

Is the grand prix breaking the law? You be the judge

Under Australian law it is illegal for a corporation to make misleading and deceptive claims, except, it appears, when the Victorian Government and the Australian Grand Prix Corporation believe their claims do not have to respect the rule of law.

All the major claims about the grand prix have been discredited:

The Victorian Auditor-General found the economic and tourism benefits do not exist.

The Victorian Auditor-General's peer reviewed cost-benefit analysis found the GP is a net loser for Victoria and determined there is no evidence of *extra* tourists coming to Melbourne because a grand prix is held here. An update to this study calculated the economic loss to Victoria now exceeds \$60 million annually.

Global TV audience figures are grossly exaggerated. Only 16 million watch the Australian grand prix

Independent ratings agencies and The Economist indicate the global live audience for our race is only 16 million viewers. **Warning:** GP Chairman Ron Walker claims 350 million, 500 million and 600 million viewers. Occasionally he'll even say the annual F1 telecast totals 54 billion¹. All events are compared by their live viewing audience. The GP corporation has never acknowledged the real global audience is only around 16m.

The GP corp claims hotel occupancy around three times the number of rooms in greater Melbourne

The Herald Sun reported the GP chairman in March 2012: "...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." There are only 27,454 hotel rooms across greater Melbourne, occupied 76% plus for the entire December 2011 and March 2012 quarters but many rooms were empty on the 2012 grand prix weekend.

The marketplace values the 'branding value' at only \$100,000. The GP claims it is \$217 million!

The Herald Sun's Terry McCrann reported the previous time the GP struggled to find a naming rights sponsor Qantas valued it at just \$100,000 and came in as a sponsor of last resort. Apparently nobody wanted the 2013 global exposure, so Bernie Ecclestone had to lend his sponsor, Rolex. GP chairman Ron Walker claimed the global exposure is worth \$217 million. This year the GP advertises "The Power to Amaze". Indeed.

The attendances are grossly exaggerated to give an impression of 'popularity' and to feed inflated figures into the economic reports.

The audited ticket sales reveal fewer than 60,000 tickets were sold in 2011 and 2012. The venue holds 70,000 spectators at best but the GP claims it is "the largest single-day sporting event in Australia". The deputy CEO of the GP admitted under oath at VCAT in 2007 "There was no way we could determine exactly how many people were actually in the venue." He also admitted he can't reveal the truth because it would hurt the corporation.

The GP corporation promised "to make a cash surplus every year" but instead has consumed in excess of \$446m of taxpayers' money on losses and capital costs and many millions more in hidden state subsidies.

¹ 2002 Annual Report of the Australian Grand Prix Corporation

Economic evidence

- **The Victorian Auditor-General's peer reviewed cost-benefit analysis²** 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 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'.** 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 Ltd³. 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.**
- **The government's most recent 'economic impact' study (the non - recommended model) has failed an independent peer review.**⁴ The report assumed Victorians would be three times more likely to travel to an interstate grand prix than those in the rest of Australia currently travel to Victoria. On top of this, a patronage figure that grossly exceeds 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)"
- **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 industry publication, *Formula Money*, in its "*Return on Investment*" review⁵, said the worldwide branding exposure of 'MELBOURNE' at the 2011 F1GP was valued at only \$262,552. Now it apparently says it is worth \$217m, in a report that the GP corporation and the government refuse to release. **Who do you trust, the Auditor-General or a consultant trying to boost the F1 industry?**⁶

² Victorian Auditor-General's Office: State Investment in Major Events, May 2007

³ <http://www.ecolarge.com/>. This report was commissioned by Save Albert Park Inc.

⁴ <http://www.ecolarge.com/2011/11/review-grand-prix-economic-assessment/>

⁵ www.formulamoney.com

⁶ <http://www.crikey.com.au/2012/09/26/report-whacking-your-how-to-guide-on-demolishing-rubbish-reports/>

- **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 rights⁷.” 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.
- The grand prix 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 rooms⁸.” **This contradicts Tourism Victoria and the ABS⁹ as they report a total 27,454 hotel rooms across greater Melbourne. Room occupancy rates were above 76% for the entire December 2011 and March 2012 quarters yet many rooms were empty on grand prix weekend.**
- **Surveys in 1996, 1998, 2000 and 2005 by the government consultants¹⁰ 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.”**

Attendance claims

- **In 2011 and 2012 adjudications by the Press Council of 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 Age¹¹ and Patrick Smith of The Australian¹². If all areas are full, the maximum spectator number cannot**

⁷ Herald Sun, 24 January 2013. “Bernie got half a billion but all good things must end” Terry McCrann

⁸ Herald Sun 21 March, 2012: BUSINESSDAILY takes a closer look at the sectors crying out for Ted Baillieu's attention.

⁹ <http://www.tourism.vic.gov.au/facts-and-figures/facts-and-figures/tourist-accommodation/>

¹⁰ Economic Impact study by the National Institute of Economic and Industry Research (NIEIR), 2005.

¹¹ “Plucking figures from thin, choking air.” Greg Baum, The Age, 15 March 2008

¹² “April fools as rev heads get caught in slow lane.” The Australian, April 01, 2006

exceed 70,000, yet the AGPC has incorrectly claimed this is “the largest single-day sporting event in Australia”.

- **With only 25,744 grandstand and 7,510 corporate seats, 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 **61,754**. 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.
- Up until 2011 the GP corporation claimed 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.”** The only conclusion is the government is fraudulently avoiding scrutiny while spending hundreds of millions of taxpayer dollars on the grand prix.
- 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 \$864 million¹³**, when all government subsidies are included – that is, subsidies such as park rental from Parks Victoria, the interest 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.**

¹³ <http://www.save-albert-park.org.au/> Australian Formula 1 Grand Prix at Albert Park: the real cost to the taxpayers of Victoria.

- In hindsight, the biggest lies of all occurred in promises made to Victorians in order to establish the race in Albert Park: *"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."* A quote from The Hon Jeff Kennett, Premier of Victoria, Herald Sun, 18 December 1993. **By 2012, just the operating losses and circuit costs exceed \$446 million and are rising rapidly.** 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.
- 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 overshot that by \$446 million, 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 the lies?

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 26 million people fly into or out of Melbourne Airport every year. That's about 505,000 a week¹⁴. 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 lie 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: Peter Logan 0412697074 or Peter Goad (President) 96997932

¹⁴ <http://www.melbourneairport.com.au/About-Melbourne-Airport/Corporate-Information/Facts-Figures/Performance-Statistics.html>