 2013 update:

<http://www.ecolarge.com/blog/grand-priconomics-2013/>

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