



The economic impact  
of the 2011 Formula 1™  
Australian Grand Prix

Tourism Victoria

July 2011

The Chief Executive  
Tourism Victoria  
Level 32, 121 Exhibition Street  
Melbourne VIC 3000

22 July 2011

*Reliance restricted*

## **The economic impact of the 2011 Formula 1™ Australian Grand Prix**

Dear Sir

Based on the contract dated 24 March 2011, please find our report estimating the economic impact of the 2011 Formula 1™ Australian Grand Prix.

This report was prepared on your instructions solely for the purpose of an independent estimate of the economic impact of the 2011 Formula 1™ Australian Grand Prix. Our findings are summarised in section 1 of this report.

Please refer to section 8 for our full Disclaimer of this report, relating to the limitations on the use of the report.

If you would like to clarify any aspect of this assessment or discuss other related matters please contact me on 9655 2551.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Cochrane', with a long horizontal line extending from the end of the signature.

Dr David A Cochrane  
Partner

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# 1. Executive summary

## Introduction

The economic impact assessment of the 2011 Formula 1™ Australian Grand Prix ('the Grand Prix') was commissioned by Tourism Victoria, in consultation with the Australian Grand Prix Corporation ('AGPC') - the promoter and organiser of the event, and the Victorian State Government's Department of Treasury and Finance ('DTF').

To estimate the economic impact of the Grand Prix, the economic activity generated by the event (the 'Grand Prix event' scenario) is compared against hypothetical scenarios of the Victorian economy without the event ('the base case'). Two base case scenarios were considered, being:

- ▶ The event is not held in Victoria but held in another State of Australia ('Scenario 1'); and
- ▶ The event is not held in Victoria but held in another country ('Scenario 2').

The change in economic activity between a Victorian economy *with* the Grand Prix and a Victorian economy *without* the Grand Prix represents the incremental economic impact of the event.

## Results

### *Direct expenditure of the Grand Prix*

Table 1 depicts a summary of direct expenditures to Victoria under the two scenarios:

Table 1: Summary of direct expenditures to Victoria under the two scenarios

Summary of direct expenditures	Total expenditure accommodation café restaurant (000)	Total expenditure transport (000)	Total expenditure retail (000)	Total operations (various industries) (000)	Total direct expenditure (000)
<b>Scenario 1 - Grand Prix elsewhere in Australia</b>					
Total direct expenditure (by non-Victorians)	\$30,754	\$3,528	\$7,754	n/a	\$42,036
Total retained expenditure (by Victorians)	\$4,976	\$800	\$1,943	n/a	\$7,719
AGPC operations	n/a	n/a	n/a	-\$19,031	-\$19,031
<b>Total direct expenditures under Scenario 1</b>	<b>\$35,730</b>	<b>\$4,328</b>	<b>\$9,697</b>	<b>-\$19,031</b>	<b>\$30,724</b>
<b>Scenario 2 - Grand Prix in another country</b>					
Total direct expenditure (by non-Victorians)	\$30,754	\$3,528	\$7,754	n/a	\$42,036
Total retained expenditure (by Victorians)	\$1,334	\$234	\$655	n/a	\$2,223
AGPC operations	n/a	n/a	n/a	-\$25,407	-\$25,407
<b>Total direct expenditures under Scenario 2</b>	<b>\$32,088</b>	<b>\$3,762</b>	<b>\$8,409</b>	<b>-\$25,407</b>	<b>\$18,852</b>

Extensive surveying of event attendees was completed to support the estimation of the economic impact. In determining the market research sample sizes underpinning the economic impact assessments of major events, Ernst & Young utilises the industry accepted range of 95% confidence level and 5% confidence interval, and 90% confidence level and

10% confidence interval<sup>1</sup>. For the Assessment, representative samples regarding length of stay and expenditure data were achieved for approximately 83% of direct expenditure associated with the behaviour of retained Victorian spectators and organisations, and specific and extended stay interstate and overseas spectators and organisations. Ernst & Young's processes identified that the non representative data applied to the remaining 17% of the estimate of the direct expenditure of the Grand Prix was not considered to be unreasonable.

### ***Economic impact of the Grand Prix***

Ernst & Young commissioned the Centre of Policy Studies (at Monash University) to model the economic impact of the Grand Prix. The Computable General Equilibrium ('CGE') modelling approach used was a comparative static analysis. That is, comparing the state of the economy with the Grand Prix, and the state of the economy without the Grand Prix in 2011 (all else remaining constant), and then estimating the changes in economic aggregates.

The licence fee paid by the AGPC to the overseas owner of the Grand Prix is an important consideration in the economic evaluation. The data provided by the AGPC has not separately identified the licence fee due to confidentiality reasons. Instead, it is included as part of expenditure by the AGPC on overseas 'personal and other services'. Treating the industry grouping expenditure as income transfer results in the most conservative modelling outcomes. As this economic assessment takes a conservative approach, this assumption was adopted. However, it is likely that the estimated results of the staging of the Grand Prix are lower than they would be if the licence fee to stage the Grand Prix was known.

Table 2 presents the macroeconomic results of the two Grand Prix scenarios, namely the change in Gross State Product ('GSP'), real investment and private consumption in Victoria, and additional full time equivalent employment created.

**Table 2 Macroeconomic variables (absolute deviations from baseline values): Victoria**

	Scenario 1: Relative to the Grand Prix not held in Victoria but held interstate	Scenario 2: Relative to the Grand Prix not held in Victoria but held overseas
Real GSP	\$39.34m	\$32.04m
Real private consumption	-\$14.93m	-\$18.02m
Real investment	\$9.67m	\$6.64m
Employment (FTE jobs)	411	351

*Source: Economic Impact of the 2011 Australia Formula 1 Grand Prix: Tables of Final Results from MMRF, Centre of Policy Studies, Monash University.*

The real GSP reflects the market value of all final goods and services produced in the Victorian economy over the modelling period, after deducting the cost of goods and services used up in the process of production. The results of Scenario 2 are more modest than those of Scenario 1 because Victorians are less likely to travel overseas to attend the event and as a result, less money leaves Victoria.

The real private consumption, reflecting household expenditures on goods and services, is in effect, negative. This is largely caused by the economic modelling assumption that certain international expenditure of the AGPC is treated as an income transfer rather than an import. The leakage of domestic income, all else constant, will result in a reduction in consumption.

The real investment reflects expenditure on capital formation, while the employment is the full time positions generated by the economic activity.

<sup>1</sup> Partnerships Victoria, Public Sector Comparative: Appendix E: Statistical probability techniques and sample distributions - "It is not possible to obtain an estimate of probability that is 100% correct. An appropriate trade-off between mathematical accuracy and meaningful estimate therefore needs to be made. Generally, a confidence interval of 90% or 95% is considered statistically robust."

## Attendees

The AGPC estimated the total attendance for the Grand Prix was 298,187. Based on information provided by AGPC and detailed surveying of attendees, the estimated number of unique attendees at the Grand Prix was as follows:

Table 3: Ernst & Young's estimate of unique attendees at the Grand Prix

Type of attendee	Individual, unique attendees
Total unique spectators	109,234
Accredited attendees	
Media	498
Confederation of Australian Motor Sport officials	792
F1 participants	1,500
V8 participants	235
Support event participants	469
Other accredited persons	11,059
Total unique accredited attendees	14,553
Total unique attendees	123,787

### *Specific and extended stay interstate and international visitors*

Based on information provided by AGPC and detailed surveying of attendees, the estimated number of interstate and international individual visitors and organisations that came to Victoria as a direct result of the Grand Prix being staged are detailed in Table 4 below. As indicated in this table, a total of 37,323 interstate and overseas visitors came to Victoria specifically for the Grand Prix or extended their stay because of it.

Table 4: Ernst & Young's estimate of specific and extended stay interstate and overseas visitors and organisations at the Grand Prix

Category of visitor / organisation	Number of interstate and overseas visitors and organisations
<b>Interstate visitors</b>	
Specific and extended stay spectators and accompanying persons*	24,571
Media, officials, participants and other accredited persons	1,596
Total interstate specific or extended stay visitors	26,167
<b>Overseas visitors</b>	
Specific and extended stay spectators and accompanying persons*	9,053
Media, officials, participants and other accredited persons	2,103
Total overseas specific or extended stay visitors	11,156
<b>Total interstate and overseas specific or extended stay visitors</b>	<b>37,323</b>
<b>Interstate organisations</b>	
V8 Supercars teams	10
Other support event teams	23
Related organisations	1
Corporate buyers (minor)	95
Corporate buyers (major)	1
Total interstate organisations	130
<b>Overseas organisations</b>	
Other support event teams	26
F1 teams	12
Related organisations	2
Corporate buyers (minor)	21
Total overseas organisations	61
<b>Total organisations</b>	<b>191</b>

\* Given the small numbers of interstate and international spectators surveyed that responded to being an extended stay visitor, Ernst & Young has combined the data together for specific and extended stay visitors.

### **Victorian attendees retained in the State because of the Grand Prix**

Based on information provided by AGPC and detailed surveying of attendees, the estimated number of Victorians and Victorian organisations whose expenditure is considered to be 'retained' under the two scenarios in relation to the staging of the Grand Prix was as follows:

**Table 5: Ernst & Young's estimate of Victorians and Victorian organisations whose expenditure is considered to be 'retained' at the Grand Prix**

Category of attendee / organisation	Number of Victorians and Victorian organisations with 'retained' expenditure	
	Scenario 1: Relative to the Grand Prix not held in Victoria but held interstate	Scenario 2: Relative to the Grand Prix not held in Victoria but held overseas
<b>Victorian attendees</b>		
Melbourne resident spectators	25,914	12,896
Someone else in Victoria resident spectators	5,285	1,530
Media, officials, participants and other accredited persons	1,391	20
<b>Total retained Victorian attendees</b>	<b>32,590</b>	<b>14,446</b>
<b>Victorian organisations</b>		
V8 Supercars teams	7	-
Other support event teams	62	-
Corporate buyers (minor)	112	13
Corporate buyers (major)	3	1
<b>Total retained Victorian organisations</b>	<b>184</b>	<b>14</b>

### **Other market research**

A summary of the results of qualitative questions asked of Victorian, interstate and international spectators as part of the market research process is as follows:

- ▶ 25% of respondents from Victoria (other than Melbourne), indicated they did not come to Melbourne specifically for the Grand Prix or extended their stay because of it.
- ▶ 11% from interstate and 18% from overseas respondents indicated that the Grand Prix was their main reason or one of their main reasons for their visit to Melbourne, Victoria. For the purposes of being conservative, expenditures by these patrons were not included in the economic impact assessment as it is assumed that they would have visited Victoria regardless of the event.
- ▶ From the survey of interstate and overseas spectators, there was a high likelihood that both interstate and overseas visitors would visit Victoria again (93% and 89% respectively), and recommend Victoria as a holiday destination to their family and friends (94% and 94% respectively).
- ▶ Overseas visitors attending the Grand Prix also visited other states of Australia with 53% indicating that they planned to travel to other states of Australia as part of their trip. The survey data also shows that these overseas visitors would most likely stay another seven (7) days or more in other parts of Australia (70.3% of respondents).
- ▶ Victorian spectators were asked a number of hypothetical questions to understand their intentions if the Grand Prix was not staged in Melbourne. Around 46% of Victorians would spend their money on other local events, while approximately 14% of respondents indicated that they would spend their money on either an interstate or overseas activity. The remaining 40% indicated that they would spend their money on other activities or did not know what they would spend their money on.

- ▶ Victorian spectators surveyed were asked what their intentions were if the Grand Prix was staged elsewhere in Australia, or overseas. Nearly half (44%) of the respondents indicated that they would travel interstate if the event was shifted to another State of Australia. Only 20% of respondents indicated that they would travel overseas if the event was held overseas.
- ▶ Males represented 75% of those that completed a full survey in relation to the economic impact of the Grand Prix.
- ▶ Most age groups were well represented in the survey of spectators at the Grand Prix, with the most dominant age group being 20 to 29 years of age (28%).

#### **Commercial in confidence information**

Information in relation to the ticket sales for the Grand Prix, and detailed information from the operating income and expenditure statements of the AGPC, was provided to Ernst & Young for the purposes of estimating the economic impact of the Grand Prix. AGPC considers this information to be 'Commercial in Confidence', and as such details regarding ticket sales and the operations of AGPC are not disclosed in this report. *It should be noted that Ernst & Young has been provided adequate information to enable the estimation of the economic impact of the Grand Prix.*

#### **Disclaimer**

The summary above is based on the findings of the report prepared at the request of Tourism Victoria solely for the purposes of estimating the economic impact of the 2011 Formula 1™ Australian Grand Prix, and is not appropriate to be used for other purposes. Persons other than Tourism Victoria access this summary for their information only and should not treat this report as specific advice.

Ernst & Young has worked solely on the instructions of Tourism Victoria in preparing this report, and has not taken into account the interests of any party other than Tourism Victoria. Ernst & Young does not extend any duty of care whatsoever to anyone other than Tourism Victoria for use of the information contained in this document. Ernst & Young expressly disclaims all liability for any costs, loss, damage, injury or other consequence which may arise directly or indirectly from use of, or reliance on, this report. Refer to section 8 for the full disclaimer of this report.



## 2. Introduction

### 2.1 Overview

The 2011 Formula 1™ Australian Grand Prix ('the Grand Prix') is a major international event that was staged over four days between 24 and 27 March at Albert Park, Melbourne. The event was promoted and organised by the Australian Grand Prix Corporation, and comprised the following key attractions:

- ▶ 2011 FIA Formula 1 World Championship Round 1;
- ▶ V8 Supercars Albert Park 400;
- ▶ Porsche Carrera Cup Championship;
- ▶ Formula 5000;
- ▶ Celebrity Race;
- ▶ Historic car demonstration;
- ▶ Ultimate Speed Comparison; and
- ▶ Exhibitions and events.

The Victorian Government partially funds this event, and in the absence of such funding, the event would not proceed. Out of all recurrent major events in Victoria, the Grand Prix attracts the most amount of funding from the Victorian Government.<sup>2</sup>

The policy rationale for investments in major events is their contribution to achieving broader public objectives around job creation, social cohesion, liveability, and investment attraction branding. This is through attracting overseas and interstate visitors whose expenditures are effectively exports from Victoria. Major events also expand the options available for Victorians to engage in cultural and social activities. Major events work together over the course of a year to provide not only economic benefits but also constant positioning and profile for Victoria nationally and internationally. They drive tourism, employment growth, industry development, business linkages and community outcomes for the benefit of the State.

### 2.2 Project scope

Ernst & Young has been engaged by Tourism Victoria to evaluate the economic impacts of the Grand Prix event using a computable general equilibrium (CGE) approach (the Assessment). This approach estimates economic impacts using a dynamic CGE model in terms of:

- ▶ Gross state product;
- ▶ Private investment;
- ▶ Consumption; and
- ▶ Employment.

The CGE approach is consistent with the recommendations of the Victorian Auditor-General in undertaking post-event economic impact evaluations of this size.<sup>3</sup> It should be stressed

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<sup>2</sup> Victorian Auditor-General 2007, *State Investment in Major Events*, p.40.

that an economic impact analysis is different from a cost benefit analysis (CBA) - the latter is outside the scope of the Assessment. Economic impact studies of events measure the pertinent impacts to the economy (such as the number of jobs created, the market value of production and income generated).

Costs and benefits that are outside the scope of the Assessment, and do not form part of an economic impact analyses include (amongst others):

- ▶ Costs on the environment and amenity; and
- ▶ Benefits to Victorians in terms of social cohesion, recreation and liveability.

Given this, caution should be applied in the interpretation of economic impact results as they do not necessarily measure human progress or impacts on society's wellbeing. Nonetheless, output and employment figures generated from economic impact studies are generally standard and accepted measures used by governments in Australia and in other countries in evaluating economic progress.<sup>4</sup>

## 2.3 Report outline

The remainder of this report is set out as follows:

- ▶ Methodology (section 3)
- ▶ Key inputs to determine direct expenditure impacts (section 4)
- ▶ Direct economic impacts of the Grand Prix (section 5)
- ▶ Wider economic impacts using the CGE approach (section 6)
- ▶ Other market research (section 7)
- ▶ Disclaimer (section 8)
- ▶ Appendices.

## 2.4 Commercial in confidence information

AGPC has indicated to Tourism Victoria and Ernst & Young that information in relation to the ticket sales for the Grand Prix, and detailed information from the operating income and expenditure statements of the AGPC, is considered to be 'Commercial in Confidence'. That is, AGPC considers that it would be exposed unreasonably to disadvantage if the detailed information specifically relating to those identified areas were to be included in this report, as competitors could use this information to improve their competitive position to the detriment of AGPC and/or to undermine AGPC's ticket sales processes.

Therefore this report excludes information enabling the reader to understand the number of tickets sold (in total or by category) at the 2011 Grand Prix. It also excludes any information that would identify the categorised or total income and expenditure of AGPC in staging the 2011 Grand Prix.

It should be noted that Ernst & Young has been provided with adequate information enabling the estimation of the economic impact of the Grand Prix. Some potential limitations have been noted and have been specifically referred to in sections 3.1.4 and 3.1.5 of this report.

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<sup>3</sup> That is, events above \$10 million in annual government funding. Victorian Auditor-General 2007, *State Investment in Major Events*, p.64.

<sup>4</sup> Marsden Jacob Associates (2005) Frameworks for Economic Impact Analysis and Cost Benefit Analysis, Report Prepared by Marsden Jacob Associates for the Economic Regulation Authority, WA, 22 July 2005.

## 3. Methodology

### 3.1 Conceptual framework

To estimate the economic impact of the Grand Prix, the economic activity generated by the event (the 'Grand Prix event' scenario) has been compared with hypothetical scenarios of the Victorian economy without the event ('the base case'). Two base case scenarios have been considered, being:

- ▶ The event is not held in Victoria but held in another State of Australia; and
- ▶ The event is not held in Victoria but held in another country.

The change in economic activity between a Victorian economy *with* the Grand Prix and a Victorian economy *without* the Grand Prix represents the incremental economic impact of the event.

The methodology adopted for the Assessment incorporates the key findings from the Victorian Auditor-General's Office (VAGO) report on State Investment in Major Events (May 2007). This specifically includes:

- ▶ Major events that receive government funding of more than \$10 million should be evaluated using a CGE approach;
- ▶ The approach to estimating the direct expenditure of major events should exclude the enhanced Victorian resident expenditure (or savings ratio reduction effect); and
- ▶ The approach to estimating the direct expenditure of major events should exclude the impact of induced tourism<sup>5</sup>.

#### 3.1.1 Direct impacts

The development of the 'Grand Prix event scenario' involves working out the incremental expenditures to the economy as a direct consequence of the event and which would not have otherwise occurred in the event's absence. These include expenditures by:

- ▶ Spectators<sup>6</sup>;
- ▶ Media;
- ▶ Motorsport participants (Formula 1, V8 Supercars, other support events);
- ▶ Confederation of Australian Motor Sports ('CAMS') officials;
- ▶ Other accredited persons (including suppliers, contractors, event management, AGPC staff, etc);
- ▶ Corporate organisations;

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<sup>5</sup> Induced tourism occurs when visitors are motivated to travel to a destination as a result of the exposure of the destination as a result of an event (for instance, through the media or event related coverage). Induced tourism differs from direct tourism in that people visit the destination for other reasons, but it is the coverage of the event (and the associated enhancement of the image of the destination) that triggers their decision to visit

<sup>6</sup> When scoping the Assessment, Ernst & Young intended on separating corporate and other ticketed patrons to determine if their spending behaviours differed significantly. A representative sample of the surveys of corporate patrons was not achieved from the market research process, and as such, the survey data from all spectators was aggregated (as is the case with most of the economic impact assessments undertaken by Ernst & Young).

- ▶ Race teams in three distinct categories:
  - ▶ Formula 1;
  - ▶ V8 Supercars;
  - ▶ Support events;
- ▶ Related organisations, being:
  - ▶ Federation Internationale de l'Automobile ('FIA');
  - ▶ Formula One Management ('FOM');
  - ▶ V8 Supercars Australia Pty Ltd ('V8SCA'); and
  - ▶ CAMS.

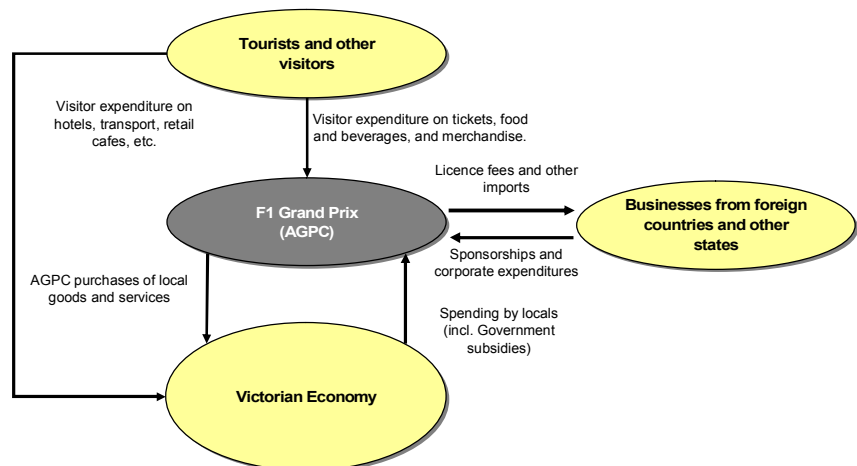
These expenditures are offset by any expenditure outside of the economy in staging the event, such as payments to overseas and interstate suppliers of goods and services.

Expenditures on the event by residents of the local economy do not generate a net stimulus to the economy if the expenditures were sourced from a substitution away from other local industries (other than the resulting impact variations discussed in the paragraph below). For instance, attending the Grand Prix rather than attending an alternative local cultural and recreational activity. However, there is a net impact if local expenditure on the event represents a substitution away from imports (otherwise known as 'retained expenditure').

Movements in expenditure within the economy (i.e. substitution effects) are also impacts. As substitution impacts are unlikely to stimulate the economy overall, they are sometimes excluded from economic impact studies (for example, a Victorian resident spending on the Grand Prix instead of local tourism industries). However, net impacts would arise if the composition of Grand Prix expenditures are vastly different from expenditures on other substitutes (for example, the Grand Prix might have higher import content relative to other local tourism industries - thus greater local spending on the Grand Prix could result in a net leakage to the economy). In the Assessment, these substitution impacts are considered.

Ultimately the 'direct economic impact' of the Grand Prix event comprises first order movements in expenditures in and out of the Victorian economy and within the economy. This is presented schematically in Figure 1 below.

Figure 1 Conceptual framework



### 3.1.2 Wider impacts

Direct economic impacts will have associated indirect or flow-on impacts for the rest of the economy. For instance, injections in tourism expenditures in the accommodation sector will have downstream impacts through an increase in expenditure in industries connected with the accommodation sector, and so on. This has implications on the growth of:

- ▶ Gross State Product;
- ▶ Victorian and national employment; and
- ▶ Total investment and consumption.

To estimate these wider economic impacts, the direct impacts are input into a CGE model of the Victorian economy. The CGE model used for the Assessment has been developed by the Monash University Centre of Policy Studies (CoPS), with the specific model being the MONASH Multi-Region Forecasting (MMRF) model. The MMRF model comprises a set of equations that mimic the behaviour of households and industries in eight Australian states and territories in response to direct impacts (or 'economic shocks').

For each region, the MMRF models the behaviour of a number of industries, a representative regional household, a state government, the Commonwealth government, investors, and export and import agents. The MMRF links the economies of the states and territories through interstate movements of goods and primary factors of production. In CGE models like the MMRF, prices and quantities are determined within the model due to changes in supply and demand and economic agents respond to price and quantity changes within the model.

As price changes reflect resource constraints (that is, prices increase when resources become scarce), the CGE approach is generally recognised as being more sophisticated compared to traditional input-output analysis for economic impact analysis.

The MONASH suite of CGE models are regarded as the industry standard in Australia and are widely used in policy analysis. The Centre of Policy Studies (Monash University) was engaged by Ernst & Young to undertake the CGE simulations using the MMRF model.

### 3.1.3 Data

The key sources of data relied upon for the Assessment is as follows:

- ▶ *Field surveys undertaken by Newspoll (a third party sub-contractor)* - Face-to-face surveys of spectators, media, and services and management accredited persons attending the Grand Prix
- ▶ *AGPC data*, including:
  - ▶ Ticketing and spectator information
  - ▶ Financial information regarding the accounts and source and location of the revenues and costs of staging the Grand Prix
  - ▶ Lists of the Formula 1, V8 Supercars, support event teams
  - ▶ Contact details of relevant representatives of the Formula 1, V8 Supercars, support event teams
  - ▶ Contact details for accredited international media at the event
  - ▶ A list of corporate customers of the Grand Prix
  - ▶ A list of AGPC accredited persons
  - ▶ Total number of FOM and FIA accredited persons

- ▶ *Surveys designed and administered by Ernst & Young:*
  - ▶ An internet survey of competing teams from support events at the Grand Prix.
  - ▶ An internet survey of international media (supplementing the responses from the Newspann fieldwork).
  - ▶ An email survey of organisations, including FIA, FOM, V8SCA and CAMS (sent by AGPC).
  - ▶ Face-to-face and email surveys of the Formula 1 and V8 Supercars teams.
  - ▶ An internet survey, email survey and telephone interviews of corporate buyers.
- ▶ *Other data:*
  - ▶ Number and origin of CAMS officials at the Grand Prix (provided by CAMS).

### 3.1.4 The extent of representative samples

In determining the sample sizes from which market research is to be obtained for economic impact assessments of major events, Ernst & Young utilises the industry accepted range of 95% confidence level and 5% confidence interval, and 90% confidence level and 10% confidence interval<sup>7</sup>. At a minimum, this range is sought for the first level of questions asked to a particular category of visitor or attendee (i.e. origin question for spectators), with the aim to then achieve it for the second level of questions (i.e. whether the interstate or overseas spectator is a specific or extended stay visitor to the State). It should be noted that circumstances can occur beyond the control of Ernst & Young that result in this range not being achieved. For example an event where there is a very small number of international visitors, necessitating a proportionally high number of responses from such visitors.

It should be noted that the questionnaire utilised to collect market research from attendees at an event often has a number of filtered questions within it that can result in a lessening of the confidence levels and intervals to levels below the above-mentioned range, especially in relation to certain sub-groups of visitor (i.e. corporate patrons and extended stay spectators in general).

For the reasons outlined above, and to achieve representative samples where possible, Ernst & Young has merged the responses of interstate specific and extended stay visitors and international specific and extended stay visitors. Further, we have aggregated all spectator data into one category (instead of separating corporate patrons and other ticketed spectators). Not taking this action would have resulted in non representative samples of extended stay interstate and international spectators to the Grand Prix, and non representative samples of corporate patrons. The process of 'aggregation' limits the impact of outliers in small samples significantly skewing final outcomes for average days stay and average daily expenditure, that when extrapolated over the wider populations, can result in materially different outcomes.

For information purposes, based on an industry accepted range of 95% confidence level and 5% confidence interval, and 90% confidence level and 10% confidence interval<sup>8</sup>, the success of the surveying in falling within or above this range for each type of attendee is set out in Table 8 over the page:

<sup>7</sup> Partnerships Victoria, Public Sector Comparative: Appendix E: Statistical probability techniques and sample distributions - "It is not possible to obtain an estimate of probability that is 100% correct. An appropriate trade-off between mathematical accuracy and meaningful estimate therefore needs to be made. Generally, a confidence interval of 90% or 95% is considered statistically robust."

<sup>8</sup> Ibid.

**Table 6: Identification of representative samples**

Attendee	Purpose of surveying	Victoria	Interstate	Overseas
Spectators	Origin and unique visitors	Yes	Yes	Yes
	Level of specific and extend stay visitation, and retained	Yes	Yes	Yes
	Spend and nights stay data	Yes	Yes	Yes
Media	Spend and nights stay data	*	No	Yes/No**
CAMS officials	Spend and nights stay data	Yes	Yes	No*
Motorsport participants	See notes	*	*	*
Other accredited persons	See notes	*	*	*
F1 teams	Team spend and nights stay	N/a	N/a	No
	Personal spend of participants	N/a	N/a	No
V8 teams	Team spend and nights stay	*	Yes	N/a
	Personal spend of participants	*	Yes	N/a
Support event teams	Team spend and nights stay	No	No	No
	Personal spend of participants	No	No	No
Corporate buyers	Spend	Yes	No***	No
Organisations	Spend and nights stay data	N/a	No	No

Source: Newspoll and Ernst & Young market research processes.

Note: Usable data was not obtained from the surveying of individual motorsport participants and services and management accredited persons. In lieu of this, proxies were developed from surveying of other accredited people. Refer to section 4.5 for details.

\* Not directly surveyed or data from surveys was not utilised in compiling the direct expenditures of the Grand Prix. Refer to relevant sub-sections within section 4 for discussion.

\*\* The sample of international media surveyed in relation to the Grand Prix was representative in relation to the population of international media attending. The number of international media that provided responses to the length of stay question was also representative, however responses to the expenditure questions and accompanying persons questions were not.

\*\*\*The sample of interstate corporate buyers surveyed in relation to the Grand Prix was representative in relation to the population of interstate corporate buyers attending. However, the number of respondents that provided expenditure information was not representative.

For the Assessment, representative samples regarding length of stay and expenditure data were achieved for approximately 83% of direct expenditure associated with the behaviour of retained Victorian spectators and organisations, and specific and extended stay interstate and overseas spectators and organisations. From a 'triangulation' process involving assessing the survey data, comparisons to benchmark data from an earlier study and discussions with representatives of Government, the non representative data applied to the remaining 17% of the estimated direct expenditure of the Grand Prix was not considered to be unreasonable.

Therefore, it should be noted that the implications of not achieving samples within the industry standard range for the above categories are not considered material for the purposes of the Assessment.

### 3.1.5 Other potential limitations of the Assessment

Other than that noted in relation to the limitations created by non representative market research sample sizes in section 3.1.4, it should be noted that there potentially are other limitations that may have impacted upon the effectiveness of the market research process, and the information collected by Ernst & Young for the Assessment.

While we do not believe these potential limitations have had a material impact on the outcomes of the Assessment, the potential limitations should be considered by readers of this report when analysing the results.

- ▶ AGPC was not able to provide Ernst & Young with a detailed list of accredited persons at the Grand Prix (including motorsport participants, suppliers, contractors, etc). This was partly due to AGPC not maintaining the accreditations for all relevant persons at the 2011 Grand Prix. FOM and FIA maintain their own accreditation database for their representatives and participants, while V8SCA has the same arrangements for their representatives and participants. CAMS own the database for officials. For the remaining accredited persons under their control, AGPC could not provide Ernst & Young with the details requested, as for privacy reasons, individual contact details are not recorded in the AGPC accreditation system given that only company based information is required to manage accredited persons at the event. This meant that AGPC had to estimate the origin of 'their' accredited persons at the Grand Prix based on AGPC's understanding of the relevant organisation that the accredited person represented, including the location of that organisation. A further outcome of this was that Ernst & Young was not able to individually survey accredited suppliers and contractors, or motorsport participants from supporting events (i.e. not V8s or Formula 1) through an internet based survey. Assumptions were made regarding their estimated expenditure.

Overall Ernst & Young suggests that these limitations were unlikely to have had a material impact on the final outcomes of the Assessment.

- ▶ In relation to the surveying of CAMS officials, a link to an online survey of officials was provided to CAMS, who then emailed this to their database of officials that attended the Grand Prix. Ernst & Young was not made aware of the number or identity of officials who were sent the link to the survey by CAMS.
- ▶ Emails surveys sent to FIA, FOM, V8SCA and CAMS were not completed in full at the time Ernst & Young compiled responses for the Assessment. Assumptions were made regarding their estimated expenditure based on an earlier study undertaken by Ernst & Young.

These potential limitations should be considered by readers of this report when analysing the results of the Assessment.

### 3.1.6 Impacts not measured

Ernst & Young has not measured the following in determining the economic impact of the Grand Prix:

#### Induced tourism

Induced tourism, which relates to future tourism activity generated in the Victoria economy by interstate and international visitors as a result of the increased awareness of Victoria from an event. It is very difficult to obtain reliable information to estimate the induced tourism impact of an event of this nature.

#### Savings ratio reduction effect

In line with the recommendations of the Victorian Auditor-General's report titled, "Performance Audit State Investment in Major Events", Ernst & Young's methodology for estimating the economic impact of major events does not include the direct impact of the savings ratio reduction effect.

#### Incremental tax implications

The impact of tax revenues on the Victorian economy as the CGE model assumes government budget neutrality in the long-run and as such no additional tax generation is assumed relative to the base case. That is any incremental tax implications of the Grand Prix are offset elsewhere in the economy (refer to section 6.2).



## Impact on the total events schedule

The value that the Grand Prix contributes to the total events schedule for the State. This is due to the difficulties in reliably measuring outcomes.

## Non-market impacts

Further, there are other non-market value impacts to Victoria as a result of the Grand Prix that are not included in an economic impact assessment such as consumer surplus (the difference between what people are willing-to-pay to attend an event versus what they actually pay), civic pride (the value one obtains as a result of the presence of an event within one's locality), amenity and environmental impacts, etc. It is common practice for these types of impacts to be assessed as part of a detailed cost benefit analysis, which is a different measure to economic impact.

## Branding and broadcasting

The value of branding to Melbourne and / or Victoria as a result of staging the Grand Prix, or the value generated by media viewing audiences of the Grand Prix. One particular benefit of the Grand Prix is the exposure it generates for the City of Melbourne and the State of Victoria through various mediums of media coverage and 'word of mouth' from those that experience the event for themselves. Of itself, this exposure does not generate an instantaneous economic injection to the Victorian economy. However it can be argued that such exposure can have future economic benefits to Victoria through induced tourism (i.e. "On television I saw that Melbourne hosted a Grand Prix and based on the pictures, it has encouraged me to visit the City and the State of Victoria") or induced business (i.e. "places that stage Grand Prix events are innovative and progressive, and as such I would like to conduct business operations in the City of Melbourne and the State of Victoria").

Two measures of the exposure generated by the Grand Prix include television ratings (particularly overseas ratings) and estimates of the branding value of the event (and in particular, the 'sets of eyes' that are exposed to the 'Victoria' and 'Melbourne' signage situated in prime locations at the Albert Park track during the event).

FOM, via AGPC, provided Ernst & Young a selection of international television ratings for the Australian Formula 1™ Grand Prix.

Table 7: A selection of international viewing audiences for the Australian Formula 1 Grand Prix

Country	Network	2011 audience (% increase from 2009)	2010 audience	2009 audience
UK	BBC1	2.5 million* (47%)	2.0 million*	1.7 million*
France	TF1	2.4 million* (14%)	1.5 million*	2.1 million*
Germany	RTL	5.2 million* (41%)	3.7 million*	3.7 million*
Italy	RAI	3.9 million* (Nil)	3.8 million**	3.9 million**
Spain	La Sexta	2.1 million* (31%)	1.8 million*	1.6 million*

\* Peak viewing audience

\*\* Average viewing audience

Source: Formula One Management

In 2009, Tourism Victoria commissioned Comperio Research to undertake Comparative Broadcast Analysis of the 2009 Grand Prix.

Based on information provided to Ernst & Young by Tourism Victoria, the 'Comperio Report' estimated the brand exposure of the 2009 Grand Prix to be \$355.9 million (AUD 2009) and a net media value of \$35.6 million (AUD 2009).

It is understood from the Comperio Report that the brand exposure associated with the 82 countries that were part of study equated to global coverage of 444 hours and 20 minutes of broadcast of the race (and a cumulative television audience of 270.7 million)<sup>9</sup>.

The economic impacts of the exposure of the Grand Prix could be measured using longitudinal research of the reasoning of future visits by international or interstate tourists to Victoria; or the reasoning for international or interstate business transacting in the State. Both elements are outside the scope of the Assessment.

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<sup>9</sup> Information provided by Tourism Victoria

## 4. Key inputs to determine direct expenditure impacts

### 4.1 Attendance at the Grand Prix

From information provided by AGPC, the estimated attendance at the 2011 Grand Prix was as follows:

Table 8: Estimated attendance for the 2011 Grand Prix

Day	Thursday	Friday	Saturday	Sunday	TOTAL
Attendance	42,190	68,670	76,357	110,970	298,187

Source: AGPC.

Given the size and temporary nature of the Grand Prix venue at Albert Park, AGPC does not have turnstiles at entrance gates to precisely calculate the actual attendance at the event. In compiling their attendance figure for the Grand Prix, the AGPC applies a methodology that uses a combination of ticket sales and assumptions based on their experience with the event and their impressions of actual attendances over the four days of the Grand Prix.

As noted in section 2.4, AGPC considers its formula to compile the attendance for the Grand Prix as 'Commercial in Confidence'. In 2007, the Victorian Civil and Administrative Tribunal ('VCAT') agreed with that assertion. Further, in relation to the question of the validity of the AGPC attendance calculation, Judge Harbison said, "*Different considerations may have arisen if the evidence (about the method of calculating GP attendances) revealed the likelihood of a fraudulent difference between the (Grand Prix's) published and actual figures. However, I do not make such a finding...*"<sup>10</sup>

Ernst & Young's scope for the Assessment does not extend to providing comment on AGPC's methodology for compiling the attendance of the Grand Prix, nor does it extend to providing our own estimate of the attendance. AGPC has represented to Ernst & Young that the method to compile the attendance for the 2011 Grand Prix complies with that considered by Judge Harbison at the 2007 VCAT hearing. On this basis, Ernst & Young accepts AGPC's estimate of the attendance for the Grand Prix as an accurate depiction of the actual attendance at the event. It should be noted that for the greater part, Ernst & Young has not used AGPC's total theoretical attendance to determine the unique attendees at the 2011 Grand Prix. The only information used was the total corporate theoretical attendance to which various assumptions and results from the survey process were applied.

As AGPC has stipulated that information disclosing the number of tickets sold and issued for the Grand Prix, including the category of these tickets, is considered to be 'Commercial in Confidence', such information cannot be disclosed in this report. Please note that this does not affect the overall findings.

#### 4.1.1 Unique attendees

For economic impact evaluations of multi-day events, caution should be applied to gross attendance figures as they may include visitors that attend more than one day of the event. Given this, it is necessary to derive estimates of the number of *unique* attendees to avoid double counting.

To establish the number of unique attendees, all spectators surveyed were asked the following question, "*On how many days in total have you been or are you planning to go to the Australian Grand Prix?*" The responses to this question for all spectators surveyed are presented in Table 9:

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<sup>10</sup> The Age, 26 February 2008

**Table 9: Number of days attended at the Grand Prix by ticket type**

	Corporate	Grandstand	General admission daily	General admission season
Days attended at the Grand Prix	2.2	3.0	1.5	3.5

*Source: Newspoll. The sample sizes for each category of attendee were representative, (although these have not been included to protect the AGPC's commercial in confidence ticketing information). Representative samples were not achieved for all ticket types when filtering the data by origin of the spectator (i.e. Melbourne, Rest of Victoria, interstate, international). As such the days attended by ticket type was applied to determine the unique attendances, not the days attended by origin by ticket type.*

The above information, along with the ticketing information and total corporate theoretical attendance (provided by AGPC), and specific information provided by AGPC, CAMS and the surveys of F1 and V8 teams was used by Ernst & Young to estimate the unique attendees at the Grand Prix. Our estimate of unique attendees is included in Table 10.

**Table 10: Ernst & Young's estimate of unique attendees at the Grand Prix**

Type of attendee	Individual, unique attendees	Comment
<b>Spectators</b>	<b>109,234</b>	1, 2, 3, 4
<b>Accredited attendees*</b>		
Media	498	5
CAMS officials	792	7
Motorsport participants		6
<i>F1 participants</i>	1,500	
<i>V8 participants</i>	235	
<i>Support event participants</i>	469	
Other accredited persons	11,059	8
<b>Total unique accredited attendees</b>	<b>14,553</b>	
<b>Total unique attendees</b>	<b>123,787</b>	

*\* Ernst & Young estimated the number of accredited attendees based on the aggregation of the accreditation data provided by AGPC and CAMS, and based on survey data of F1 and V8 teams. Ernst & Young's estimate is lower than that provided by AGPC in the composition of the attendance for the Grand Prix.*

- AGPC has represented that their corporate customers allocate their tickets to the Grand Prix to different individuals over the course of the event. Corroborating evidence is provided in the survey data that indicates corporates attended 2.2 days of the Grand Prix. Ernst & Young has therefore divided AGPC's theoretical corporate attendance by the number of days attended (2.2) to estimate the individual unique corporate attendees.*
- The survey data indicates those patrons with Grandstand tickets went to the Grand Prix on an average of 3.0 days. This indicates that Grandstand patrons used their tickets on most days of the event, hence all designated Grandstand ticket holders are assumed to be individual attendees. It should be noted that Grandstand daily ticket holders (a minority of Grandstand spectators) are likely to have lowered the average days intended by virtue of them holding single day tickets.*
- General Admission daily tickets holders indicated that they went on average to 1.5 days of the Grand Prix. Ernst & Young has therefore divided the total number of General Admission daily tickets sold by the number of days attended to estimate the individual unique General Admission daily ticket attendees. The total number of Grandstand daily tickets sold was also divided by 1.5 days to determine the number of unique spectators in that category.*
- The survey data indicates those patrons with General Admission season tickets went to the Grand Prix on an average of 3.5 days. This indicates that General Admission season patrons used their tickets on most days of the event, hence all designated General Admission season ticket holders are assumed to be individual attendees.*
- Number of accredited media at the Grand Prix provided by AGPC.*
- Number of accredited support event and F1 participants at the Grand Prix provided by AGPC. Numbers of accredited V8 participants was sourced from surveys of those teams.*
- Number of accredited CAMS officials provided by CAMS.*
- Number of other accredited persons provided by AGPC, which excludes FOM, FIA and V8 management.*

The number of unique attendees enables an accurate assessment of an event's economic impact. In addition, according to Tourism Victoria, from a policy perspective, a lower ratio of unique compared to total visitors may suggest a greater return from interstate and international visitors. This is based on the additional days stay and associated expenditure for multiple attendances over the length of a single, multi-day event (such as the Grand Prix).

It should be noted that the total accredited persons excludes FOM, FIA, V8SCA and CAMS management (it is assumed the expenditure of these attendees is included in the total organisational spend (as detailed in section 4.8). AGPC has represented that FOM accredited persons could have approximated 200 persons. FIA indicated they had 150 accredited persons attending the Grand Prix. V8SCA did not provide information regarding the number of V8SCA management attending the Grand Prix.

## 4.2 Spectators

### 4.2.1 Overview

Newspoll Market Research was commissioned by Ernst & Young to survey spectators, media and other accredited persons attending the Grand Prix. The information from the surveys contributed to the primary source of information used to assess the economic impact of the Grand Prix.

A team of fully trained interviewers completed face-to-face interviews with spectators (1,033 interviews), media personnel (54 interviews), and other accredited persons (45 interviews) on the day before the Grand Prix (other accredited persons only), and each of the four days of the event (from 24 to 27 March 2011).

Interviewers were stationed at each of the entrance points at the Grand Prix and sought to select the sample of respondents by applying a random procedure which entailed approaching people entering the event through the various gates. Every third person judged to be 18 years or older was approached and asked to be surveyed.

Initially, 966 spectators were selected at random to enable estimates of the proportion of the crowd that were from Victoria, interstate and overseas. A further 67 interviews ('boosters') were then completed to supplement the sample of interstate and overseas spectators.

The breakdown of the origin of spectators surveyed is represented in Table 11:

**Table 11: Breakdown of spectator surveys**

Type of attendee	Victoria	Interstate	Overseas	Total
<b>Ticketed*</b>				
<b>Cross section</b>	627	237	102	966
<b>Boosters</b>	-	41	26	67
<b>Total ticketed</b>	<b>627</b>	<b>278</b>	<b>128</b>	<b>1,033</b>

Source: Newspoll

\*: Includes Corporate patrons, Grandstand (daily and season), General Admission (daily and season) ticket holders.

### 4.2.2 Origin of spectators

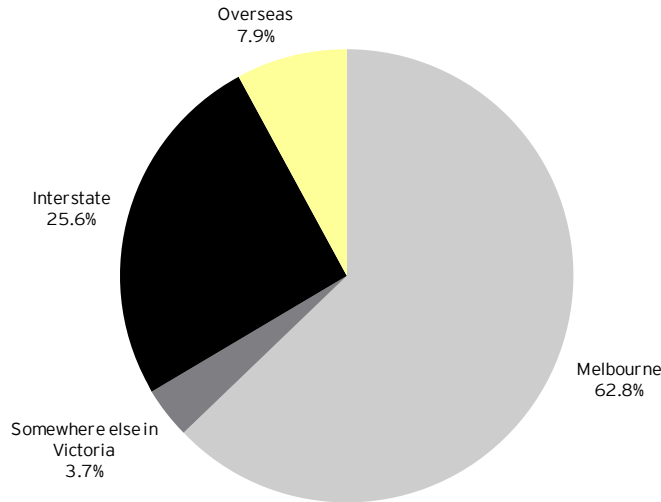
#### 4.2.2.1 Newspoll survey data

The survey included a question regarding the spectator's origin and the type of ticket the spectator had. On this basis, Ernst & Young has been able to determine the following origins of corporate patrons and ticketed spectators at the Grand Prix.

### Corporate patrons

As part of the sample of ticket holders approached, a number of respondents identified themselves as having a corporate ticket to the Grand Prix. Of the sample of corporate spectators approached 66% were Victorian residents, 26% were interstate residents and 8% were international residents. This is depicted graphically in Figure 2:

Figure 2 Origin of corporate patrons

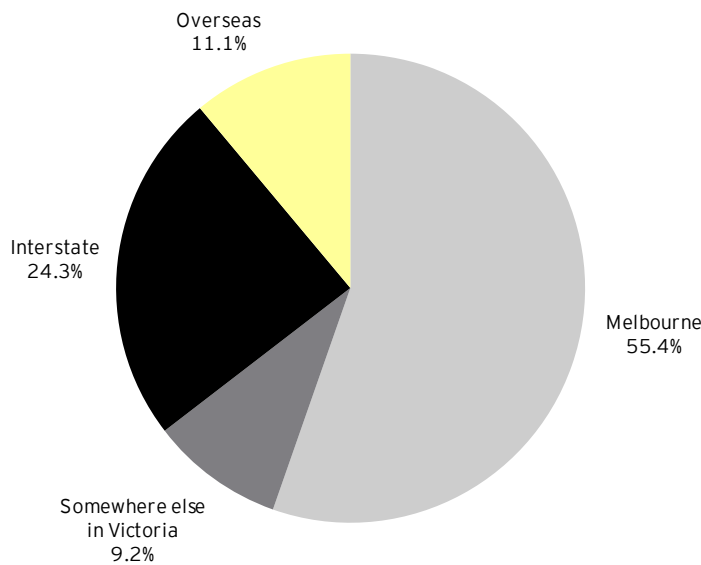


Source: Newspoll, based on a cross section of the sample of corporate patrons. The sample size has not been included to protect the AGPC's commercial in confidence ticketing information.

### Ticketed spectators

As part of the sample of ticket holders approached, a number of respondents identified themselves as having a grandstand or general admission (season or daily) ticket to the Grand Prix. In this report these are referred as 'ticketed spectators'. Of the sample of ticketed spectators approached 65% were Victorian residents, 24% were interstate residents and 11% were international residents. This is depicted graphically in Figure 3:

Figure 3 Origin of ticketed spectators

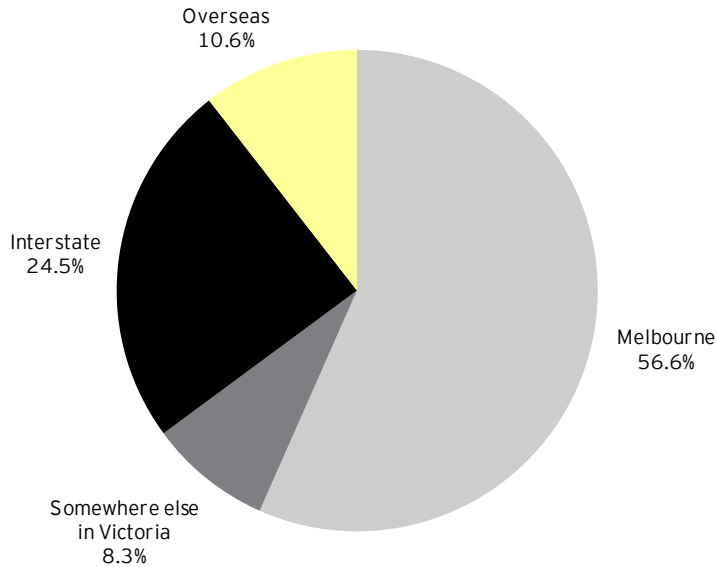


Source: Newspoll, based on a cross section of the sample of ticketed spectators. The sample size has not been included to protect the AGPC's commercial in confidence ticketing information.

### All spectators

As noted in section 3.1.4, to ensure representative samples of specific and extended stay interstate and international visitors to Victoria for the Grand Prix, the market research of corporate patrons and ticketed spectators has been aggregated. Of the total sample of spectators approached, 65% were Victorian residents, 24% were interstate residents and 11% were international residents. This is depicted graphically Figure 4:

Figure 4 Origin of all spectators



Source: Newspoll, based on a cross section of the sample of 966 spectators. The sample was representative.

#### 4.2.2.2 AGPC advised ticket sales

Ernst & Young has relied on the Newspoll representative sample of the origin of spectators at the Grand Prix. Normally, survey data for the origin of attendees would be compared to origin data sourced by ticketing service providers from ticket sales for major events. In this instance, such information was not available at the time of request.

#### 4.2.2.3 Summary of individual spectators by origin

Based on the unique visitor numbers contained in Table 10 and the origin data discussed in section 4.2.2.1, the number of unique individual spectators by origin are summarised below in Table 12:

Table 12: Summary of individual spectators by origin

Type of attendee	Unique attendees	Melbourne	Somewhere else in Victoria	Interstate	Overseas
Total individual spectators	109,234	61,408	9,387	26,699	11,740

Source: Table 10 for unique spectators, section 4.2.2.1 for origin percentage

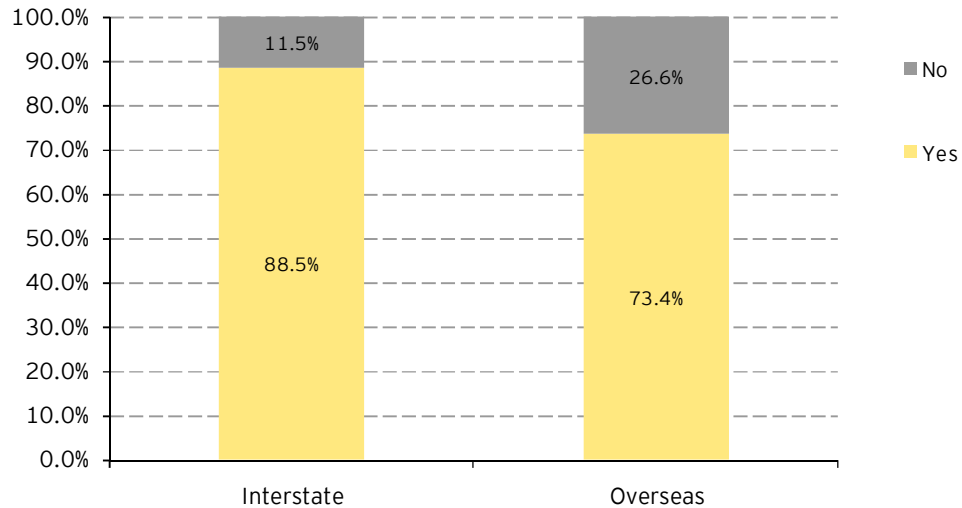
### 4.2.3 Reason of the visit

The economic impact of an event is limited to those visitors that specifically came to Victoria for an event, or extended their stay because of it.

### 4.2.3.1 Combined specific and extended stay visitation

To ensure representative samples of surveys of spectators at the Grand Prix (including length of stay and expenditure data), and as discussed in section 3.1.4, Ernst & Young has aggregated specific and extended stay visitors for the Grand Prix. To determine the level of specific visitation at the Grand Prix, interstate and overseas spectators surveyed were asked whether they came to Victoria specifically to attend the Grand Prix. Those that indicated in the negative were then asked if they had extended their stay for the Grand Prix. As Figure 5 indicates, most interstate spectators (89%) and overseas spectators (73%) had travelled to Victoria specifically for the Grand Prix or extended their stay because of it.

Figure 5 Spectators: Did you come to Victoria specifically for the Grand Prix or extend your stay because of it?



Source:

*Newspoll, based on the responses of 278 interstate and 128 overseas spectators. Of these, 243 interstate visitors were specific to the State for the Grand Prix, while three (3) extended their stay for it. 79 international visitors were specific to the State for the Grand Prix, while 15 extended their stay for it. The sample sizes were representative.*

Of interstate and international spectators that did not visit Victoria specifically for the Grand Prix, 54% and 43% respectively gave their main reason as visiting friends and relatives. A further 20% of 'non-specific' international spectators indicated they were in Victoria on business. Refer to section 7.1 for other main reasons for people visiting Victoria and attending the Grand Prix.

### 4.2.4 Accompanying persons

When estimating the direct expenditure attributable to an event, relevant visitors also include those people that visited Victoria because of the event but did not actually attend the event. That is, they came to Victoria accompanying a person or persons that attended the Grand Prix, but they (themselves) did not attend the Grand Prix. To ascertain the number of accompanying people that visited Victoria because of the Grand Prix, attendees surveyed were asked, "Of those people your expenditure covers, how many of them, including yourself, are attending the Australian Grand Prix?" Based on the survey results from this question, and calculating the number of persons visiting the State with specific or extended stay Grand Prix spectators yet not attending the event, the ratio of interstate and overseas accompanying persons per spectator at the Grand Prix has been estimated and is presented in Table 13:

Table 13: Persons not attending the Grand Prix accompanying specific and extended stay spectators

Item	Interstate	Overseas
Accompanying persons per spectator	0.04	0.05

*Source: Ernst & Young calculation applying Newspoll survey data (based on the responses of 278 interstate and 128 overseas ticketed spectators). The sample sizes were representative.*



## 4.2.5 Summary of specific and extended stay visitors and accompanying persons

Based on the information detailed in sections 4.1 and sub sections of 4.2, Table 14 below indicates the number of spectators and accompanying persons that either visited Victoria specifically for the 2011 Grand Prix, or extended their stay in Victoria because of the event.

Table 14: Summary of specific and extend stay visitors for the Grand Prix (with accompanying persons)

Item	Specific and extended stay visitors	Accompanying persons	Total
Interstate	23,626	945	24,571
Overseas	8,622	431	9,053
<b>Total</b>	<b>32,248</b>	<b>1,376</b>	<b>33,624</b>

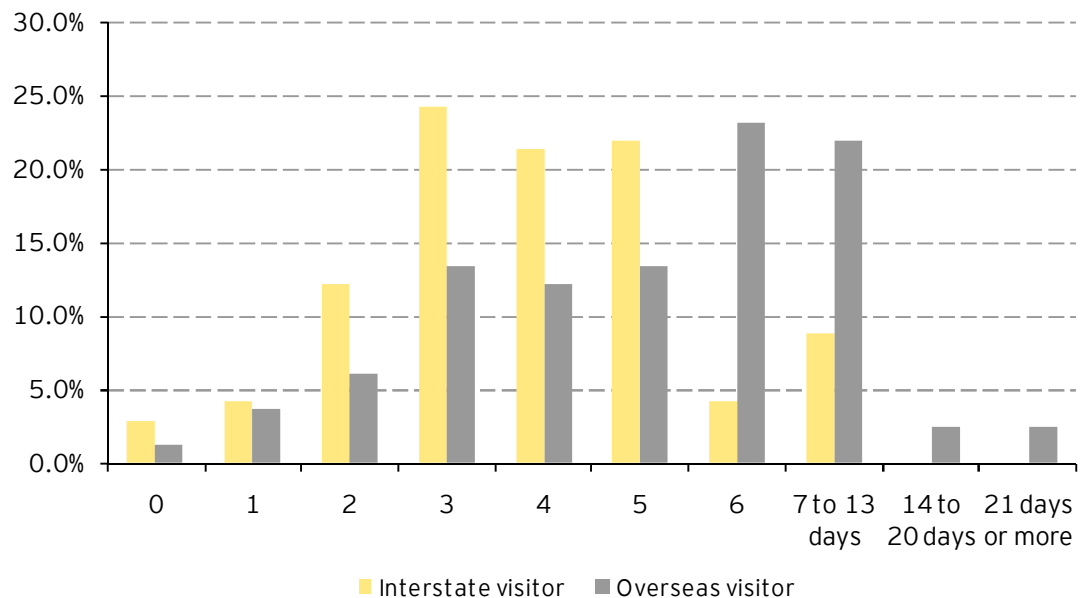
## 4.2.6 Length of stay

For those spectators that came to Victoria specifically for the Grand Prix, or extended their stay for the event, the survey results indicate the following (refer to Figure 6):

- ▶ Interstate spectators stayed (or extended their stay) between one (1) and ten (10) nights during their visit to Victoria, and on average 3.9 nights; and
- ▶ Overseas spectators stayed (or extended their stay) between one (1) and 30 nights during their visit to Victoria, and on average 6.0 nights.

It should be noted that the average nights stay excludes those specific and extended stay spectators that purchased a travel package for the Grand Prix. This is because the expenditure of such spectators was excluded from the Assessment (refer to section 4.2.7.1 and Table 16 for a detailed discussion).

Figure 6 Total nights spent in Victoria by spectators coming specifically or extending their stay for the Grand Prix



Source: Newspan, based on the responses of 214 interstate and 82 overseas spectators. These responses exclude 2 respondents that indicated "don't know". The sample sizes were representative.

## 4.2.7 Expenditures

Interstate and overseas spectators that indicated they visited Victoria specifically for the Grand Prix, or extended their stay in Victoria because of the event were asked a set of questions to determine how much they spent during their stay,

- ▶ At the Grand Prix (that is, with the AGPC); and
- ▶ On goods and services outside of the Grand Prix.

This methodology was designed for two primary reasons, being:

- ▶ Expenditures with the AGPC need to be separately identified to avoid double counting of total direct expenditures (i.e. some of these expenditures will be captured through the AGPC's operating revenues).
- ▶ The questions are asked so the expenditures of visitors that contribute to the direct visitor expenditure of the event can be identified and separated into three main industry categories, being:
  - ▶ Accommodation, cafes and restaurants
  - ▶ Transport
  - ▶ Retail.

These industry categories reflect the majority of spending of persons visiting a region for the purposes of tourism. This process is undertaken to assist in measuring the wider impacts of the Grand Prix through the CGE model.

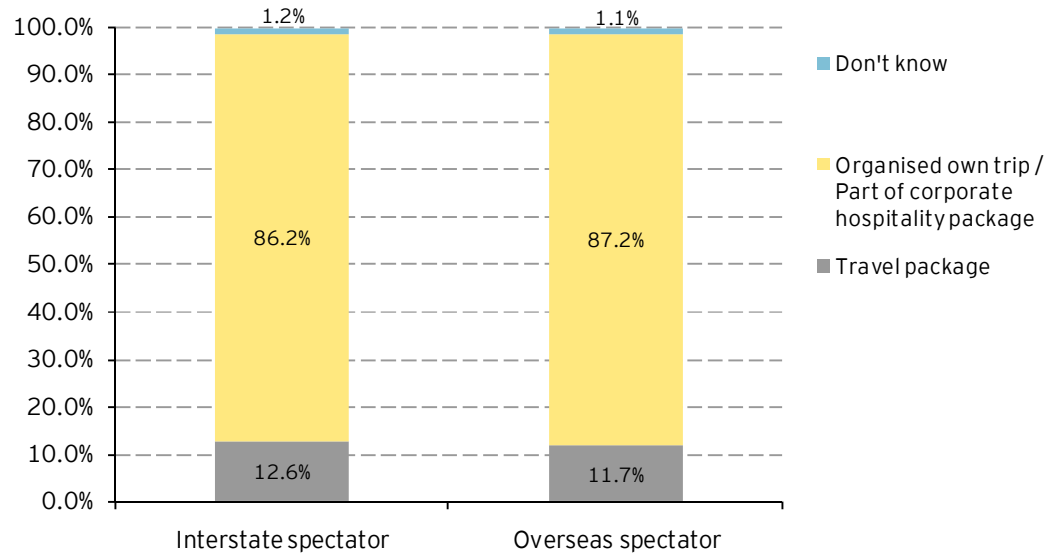
### 4.2.7.1 Interstate and overseas visiting spectators

In order to determine the average daily expenditure of specific and extended stay visitors in relation to the Grand Prix, the survey of spectators endeavoured to determine those specific and extended stay interstate and international spectators that organised their own trip to the Grand Prix (i.e. arranging transport, accommodation, etc) as opposed to purchasing an all-inclusive package to attend the event.

The primary reasoning for determining the extent of spending on packages by spectators visiting Victoria for the Grand Prix is because of the high probability that the packages include expenditure on means of getting to and from Victoria for the event, i.e. flights and other transport. Expenditure on such items is excluded from the Assessment due to the likelihood that the expenditure would not directly impact Victoria's economy.

The survey data, as demonstrated in Figure 7 indicated that most spectators either organised their own trip to attend the Grand Prix, or attended as part of corporate hospitality packages.

Figure 7: Percentage of spectators that purchased packages to attend the Grand Prix



Source: Newspoll, based on the responses of 246 interstate and 94 overseas spectators. The sample sizes were representative.

From the survey data, the average amount spent on travel packages by interstate and overseas specific and extended stay spectators, after allowing for the number of people the travel packages covered, is illustrated in Table 15:

Table 15: Average amount per specific and extend stay visitor expended on travel packages

Item	Interstate	Overseas
Mean expended on travel packages	\$1,660	\$4,045
Average number of persons covered	2.1	2.7
<b>Average travel package spend per visitor</b>	<b>\$791</b>	<b>\$1,498</b>

Source: Newspoll, based on the responses of 31 interstate and 11 overseas spectators that bought a package to attend the Grand Prix. The sample sizes were not representative. These figures do not impact upon the estimate of the economic impact of the Grand Prix.

Table 16 demonstrates that many of the packages purchased by visitors attending the Grand Prix included travel to and from Melbourne.

Table 16: Percentage of packages that included travel to and from Melbourne

Item	Interstate	Overseas
Percentage of packages including air travel	36%	55%

Source: Newspoll, based on the responses of 31 interstate and 11 overseas spectators that bought a package to attend the Grand Prix. The sample sizes were not representative. These figures do not impact upon the estimate of the economic impact of the Grand Prix.

There is also a likelihood that expenditure on some packages would cover tickets to the event. Inclusion of ticket expenditure would constitute double counting as these expenditures are already covered in the AGPC's operating revenues.

For this reason, and given the difficulties in unbundling packaged expenditure, average expenditure of visitors attending the Grand Prix was based on those spectators that organised their own trip to Victoria, or arrived as part of a corporate hospitality package. These daily expenditure averages were applied over the entire population of specific and

extended stay spectator visitors. This implicitly assumes that packaged travellers and independent travellers spend the same amount in Victoria - the only difference is how they purchased their products.

On this basis, the average daily expenditure of specific and extended stay visitors to Victoria for the Grand Prix is presented in Table 17. The expenditure has been categorised into industry groups (enabled by the design of the questionnaire). The figures in Table 17 take into account the amount of people the expenditure covers (as determined from the Newspoll surveys) and the nights stay information from section 4.2.6 (the expenditure data sought from respondents is for the whole trip). The data has also been reduced to take into account the AGPC receiving revenue from tickets, and a share of food and beverage and merchandise sales at the Grand Prix (that will be considered in the analysis of the AGPC's revenue and expenditure).

**Table 17: Average daily expenditure per specific and extended stay visitor for visit to Victoria for the Grand Prix**

Item	Accomm., Cafés, Restaurants	Transport	Retail	Total
<b>Average interstate ticketed visitor expenditure</b>	\$178	\$23	\$42	<b>\$243</b>
<b>Average overseas ticketed visitor expenditure</b>	\$140	\$11	\$41	<b>\$192</b>

*Source: Ernst & Young calculation applying Newspoll survey data (based on the responses of 215 interstate and 83 specific and extended stay spectators that organised their own trip to Victoria, or arrived as part of a corporate hospitality package). The sample sizes were representative.*

The above tables indicate that specific and extended stay visitors to Victoria for the Grand Prix have reasonably consistent daily expenditures with the majority expended in the accommodation, café and restaurant sector.

#### 4.2.8 Retained spectator expenditures

For interstate and overseas spectators that visited Victoria specifically to attend the Grand Prix, or extended their stay because of the event, their expenditures were considered to be entirely incremental expenditures to the State. That is, without the Grand Prix in Victoria, these visitors would not have visited Victoria in proximity to the staging of the Grand Prix.

For Victorian patrons, their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend similar amounts on other local events and activities. That is, there merely is a substitution effect. Local expenditures would give rise to an incremental impact to the State if in the absence of the Grand Prix, locals spend this money on a Grand Prix staged in another state or country replacing the Grand Prix staged in Victoria. To ascertain this, Victorian patrons were asked whether they would be likely or unlikely to make an interstate or overseas trip to attend a hypothetical "Australian" Grand Prix event assuming the event ceased in Victoria. The data has been split between Melbourne and somewhere else in Victoria residents, as determined from the Newspoll survey. The survey results were as follows in Table 18:

**Table 18: Percentage of Victorians that indicated they would be likely to visit another state or country to attend a replacement to the Grand Prix**

Item	Melbourne spectators	Somewhere else in Victoria spectators
Grand Prix interstate	42.2%	56.3%
Grand Prix overseas	21.0%	16.3%

*Source: Newspoll, based on the responses of 547 Melbourne and 80 somewhere else in Victoria spectators. The sample sizes were representative.*

This implies that 42% and 56% respectively of Melbourne and somewhere else in Victoria spectators' expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state. The response was 21% and 16% respectively for

Melbourne and somewhere else in Victoria spectators' expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged overseas.

#### 4.2.8.1 Summary of Victorian residents applicable for retained expenditure

Based on the information detailed in sections 4.1 and in 4.2.8 above, Table 19 below indicates the number of Victorian spectators that contribute to the retained expenditure of the Grand Prix under the scenarios where the Grand Prix is staged in another state or country.

**Table 19: Summary of Victorian residents applicable for retained expenditure**

Item	Grand Prix staged interstate	Grand Prix staged overseas
Melbourne	25,914	12,896
Somewhere else in Victoria	5,285	1,530
<b>Total</b>	<b>31,199</b>	<b>14,426</b>

#### 4.2.8.2 Expenditure

The average expenditure of Victorians attending the Grand Prix is illustrated in Table 20. The expenditure has been categorised into industry groups (enabled by the design of the questionnaire). The figures in Table 20 have been reduced to incorporate the amount of people the expenditure covers (as determined from the Newspoll surveys). They have also been reduced to take into account the AGPC receiving revenue from tickets, and a share of food and beverage and merchandise sales at the Grand Prix (that will be considered in the analysis of the AGPC's revenue and expenditure). It should be noted that Melbourne residents were only asked about their expenditure at the Grand Prix and getting to the Grand Prix as other expenditure outside the grounds of the Grand Prix such as sustenance before and after the event is assumed to not be directly linked to attending the Grand Prix. That is, those expenditures would have taken place regardless of whether the Grand Prix was staged or not.

**Table 20: Average amount expended per Victorian attending the Grand Prix**

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Average Melbourne visitor expenditure (spent at the Grand Prix only)	\$65	\$12	\$35	\$112
Average somewhere else in Victoria visitor expenditure	\$218	\$46	\$92	\$356

*Source: Ernst & Young calculation applying Newpoll survey data (based on the responses of 547 Melbourne and 80 somewhere else in Victoria spectators). The sample sizes were representative.*

The above table confirms that Victorian patrons that live outside the Melbourne metropolitan region spend additional amounts on accommodation and sustenance given they often stay overnight when visiting Melbourne for the Grand Prix.

## 4.3 Media

### 4.3.1 Overview

Newspoll Market Research was commissioned by Ernst & Young to survey spectators and media attending the 2011 Grand Prix. Fully trained Newspoll interviewers completed a total of 54 interviews of media personnel at the event over four days between 24<sup>th</sup> and 27<sup>th</sup> March 2011.

The methodology in undertaking the surveying of media was targeted at visiting media, given AGPC was able to provide Ernst & Young with the number and origin of media at the Grand Prix through the accreditation systems in place. As per the results of the Newspoll survey of media, the origin of those surveyed was:

- ▶ 19 media from interstate; and
- ▶ 35 media from overseas.

Attempts to interview media at the Grand Prix did not result in a representative sample of responses. To ensure a representative sample of the largest population of visiting media, those from overseas, Ernst & Young also undertook an internet survey of international media representatives not surveyed by Newspoll. Using contact details provided by AGPC, this internet based survey resulted in a further 24 responses from international media, resulting in a representative sample (of 59) for such visitors.

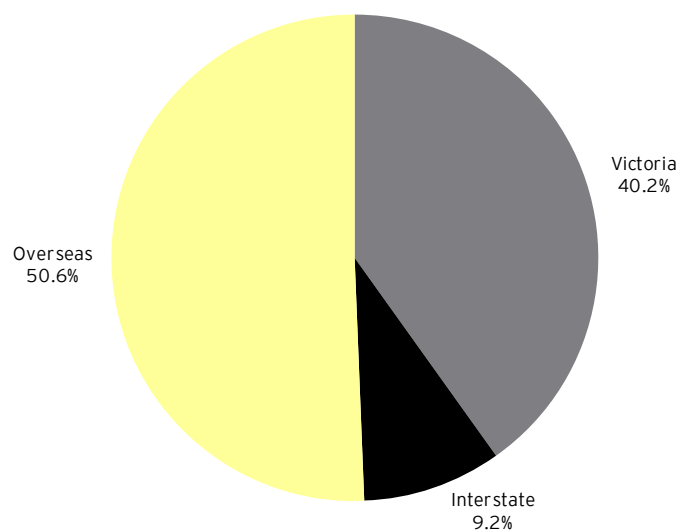
Given the low numbers of interstate media in attendance at the event (refer to section 4.3.2.1) and the difficulties associated with achieving representative samples with small populations, the internet survey was not extended to interstate media representatives.

### 4.3.2 Origin of media

#### 4.3.2.1 AGPC accreditation information

Information provided by AGPC indicates the origin of media that attended the 2011 Grand Prix was as follows (as per Figure 8):

Figure 8 Origin of media



Source: AGPC

That is, of 498 media that attended the Grand Prix:

- ▶ 200 (or 40%) were from Victoria;
- ▶ 46 (or 9%) were from interstate; and
- ▶ 252 (or 51%) were from overseas.

### 4.3.3 Reason of the visit

For the purposes of this economic impact assessment of the Grand Prix, all media that visited Victoria from interstate or overseas were considered to have specifically come for the event. This is based on our understanding that travelling media generally are designated their assignments and further, given the profile of the Grand Prix, Ernst & Young believes it reasonable to assume that the event specifically attracted the media to Victoria.

### 4.3.4 Accompanying persons

Based on the results from the Newspoll survey data and Ernst & Young's internet survey, the ratio of interstate and overseas accompanying persons per media representative at the Grand Prix has been estimated and is presented in Table 21:

Table 21: Persons not attending the Grand Prix accompanying media

Item	Interstate	Overseas
Accompanying persons per media representative	0.05	0.10

*Source: Ernst & Young calculation applying Newspoll and Ernst & Young survey data (based on the responses of 19 interstate and 53 overseas media representatives). It should be noted that along with the interstate media sample, the international media sample is also not representative in relation to the overall population of such attendees. This should be considered when reviewing the results of the Assessment.*

### 4.3.5 Length of stay

For media at the Grand Prix, the survey results indicate the following:

- ▶ Interstate media stayed between three (3) and 13 nights during their visit to Victoria, and on average 6.4 nights; and
- ▶ Overseas media stayed between three (3) and 15 nights during their visit to Victoria, and on average 6.4 nights.

This was based on the responses of 19 interstate and 58 overseas media representatives.

### 4.3.6 Expenditures of interstate and overseas media

Interstate and overseas media that visited Victoria for the Grand Prix, were asked a set of questions to determine how much they spent during their stay,

- ▶ At the Grand Prix (that is, with the AGPC); and
- ▶ On goods and services outside of the Grand Prix.

The reasoning for this methodology is explained in section 4.2.7.

The average per trip expenditure of media to Victoria for the Grand Prix is illustrated in Table 22. The expenditure has been categorised into industry groups (enabled by the design of the questionnaire). The figures in Table 22 take into account the amount of people the expenditure covers (as determined from the Newspoll and Ernst & Young internet survey process). They have also been reduced to take into account the AGPC receiving revenue

from any share of food and beverage and merchandise sales at the Grand Prix (that will be considered in the analysis of the AGPC's revenue and expenditure).

**Table 22: Average amount expended per media representative for visit to Victoria for the Grand Prix**

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Average interstate media expenditure	\$582	\$88	\$141	<b>\$811</b>
Average overseas media expenditure	\$1,096	\$159	\$87	<b>\$1,342</b>

*Source: Ernst & Young calculation applying Newspoll and Ernst & Young survey data (based on the responses of 19 interstate and 53 overseas media representatives). It should be noted that along with the interstate media sample, the international media sample is also not representative in relation to the overall population of such attendees. This should be considered when reviewing the results of the Assessment.*

Based on the nights stay information provided in section 4.3.5, the average daily expenditure of media visiting Victoria for the Grand Prix is presented in Table 23:

**Table 23: Average daily expenditure per media representative for visit to Victoria for the Grand Prix**

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Average daily interstate media expenditure	\$91	\$14	\$22	<b>\$127</b>
Average daily overseas media expenditure	\$170	\$25	\$13	<b>\$208</b>

*Source: Refer nights stay information for media visiting for the Grand Prix in section 4.3.5 and average per trip expenditure data in Table 22.*

The above tables indicate that the spending patterns of media visiting Victoria for the Grand Prix are the converse in relationship to specific and extended stay interstate and international spectators (i.e. interstate media spent less per day than interstate spectators, and vice versa for international examples).

### 4.3.7 Retained media expenditures

For Victorian media, their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend similar amounts on other local events and activities. That is, there merely is a substitution effect. Local expenditures would give rise to an incremental impact to the State if in the absence of the Grand Prix, local media spend this money on a Grand Prix staged in another state or country replacing the Grand Prix staged in Victoria.

Without primary research from Victorian media attending the Grand Prix, Ernst & Young has made an assumption that 10% of Victorian media's expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state, as with the scenario where the Grand Prix is staged in another country. Anecdotally, this is based on the trend of news agencies to source their "news" information through information sharing and satellite resources rather than sending staff to the location of content.

#### 4.3.7.1 Summary of Victorian resident media applicable for retained expenditure

Based on the information detailed in sections 4.1 and in 4.3.7 above, Table 24 below indicates the number of Victoria media that contribute to the retained expenditure of the Grand Prix under the scenarios where the Grand Prix is staged in another state or country.

**Table 24: Summary of Victorian resident media applicable for retained expenditure**

Item	Grand Prix staged interstate	Grand Prix staged overseas
Victorian media	20	20



### 4.3.7.2 Expenditure

The market research process did not endeavour to understand the expenditure of Victorian media attending the Grand Prix. In order to estimate the retained expenditure of Victorian media, Ernst & Young has assumed that the expenditure of Victorian media at an "Australian" Grand Prix staged interstate or another country reflects the spending and nights stay behaviour of their interstate and overseas counterparts at the 2011 event.

Table 25: Assumed average amount expended per Victorian media representative attending the Grand Prix

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Grand Prix interstate	\$582	\$88	\$141	\$811
Grand Prix overseas	\$1,096	\$159	\$87	\$1,342

Source: Refer to Table 22 for the average amount expended by media representatives for their trip to Victoria for the Grand Prix (note: the proxy information used is from non-representative survey data).

## 4.4 CAMS officials and other accredited persons

### 4.4.1 Overview

Originally it was envisaged that race officials and accredited persons such as management, suppliers, contractors and motorsport participants at the 2011 Grand Prix would be interviewed as part of the process undertaken by Newspoll to interview spectators and media. The process employed, involving interviewing in proximity to accreditation pick-up points on the day preceding the beginning of the event (the Wednesday) and the first day of the event (Thursday), realised 45 responses from various attendee categories<sup>11</sup>, including 23 from interstate and 22 overseas.

To increase the response rate of such accredited attendees, Ernst & Young designed an internet based survey in order to, in the first instance, gain responses from CAMS officials. With CAMS sending the survey to its database of relevant officials (and Ernst & Young collating the data), Ernst & Young received the following response:

- ▶ 234 officials from Victoria;
- ▶ 101 officials from interstate; and
- ▶ 14 officials from overseas.

Given the limitations of the process (and others) (refer to section 3.1.5), the length of stay and expenditure data from these responses was applied over a variety of accredited persons (including motorsport participants in support events - refer to section 4.5).

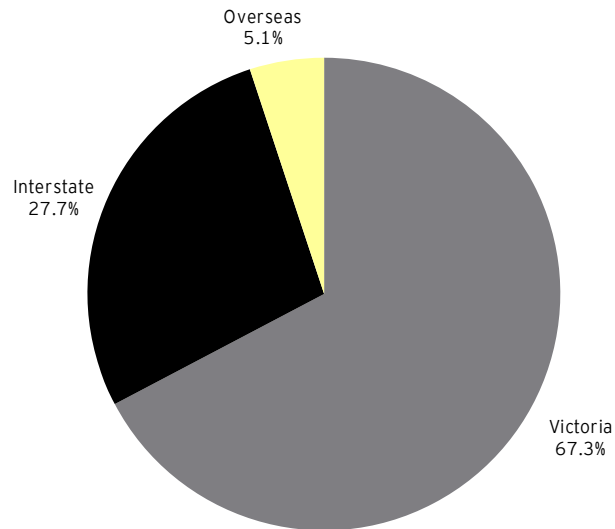
### 4.4.2 Origin of CAMS officials and other accredited persons

#### 4.4.2.1 CAMS Officials

Based on information provided by AGPC from their accreditation systems for accredited persons (other than motorsport participants in support events - refer to section 4.5), and by CAMS for officials, the origin of these types of attendees at the 2011 Grand Prix is presented in Figure 9 and Figure 10:

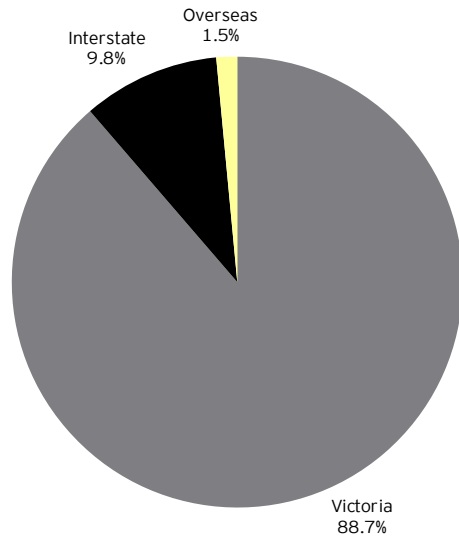
<sup>11</sup> Includes CAMS officials, motorsport participants and other service providers

Figure 9 Origin of CAMS officials



Source: CAMS

Figure 10 Origin of other accredited persons



Source: AGPC

That is, of 792 CAMS officials that attended the Grand Prix:

- ▶ 533 (or 67%) were from Victoria;
- ▶ 219 (or 28%) were from interstate; and
- ▶ 40 (or 5%) were from overseas.

There were 11,059<sup>12</sup> other accredited persons that attended the Grand Prix. Of these:

- ▶ 9,809 (or 89%) were from Victoria;
- ▶ 1,085 (or 10%) were from interstate; and
- ▶ 165 (or 1%) were from overseas.

<sup>12</sup> Representatives of FOM and FIA are considered in the expenditure of their organisation in section 4.8.

#### 4.4.3 Reason of the visit

For the purposes of this economic impact assessment of the Grand Prix, all CAMS officials and other accredited persons that visited Victoria from interstate or overseas were considered to have specifically come for the event. This is based on our assumption that such participants would not normally have travelled to Victoria had the Grand Prix not been staged. This is a reasonable assumption given the training required to be an official at an event such as the Grand Prix, and the fact that other accredited persons such as suppliers and contractors are usually travelling for their livelihood.

#### 4.4.4 Accompanying persons

The results from the internet based survey data of CAMS officials indicates that on average each interstate CAMS official interviewed had a total of 0.04 accompanying people with them that visited Victoria because of the event (but who did not actually attend the event). International CAMS officials did not have any accompanying people with them that visited Victoria because of the event (but who did not actually attend the event)<sup>13</sup>. This data has been applied over the entire population of the CAMS officials. For the purposes of simplicity accompanying persons were not applied to other accredited persons.

#### 4.4.5 Length of stay

For CAMS officials at the Grand Prix, the survey results indicate the following:

- ▶ Interstate officials stayed on average 6.3 nights; and
- ▶ Overseas officials stayed on average 9.6 nights<sup>14</sup>.

This data has been applied over the entire population of the CAMS officials and other accredited persons.

#### 4.4.6 Expenditures of interstate and overseas CAMS officials and other accredited persons

Interstate and overseas CAMS officials that visited Victoria for the Grand Prix were asked a set of questions to determine how much they spent during their stay:

- ▶ At the Grand Prix (that is, with the AGPC); and
- ▶ On goods and services outside of the Grand Prix.

The reasoning for this methodology is explained in section 4.2.7.

The average per trip expenditure of CAMS officials in Victoria for the Grand Prix is illustrated in Table 26. The expenditure has been categorised into industry groups (enabled by the design of the questionnaire). The figures in Table 26 take into account the amount of people the expenditure covers (as determined from the internet based surveys). They have also been reduced to take into account the AGPC receiving revenue from a share of food and beverage and merchandise sales at the Grand Prix (that will be considered in the analysis of the AGPC's revenue and expenditure). This data has been applied over the entire population of the CAMS officials and other accredited persons.

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<sup>13</sup> Based on the responses of 87 interstate CAMS officials (a representative sample) and 11 international CAMS officials (a non representative sample).

<sup>14</sup> Based on the responses of 101 interstate CAMS officials (a representative sample) and 14 international CAMS officials (a non representative sample).

**Table 26: Average amount expended per CAMS official and other accredited person for visit to Victoria for the Grand Prix**

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Average interstate CAMS official/other accredited person expenditure	\$706	\$99	\$75	\$880
Average overseas CAMS official/other accredited person expenditure	\$824	\$329	\$118	\$1,271

Source: Ernst & Young designed internet based survey on the responses of 87 interstate and 11 overseas CAMS officials.

Based on the nights stay information provided in section 4.4.5, the average daily expenditure of CAMS officials and other accredited persons visiting Victoria for the Grand Prix is illustrated in Table 27:

**Table 27: Average daily expenditure per CAMS official and other accredited person for visit to Victoria for the Grand Prix**

Item	Accomm, Cafés, Restaurants	Transport	Retail	Total
Average daily interstate CAMS official/other accredited person expenditure	\$112	\$16	\$12	\$140
Average daily overseas CAMS official/other accredited person expenditure	\$86	\$34	\$12	\$131

Source: Refer nights stay information for CAMS officials and other accredited persons for the Grand Prix in section 4.4.5 and average per trip expenditure data in Table 26.

The above tables indicate that CAMS officials and other accredited persons visiting Victoria for the Grand Prix, for the greater part, have a lower daily spend than interstate and overseas spectators. This is attributed to these visitors often spending lower amounts given the group surveyed (being CAMS officials) are mostly, if not always, volunteers.

#### **4.4.7 Retained CAMS officials and other accredited persons expenditures**

For Victorian CAMS officials and other accredited persons, their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend similar amounts on other local events and activities. That is, there merely is a substitution effect. Local expenditures would give rise to an incremental impact to the State if in the absence of the Grand Prix, locals spend this money on a Grand Prix staged in another state or country replacing the Grand Prix staged in Victoria.

Without primary research from Victorian CAMS officials attending the Grand Prix regarding their intentions if the event was relocated interstate or overseas, Ernst & Young has made an assumption that 100% of Victorian CAMS officials' expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state. Nil expenditure is assumed to be 'retained' with the scenario where the F1 Grand Prix is staged in another country. This assumption is based on the proviso that CAMS officials will act as stewards for all significant motor racing events staged in Australia (with the bulk of the population based in Victoria along with CAMS' head office).

In relation to other accredited persons, Ernst & Young has made an assumption that 5% of Victorian other accredited persons' expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state. As for CAMS officials, it is assumed that no expenditure is 'retained' with the scenario where the F1 Grand Prix is staged in another country. The much lower assumption in relation to the interstate scenario

is based upon the host state sourcing much of its labour from within its own State (as was the case for the 2011 Grand Prix (89%)).

#### 4.4.7.1 Summary of Victorian resident CAMS officials and other accredited persons applicable for retained expenditure

Based on the information detailed in sections 4.1 and in 4.4.7 above, Table 28 below indicates the number of Victoria officials and suppliers that contribute to the retained expenditure of the Grand Prix under the scenarios where the Grand Prix is staged in another state or country.

Table 28: Summary of Victorian resident CAMS officials and other accredited persons applicable for retained expenditure

Item	Grand Prix staged interstate	Grand Prix staged overseas
Victorian CAMS officials	533	Nil
Other accredited persons	490	Nil

#### 4.4.7.2 Expenditure

The market research process resulted in the responses of 219 Victorian CAMS officials (but not any other accredited persons) attending the Grand Prix. However it was deemed more appropriate to apply the 'trip' expenditure of the Victorian CAMS officials' interstate counterparts, given the designated duties of CAMS officials and the need for them to act as stewards at sanctioned motor racing events staged in Australia. The same proxy have been applied for retained Victorian other accredited persons. Refer to Table 26 in section 4.4.6 for the trip expenditure to be applied for retained Victorian CAMS officials and other accredited persons (for the scenario where the Australian F1 Grand Prix is staged interstate).

## 4.5 Event participants

### 4.5.1 Overview

For the purposes of this economic impact assessment event participants such as drivers, pit crew, team management and other support persons have been split into three distinct categories, being:

- ▶ F1 participants;
- ▶ V8 Supercars participants; and
- ▶ Support events participants (including Porsche Carrera Cup, Formula 5000, and historic demonstrations)<sup>15</sup>.

The process to collect market research from participants at the 2011 Grand Prix consisted of three separate stages. Firstly:

- ▶ Face-to-face interviews were undertaken with management of the F1 teams during the Grand Prix. Where information was not provided during the face-to-face interviews, the F1 teams were asked to provide their completed survey to Ernst & Young by way of email via AGPC. This team based survey included questions asking the team representative to outline the number of persons in the F1 team, the length of stay of the team, and an estimate of the daily personal spend of those team members. The total number of accredited F1 participants (i.e. team members) was provided by FOM from their own accreditation system – this data was used rather than the estimate of participant numbers from the survey data. All F1 participants were assumed to reside overseas.

<sup>15</sup> Representatives of FOM and FIA are considered in the expenditure of their organisation in section 4.8.

- ▶ For the greater part, the same process was undertaken with management of the V8 Supercars teams (although V8SCA did not respond to a request to provide actual numbers of accredited persons from their systems). The origin of V8 Supercars participants was assumed to match that of their team (i.e. where the team owner was based).
- ▶ For accredited support event participants, AGPC was able to provide the number of accredited participants linked to each entry in the support events. The origin of the support event participants for each entry was assumed to match the origin of the person entering a car into the support events. The support event teams were subject to an internet based survey. From this, the length of stay of the support event teams was determined. The expenditure of individual participants was based on proxies obtained from the survey of CAMS officials.

Data was collated from the following from the above mentioned process:

- ▶ Nine (9) of the F1 teams (regarding their length of stay and personal expenditure of participants);
- ▶ FOM (for the number of F1 team accredited participants);
- ▶ Ten (10) interstate V8 Supercars teams (regarding the number of participants, their length of stay and personal expenditure of participants);
- ▶ Five (5) Victorian V8 Supercars teams (regarding the number of participants)<sup>16</sup>;
- ▶ 17 interstate and international support event teams (regarding their length of stay)<sup>17</sup>; and
- ▶ AGPC (for the number of support event accredited participants).

#### 4.5.2 Number and origin of event participants

As noted, all F1 participants were assumed to reside overseas. This was based on all F1 teams having their bases outside of Australia. The origin of V8 Supercars participants was assumed to match that of their team (i.e. where the team owner was based). The origin of the F1 and V8 Supercars participants is as follows:

Table 29: Number and origin of event participants

Item	F1 participants	V8 Supercars participants	Support event participants
Victorian	-	90	258
Interstate	-	145	90
Overseas	1,500	-	121
Total	1,500	235	469

Source: F1 participants sourced from FOM (via AGPC), with their origin assumed to match the base of the teams (i.e. overseas). V8 Supercars participants sourced from the survey of V8 Supercars teams, with their origin assumed to match the base of the teams. Support event participants sourced from AGPC, with their origin assumed to match the base of the teams.

<sup>16</sup> Personal expenditure for participants from the retained Victoria V8 Supercar teams has based on the personal expenditure and length of stay of interstate V8 Supercar participants given the professional nature of the category and likely compulsory attendance at a V8 Supercar event staged in coordination with an Australian F1 Grand Prix staged in another state of Australia.

<sup>17</sup> Average daily expenditure of interstate and international support event participants is based on proxies sourced from the survey of CAMS officials. Further, 27 of 62 Victorian support event teams were also surveyed. Given the attraction of a sporting event such as the Grand Prix, to estimate the retained expenditure of Victorian support event participants, we have applied the trip expenditures of interstate CAMS officials to reflect a situation where the Australian F1 Grand Prix is staged in another state of Australia.

### 4.5.3 Reason of the visit

For the purposes of this economic impact assessment of the Grand Prix, all event participants that visited Victoria from interstate or overseas were considered to have specifically come for the event. This is based on our assumption that such participants would not normally have travelled to Victoria were the Grand Prix not been staged. This is a reasonable assumption given the skills and equipment required to be a participant at an event such as the Grand Prix.

### 4.5.4 Accompanying persons

Accompanying persons data was not sought from the survey of the F1 or V8 Supercars teams. Therefore given the short term nature of the visits of the professional motor sport teams, we have assumed that F1 and V8 Supercars participants did not have accompanying people with them that visited Victoria because of the event (but who did not actually attend the event). It is assumed that this behaviour would be similar for accompanying persons with support event participants.

### 4.5.5 Length of stay

The length of stay of interstate and international event participants at the Grand Prix was as follows:

Table 30: Length of stay of event participants

Item	F1 participants	V8 Supercars participants	Support event participants
Interstate	n/a	5.4 days	7.1 days
Overseas	7.1 days	n/a	10.0 days

Source: Length of stay of F1 participants based on the surveys of F1 teams. Length of stay of v8 Supercars participants based on the surveys of v8 Supercars teams. Length of stay of support event participants based on proxies sourced from the survey of CAMS officials (refer to section 4.4.5).

### 4.5.6 Expenditures of interstate and overseas event participants

Representatives of F1 and V8 Supercars teams were asked to estimate the daily personal expenditure of their team members. Given accommodation and meals for team members were funded by the F1 and V8 Supercars teams, it has been assumed that all personal expenditure of these participants was in the retail sector (as opposed to any split between Accommodation/cafes/ restaurants, Transport, and Retail).

The average daily expenditure of support event participants was based on proxies sourced from the survey of CAMS officials (refer to section 4.4.6).

The average daily expenditure of interstate and international event participants at the Grand Prix was as follows:

Table 31: Average daily expenditure per event participant for visit to Victoria for the Grand Prix

Item	F1	V8 Supercars	Support events	
	Overseas	Interstate	Interstate	Overseas
Accomm, Cafés, Restaurants	\$0	\$0	\$112	\$86
Transport	\$0	\$0	\$16	\$34
Retail	\$81	\$57	\$12	\$12
Total	\$81	\$57	\$140	\$132

Source: F1 and V8 Supercars: teams surveys. Support events: proxies from surveys of CAMS officials (refer to section 4.4.6).

#### 4.5.7 Retained event participants expenditures

For Victorian event participants (V8 Supercars and support events only), their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend similar amounts on other local events and activities. That is, there merely is a substitution effect. Local expenditures would give rise to an incremental impact to the State if in the absence of the Grand Prix, locals spend this money on a Grand Prix staged in another state or country replacing the Grand Prix staged in Victoria. Ernst & Young has made the following assumptions on whether Victorian event participants would spend similar amounts on a Grand Prix event outside of the state or in another country assuming the event ceased in Victoria:

- ▶ 100 % of Victorian V8 Supercars and other support event participant's expenditure would be spent in another state if the event was held in another state of Australia. That is, the Grand Prix is an event of such stature that participants would be prepared to travel to anywhere in Australia to compete in the event's support events. Further many of the support events on the Grand Prix's schedule are part of national series, increasing the likelihood of interstate travel of these Victorian teams.
- ▶ No Victorian V8 Supercars and support event participant's expenditure would be spent overseas if the event was held in another country as it would be assumed that the country staging the event would use support events from its own country to supplement the Grand Prix.

This implies that 100 % of Victorian V8 Supercars and support event participant expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state of Australia. Further, no Victorian V8 Supercars and support event participant expenditures are currently 'retained' in Victoria, relative to a scenario where the Grand Prix was held in another country.

##### 4.5.7.1 Summary of Victorian resident event participants applicable for retained expenditure

Based on the information detailed in sections 4.1 and in 4.5.7 above, Table 32 below indicates the number of Victoria event participants that contribute to the retained expenditure of the Grand Prix under the scenarios where the Grand Prix is staged in another state or country:

Table 32: Summary of Victorian resident event participants applicable for retained expenditure

Item	Grand Prix staged interstate	Grand Prix staged overseas
Victorian V8 Supercars participants	90	Nil
Victorian support event participants	258	Nil

##### 4.5.7.2 Expenditure

The personal expenditure of retained Victorian V8 Supercars participants has been based on the personal expenditure and length of stay of interstate V8 Supercars participants given the professional nature of the category and likely compulsory attendance at a V8 Supercars event staged in coordination with an Australian F1 Grand Prix staged in another state of Australia.

For retained Victorian support event participants, a proxy from the survey of interstate CAMS officials for their expenditure for their trip to Victoria for the Grand Prix has been applied. This reflects the attraction of a sporting event such as the Grand Prix, and the likelihood of Victorian support event participants travelling interstate were an Australian F1 Grand Prix staged in another state of Australia.



**Table 33: Average expenditure per retained Victorian event participant (in the scenario that the event moves interstate)**

Item	V8 Supercars	Support events
Accomm, Cafés, Restaurants	\$0	\$706
Transport	\$0	\$99
Retail	\$308	\$75
<b>Total</b>	<b>\$308</b>	<b>\$880</b>

Source: V8 Supercars: teams surveys. Support events: proxies from surveys of CAMS officials (refer to section 4.4.6).

## 4.6 Corporate buyers

### 4.6.1 Methodology

AGPC provided an extract of the Grand Prix's corporate customers, including company name, origin of the company, key contact, phone number, email addresses and number of tickets purchased.

Ernst & Young requested that only customers purchasing four or more tickets be included in the extract on the basis of an agreed assumption that those purchasing less tickets were likely doing so for personal reasons and as such would be included in the process to survey spectators at the event.

The data collection process for corporate customers of the Grand Prix involved:

- ▶ AGPC emailing relevant corporate customers, introducing the Ernst & Young survey process
- ▶ Ernst & Young emailing surveys to all corporate contacts listed in the AGPC's extract of corporate customers
- ▶ Follow-up phone calls of a random sample of 80 customers listed in the extract to prompt them of the survey, and offer them the option of completing the survey over the phone.<sup>18</sup>

The total number of client contacts in the database provided was 399, comprising:

- ▶ 282 Victorian corporate customers;
- ▶ 96 Interstate corporate customers; and
- ▶ 21 international corporate customers.

In total, the response rate to the survey was 123 (98 online, 16 emailed and 9 teleconference), comprising:

- ▶ 77 Victorian corporate customers;
- ▶ 42 interstate corporate customers; and
- ▶ 4 international corporate customers.

All interstate and international corporate clients were assumed to be specific visitors to Victoria for the Grand Prix. That is, the corporate customers would not normally have travelled to Victoria had the Grand Prix not been staged.

<sup>18</sup> The sample 80 follow up calls was undertaken with an aim to achieve a 95 % confidence level with a 10 % confidence interval (based on the initial population of 399).

## 4.6.2 Expenditures

Corporate clients were asked a set of questions regarding how much they spent:

- ▶ At the Grand Prix (that is, with the AGPC); and
- ▶ On goods and services outside of the Grand Prix.

Expenditures at the Grand Prix were not included in the direct impact assumptions as they are captured in the AGPC's operating revenues (refer to section 4.9). Including these expenditures would constitute double counting.

For corporate buyers that spent greater than \$100,000 on goods and services outside the Grand Prix, these were excluded from the sample, and aggregated into a group of 'major corporate customers'. This was done so as to not skew the results of sample, and thereby extrapolating an unreasonably higher average spend over the total population.

The results of the spending of corporate customers on goods and services outside the Grand Prix (excluding responses from major corporate customers) are presented in Table 34 below. On average, interstate corporate customers are the largest spenders (\$13,703), followed by overseas corporate customers (\$5,900). Most expenditure was on the accommodation, cafes and restaurant sector.

**Table 34 Average expenditures per corporate customers (excluding major corporate customers) on Victorian industries outside the Grand Prix**

Type of expenditure	Victoria	Interstate	Overseas
Accommodation, cafes and restaurants	\$3,053	\$11,897	\$5,733
Transport	\$340	\$683	\$127
Retail	\$811	\$1,123	\$40
Total per corporate customer	<b>\$4,204</b>	<b>\$13,703</b>	<b>\$5,900</b>

*Source: Ernst & Young internet, email and telephone survey of corporate customers of the Grand Prix*

*Note: Average expenditure estimates are based on a sample size of 57, 30 and 3, for Victorian, interstate and overseas clients respectively (indicating the number of respondents that provided detailed expenditure estimates). The sample size for the Victorian corporate customers was representative. The sample sizes for the interstate and international corporate customers were not representative.*

The expenditures of major corporate customers (i.e. those with expenditure on goods and services outside the Grand Prix of greater than \$100,000) were treated separately as they would skew the sample's expenditure averages. Ernst & Young identified five (5) such major corporate customers (one (1) interstate and four (4) Victorian). Based on responses of the major corporate customers, their total expenditure is presented in Table 35:

**Table 35 Total expenditures of major corporate customers on Victorian industries outside the Grand Prix**

Type of expenditure	Victoria	Interstate
Accommodation, cafes and restaurants	\$693,000	\$90,000
Transport	\$34,000	\$10,000
Retail	\$162,000	\$60,000
Total	<b>\$889,000</b>	<b>\$160,000</b>

*Ernst & Young internet, email and telephone survey of corporate customers of the Grand Prix (one (1) interstate respondent and four (4) Victorian respondents). Despite the small sample size, this data is considered representative given it is not extrapolated over a wider population.*

### 4.6.3 Retained corporate expenditures

For Victorian corporate customers, their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend similar amounts on other local marketing initiatives.

Local expenditures would give rise to an incremental impact to the State if in the absence of the Grand Prix, locals spend this money on a Grand Prix staged in another state or country replacing the Grand Prix staged in Victoria. To ascertain this, Victorian corporate customers were asked whether they would be likely or unlikely to spend a similar budget on an "Australian" Grand Prix staged interstate or overseas assuming the event ceased in Victoria. The survey found that, for those other than major corporate customers:

- ▶ 40% of Victorian corporate customers would spend in another state if the event was held in another state of Australia.
- ▶ 5% of Victorian corporate customers would spend overseas if the event was held in another country.

This implies (for other than major corporate customers) that 40% of Victorian corporate expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state of Australia. Likewise, 5% of Victorian corporate expenditures are currently 'retained' in Victoria, relative to a scenario where the Grand Prix was held in another country.

In relation to major corporate customers, three (3) of the four (4) from Victoria were retained relative to a scenario where the Grand Prix is staged in another state of Australia. Only one (1) of the four (4) from Victoria was retained relative to a scenario where the Grand Prix was held in another country.

## 4.7 F1, V8 Supercars and support event teams

### 4.7.1 Methodology

The data collection process for teams competing at the Grand Prix and support events involved:

- ▶ Face-to-face interviews were undertaken with management of the F1 teams during the Grand Prix. Where information was not provided during the face-to-face interviews, the F1 teams were asked to provide their completed survey to Ernst & Young by way of email via AGPC. Surveys were completed by nine (9) of the F1 teams.
- ▶ For the greater part, the same process was undertaken with management of the V8 Supercars teams. Surveys were completed with all ten (10) interstate based V8 Supercars teams, and five (5) Victorian based teams.
- ▶ The support event teams were subject to an internet based survey conducted by Ernst & Young. 17 interstate and international support event teams responded to the survey, with a further 27 Victorian support event teams responding.

From aggregating the above information, the total number of teams that competed at the Grand Prix was considered to be 140. This comprises:

- ▶ 12 F1 teams (all of international origin).
- ▶ 17 V8 Supercars teams. Of which:
  - ▶ Seven (7) are based in Victoria; and
  - ▶ Ten (10) are based interstate.

- ▶ 111 support event teams. Of which:
  - ▶ 62 are based in Victoria (13 Formula 5000, 11 Carrera Cup and 38 Historics);
  - ▶ 23 are based interstate (three (3) Formula 5000, seven (7) Carrera Cup and 13 Historics); and
  - ▶ 26 are based overseas (12 Formula 5000, five (5) Carrera Cup and nine (9) Historics).

#### 4.7.2 Expenditures

Interstate and international teams were asked a set of questions regarding how much they spent during their visit to Victoria for the Grand Prix. Results have been categorised between F1 teams, V8 Supercars teams, and other support teams. The results of the survey process are presented in Table 36:

Table 36 Average expenditures of teams at the Grand Prix

Item	F1*	V8 Supercars**	Support events***	
	Overseas	Interstate	Interstate	Overseas
Accomm, Cafés, Restaurants	\$207,617	\$12,482	\$2,428	\$5,938
Transport	\$23,221	\$1,548	\$500	\$769
Retail	\$5,556	\$7,010	\$2,763	\$4,185
Total	\$236,394	\$21,040	\$5,691	\$10,891

\*: Source: Ernst & Young face-to-face surveys and email survey of F1 teams. The sample size was not representative.

\*\* : Source: Ernst & Young face-to-face surveys and email survey of the V8 Supercars teams. The sample size was representative.

\*\*\*: Source: Ernst & Young internet based survey of the support event teams. The sample sizes were not representative.

As Table 36 indicates, the F1 teams spent (on average) considerably higher amounts than those teams competing in the V8 Supercars event and support events at the Grand Prix. As expected, F1 teams expended the majority of their budgets on accommodation, cafes and restaurants (88%). V8 Supercars teams and support events teams expended 59% and 43% (interstate teams) and 55% (international teams) respectively of their budgets on accommodation, cafes and restaurants.

#### 4.7.3 Retained team expenditures

For Victorian V8 Supercars and support event teams, their expenditures are not necessarily incremental as in the absence of the Grand Prix they might spend their similar amounts on local events. That is, there merely is a substitution effect.

Local expenditures would give rise to an incremental impact to the state if, in the absence of the Grand Prix, locals spend this money on events held in another state or country. Ernst & Young has made some assumptions on whether Victorian V8 Supercars and support event teams would spend similar amounts on a Grand Prix event outside of the state or in another country assuming the event ceased in Victoria.

The assumptions are that:

- ▶ 100 % of Victorian V8 Supercars and support event team's expenditure would be spent in another state if the event was held in another state of Australia. That is, the Grand Prix is an event of such stature that teams would be prepared to travel from anywhere in Australia to compete in the event's support events. Further many of the support events on the Grand Prix's schedule are part of national series, increasing the likelihood of interstate travel of these Victorian teams; and

- ▶ No Victorian V8 Supercars and support event team's expenditure would be spent overseas if the event was held in another country (as it would be assumed that the country staging the event would use support events from its own country to supplement the Grand Prix).

This implies that 100% of Victorian V8 Supercars and support event team expenditures are currently 'retained' in Victoria relative to a scenario where the Grand Prix is staged in another state of Australia. Further, no Victorian V8 Supercars and other support team expenditures are currently 'retained' in Victoria, relative to a scenario where the Grand Prix was held in another country.

#### 4.7.3.1 Summary of Victorian teams applicable for retained expenditure

Based on the information detailed in section 4.7.1 above, Table 37 below indicates the number of Victoria teams that contribute to the retained expenditure of the Grand Prix under the scenarios where the Grand Prix is staged in another state or country.

Table 37: Summary of Victorian teams applicable for retained expenditure

Item	Grand Prix staged interstate	Grand Prix staged overseas
Victorian V8 Supercars teams	7	Nil
Victorian support event teams	62	Nil

Source: Ernst & Young calculation based on data sourced from AGPC.

#### 4.7.3.2 Expenditure

The team expenditure of retained Victorian V8 Supercars teams has based on the expenditure of interstate V8 Supercars teams given the professional nature of the category and likely compulsory attendance at a V8 Supercars event staged in coordination with an Australian F1 Grand Prix staged in another state of Australia.

For retained Victorian support event teams, their expenditure has been based on the expenditure of interstate support event teams. This reflects the attraction of a sporting event such as the Grand Prix, and the likelihood of Victorian support event teams travelling interstate were an Australian F1 Grand Prix staged in another state of Australia.

Table 38 Average amount expended per retained Victorian V8 Supercars and support event team attending the Grand Prix

Item	V8 Supercars	Support events
	Interstate	Interstate
Accomm, Cafés, Restaurants	\$12,482	\$2,428
Transport	\$1,548	\$500
Retail	\$7,010	\$2,763
Total	\$21,040	\$5,691

Source: V8 Supercars: teams surveys. Support events: team surveys.

## 4.8 Related organisations

### 4.8.1 Overview

The following organisations were identified by AGPC and Ernst & Young as potentially contributing to the economic impact of the Grand Prix:

- ▶ FIA
- ▶ FOM
- ▶ V8SCA
- ▶ CAMS.

The market research process involved AGPC, on behalf of Ernst & Young, emailing to the above named organisations a survey requesting details of their expenditure while in Victoria for the Grand Prix. As noted in section 3.1.5 (limitations of the Assessment), email surveys sent to FIA, FOM, V8SCA and CAMS were not completed in full at the time Ernst & Young compiled responses for the Assessment. As such, the following proxies were applied:

- ▶ For FOM, FIA and V8SCA, the expenditure attributed to those organisations from an earlier study undertaken of the Grand Prix. The expenditure was adjusted for inflation to 2011 dollars; and
- ▶ For CAMS, no expenditure was attributed to the organisation as a response was not provided to the survey.

## 4.8.2 Expenditures

The interstate and international related organisations were asked a set of questions regarding how much they spent during their visit to Victoria for the Grand Prix. The results of the survey process are presented in Table 39.

**Table 39 Average expenditures of related organisations at the Grand Prix**

Type of team and origin	Accommodation, Café, Restaurants	Transport	Retail	Total
Interstate related organisations	\$30,612	\$1,506	\$0	\$32,118
International related organisations	\$114,965	\$3,695	\$576	\$119,236

*Source: An earlier study of the F1 Australian Grand Prix.*

## 4.8.3 Retained related organisation expenditures

CAMS was the only identified related organisation based in Victoria. We have assumed no retained expenditure is attributed to CAMS as data was not provided to enable estimation.

## 4.9 AGPC operations

The AGPC provided an operating statement for the Grand Prix. This comprised revenues and expenditures grouped by industry category and the shares of the revenues and expenditures by origin and destination (that is Victoria, interstate and overseas).

Given the confidential nature of the data, Ernst & Young was not able to verify the accuracy of the data and whether revenues and expenditures have been accurately allocated to the correct industry categories and origins.

As previously noted in section 2.4, this information is considered to be “Commercial in Confidence” by AGPC and as such can only be presented in summary form in this report (refer to section 5.4). However it should be noted that the AGPC does produce an Annual Report that is audited by the Victorian Auditor-General, and once produced, this report could be used to potentially verify this information.

### 4.9.1 Retained expenditures

For Victorian ticket revenue, based on the responses to the Newspoll survey of all spectators, it was assumed that:

- ▶ 44% of these expenditures are currently retained in Victoria relative to a Grand Prix event held interstate; and
- ▶ 20% of these expenditures are currently retained in Victoria relative to a Grand Prix event held overseas.

Victorian revenues relating to sponsors, corporate and other revenues were considered to be corporate expenditures. Based on results from the corporate customer survey, it was assumed that:

- ▶ 41% of these corporate expenditures are currently retained in Victoria relative to a Grand Prix event held interstate; and
- ▶ 5% of these corporate expenditures are currently retained in Victoria relative to a Grand Prix event held overseas.

Refer to section 5.4 for Ernst & Young's estimation of the direct economic impacts emanating from AGPC's operations.

## 5. Direct economic impacts of the Grand Prix

### 5.1 Introduction

This section presents estimates of the direct economic impacts of the Grand Prix to the Victorian economy. Direct impacts are defined as the immediate (or first round) changes in revenues in the Victorian economy as a result of the event. In economics parlance, they are the 'shocks' to the economy.

The direct impacts of the event are assessed relative to two hypothetical scenarios of a Victorian economy without the Grand Prix:

- ▶ Scenario 1: The event not held in Victoria but held in another state of Australia; and
- ▶ Scenario 2: The event not held in Victoria but in another country.

These two scenarios have different implications for the amount of 'retained expenditure' in Victoria generated by the event.

### 5.2 Visitor expenditures

The spending by people, teams and organisations visiting the State specifically for the Grand Prix is a direct impact to the State. In the absence of the Grand Prix, these expenditures in the State would not have occurred.

Expenditures by people, teams and organisations that attended the Grand Prix, but would have travelled to Victoria regardless, are not counted as part of the direct impact estimate. For these visitors, the only expenditures that are counted are their purchases of event tickets (which are counted in the AGPC operations - refer to section 4.9) and any expenditures arising from an extension of their stay due to the event.

The direct impacts from interstate and overseas specific and extended stay visitors for the Grand Prix are outlined in Table 40.

For the total of the retained expenditures of applicable Victorian residents and organisations under both scenarios outlined in section 3, refer to section 5.3.



Table 40: Direct impacts: interstate and overseas visitors, teams, related organisations and corporate buyers

Direct expenditure of visitors	Number of people, teams, organisations or corporate buyers	Average length of stay / Additional nights	Average daily expenditure / per organisation expenditure accommodation café restaurant	Average daily expenditure / per organisation expenditure transport	Average daily expenditure / per organisation expenditure retail	Total expenditure accommodation café restaurant (000)*	Total expenditure transport (000)**	Total expenditure retail (000)*	Total direct expenditure (000)*
<b>Interstate</b>									
Specific and extended stay spectators and accompanying persons	24,571	3.9	\$178	\$23	\$42	\$17,104	\$2,211	\$4,000	\$23,315
Media	48	6.4	\$91	\$14	\$22	\$28	\$4	\$7	\$39
CAMS officials	228	6.3	\$113	\$16	\$12	\$161	\$23	\$17	\$201
Other accredited persons	1,085	6.3	\$113	\$16	\$12	\$766	\$108	\$81	\$955
V8 participants	145	5.4			\$57	\$0	\$0	\$45	\$45
Support event participants	90	7.1	\$113	\$16	\$12	\$72	\$10	\$8	\$90
V8 Supercars teams	10	n/a	\$12,482	\$1,548	\$7,010	\$125	\$15	\$70	\$210
Other support event teams	23	n/a	\$2,428	\$500	\$2,763	\$56	\$12	\$64	\$132
Related organisations	1	n/a	\$30,612	\$1,506	\$0	\$31	\$2	\$0	\$33
Corporate buyers (minor)	95	n/a	\$11,897	\$683	\$1,123	\$1,130	\$65	\$107	\$1,302
Corporate buyers (major)	1	n/a	\$90,000	\$10,000	\$60,000	\$90	\$10	\$60	\$160
<b>Total direct impact - interstate</b>						<b>\$19,563</b>	<b>\$2,460</b>	<b>\$4,459</b>	<b>\$26,482</b>
<b>Overseas</b>									
Specific and extended stay spectators and accompanying persons	9,053	6.0	\$140	\$11	\$40	\$7,620	\$607	\$2,199	\$10,426
Media	277	6.4	\$170	\$25	\$14	\$304	\$44	\$24	\$372
CAMS officials	40	9.6	\$85	\$34	\$12	\$33	\$13	\$5	\$51
Other accredited persons	165	9.6	\$85	\$34	\$12	\$136	\$54	\$19	\$209
F1 participants	1,500	7.1			\$81	\$0	\$0	\$855	\$855
Support event participants	121	10.0	\$85	\$34	\$12	\$103	\$41	\$15	\$159
Other support event teams	26	n/a	\$5,938	\$769	\$4,185	\$154	\$20	\$109	\$283
F1 teams	12	n/a	\$207,617	\$23,221	\$5,556	\$2,491	\$279	\$67	\$2,837
Related organisations	2	n/a	\$114,965	\$3,695	\$576	\$230	\$7	\$1	\$238
Corporate buyers (minor)	21	n/a	\$5,733	\$127	\$40	\$120	\$3	\$1	\$124
<b>Total direct impact - overseas</b>						<b>\$11,191</b>	<b>\$1,068</b>	<b>\$3,295</b>	<b>\$15,554</b>
<b>Total direct impact - interstate and overseas</b>						<b>\$30,754</b>	<b>\$3,528</b>	<b>\$7,754</b>	<b>\$42,036</b>

\*: Results may not equate due to rounding

### 5.3 Retained Victorian expenditures

Retained expenditures refer to the amount of money that stays in the state due to the event. That is, in the absence of the event, Victorians might have spent this money in another or country.

As discussed, the Assessment considers two possible scenarios:

- ▶ The event is not held in Victoria but held in another state; or
- ▶ The event is not held in Victoria but held in another country.

As in the absence of the event, this money could be lost to the state.

Ernst & Young's methodology for the Assessment has considered the impact on spending of Victorians attending the 2011 Grand Prix (and particular Victorian organisations involved with the event) under the two scenarios listed above.

Refer to Table 41 (Scenario 1 - Grand Prix elsewhere in Australia) and Table 42 (Scenario 2 - Grand Prix in another country) for the retained expenditure pertaining to the Grand Prix under the two designated scenarios.

**Table 41: Retained expenditure: applicable Victorian attendees, teams, related organisations and corporate buyers (Scenario 1 - Grand Prix elsewhere in Australia)**

Retained Victorian expenditure	Number of applicable people, teams, organisations or corporate buyers	Total per capita / per organisation expenditure accommodation café restaurant	Total per capita / per organisation expenditure transport	Total per capita / per organisation expenditure retail	Total expenditure accommodation café restaurant (000)*	Total expenditure transport* (000)	Total expenditure retail (000)*	Total retained expenditure (000)*
Melbourne resident spectators	25,914	\$65	\$12	\$35	\$1,684	\$315	\$907	\$2,906
Someone else in Victoria resident spectators	5,285	\$218	\$46	\$92	\$1,153	\$241	\$486	\$1,880
Media	20	\$582	\$88	\$141	\$12	\$2	\$3	\$17
CAMS officials	533	\$706	\$99	\$75	\$376	\$53	\$40	\$469
Officials and suppliers	490	\$706	\$99	\$75	\$346	\$49	\$37	\$432
V8 participants	90			\$308	\$0	\$0	\$28	\$28
Support event participants	258	\$706	\$99	\$75	\$182	\$26	\$19	\$227
V8 Supercars teams	7	\$12,482	\$1,548	\$7,010	\$87	\$11	\$49	\$147
Other support event teams	62	\$2,428	\$500	\$2,763	\$151	\$31	\$171	\$353
Corporate buyers (minor)	112	\$3,053	\$340	\$811	\$342	\$38	\$91	\$471
Corporate buyers (major)	3	\$214,333	\$11,333	\$37,333	\$643	\$34	\$112	\$789
<b>Total retained expenditure - Victoria</b>					<b>\$4,976</b>	<b>\$800</b>	<b>\$1,943</b>	<b>\$7,719</b>

\*: Results may not equate due to rounding

**Table 42: Retained expenditure: applicable Victorian attendees, teams, related organisations and corporate buyers (Scenario 2 - Grand Prix in another country)**

Retained Victorian expenditure	Number of applicable people, teams, organisations or corporate buyers	Total per capita / per organisation expenditure accommodation café restaurant	Total per capita / per organisation expenditure transport	Total per capita / per organisation expenditure retail	Total expenditure accommodation café restaurant (000)*	Total expenditure transport (000)*	Total expenditure retail (000)*	Total retained expenditure (000)*
Melbourne resident spectators	12,896	\$65	\$12	\$35	\$838	\$157	\$451	\$1,446
Someone else in Victoria resident spectators	1,530	\$218	\$46	\$92	\$334	\$70	\$141	\$545
Media	20	\$1,096	\$159	\$87	\$22	\$3	\$2	\$27
Corporate buyers (minor)	13	\$3,053	\$340	\$811	\$40	\$4	\$11	\$55
Corporate buyers (major)	1	\$100,000	\$0	\$50,000	\$100	\$0	\$50	\$150
<b>Total retained expenditure - Victoria</b>					<b>\$1,334</b>	<b>\$234</b>	<b>\$655</b>	<b>\$2,223</b>

\*: Results may not equate due to rounding

## 5.4 AGPC Operations

The direct impact of the AGPC is simply the difference between money that would not have otherwise entered into (or would have left) the State, less the money that the AGPC spends interstate and overseas as part of its operations.

Based on information provided by AGPC, the direct impacts of the AGPC operations are presented in Table 43 for the two scenarios. In estimating the direct impacts of the AGPC operations the following elements have been considered:

- ▶ Revenues from overseas and interstate visitors and businesses<sup>19</sup>;
- ▶ Retained Victorian ticket revenues<sup>20</sup>;
- ▶ Retained Victorian corporate and sponsorship revenues<sup>21</sup>; and
- ▶ Import content of the AGPC's F1 Grand Prix operations (treated as a net outflow from Victoria)<sup>22</sup>.

As noted in section 4.9 the detailed information regarding the calculation of the direct impacts of the AGPC operations have not been disclosed in the Assessment given the information is considered "Commercial in Confidence" by the AGPC.

**Table 43: Direct impact of AGPC operations**

Item	Relative to the Grand Prix not held in Victoria but held interstate (000)	Relative to the Grand Prix not held in Victoria but held overseas (000)
<b>Net direct impact of the AGPC F1 GP operations</b>	<b>-\$19,031</b>	<b>-\$25,407</b>

Due to the high import content of the Grand Prix, the AGPC is a net importer, i.e. \$19.0 million under the scenario where the Grand Prix is held interstate and \$25.4 million where the Grand Prix is held overseas.

<sup>19</sup> Revenues from overseas and interstate visitors and businesses' are the sum of all revenues originating from interstate and overseas.

<sup>20</sup> Retained Victorian ticket expenditures based on multiplying the retained expenditure ratios of 44.1% and 20.4% respectively for the two scenarios on Victorian ticket revenue (based on Ernst & Young calculation applying the Newspoll survey data).

<sup>21</sup> Retained Victorian corporate and sponsorship revenues based on multiplying the corporate buyers retained expenditure ratios of 40.8% and 5.1% respectively for the two scenarios on Victorian sponsorship and other revenue.

<sup>22</sup> Import content of the AGPC's Grand Prix operations is the sum of all expenditures paid to interstate and overseas suppliers.

## 5.5 Summary of direct expenditures to Victoria under the two scenarios

Table 44 depicts a summary of direct expenditures to Victoria under the two scenarios discussed in section 5.3:

**Table 44: Summary of direct and retained Victorian expenditures under the two scenarios**

Summary of direct expenditures	Total expenditure accommodation café restaurant (000)	Total expenditure transport (000)	Total expenditure retail (000)	Total operations (various industries) (000)	Total direct expenditure (000)	Reference
<b>Scenario 1 - GP in elsewhere in Australia</b>						
Total direct expenditure (by non-Victorians)	\$30,754	\$3,528	\$7,754	n/a	\$42,036	Table 40
Total retained expenditure (by Victorians)	\$4,976	\$800	\$1,943	n/a	\$7,719	Table 41
AGPC operations	n/a	n/a	n/a	-\$19,031	-\$19,031	Table 43
<b>Total direct expenditures under Scenario 1</b>	<b>\$35,730</b>	<b>\$4,328</b>	<b>\$9,697</b>	<b>-\$19,031</b>	<b>\$30,724</b>	
<b>Scenario 2 - GP in another country</b>						
Total direct expenditure (by non-Victorians)	\$30,754	\$3,528	\$7,754	n/a	\$42,036	Table 40
Total retained expenditure (by Victorians)	\$1,334	\$234	\$655	n/a	\$2,223	Table 42
AGPC operations	n/a	n/a	n/a	-\$25,407	-\$25,407	Table 43
<b>Total direct expenditures under Scenario 2</b>	<b>\$32,088</b>	<b>\$3,762</b>	<b>\$8,409</b>	<b>-\$25,407</b>	<b>\$18,852</b>	

## 6. Wider economic impacts using the CGE approach

### 6.1 Implementing direct impacts into the MMRF CGE model

Ernst & Young commissioned the Monash University Centre of Policy Studies ('CoPS') to model the economic impact of the 2011 Grand Prix.

The CGE modelling approach used was a comparative static analysis. That is, comparing the state of the economy (at equilibrium) with the Grand Prix, and the state of the economy without the Grand Prix in 2011 (all else remaining constant), and then estimating the changes in economic aggregates.

The current state of the economy (with the Grand Prix) was compared against two scenarios, being:

- ▶ Scenario 1 - the Grand Prix held in another State in Australia; and
- ▶ Scenario 2 - the Grand Prix held in another country.

The input of the direct impacts estimated in section 5 into the MMRF CGE model is described below.

Please refer to section 3.1.6 for those impacts not included in this economic impact of the Grand Prix.

#### ***Foreign visitor and interstate visitor expenditures***

Incremental foreign visitor and interstate visitor expenditures (excluding their expenditures with the AGPC) are treated as exogenous shocks to the economy.

This is treated in the MMRF as a shift in foreign and interstate accommodation, cafes, restaurants; transport; and retail expenditures away from the Victorian economy of \$26.5 million to the rest of Australia and \$15.6 million to overseas (under both scenarios).

#### ***Retained expenditures***

Retained Victorian expenditures (excluding their expenditures with the AGPC) are treated as exogenous shocks to the economy.

This is treated in the MMRF as a shift in Victorian expenditure on accommodation, cafes, restaurants; transport; and retail expenditures away from the Victorian economy of \$7.7 million to the rest of Australia (Scenario 1) and \$2.2 million to overseas (Scenario 2).

#### ***AGPC operations***

AGPC operations are introduced into the MMRF model as a miniature or 'dummy' industry in the MMRF database. In the model, the AGPC 'industry' is connected to the MMRF sectors by it selling goods and services to businesses and households (the AGPC industry's outputs) and purchasing good and services from other industry sectors (the AGPC industry's inputs).

Incremental revenue to AGPC industry (i.e., tickets, food & beverage and merchandise royalties, etc.) is the sum of revenues sourced from Victorian, interstate and overseas customers. For Victorian customers, only the retained component was considered. Victorian revenues regarded as being sourced from diversions from other Victorian sectors were excluded.

Without the Grand Prix, it was assumed that the incremental revenues would be spent on goods and services in another state (Scenario 1) or in another country (Scenario 2) with an organisation of similar profile to that of the AGPC.

The dummy AGPC industry includes a significant import component, which includes the licence fee paid overseas. As such, there are “leakage” impacts associated with expenditure on the event. The licence fee is included in the 'personal and other services' category. For confidentiality reasons, the exact quantum of the licence fee is not known.

The AGPC industry operates at breakeven due to the significant Government expenditures (subsidies) paid to the industry to offset operating losses. These Government expenditures are spent according to the current AGPC expenditure profile. Without the Grand Prix, these expenditures are assumed to be spent on Victorian public and community services.<sup>23</sup>

## 6.2 Key MMRF assumptions

In addition to the direct impacts, some economic variables in a CGE model must be set outside the MMRF model (i.e. the exogenous variables). These exogenous variables are referred to as 'model closures'. Key modelling closures adopted for the Assessment are described below.

### *Labour markets*

At the national level, the employment level is assumed to be fixed. However, employment can move between states due to differences in real wages between regions (i.e. people would move to Victoria due to higher wages).

This is a standard MMRF assumption for long-run comparative-static analysis. It means that in the long run the consequences for the national labour market of changing the location of the Grand Prix are realised entirely as a rise/fall in the national real wage rate, rather than as a rise/fall in national employment.

Accordingly, Victoria which is unfavourably affected by the Grand Prix not being staged in the state will experience reduced employment and population at the expense of the rest of Australia (in Scenario 1), and vice versa. While this is a standard closure assumption in the MMRF model, we note that in reality, labour markets are not perfectly mobile and there may be barriers that restrict labour mobility.

We also note that the MMRF does not formally have in it the concept of persons employed, only the concept of hours worked. Employment was estimated by assuming that 50% of the increase in labour hours will be met by existing workers (i.e. no change in persons employed), while the other 50% would be met by new workers (drawn from other states). This is known as the 50-50 assumption.

### *Private consumption and investment*

Consumption expenditure of the regional household is determined by Household Disposable Income (HDI). Since budget constraints are not imposed on the business sector, regional economies will run trade deficits/surpluses to the extent that aggregate regional expenditure levels are greater/less than aggregate regional incomes. The deficits or surpluses can be held with other agents in other regions, with foreigners or with both regional agents and foreigners.

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<sup>23</sup> This is the standard modelling assumption that CoPS adopts when there is no information about how the public subsidy would have been otherwise spent. This modelling assumption was agreed during a meeting between Ernst & Young and representatives from the State Government of Victoria. An alternative scenario would be for the public subsidy to be re-directed to other major events in the absence of the Grand Prix (i.e. in the 'cultural and recreational sector'). If the money was allocated to another new major event the overall economic impact results of the impact of the Grand Prix would be potentially different to that reported.



It is assumed that investment in each regional industry will deviate in line with the deviation in the industry's capital stock.

#### ***Rates of return on capital and spare capacity***

The initial effects of the spending shocks cause short-run divergences in rates of return. In the long-run, it is assumed that capital stocks adjust so that rates of return on capital return to pre-shock levels.

#### ***Production technologies and household tastes***

MMRF contains many types of technical change variables. In both simulations, all technology variables, other than those used in the implementation of shocks, are unaffected by the spending shocks.

Another standard MMRF modelling assumption is of no spare capacity, as it assumes that the economy is operating at equilibrium (this is required for comparative static analysis). Businesses are assumed to increase investment if there is an increase in levels of profit over and above a set rate of return (which is determined outside of the model).

#### ***Treatment of the licence fee***

The licence fee paid by the AGPC to the overseas owner of the event is an important consideration in the economic evaluation. The data provided by the AGPC has not separately identified the licence fee due to confidentiality reasons. Instead, it is included as part of expenditure by the AGPC on overseas 'personal and other services'.

While the expenditure on the overseas 'personal and other services' would be typically treated as *imports* for modelling purposes, we note that the licence fee paid to stage the Grand Prix should be treated as an *income transfer*. As treating the industry grouping expenditure as an income transfer results in the most conservative modelling outcomes, Tourism Victoria requested this to be an assumption of CoPS' modelling.

#### ***Government spending and government budget balances***

It is assumed that government current expenditures by jurisdiction are unaffected regardless of whether the Grand Prix is held or not held. Thus the reduction in Victorian government support for the Grand Prix induces increased spending on other public and community services. Tax and benefit rates are held fixed. Government budget balances are also fixed via model-determined changes in cash payments to local households. Thus, for example, if a reduction in general activity in Victoria causes a loss of Victorian government revenue, then there will be a corresponding reduction in government payments to the Victorian household sector. This will be revealed as a loss of real income and hence reduced private consumption expenditure.

### **6.3 Modelling results**

As CoPS modelled the impact of removing the Grand Prix from the Victorian economy, the economic impact of these scenarios was negative.

For reporting purposes, we have reversed the signs of the modelling results. Effectively, this gives the economic impact of "retaining" the 2011 event.

## Key macroeconomic results

Table 46 presents the macroeconomic results of the two Grand Prix scenarios. To assist interpretation of the results, each key element is defined as follows:

**Table 45: Definitions of macroeconomic elements**

Element	Definition
Real GSP	The market value of all final goods and services produced in an economy (for the Assessment, the Victorian economy) during a given time period after deducting the cost of goods and services used up in the process of production.
Real private consumption	Household expenditures on goods and services.
Real investment	Expenditure on capital formation. Investment is a means of increasing production by diverting resources from the direct production of consumption goods to the production of capital goods.
Employment (FTE jobs)	The number of full time positions generated by the economic activity.

In Scenario 1, having the Grand Prix in Victoria (relative to having it in another State) increases real Gross State Product (GSP) by \$39.3 million. Real investment in Victoria also increases by \$9.7 million, while real private consumption declines by \$14.9 million<sup>24</sup>. Additional employment of 411 full time equivalent positions were created.

In Scenario 2, the impacts of having the Grand Prix in Victoria relative to having it in another country are more modest as Victorians are less likely to travel overseas to attend the event (and as a result, less money leaves Victoria). The modelling shows an increase in real Gross State Product (GSP) by \$32.0 million. Real investment in Victoria also increases by \$6.6 million, while real private consumption declines by \$18.0 million<sup>25</sup>. Additional employment of 351 full time equivalent positions were created.

While consumption is one measure of economic welfare, we note that the 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. Economic impact analyses only measure the changes to overall economic aggregates. To understand whether the Grand Prix delivers net welfare improvements to Victoria, a full cost benefit analysis would need to be prepared (to include non-market benefits to society such as civic pride). A cost benefit analysis is outside the scope of the Assessment.

**Table 46: Macroeconomic variables (absolute deviations from baseline values): Victoria**

	Scenario 1: Relative to the Grand Prix not held in Victoria but held interstate	Scenario 2: Relative to the Grand Prix not held in Victoria but held overseas
Real GSP (m)	\$39.34	\$32.04
Real private consumption (m)	-\$14.93	-\$18.02
Real investment (m)	\$9.67	\$6.64
Employment (FTE jobs)	411	351

Source: *Economic Impact of the 2011 Australia Formula 1 Grand Prix: Tables of Final Results from MMRF, Centre of Policy Studies, Monash University.*

<sup>24</sup> Negative real private consumption is largely caused by the MMRF modelling assumption that international “other expenditures” of the AGPC is an income transfer in the modelling. The leakage of domestic income, all else constant, will result in a reduction in consumption

<sup>25</sup> Ibid.

### Sectoral results

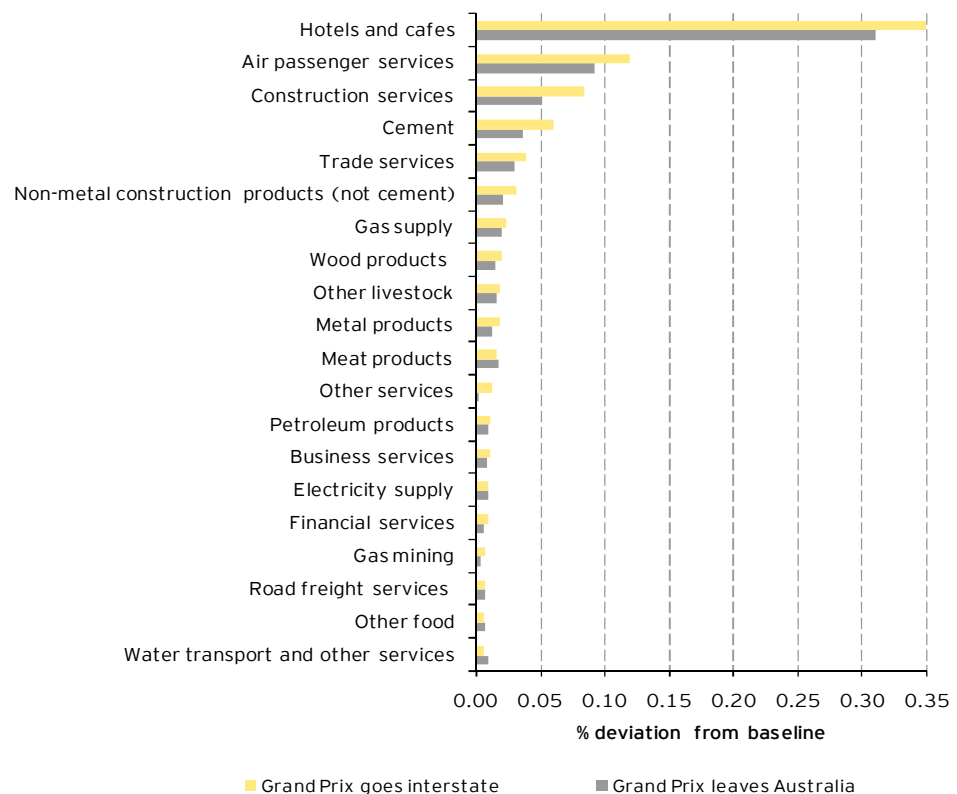
Figure 11 represents the 20 industry sectors that benefited the greatest from the Grand Prix under both scenarios. The five industry sectors that benefited the greatest are:

- ▶ Hotels and cafes;
- ▶ Air passenger services;
- ▶ Construction services;
- ▶ Cement; and
- ▶ Trade services.

For hotels and cafes, there is an improvement in industry output of between 0.35% (Scenario 1) and 0.31% (Scenario 2).

Most industry sectors were found to be 'better off' in terms of an increase in industry output under both scenarios. The main industry sector that was 'worse off' as a result of the Grand Prix was the public services sector (0.05% under scenario 1 and 0.03% under scenario 2). This is due to the modelling assumption made that in the absence of the Grand Prix, the government expenditures on the event would have been diverted to public services. It should be noted that the Centre of Policy Studies analysis focuses on a total of 52 industry sectors. Full sectoral results (including both industry output and industry value add absolute deviations from baseline values for Victoria, \$ millions) are attached in Appendix A.

Figure 11: Victorian industry output (percentage deviations from baseline values): Scenario 1 and Scenario 2



Source: Centre of Policy Studies modelling result.

Note: Percentage deviations for industry value add are exactly the same as those for industry output because the economic modelling assumes that wages and profits, i.e. value add, move in line with industry output.

## 7. Other market research

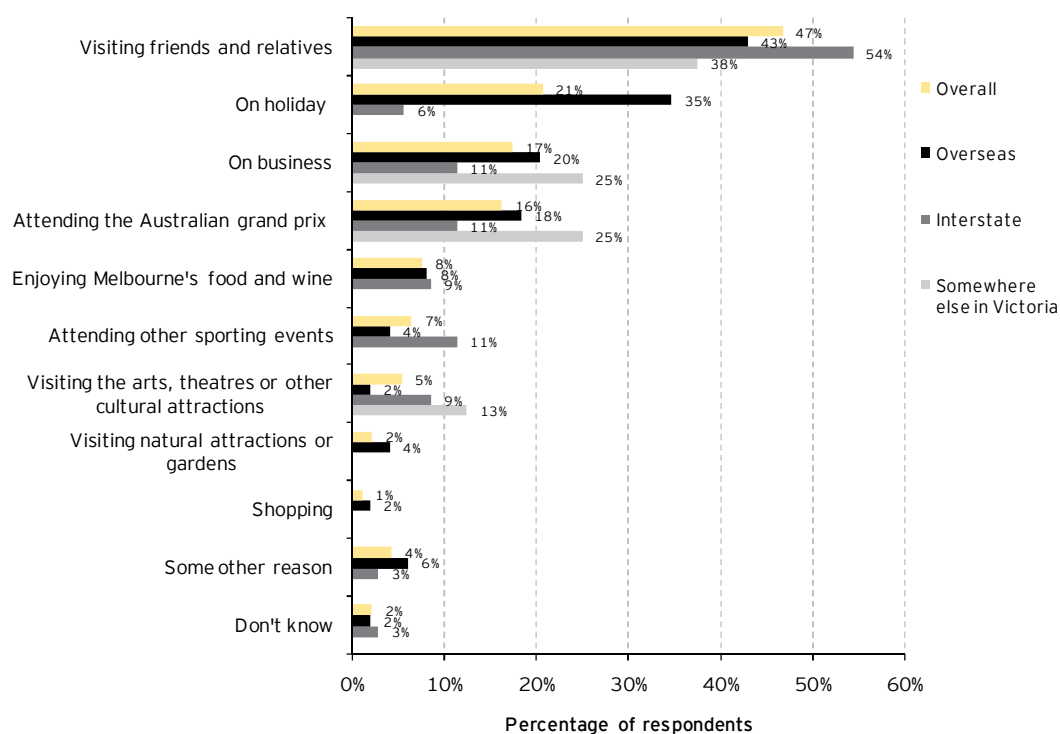
To develop a greater understanding of the attendees at the Grand Prix, the survey conducted of ticketed attendees also included a number of qualitative questions. The questions included in the survey were established in consultation with Tourism Victoria and the AGPC, and focused on:

- ▶ Was the Grand Prix a main reason or one of the main reasons for visiting Victoria;
- ▶ Likelihood of repeat visitation or recommending Victoria as a destination;
- ▶ Tourism outside of Victoria, including nights spent in other states;
- ▶ Alternate spending if the Grand Prix wasn't staged;
- ▶ The number of days spent at the Grand Prix; and
- ▶ Demographics of attendees.

### 7.1 Reason(s) for visit

As Figure 12 below shows the respondents that indicated they did not come to Melbourne specifically for the Grand Prix or extended their stay because of it, 25% of the respondents from somewhere else in Victoria (that is, other than Melbourne), 11% from interstate and 18% from overseas indicated that the Grand Prix was their main reason or one of their main reasons for their visit to Victoria or Melbourne. Other main reasons for visiting Victoria include visiting friends and family (47% of all respondents) and being on holidays (21% of all respondents). Note that respondents were able to provide more than one response to this survey question.

Figure 12: What was the main reason or main reasons for the visit to Victoria or Melbourne?



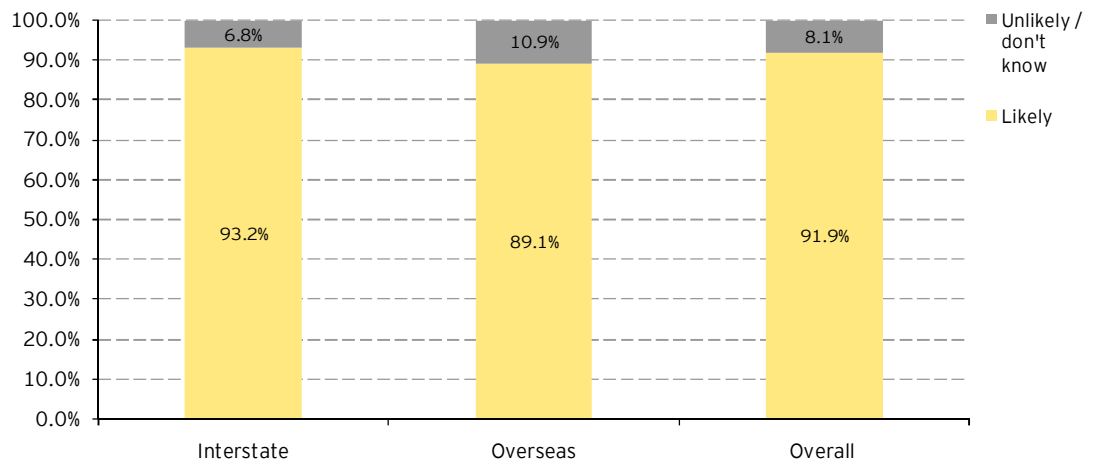
Source: Newspoll, based on the responses of 8 somewhere else in Victoria, 35 interstate and 49 overseas spectators. The sample sizes were not representative. These results do not impact upon the estimate of the economic impact of the Grand Prix.

## 7.2 Likelihood of visiting again/ recommending Victoria as a destination

While the economic impacts calculated in this report do not consider induced tourism effects (due to the lack of reliable data), all interstate and overseas spectators surveyed were asked a question regarding their intentions to visit Victoria again, and/or recommend Victoria as a holiday destination.

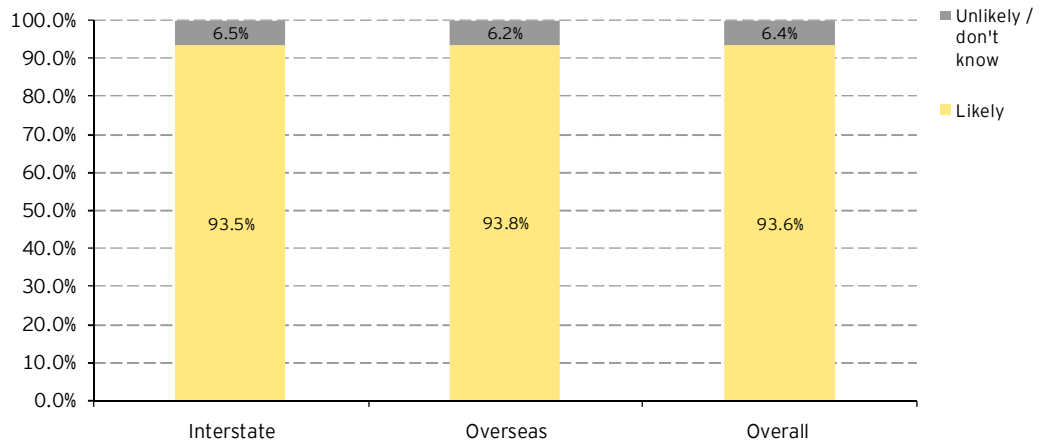
As Figure 13 and Figure 14 indicate, there was a high likelihood that both interstate and overseas visitors would visit Victoria again (93% and 89% respectively), and recommend Victoria as a holiday destination to their family and friends (94% and 94% respectively).

Figure 13: Likelihood of returning to Victoria in the future for a holiday?



Source: Newspan, based on the responses of 278 interstate and 128 overseas spectators. Respondents indicating 'don't know' were included as 'unlikely'. The sample sizes were representative.

Figure 14: What is the likelihood of recommending Victoria as a holiday destination to family/friends and colleagues?

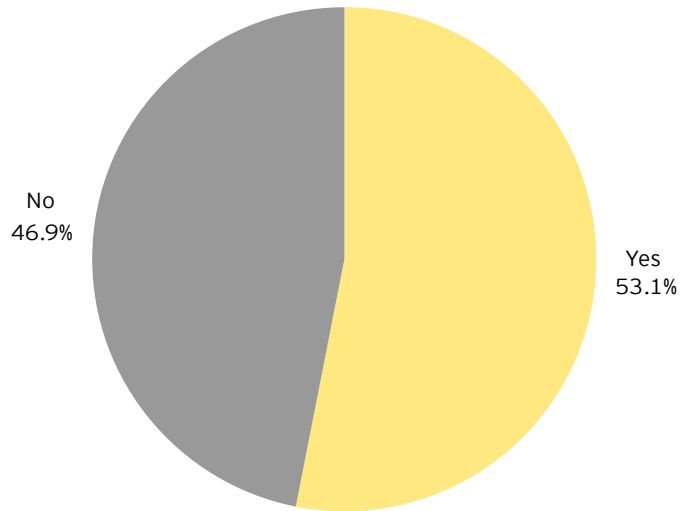


Source: Newspan, based on the responses of 278 interstate and 128 overseas spectators. Respondents indicating 'don't know' were included as 'unlikely'. The sample sizes were representative.

### 7.3 Tourism outside of Victoria by overseas visitors

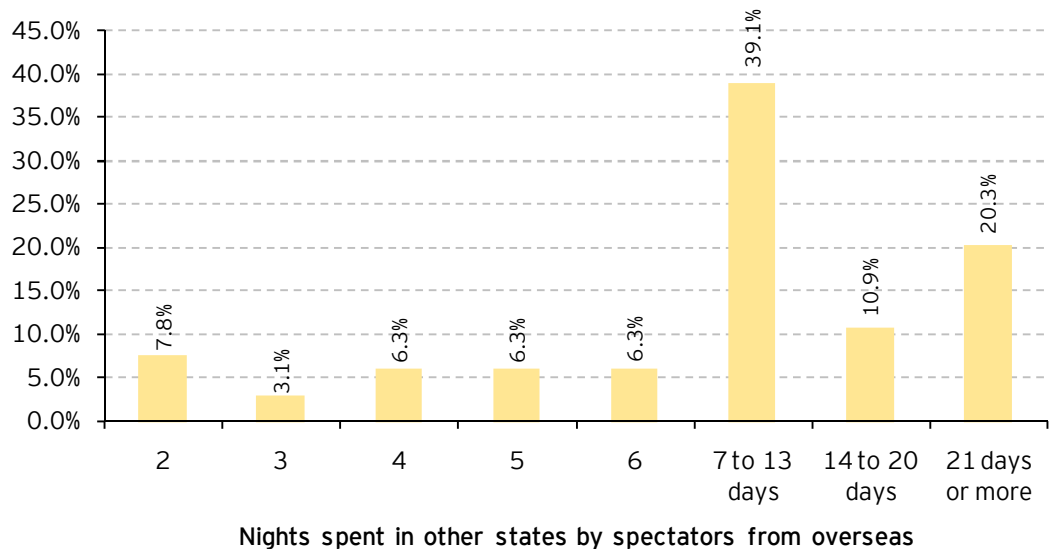
Overseas visitors attending the Grand Prix also visited other states of Australia. As Figure 15 presents, 53% of overseas visitors surveyed indicated that they plan to travel to other states of Australia as part of their trip. Figure 16 also shows that these overseas visitors would mostly likely stay another 7 days or more in other parts of Australia (70% of respondents).

Figure 15: Do you plan to travel to other states in Australia as part of this trip?



Source: Newspoll, based on the responses of 128 overseas spectators. Respondents indicating 'don't know' were included as 'no'. The sample size was representative.

Figure 16: Number of nights spent in other states of Australia?

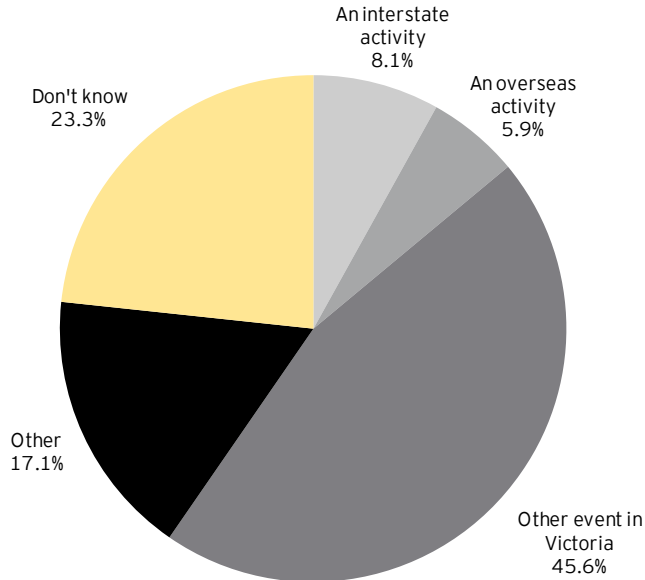


Source: Newspoll, based on the responses of 64 overseas spectators. Respondents indicating 'don't know' were excluded. The sample size was representative.

## 7.4 Retained expenditure

Victorian spectators were asked a number of hypothetical questions to understand their intentions if the Grand Prix was not staged in Melbourne. Figure 17 indicates that around 46% of Victorians would spend their money on other local events, while 14% would spend their money on either interstate or overseas activities.

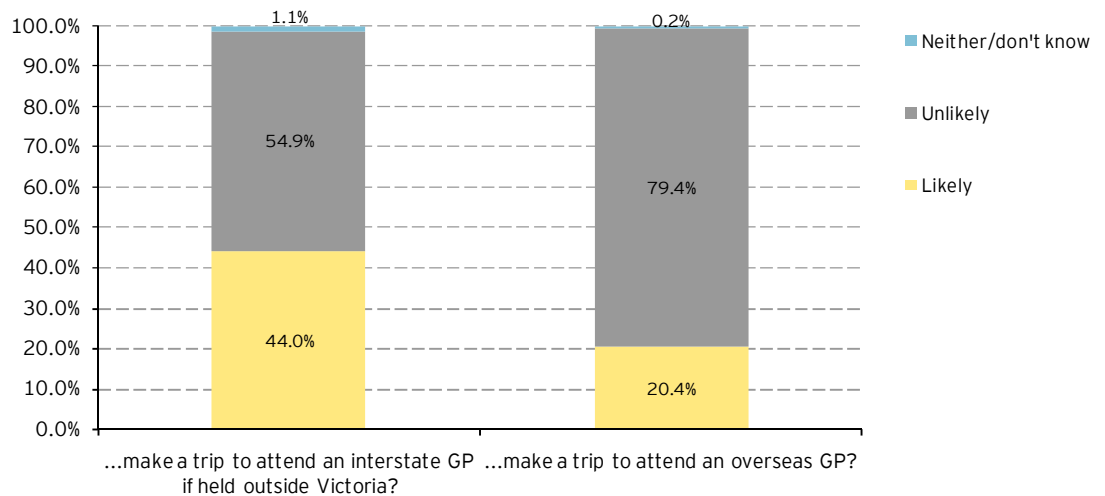
Figure 17: What would you spend your money on if the Melbourne Grand Prix was not staged?



Source: Newspoll, based on the responses of 627 Victorian spectators. The sample size was representative.

More specifically, Victorian respondents were asked what their intentions were if the Grand Prix was staged elsewhere in Australia, or overseas. Nearly half (44%) of the respondents indicated that they would be likely to travel interstate if the event was shifted to another State. Only 20% of Victorian respondents indicated that they would be likely to travel overseas if the event was held outside Australia.

Figure 18: If Grand Prix was not held in Melbourne, would you ...

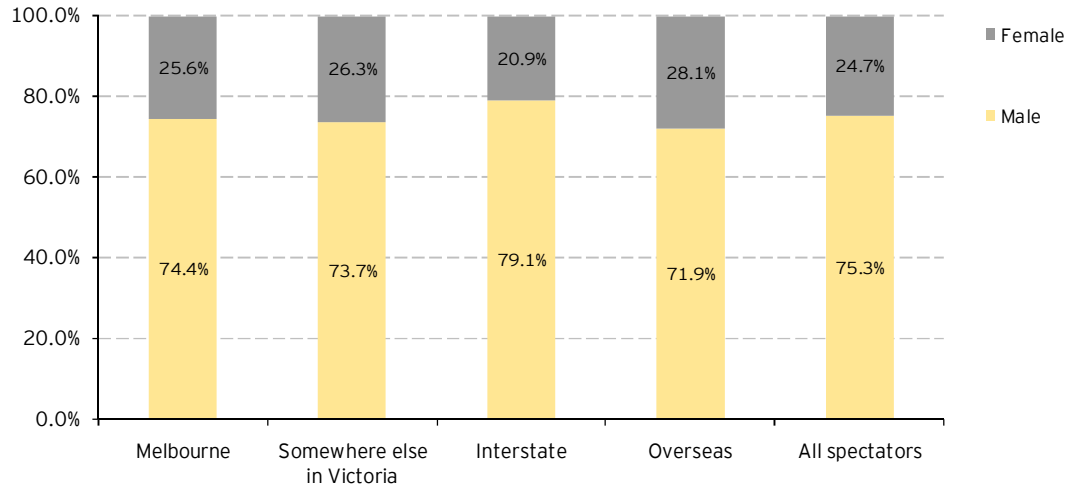


Source: Newspoll, based on the responses of 672 Victorian spectators. The sample size was representative.

## 7.5 Demographics of respondents

As Figure 19 indicates, the majority of respondents to the survey were males (75% of all spectators). This was consistent regardless of the origin of spectators.

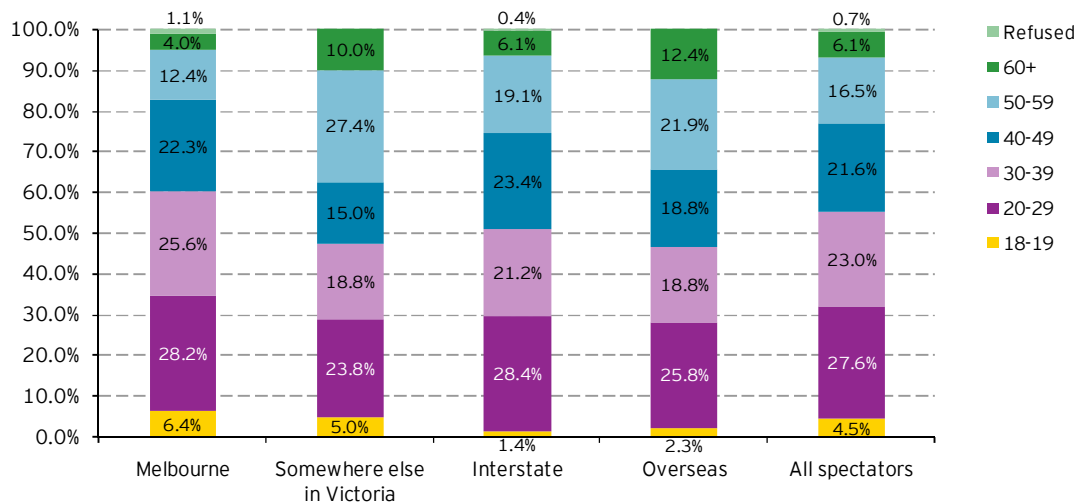
Figure 19: Gender of respondents



Source: Newspoll, based on the responses of 547 Melbourne, 80 somewhere else in Victoria, 278 interstate and 128 overseas spectators. The sample sizes were representative.

Figure 20 shows that most age groups were well represented in the survey, with the most dominant age group being 20 to 29 years old (27.6%), closely followed by 30 to 39 (23%). We note that persons under the age of 18 were not surveyed.

Figure 20: Age of respondents



Source: Newspoll, based on the responses of 547 Melbourne, 80 somewhere else in Victoria, 278 interstate and 128 overseas spectators. The sample sizes were representative.



## 8. Disclaimer

This report was prepared at the request of Tourism Victoria (hereafter “the Client”) solely for the purposes of estimating the economic impact of the 2011 Formula 1™ Australian Grand Prix and it is not appropriate for use for other purposes.

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### 8.1 Scope specific disclaimer

Ernst & Young has prepared this economic impact assessment in conjunction with, and relying on information provided by the Australian Grand Prix Corporation, Tourism Victoria, Newspoll and attendees at the event. We do not imply, and it should not be construed that we have performed audit or due diligence procedures on any of the information provided to us.

It should also be noted that the Assessment does not constitute a Cost Benefit Analysis. Further, it is important to note that the identification of economic impacts is not a precise science.

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## Appendix A Detailed MMRF modelling results

It should be noted that, as previously discussed, the results under each scenario in the tables below reflect the treatment of the overseas 'personal and other services' expenditure incurred by the AGPC as an 'income transfer'.

**Table 47: Victorian economic aggregates: percentage deviation from base case**

	Grand Prix goes to rest of Australia (%)	Grand Prix leaves Australia (%)
Real private consumption	-0.0106	-0.0128
Real public consumption	-	-
Real investment	0.0132	0.0091
Real foreign exports	0.0355	0.0508
Real foreign imports	0.0113	0.0073
Real interstate exports	-0.0100	-0.0085
Real interstate imports	-0.0994	-0.0770
Real GSP	0.0155	0.0126
Employment (hours)	0.0169	0.0158

*Note: MMRF base case assumes the Grand Prix is retained.*

**Table 48: Victorian economic aggregates: absolute deviation from base case**

	Grand Prix goes to rest of Australia	Grand Prix leaves Australia
Real private consumption (\$m, 2010 prices)	-14.93	-18.02
Real public consumption (\$m, 2010 prices)	0.00	0.00
Real investment (\$m, 2010 prices)	9.67	6.64
Real foreign exports (\$m, 2010 prices)	12.99	18.60
Real foreign imports (\$m, 2010 prices)	6.50	4.24
Real interstate exports (\$m, 2010 prices)	-6.24	-5.30
Real interstate imports (\$m, 2010 prices)	-44.86	-34.75
Real GSP (\$m, 2010 prices)	39.34	32.04
Employment ('000 FTE jobs)	0.41	0.35

*Note: MMRF base case assumes the Grand Prix is retained.*

**Table 49: (Victoria): Industry output and industry value add (percentage deviations from baseline values).**

	Grand Prix goes to rest of Australia (%)	Grand Prix leaves Australia (%)
1. Beef and sheep	0.0014	0.0029
2. Dairy agriculture	0.0022	0.0024
3. Other livestock	0.0183	0.0169
4. Grains	-0.0010	0.0003
5. Other agriculture	0.0013	0.0005
6. Agricultural services and fishing	0.0018	0.0040
7. Forestry	-0.0021	0.0017
8. Coal mining	0.0027	0.0032
9. Oil mining	0.0038	0.0048
10. Gas mining	0.0077	0.0042
11. Iron ore mining	0.0000	0.0000
12. Non-ferrous ore mining	0.0038	0.0055
13. Other mining	0.0030	0.0045
14. Meat products	0.0163	0.0180
15. Other food	0.0064	0.0074
16. Textiles, clothing and footwear	-0.0076	-0.0016
17. Wood products	0.0196	0.0146
18. Paper products	0.0028	0.0050
19. Printing	0.0049	0.0049
20. Petroleum products	0.0116	0.0106
21. Basic chemicals	-0.0063	-0.0010
22. Rubber and plastic products	0.0053	0.0060
23. Non-metal construction products (not cement)	0.0316	0.0212
24. Cement	0.0601	0.0371
25. Iron and steel	0.0017	0.0048
26. Alumina	0.0000	0.0000
27. Aluminium	-0.0062	-0.0007
28. Other metals	-0.0035	0.0023
29. Metal products	0.0183	0.0131
30. Motor vehicles and parts	-0.0055	-0.0010
31. Other manufacturing	0.0030	0.0055
32. Electricity supply	0.0103	0.0099
33. Gas supply	0.0235	0.0200
34. Water supply	0.0059	0.0047
35. Construction services	0.0840	0.0510
36. Trade services	0.0395	0.0300
37. Hotels and cafes	0.3486	0.3097
38. Road passenger services	-0.0167	-0.0070
39. Road freight services	0.0071	0.0079
40. Rail passenger services	-0.0108	-0.0044
41. Rail freight services	-0.0003	0.0022
42. Water transport and other services	0.0060	0.0101
43. Air passenger services	0.1193	0.0925
44. Communication services	0.0031	0.0018
45. Financial services	0.0096	0.0065
46. Business services	0.0110	0.0092
47. Dwelling services	0.0010	-0.0012
48. Public services	-0.0523	-0.0286
49. Other services	0.0127	0.0028
50. Private transport services	0.0001	-0.0020
51. Private electricity equipment services	-0.0001	-0.0038
52. Private heating services	-0.0020	-0.0040

*Note: Percentage deviations for industry value add are exactly the same as those for industry output because the economic modelling assumes that wages and profits, i.e. value add, move in line with industry output.*

Table 50: (Victoria): Industry output (absolute \$m deviations from baseline values).

	Grand Prix goes to rest of Australia (\$m)	Grand Prix leaves Australia (\$m)
1. Beef and sheep	0.04	0.08
2. Dairy agriculture	0.08	0.09
3. Other livestock	0.18	0.16
4. Grains	-0.02	0.00
5. Other agriculture	0.03	0.01
6. Agricultural services and fishing	0.03	0.07
7. Forestry	-0.01	0.01
8. Coal mining	0.01	0.02
9. Oil mining	0.08	0.10
10. Gas mining	0.44	0.24
11. Iron ore mining	0.00	0.00
12. Non-ferrous ore mining	0.06	0.08
13. Other mining	0.01	0.02
14. Meat products	0.86	0.95
15. Other food	1.46	1.68
16. Textiles, clothing and footwear	-0.37	-0.08
17. Wood products	0.52	0.39
18. Paper products	0.11	0.20
19. Printing	0.43	0.43
20. Petroleum products	0.88	0.80
21. Basic chemicals	-0.59	-0.09
22. Rubber and plastic products	0.27	0.31
23. Non-metal construction products (not cement)	0.81	0.55
24. Cement	0.56	0.34
25. Iron and steel	0.06	0.17
26. Alumina	0.00	0.00
27. Aluminium	-0.07	-0.01
28. Other metals	-0.24	0.16
29. Metal products	1.14	0.82
30. Motor vehicles and parts	-0.83	-0.14
31. Other manufacturing	0.48	0.88
32. Electricity supply	0.49	0.47
33. Gas supply	0.16	0.14
34. Water supply	0.18	0.14
35. Construction services	33.11	20.09
36. Trade services	23.92	18.15
37. Hotels and cafes	34.37	30.53
38. Road passenger services	-0.07	-0.03
39. Road freight services	0.55	0.60
40. Rail passenger services	-0.02	-0.01
41. Rail freight services	0.00	0.03
42. Water transport and other services	0.72	1.21
43. Air passenger services	4.75	3.68
44. Communication services	0.52	0.29
45. Financial services	2.82	1.91
46. Business services	9.00	7.55
47. Dwelling services	0.25	-0.28
48. Public services	-26.42	-14.46
49. Other services	2.84	0.62
50. Private transport services	0.01	-0.23
51. Private electricity equipment services	0.00	-0.11
52. Private heating services	-0.07	-0.13

Table 51: (Victoria): Industry real value add (absolute \$m deviations from baseline values).

	Grand Prix goes to rest of Australia (\$m)	Grand Prix leaves Australia (\$m)
1. Beef and sheep	0.02	0.04
2. Dairy agriculture	0.03	0.03
3. Other livestock	0.06	0.06
4. Grains	-0.01	0.00
5. Other agriculture	0.02	0.01
6. Agricultural services and fishing	0.01	0.02
7. Forestry	0.00	0.00
8. Coal mining	0.00	0.00
9. Oil mining	0.07	0.09
10. Gas mining	0.38	0.21
11. Iron ore mining	0.00	0.00
12. Non-ferrous ore mining	0.03	0.04
13. Other mining	0.01	0.01
14. Meat products	0.17	0.19
15. Other food	0.37	0.43
16. Textiles, clothing and footwear	-0.10	-0.02
17. Wood products	0.19	0.14
18. Paper products	0.04	0.06
19. Printing	0.17	0.17
20. Petroleum products	0.10	0.09
21. Basic chemicals	-0.16	-0.02
22. Rubber and plastic products	0.08	0.10
23. Non-metal construction products (not cement)	0.31	0.21
24. Cement	0.14	0.09
25. Iron and steel	0.01	0.04
26. Alumina	0.00	0.00
27. Aluminium	-0.02	0.00
28. Other metals	-0.03	0.02
29. Metal products	0.32	0.23
30. Motor vehicles and parts	-0.18	-0.03
31. Other manufacturing	0.14	0.26
32. Electricity supply	-0.01	-0.01
33. Gas supply	0.08	0.07
34. Water supply	0.12	0.09
35. Construction services	11.55	7.01
36. Trade services	10.44	7.93
37. Hotels and cafes	13.70	12.17
38. Road passenger services	-0.01	0.00
39. Road freight services	0.21	0.23
40. Rail passenger services	0.00	0.00
41. Rail freight services	0.00	0.01
42. Water transport and other services	0.24	0.41
43. Air passenger services	1.26	0.98
44. Communication services	0.25	0.14
45. Financial services	1.90	1.29
46. Business services	3.54	2.97
47. Dwelling services	0.18	-0.21
48. Public services	-17.71	-9.69
49. Other services	0.97	0.21
50. Private transport services	0.01	-0.18
51. Private electricity equipment services	0.00	-0.09
52. Private heating services	-0.03	-0.06

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