

## Auditor-General's Report: State Investment in Major Events

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### Introduction

Since the 1990s, the Victorian Government has financially supported the staging of major events to increase Victoria's share of the tourism dollar, and to generate significant economic and social benefits. This has resulted in the staging of a diverse range of events. These include the Australian Formula 1 Grand Prix, the Melbourne International Jazz Festival, the Melbourne Winter Masterpieces (which featured exhibitions such as the Impressionists) and the Melbourne Fashion Festival.

While some major events are funded from within agency budgets, this audit concentrated on events funded from the major events cap. The cap was established in 2000 to fund existing events and secure new events. The 2006-07 Budget provided an additional \$50.4 million over 4 years for the funding of major events, with a further \$34.2 million allocated in the 2007-08 Budget from 2007-08 to 2010-11.

This audit examined the soundness of the pre-event justification seeking financial support by government for particular major events, the adequacy of the management of funding agreements with event organisers and the robustness of the post-event assessments outlining the level of economic value derived by Victoria. The report also includes the results of 2 studies which assessed the economic value generated by the 2005 Australian Formula 1 Grand Prix.

### Audit findings

The major findings from the audit were:

- There was a sound framework for the assessment and approval of major events.
- There was a need to strengthen the level of evidence and analysis justifying the recommended level of funding commensurate with the likely net benefits for Victoria.
- Further empirical research needs to be undertaken to better inform funding decisions in areas such as the level of tourism that occurs because of but subsequent to an event.
- The funding agreements between the government and event organisers were well managed.
- The current economic assessment methodologies need to be both more rigorous in reflecting contemporary developments and transparent in terms of the assumptions used.
- Post-event assessments can be expanded to include social and environmental considerations.

## Results of commissioned studies

Two commissioned studies were conducted to determine the economic value derived from the 2005 Australian Formula 1 Grand Prix. These studies were:

- a cost-benefit analysis which estimated that costs could exceed benefits by between \$800 000 and \$13.2 million principally due to the uncertainty in measuring certain social benefits, however, according to the study's best estimate, costs exceeded benefits by \$6.7 million.
- computable general equilibrium modelling which, under the most likely scenario, estimated the increase in Victoria's gross state product to be \$62.4 million.

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### For further information:

For more information on this report, please contact:

John Olesky, Manager, Reports and Communications  
Victorian Auditor-General's Office, Level 24, 35 Collins Street, Melbourne Vic. 3000 AUSTRALIA  
[p] 61 3 8601 7050 [m] 0419 330 785 [f] 61 3 8601 7099  
[e] john.olesky@audit.vic.gov.au Website: [www.audit.vic.gov.au](http://www.audit.vic.gov.au)

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The full text of the report is available on the Office's website: <[www.audit.vic.gov.au](http://www.audit.vic.gov.au)>