

THE ISSUES

Staging the Australian F1 Grand Prix car racing event in Albert Park Reserve is WRONG: wrong environmentally, financially, economically and ethically.

ENVIRONMENTALLY WRONG

Impact on the park

As shown in the aerial photos, the construction of a temporary circuit has a devastating effect on the park. The annual set-up and take-down of the Albert Park temporary circuit takes 4-5 months and denies sports clubs access to their grounds for periods of up to 14 weeks. Oval 21 never recovers from being used as the site for a gravel run-off and a large corporate facility, and is no longer available for organised sport. The golf course is closed to the public for around four weeks. The whole park is closed for seven days when the four-day event is staged. There is major impairment to public enjoyment of the park with noise and dust from constant truck and machinery movements and progressive fencing off of sections of the park.

Park development

The needs of the circuit take precedence in the development of the park. During the 1994-6 reconstruction of the park, the roads were re-built and radically altered in appearance, with the creation of an 800-metre pit straight, permanent pit garages, concrete underpasses, and pit access lanes, adding 50,000 sq. metres of asphalt forming a very effective heat sink.

Over 1000 trees (including mature elms and pre-white settlement native gums), were removed, resulting in the loss of wildlife habitat and disappearance of some birdlife. Extensive viewing mounds were created which still remain treeless.

In 2021, over \$20 million was spent in widening the turns in the park roads used for the racing circuit in order to increase racing speeds up to a possible 330 km/hr. Increased speed means increased noise which will gratify the fans but will likely cause distress to some residents.

Since the 1994-6 reconstruction of the park there have been no significant development of facilities for the general public. A new pavilion has been built next to Field 18 and Parks Victoria staff have been moved into new quarters near the south end of the golf driving range following the building of a large primary school at site of their former offices and workshops. We have yet to see any of the developments proposed in the 2107 Draft Master Plan (such as new tree planting and a wetlands boardwalk and picnic area) put into effect.

Emissions

For each of the 21-22 races in a season, the Formula 1 organisation transports over 600 tonnes of equipment by air and sea. Together with other operations and the use of fuel in racing and testing, Formula 1 racing has been calculated to generate 256,550 tonnes of carbon dioxide emissions per year, ie about 12,000 tonnes per race. Not counted in this calculation are the significant additional emissions generated by the construction and dismantling of the temporary circuit used in Albert Park Reserve. Around 40,000 tonnes of race infrastructure is transported 11 km from a storage depot in Altona to the park and back again, involving 3,000 round trips covering a total distance of 66,000 kms travelled by heavy trucks. Loads include 3,000 tonnes of concrete crash barriers, 6,000 tonnes of gravel for run-off traps, 700 cubic metres of woodchips, 13 km of chainmesh fencing and 300 marquees. Staging the event in a permanent circuit would with eliminate these additional emissions.

Environmental laws set aside

In order to allow the event to be staged in the park, special legislation, the Australian Grand Prix Act 1994, was passed which exempted the event from environmental and planning laws (see later under 'Ethically wrong').

FINANCIALLY WRONG

No business plan

In November 1994, when announcing the Grand Prix master plan for the park, Premier Jeff Kennett stated that the event "should break even or make a small profit". No business plan had been undertaken and two major costs factors, the race hosting fee and the construction of the temporary circuit ensured that the event faced certain heavy losses.

The annual race hosting fee paid in 1996 was believed to be \$9 million, escalating by 10% a year until about 2010, then at 5%. In January 2013, the *Herald Sun* published the fees applying to the 2013-2015 events: \$31 – 37.7 million in US dollars. The fee for the 2019 event is likely to have cost \$60 million or more in Australian dollars.

Cost of the temporary circuit

The set-up and take-down of the temporary circuit, cost \$15.9 million in 1996 and \$33.8 million in 2019, and has accumulated a total cost since 1996 of \$522.6 million. Several permanent circuits could have been built with that sum.

Escalating annual losses

Every event from the first in 1996 to the 24th in 2019 has recorded an operating loss, starting with a small \$1.75 million and then rapidly increasing to \$16 million in 2005, \$39 million in 2008, \$50 million in 2011, and around \$60 million or more thereafter. Total operating losses up to the 2019 race total a few dollars short of \$800 million. Additional costs comprise subsidies arising from government-funded support services (eg, sponsorship by the City of Melbourne and VicRoads) and the loss of revenue from alternative investments. Further costs include 'capital costs', comprising the cost of the mid-90's reconstruction of the park plus subsequent work on the circuit (around \$100 million). When such subsidies and costs are added in, the operating losses on the Grand Prix events from 1996 to 2019 have cost Victoria well over a billion dollars.

There is nothing positive to show for the billion dollars plus spent on 24 years of Grand Prix events. There is just regret that it could have been spent on much needed public services such as public housing, and that we could be enjoying a park developed for the public and amateur sport, not for car racing.

ECONOMICALLY WRONG

No prior economic analysis

The 1993 Kennett State Government signed up for ten years of Formula 1 grand prix events without any investigation of the economic effects on the state. The public was told that the events would promote Melbourne and Victoria to hundreds of millions of TV viewers, and generate tourism and new business opportunities, and that there would be a massive economic benefit from the spending by thousands of race fans from interstate and overseas.

Following the first event in 1996, an 'economic impact' study (not a cost-benefit analysis) was commissioned, by Tourism Victoria, focussing on the spending by race visitors. This reported a 'gross benefit' of \$95.6 million, which represented the increase in turnover for city hotels and the casino, plus other factors (including the "enhanced resident expenditure effect" and benefits from "induced tourism") and indirect economic effects (which could take three years to work through). It was basically a sales figure, not the profit from the sales, and not an indication of the real benefit to the state.

There was a change of government in 1999, but similar economic impact studies were commissioned on the 2000 and 2005 events. The 2000 study found an increase in 'economic activity' of \$130.7 million and the 2005 study reported a 'gross benefit' of \$174.8 million. These figures were used to promote the value of the events. The 2005 annual report of the state government agency, the Australian Grand Prix Corporation (AGPC), stated that the 2005 event "generated \$174.8 million in economic benefit for Victoria....". This statement was equivalent to a company representing its sales figures as its profit.

Dubious methodology

Meanwhile, mainstream economists were questioning the methodology used for these studies and SAP commenced lobbying the Victorian Auditor-General for a proper cost benefit analysis (CBA) of the event. Repeated submissions bore fruit in 2007 when the Auditor-General's Office (VAGO) issued its report 'State Investment Major Events', which included a CBA of the 2005 grand prix. This study found an economic impact of \$62.4 million and an economic loss of \$6.7 million. No evidence was found of benefits from induced tourism. These findings were ignored by the state government, but no further economic studies similar to those issued in 1996, 2000 and 2005 were produced.

Following the 2011 event, Tourism Victoria commissioned another economic impact analysis, this time from the prominent accounting firm, Ernst & Young (EY). EY's study was thorough and apparently independent, and reported an economic impact of between \$32 and \$39 million. The report also stated: "*Economic impact analyses only measure the changes to overall economic aggregates. To understand whether the grand prix delivers net welfare improvement to Victoria, a full cost benefit analysis would need to be prepared*"

SAP commissioned studies

SAP commissioned cost benefit analyses on the 2011 and 2012 events by Economists at Large, based on the methodology used for the Auditor-General's CBA on the 2005 event. This study found the mid estimate of net economic loss on the 2011 event was \$51.7 million, and \$60.5 million loss on the 2012 event. Copies of these studies were distributed to state government ministers, but as with VAGO's 2007 study, there was no reaction. There has been no move by the state government to determine the real current economic value of the grand prix event by means of a cost benefit analysis, despite a continuing annual \$60 million plus operating loss. Recent comment from the Minister for Major Events has been limited to a statement that the event provides "value for money".

ETHICALLY WRONG

The decision-making process

The decision to use Albert Park Reserve as the venue for an annual Formula 1 Grand Prix event was announced by the Victorian State Government on 17 December 1993, just one week after the release of the Draft Strategy Plan for the enhancement of Albert Park. This plan was developed after 12 months of community consultation and made no reference to plans for a Grand Prix. The decision to use the park was made without any regard to expected procedures for such a government project.

No public consultation

The agreement signed with the Formula 1 organisation in London was made without any parliamentary debate or even cabinet discussion. There was no consultation with the local community or the motor sport industry.

No environmental impact assessment

No attempt was made to assess environmental effects on the park, and subsequently the Australian Grand Prix Act 1994 was passed which exempted the event from the provisions of the Environment Effects Act.

No cost-benefit analysis

No attempt was made to assess the real economic effect of the event. Promises were made that the event would be an enormous economic and tourism generator for the state and attract a TV audience of 600 million. Premier Jeff Kennett stated that the event “should break even or even make a small profit”.

Lack of reliable information on plans for the circuit until works began

Works on the Grand Prix track commenced only two weeks after the release of the final plans. Prior to the release the public had been told that there would be no permanent race infrastructure.

No consideration of an alternative venue

The Confederation of Australian Motor Sport and motor sport identities are on record as having favoured the development of a permanent venue which could host other racing and activities, as is the practice overseas. The Government ignored all advice that other sites should be considered.

Use of facilitating legislation

The use of Albert Park Reserve required the passing of facilitating legislation, the Australian Grand Prix Act 1994, the provisions of which caused a major outcry from the Council of Civil Liberties, the Bar Council and the Law Institute of Victoria.

The Act excludes claims for compensation, removes the event from the jurisdiction of the Victorian Supreme Court overrides the Freedom of Information Act, and grants the Australian Grand Prix Corporation extensive powers to occupy and undertake works in the park. The Act also overrides environmental and planning laws. Overall, private business interests have taken precedence over otherwise good legislation.

