Economics of venue selection for special sporting events: with special reference to the 1996 Melbourne Grand Prix

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Abstract

Venue selection for major sporting attractions can be a highly politicised decision making process. Due to the sometimes controversial nature of venue selection, politicians can be circumspect on related issues including potential economic impacts. This was the case with the Australian Formula 1 Grand Prix held at Albert Park, Melbourne in March 1996. Comments provided by the authorities on matters associated with the venue selection referred to both the opportunity to showcase Melbourne on international and national television due to the proximity of Albert Park to the Melbourne skyline as well as referring to the fact that the Australian Grand Prix had been conducted at Albert Park in the 1950s and therefore the race could be said to be returning home!

However, limited details have been made public regarding the financial aspects of the event. A real challenge was to estimate expenditure by the visitor and the indirect economic benefits on regional economies in the absence of formal data. In the aftermath of the event, however, the media amply reported estimated figures for gross economic gains attributable to the Grand Prix. This paper argues that it is possible to use these estimates of gross economic gains, as reported by the media, to derive the direct contribution of this event.

This paper investigates the comparative benefits of an alternative venue, such as Sandown Park in the Eastern region and concludes that the higher multiplier effects evident in the Melbourne Metropolitan Region ensured that any decision made on economic grounds would favour Albert Park over outlying regions.

Spefically, the paper uses the technique of input-ouput analysis to gauge the relative effects attributable to an event such as the Grand Prix. Media reports of gross economic gains were collected and used as a basis for the analysis. These were then used to derive estimates of direct expenditure by the visitor as well as the contribution to household income and employment opportunities generated by the event. This paper is an applied example of the usefulness of input-output analysis in relation to major sporting attractions. This analysis can therefore reveal a great deal about the subjective decision to hold the Grand Prix at a selected venue over other alternatives. This paper also argues that it is possible to uncover a great deal about venue decisions by interpreting secondary sources. Due to the fact that the multiplier effect is stronger in the Melbourne Metropolitan Region, the authorities might have reason to stage the event wherever economic gains would be maximised.

In the future, events which are not location-dependent , will tend to be staged in well developed economic regions where multiplier effects are higher. Consequently, such decisions are likely to attract negative comment and controversial protests. To counteract such negativity, the authorities' circumspection is at best questionable. Providing that venue decisions can be justified on economic grounds, attacks on the decision from minority groups could be minimised.

This paper makes a contribution to the growing body of literature on the application of input-ouput analysis. In addition, it contributes to our understading of venue selection decisions.

Introduction

The 1996 Albert Park Grand Prix was rated as the best tourism event of the year at the 4th National Travel Industry Awards in Sydney. Grand Prix chief executive officer, Judith Griggs, said the award, for the event staged in March, belonged to the thousands of people who made the controversial event happen. "The event not only show-cased Melbourne to the spectators at the circuit, but to a national television audience of 2.3 million people while internationally the race was seen in more than 100 countries by hundreds of millions of viewers," she said.

Victorian Tourism Minister, Louise Asher, said the State Government's emphasis on major events was paying off. The Grand Prix was an outstanding international event, and would continue to be a promotional vehicle for Victoria and Melbourne according to Ms. Asher. Not only has the Victorian Government secured international events for this state, the events have a distinct tourism focus and position Victoria nationally and internationally as an event-led destination, she said.

In spite of the international profile of events such as the Grand Prix, venue selection for these events remains a highly politicised decision. Detractors point to the economic waste as well as the inconvenience caused by major events. Due to the sometimes controversial nature of venue decisions, politicians can become circumspect on related issues including the economic impacts. Such circumspection can foster a climate of suspicion and mistrust. In practical terms, government's reluctance to disclose economic costs and benefits poses difficulties for researchers wanting to explore the community's gain from the staging of such an event. It is worthwhile noting that published material pertaining to the economics of the Grand Prix and similar events is scanty. Nevertheless, one source quoted gross benefits of at least $82 million derived from the 1996 Albert Park Grand Prix (Pinkey, 1996).

Major sporting events are regarded as one of the most successful means of providing the sought-after economic impetus that would allow increased output, household income and employment opportunities for the host state/region as a result of increased expenditure from intrastate, interstate, and international visitors. In addition, special events afford a valuable opportunity to showcase specific destination cities before an international audience.

Major sporting events with international appeal ensure television and other media coverage and therefore provide for the often much sought-after promotion of this state both interstate and overseas. Events such as the inaugural Australian Motorcycle Grand Prix conducted in 1989 and the 2nd such Grand Prix conducted in 1990, the Bells Beach Surf Carnival held annually at Easter time, the Ford Australian Open played each January, the Australian Football League Grand Final played annually in September, and the Spring Racing Carnival run in October and November, all contribute to the promotion of Melbourne and Victoria as premier sporting locations to potential tourists.

In return for the prestige generated by staging special events, Government has on occasion been prepared to sustain a deficit. This posture may be justifiable as long as the worth of promotions remains difficult to quantify. Not all sporting events, however, post massive losses. Among the profitable events held recently can be counted the Ford Australian Open, the AFL Grand Final, Melbourne's Spring Racing Carnival, Bells Beach Surf Carnival, and the Albany Masters. Significantly, these events are heavily supported by the private sector and utilise well established venues. In contrast, staging events like a major motor racing event are unique in that they require substantial capital investment and involve relatively high staging costs. The shortfall between revenues and expenditures means that promoters cannot expect to turn a profit without significant backing from either the private

or public sector. Indeed, the Australian Formula 1 Grand Prix conducted at Albert Park required major upgrading of the selected site to international competition standards as well as refurbishment of public parkland.

Table 1.
Shortfall Incurred in Selected Grand Prix Events

Event	Deficit $ million
Adelaide Grand Prix	
1985	(2.6)
1993	(7.8)
Eastern Creek Motor Cycle Grand Prix, 1991	(4.76)
Indy Car Grand Prix, 1994	(10.3)
Source: Various	

Individual economic impacts associated with major sporting events vary considerably. Obviously the economic impacts associated with events involving the major high profile sports, such as tennis' Ford Australian Open or the Grand Prix are normally greater than those associated with the events involving lower profile sports such as surfing's Easter Carnival at Bells Beach. The higher the profile the sports enjoy, the greater the appeal is to the general community. Thus they are more likely to attract appropriate corporate sponsorship and media coverage than lower profile sports. Furthermore, high profile sports are more likely to have the administrative organisation infrastructure and facilities to meet the needs of the general community when it attends special sports events. Tourism impacts associated with special sporting events can encompass economic, social, and environmental aspects.

The 1996 Australian Formula 1 Grand Prix conducted at Albert Park

Seizing the Australian Grand Prix away from Adelaide represented a masterpiece of political strategy for the Victorian Government. Yet the choice of venue for the 1996 Melbourne Grand Prix was the subject of debate among various interested parties before and after the great event staged in March 1996. The Victorian Government steadfastly insisted that Albert Park was the most suitable venue for the event and planned the construction of both the required infra-structure and super-structure and finally staged the event. However, this decision met with certain resistance from minority groups and local residents.

Groups opposed to conducting the Grand Prix at Albert Park proposed several alternative venues, namely Docklands in the metropolitan district, Sandown Park, and Phillip Island both in the Western Port Region. Thus, the alternatives could be reduced to a choice between a metropolitan location or an outer region. Nevertheless, both the Victorian Government and the event organiser, repeatedly threatened to pull the plug on the event if it could not be staged at Albert Park. Many of the arguments promulgated by both the event's supporters and detractors were based on emotions and prejudices. The entire public debate was veiled with secrecy after a challenge to the Administrative Appeals Tribunal failed to force the release of confidential financial documents.

In the absence of publicly available information, the debate on whether holding the Grand Prix is better in one venue over the other has initiated a reasonable degree of subjective argument. However, there is some scope to

reduce the subjective element, particularly on the economic side where input-output analysis can measure household income and employment arising from the event.

Special events have been defined as " a one-time or infrequently occurring event outside the normal program or activities of the sponsoring or organising body" (Getz, 1991). As Getz points out, the term special event is frequently applied to a range of staged media events and festivals and that the qualifiers, mega-event or hallmark event are increasingly used to highlight the specialness of a major, infrequent occurrence rather than a regularly occurring festival. Hallmark events are "one time or recurring events of limited duration, developed primarily to enhance the awareness, appeal and profitability of a tourist destination in the short and long term. Such events rely for their success on uniqueness, status or timely significance to create interest and attraction" (Zwolak. 1987). The characteristic features of hallmark events are that they require large marketing budgets and substantial capital inputs for works associated with their staging. Although hallmark events are not exclusively confined to sporting events, a large proportion fall into this category.

Major sporting events rely upon natural attractions or artificially created environments. To stage a surfing carnival, organisers are dependent on locations which provide natural surf beaches of a very high quality. On the other hand, the location for a Grand Prix is not contingent on any natural features. Organisers and promoters of such events, will typically want to stage such an event where established infra-structure provides some of the amenities expected by tourists. In a publication associated with the Australian Formula One Grand Prix conducted in Adelaide each year, it was said that the major demand generated by the Special Event is, for the most part, not the demand for the event itself but demand for a range of related services - typically accommodation, food, transport, and entertainment, and that this demand is concentrated over a relatively short period of time" (Burns, Hatch, and Mules, 1986). They also attract large followings of sports enthusiasts who are interested in viewing first class sport in appropriate surroundings.

Increased interest in conducting hallmark sporting events has resulted in greater demands being placed on Government to underwrite these events with large capital outlays. Escalating demands by promoters for government assistance in staging major events, underlines the need to ascertain the real costs and benefits to the community before dedicating scarce public sector resources. This article explores the economic benefits of the Melbourne Grand Prix. It is beyond the scope of this short paper to explore related issues of social and environmental impacts even though the need for such analyses is well recognised. Although this paper is confined to an analysis of economic impacts, it is possible to understand something about the nature of the venue decision process by comparing the benefits gained from the actual site with a proposed site, namely Sandown Park. It must be stressed however, that the purpose of this paper is not to investigate whether the Melbourne '96 Grand Prix was feasible or not.

Literature Review

Although the literature dealing with special events is only scanty, there are a sufficient number of articles to identify two dichotomous approaches: the hard-liners who argue that use of taxpayers' funds to subsidise events cannot be justified under any circumstances and a more moderate approach which suggests that government

subsidies may be justified in certain circumstances. Within this second approach, there is a lively debate over what constitutes sufficient rationale for government expenditure.

Typical of the hard-line approach is the contribution made by Black and Pape (1995) who argue that taxpayers bore the burden of subsidising the Indycar Grand Prix, yet shared disproportionately from its benefits. They also point out that most impact studies have only examined gross benefits but fail to factor in direct costs. Further, they argue that opportunity costs associated with use of public funds, should be considered as part of the analysis. Furthermore, they claim that employment, which is frequently cited as a major benefit of special events, should in fact be treated as a cost of staging the event. Taking Black and Pape's argument to its logical conclusion, no special event can ever be justified. The Sydney Olympic bid, for instance, has already cost the state $24 million and a further $1699.6 million will be required before the year 2000 (Mules and Faulkner, 1996). Similarly, the Olympic experiences of Spain and South Korea were that monetary costs outweighed their monetary benefits . The burning question is whether the 2000 Sydney Olympic games will follow the same trend. If this is the case, are Black and Pape suggesting that the Olympics should not be staged in Sydney because both state and federal governments must underwrite the event? It would be a great blow to civic pride if such high profile events could not be justified under any circumstances.

Irrespective of civic pride, there are a number of problems with Black and Pape's argument. While, it is true that employment can be construed as a cost in the accounting treatment of profitability calculations, new employment generated by events is also a benefit to wage recipients. Similarly, labour may also be construed as a benefit to employers since it represents increased output.

Whether an item is a cost or a benefit ultimately depends on the perspective of the beholder. Finally what is not clear from their study is why special events are subject to this extra-ordinary level of scrutiny and negativity. National Tourism Authorities spend millions of dollars each year on promoting destinations even though the benefits cannot be quantified. Yet, this kind of expenditure is rarely questioned.

In Australia, studies of costs and benefits of tourism advertising expenditure are yet to be conducted. However, there are few studies dealing with the effects of advertising on tourist arrivals (Australian Tourist Commission, 1991). The Australian Tourist Commission study revealed that intention to travel and preference for Australia were higher among those exposed to ATC advertising. In addition, actual travel to Australia was higher from those areas where ATC advertising campaigns had run. Finally, aggressive marketing by foreign countries correlated with an increase in market share for those countries. Similarly, the study also found that marketing activity explained a significant proportion of variation in travel demand for specific destinations. Most US travel agents surveyed credited the ATC's "Paul Hogan campaigns" with increasing sales and felt that this impact was greater than special events. Nevertheless, the ATC report noted, "As was expected early in the evaluation, isolating the ATC's value added from other factors which influenced tourists to travel to Australia proved very difficult." Certainly cost benefit analysis of tourism advertising is an area for future research.

A more moderate position is adopted by other researchers who argue that government subsidies can be justified in certain circumstances. Essentially these are the contingency theorists who generally agree that government subsidies may be justified depending on the specific circumstances of the event. Among this group, differences emerge only in respect to the specific circumstances which provide governments with a rationale for expenditure. For instance, McCann and Thompson (1992) argue that governments should be encouraged where the

capital investment is relatively low and where regions have demonstrated initiative in developing events. On the other hand, Mules and Faulkner (1996) have justified government investment provided that the event raises awareness of a destination and generates promotional activity. In spite of their positive approach, Mules and Faulkner remind governments that "spending taxpayers money on an event... by falling back on `promotional benefits' is risky." Although the precise nature of the risk is not clearly articulated in their article, it may be assumed that measurement of promotional benefits lies at the heart of the problem. For their part, Mules and Faulkner do not go so far as to suggest ways that benefits arising from promotional activity might be quantified.

The usefulness of input-output technique as a valuable tool for assessing the benefits of major events emerges clearly from the literature in the field. A number of authors, including Fletcher (1989) have highlighted the advantages of the input-output technique as an analytical tool.

On the other hand, Black and Pape (1995) were inclined to dismiss input-output analysis because it fails to recognise the costs incurred in generating the benefits of additional spending and therefore ignores profitability of the event. Instead, they favour simple cost-benefit analysis. However, Wilkinson (1981) argued that input-output approaches and cost-benefits address different policy questions and that there is really no incompatibility between the two methods. Cost-benefit analysis is concerned with the need to make appropriate investment decisions. For example, cost-benefit analysis can be used to measure the long run net benefits of an expanding tourism industry and compares these results with the net benefits gained if the same resources were employed in other industries. On the other hand, input-output analysis examines the effects of the tourism industry according to a specific preference function. That is, it examines the effect of additional tourist expenditure on the economy and can compare this effect with the result of equivalent increases in final demand for the output of other sectors in the economy.

Input Output Analysis: Brief Description

Input-output analysis is an established technique to evaluate the direct and indirect inputs used in the production of goods and services. Input-output models measure "the interdependencies among economic activities within a region." Thus the analysis divides the economy under investigation into industrial groupings (sectors) and tracing out the transaction (in dollar value) flows between the sectors for any given year. Once this has been compiled, it is possible to assess what effect expenditures have on local employment and local income.

According to Archer and Fletcher (1990) basic input-output models have been used widely for the assessment of the economic impact of tourism under a variety of circumstances. Justification for this approach and examples of applications are provided in the literature. The model is in essence a Leontief inversion with several adaptations which owe much to the work of Wanhill.

Sadler and Archer (1974) proposed that the input-output technique could be used to examine various sectors of a country's economy in order to identify those sectors which create the highest levels of domestic income and employment. Lewis (1986) argued that the input-output technique is an appropriate methodology for the analysis of the secondary benefits of tourism. He stated that investment decisions which impact the regional or national interest can benefit from the application of the technique. He asserts that the technique is particularly valuable for the measurement of second and further round economic effects. Apart from the computational

elegance of the input-output technique, he suggests that its power rests with its capacity to illuminate the assumptions behind the analysis. This has the two-fold benefit of promoting careful thought in the analytical design and of providing a convenient means for exploring the sensitivity of the results where a revision of the assumptions is considered necessary.

Despite its elegance, the input-output technique is not without drawbacks. West (1993) argued that the conventional input-output model has two shortcomings. "First, the model takes into account only the producer-producer relationship and ignores, to a large extent, the presence of institutions in the operation of the economy. Second, the input-output model is static and linear." So, he has extended the conventional input-output table to included transfer payments. The new model is known as a Social Accounting Matrix, commonly referred to as an "Integrated Model". It can therefore be argued that the "Integrated Model" gives more refined multiplier values compared to that of the conventional model. The present study is based on the conventional input-output model and subsequently refined by the marginal household coefficients model.

Scope of the Study

The confidential nature of documents surrounding the staging of the Melbourne Grand Prix posed genuine difficulties for assessing both costs and benefits of the event. Although the government promised to release the actual costs in 1996, at the time of writing these were still not available. To date, only sketchy and highly speculative estimates of overall costs have been published. Although a figure of $100 million was often cited in the popular press (Mayne, 1994), such estimates are of dubious reliability. It was not therefore possible to perform a cost-benefit analysis of the Melbourne Grand Prix.

In the aftermath of the Grand Prix, however, the media amply reported expenditure by visitors. The *Herald Sun*, for instance, reported a study, conducted by the National Institute of Economic and Industry Research, which revealed that Melbourne reaped at least $82 million in benefits from the 1996 Albert Park Formula One Grand Prix, and economic spin-offs from the race could exceed early estimates. The preliminary study also found that the event generated the equivalent of 30,000 part-time jobs, and 83% of the visitors were likely to return. However, while race organisers hoped at least 35,000 interstate and overseas tourists would visit the state for the race, the study showed only 31,000 non-Victorians attended. Of these 56% said they would not have come to Victoria if the race had not been held in Melbourne. The study also found that 93% of the people said the race was either very good or good (Pinkney, 1996).

Media reports of gross economic gains provided sufficient base data for the purpose of performing an input-output analysis of the Melbourne Grand Prix. Although the figures used were preliminary estimates, there was no reason to doubt its authenticity. In other words, we used multiplier effects to investigate the direct benefits derived by the Grand Prix and used this as a basis for comparing alternative venues.

Methodology

A comparative analysis was carried out assuming that the Grand Prix was conducted in the Eastern Region (ER) and the Melbourne Metropolitan Region (MMR). Victoria Regional Input-Output tables for these two regions, developed by Gamage and West (1994) were used to assess the secondary economic benefits arising from visitor expenditure at the two regions.

In addition, the 109 Sector Input-Output Table for Australia (1989/90), developed by the Australian Bureau of Statistics (1994) was aggregated into eleven sectors with the use of an Excel spreadsheet. Subsequently, the eleven sector input-output table for Australia was used as the parent table to generate a new table for the state of Victoria (Morrison, West, and Jensen, 1982)

Further, the newly created Eleven Sector Victoria Input-Output Table was used as the parent table to generate the regional tables for Victoria (Gamage and West, 1994). Finally, the multipliers developed by the marginal household coefficient model (Gamage and West, 1997) were used to discount the indirect output by 0.6%, indirect household income by 13.4%, and indirect employment by 13%.

Table 2.

Eleven Sector Table

Sector No.	Title
1	Agriculture, Forestry, Fishing and Hunting
2	Mining
3	Manufacturing
4	Electricity, Gas, and Water
5	Construction
6	Wholesale and Retail Trade
7	Transport, Storage, and Communication
8	Finance, Property, and Business Services
9	Ownership of Dwellings
10	Public Administration, Defence, Community Services, and General Government
11	Recreation, Personal and Other Services including Hotels, Restaurants, Clubs, and Entertainment

Source: Regional Input-Output Tables for Victoria, 1994

Economic Impact Assessment

For the purpose of this study the eleventh sector's multipliers have been used to estimate the economic impact of the Grand Prix. This is because Sector Eleven includes Recreation, Personal and Other Services including Hotels, Restaurants, Clubs, and Entertainment. Henceforth in this paper, the eleventh sector is called the tourism sector.

Direct expenditure by visitors and direct employment created at the Melbourne Grand Prix was estimated using information reported by Mathew Pinkney (1996) and based on a study made by the National Institute of Economic Industry Research, Melbourne.

Table 3.
Tourism Multipliers for Melbourne Metropolitan and Eastern Regions of Victoria, 1989/1990

Tourism Multipliers	Output		Household Income		Employment for every $1000 Expenditure	
	1	2	1	2	1	2
	MMR	ER	MMR	ER	MMR	ER
Direct (initial)	1.00	1.00	0.30	0.30	0.0164	0.0164
Indirect (flow-on)	1.31	0.95	0.29	0.21	0.0119	0.0092
TOTAL	2.31	1.95	0.59	0.51	0.0283	0.0256

Source: Regional Input-Output Tables for Victoria, 1994

Table 3 shows the output household income and employment multipliers for tourism relating to Melbourne Metropolitan and Eastern Regions of Victoria. The output multipliers shown in Table 3 indicate the initial (or direct) and flow-on (or indirect) effects of sales calculated for the tourism sector. For example, each additional dollar of sales by the tourism sector to final demand would result after all rounds of economic repercussions have been felt on the productive sectors of the two regional economies in a total of $2.31 for Melbourne Metropolitan region and $1.95 for Eastern Region. The household income multipliers shown in the same table indicate the salaries and wages component of the tourism sector. The direct household income effect of 30 cents for both regions indicate that the employees were paid 30 cents as salaries and wages for each additional dollar of sales in the tourism sector. The household income flow-on effect for Melbourne Metropolitan region was 29 cents, while it was 21 cents for Eastern region. The creation of direct employment in the tourism sector for both regions amounted to 0.0164 for every additional $1000 sales. The flow-on employment effect was 0.0119 for Melbourne Metropolitan region and 0.0092 for Eastern Region.

Inter-Industry Linkage or Flow-On Effects

The ranking of sectors based on the percentage of distribution of the output flow-on effects in the tourism sector for Melbourne Metropolitan Regions is presented in Table 4. This shows that the major beneficiaries of total flow-on output multipliers were manufacturing, finance and business services, wholesale, and retail trade.

Table 4.
Ranked Output Flow-Ons: Melbourne Metropolitan Region and Eastern Region Tourism Sector

Sector		%			
		1 MMR	Rank	2 ER	Rank
(Sector 3)	Manufacturing	42	1	34	1
(Sector 8)	Finance & Business Services	17	2	12	3
(Sector 6)	Wholesale & Retail Trade	11	3	13	2
	Other Sectors	30	4	41	4

Source: Regional Input-Output Tables for Victoria, 1994

Forward and Backward Linkages

Backward linkages show the dollar amount of purchases made by each sector in order to produce a unit of output. On the other hand, forward linkages are determined by the extent to which output of any sector can represent sales of any other sector. Tourism products, however, are final services which are consumed by tourists at the point of production. Thus, forward linkages of tourism must be zero (Tantrigama, 1994). However, backward linkages relating to the tourism sector favour the Melbourne Metropolitan Region over the Eastern Region.

Table 5.
Estimates of Actual Output Effect for the Grand Prix

TOURISM MULTIPLIERS	OUTPUT $m			
	1 MMR	Discounted Value *	2 ER	Discounted Value *
Direct (initial)	35	35	35	35
Indirect (flow-on)	47	44	34	32
TOTAL	82	79	69	67

* discounted by marginal household coefficient model (0.6%) (Gamage and West, 1997)

Source: Regional Input-Output Tables for Victoria, 1994

Given that gross expenditure was $82 million, direct expenditure by visitors to the 1996 Grand Prix was calculated at $35 million. This figure is based on the total output effect, $82 million, estimated by the National Institute of Economic and Industry Research, Melbourne and was reported in the *Herald-Sun* (Pinkey, 1996). Using the derived figure of $35 million, the gross benefits for alternative venues in the Eastern region, could also be calculated. Flow-on effects arising from the direct expenditure were $44 million for the Melbourne Metropolitan Region and only $32 million for the Eastern Region. Thus it can be concluded, that total output would have been $12 million less if the event had been staged in the Eastern Region.

Table 6.

Estimates of Actual Household Income ($ million)

TOURISM MULTIPLIERS	HOUSEHOLD INCOME $m			
	1 MMR	Discounted Value *	2 ER	Discounted Value *
Direct (initial)	11	11	11	11
Indirect (flow-on)	10	9	7	6
TOTAL	21	20	18	17

* discounted by the marginal coefficient model 13.5% (West and Gamage, 1997)

Source: Regional Input-Output Tables for Victoria, 1994

As Table 6 indicates, the direct household income effect for each of the regions amounted to $11 million. Flow-on effects, however, were $9 million for MMR and only $6 million for ER. Thus, the total household income was $3 million less for the ER compared with MMR.

Table 7.

Estimates of Actual Employment Effects

TOURISM MULTIPLIERS	EMPLOYMENT (number of jobs)			
	1 MMR	Discounted Value *	2 ER	Discounted Value *
Direct (initial)	17387	17387	17387	17387
Indirect (flow-on)	12613	10973	9754	8485
TOTAL	30000	28360	27141	25872

* discounted by the marginal household coefficient (13%) (West and Gamage, 1997)

Source: Regional Input-Output Tables for Victoria, 1994

As Table 7 indicates, direct employment effects for each of the regions account for 17,387 jobs. Flow-on employment effects for MMR were 10,973 jobs while the effect was only 8,485 jobs for ER. Nearly 2,500 temporarily created jobs would have been lost if the Grand Prix had been held at Sandown Park.

Conclusion

Major or special sporting events have significant tourism impacts on host communities, be they of an economic, environmental, or social nature. Events are often conducted in order to boost seasonal slumps in the tourism industry and are of immense benefit to the growing numbers of tourism and hospitality labour force who rely on seasonal work.

Due to the fact that the multiplier effect is demonstrably higher in metropolitan districts, decisions to stage hallmark events will tend to favour such districts. Input-output analysis demonstrates that venue decisions made purely on economic grounds will highlight regions where economic gains are maximised. Staging the Melbourne Grand Prix in the Eastern region was never a genuine alternative venue because of the lower multiplier effects prevalent in this district. Our study shows that holding the Melbourne Grand Prix in the Melbourne Metropolitan Region created an additional $12 million indirect expenditure, an additional $3 million in household income, and an additional 2,500 jobs than would have been expected had the event been staged in the Eastern Region. Distinguishing between two locations in the same region can not be made on purely economic grounds, however. Given identical multiplier effects for both the Docklands and the Albert Park site both situated in the Melbourne Metropolitan region, these two potential sites had equivalent economic merit. Thus the Government's preference for Albert Park rested on more subjective evaluations of the site. Its proximity to the Melbourne skyline and the opportunity to showcase Melbourne before an international and national television audience were priority considerations. Indeed, television coverage of both Melbourne and Port Phillip Bay was extensive. International audiences were treated to panoramic vistas of Albert Park as a prelude to the race.

In addition, the fact that the Grand Prix had been held at Albert Park in the 1950s enabled the government to utilize the argument that the “Grand Prix was returning home!”

Despite large numbers of detractors, governments continue to commit to staging these events. For instance, the Queensland government pledged to support the Indy Car Grand Prix for four more years despite forecasted and actual deficits and a lack of private sector support. This suggests that government recognise certain merits in events which are not explicitly clear to the public. Finding effective methods to communicate the value of the event to private enterprise remain a high priority if public and media backlash is to ameliorated.

It is arguable that the secrecy which surrounded the decision to site the Grand Prix at Albert Park has fostered an “events mentality” at the expense of a focus on the creation of a permanent facility. By resolutely refusing to disclose the capital investment required in upgrading Albert Park, taxpayers were unable to conceptualise the extent of long overdue upgrades to the general amenity. Instead the public focused on the event itself, and in particular, the inconvenience which accompanied the staging for the week of the races. Disclosure of costs and benefits, alongside clear communications, which emphasise long term gains rather than short-term irritations could be more advantageous.

In addition, what is needed are better measures to quantify the promotional merits of special events for a destination city. Although the difficulties in quantifying promotional activity are well recognised in the literature, the hard intellectual work required to measure its value remains to be performed.

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