



**National Competition Policy Review of the
*SOUTH AUSTRALIAN MOTOR SPORT ACT 1984***

March 2004

Department of the Premier and Cabinet, Adelaide SA

CONTENTS

EXECUTIVE SUMMARY.....	3
1. INTRODUCTION	4
2. TERMS OF REFERENCE	4
3. CONSULTATION.....	4
4. BRIEF HISTORY OF THE ACT	5
5. OBJECTIVES OF THE ACT	6
6. LEGISLATION IN OTHER STATES	6
7. MARKETS.....	7
7.1 Market Structure.....	7
7.2 Definitions.....	8
7.3 Motor Sports Events Market	9
7.4 Other sporting or entertainment markets	10
8. RESTRICTIONS ON COMPETITION	10
8.1 Types of restriction.....	10
8.2 Assessing the severity and form of restrictions on competition.....	11
8.3 Conclusion	16
9. ALTERNATIVES TO LEGISLATION	16
10. EFFECTS OF THE RESTRICTIONS ON COMPETITION AND THE ECONOMY.....	17
10.1 Costs to other event promoters	17
10.2 Public inconvenience	18
11. PUBLIC BENEFITS.....	20
12. COST VERSUS BENEFIT ASSESSMENT	22
13. ADMINISTRATIVE BURDEN	24
14. CONCLUSION AND RECOMMENDATIONS.....	24
15. APPENDIX A – TERMS OF REFERENCE	26
16. APPENDIX B – CONSULTATION.....	27
17. APPENDIX C – EXTRACTS FROM ECONOMIC STUDIES.....	28

EXECUTIVE SUMMARY

The primary objective of the South Australian Motor Sport Act 1984, is to attract, promote and stage major motor sport events in South Australia. An assessment of the restrictions on competition contained in the Act found that they range from trivial to intermediate in severity.

The provisions that are assessed as trivial restrictions on competition, include the non-exclusive appointment of the South Australian Motor Sport Board (the Board) to negotiate, promote and conduct motor sport events on behalf of the South Australian Government.

The provisions that are assessed as intermediate restrictions on competition, as they provide the Board with access to facilities or other powers that are either not available to its potential competitors or are only available at a higher cost, include; exclusive access to and control of public roads and parklands in the declared area; suspension of laws relating to the environment, noise levels, road traffic and motor vehicle laws applying to vehicles entered in races, development laws applying to buildings and structures and remedies to deal with public nuisance during the event; and the Treasurer's guarantee of any borrowings by the Board.

Overall, these restrictions give a significant advantage to the Board over potential competitors by enabling the Board to conduct a motor sport event without the risk of expensive delays and challenges, which would be fatal to its successful conduct. However, the Act does not prevent competitors from staging events and in the context of a national market for attracting and staging major motor sport events, the adverse effect of the restrictions on competition is considered to be relatively minor.

The Review found that there are no feasible non-legislative alternatives to the Act.

In assessing the costs and benefits associated with the restrictions on competition contained in the Act, the Review found that there are costs to the community including inconvenience to the public and some businesses as a result of lack of public access to a small part of the Adelaide Parklands, noise and restrictions that occur due to road closures. However, this inconvenience is considered to more than outweighed by the significant economic and tourism benefits generated by the staging of motor sport events. This finding is supported by economic studies conducted by independent consultants.

On the basis of the available evidence, including submissions received during the Review, it is concluded that, while the restrictions on competition range from trivial to intermediate in severity, the costs are not large enough to outweigh the substantial economic, business and tourism benefits that accrue to the State as a result of the staging of motor sport events under the Act. Therefore, on the basis that the restrictions on competition contained in the Act provide a net public benefit to the community as a whole, no changes to the legislation are recommended.

1. INTRODUCTION

The Council of Australian Governments entered into three inter-governmental agreements on 11 April 1995 to implement national competition policy reforms. One of these, the Competition Principles Agreement, includes an undertaking in Clause 5(1) by State and Territory governments to review existing legislation that restricts competition.

The South Australian Motor Sport Act 1984 (the Act) has been reviewed under this agreement, which requires the review and, if necessary, reform of legislation that restricts competition unless the benefits of the restriction to the community outweigh the costs and the objectives of the legislation can only be achieved by restricting competition.

2. TERMS OF REFERENCE

The terms of reference are contained in Appendix A.

This report has been prepared by the National Competition Policy Implementation Unit, Cabinet Office, Department of the Premier and Cabinet.

3. CONSULTATION

An assessment of the restrictions on competition in the Act has found that they range from trivial to intermediate in severity.¹

While the Department of Premier and Cabinet's February 1998 guideline for the conduct of legislation reviews² recommends consultation with persons or organisations likely to be affected by restrictions of an intermediate level, the benefits accruing from the events have already been demonstrated in reports commissioned by the South Australian Motor Sport Board. Given this existing research, broad public consultation involving public advertisements was not necessary. However, targeted consultation of persons and organisations directly interested in or affected by the restrictions contained in the Act was undertaken. A list of those who were sent a copy of the draft report is contained in Appendix B. The draft report was also published on the Department of the Premier and Cabinet internet site (www.premcab.sa.gov.au).

The following organisations submitted responses to the draft report:

- South Australian Tourism Commission (including Australian Major Events)
- The City of Unley
- Silverstone Events Pty Ltd
- Australian Vee Eight SuperCar Company Pty Ltd
- South Australian Motor Sport Board
- Confederation of Australian Motor Sport Ltd
- Adelaide Parklands Preservation Association Inc

¹ See 8. *Restrictions on Competition* in this report for a definition of the terms trivial, intermediate and serious.

² Guideline issued by Department of Premier and Cabinet for the conduct of reviews required by clause 5 of the Competition Principles Agreement of legislation containing restrictions on competition. The guideline is similar to those issued by other Australian Governments.

The comments received as a result of this consultation were taken into account in the preparation of the final report.

4. BRIEF HISTORY OF THE ACT

South Australia was awarded the right to stage a Grand Prix series of motor races commencing on 13 October 1985 by the Federation Internationale du Sport Automobile (FISA), the controlling body of world motor sport (now the Federation Internationale de l'Automobile (FIA)).

The next stage in securing the Grand Prix series was the negotiation of a contract with Formula One Constructor's Association (FOCA), the umbrella body for Formula One (F1) racing car teams, to ensure their participation and to deal with the commercial and financial management of the events³.

The Australian Formula One Grand Prix Act 1984 established the Formula One Grand Prix Board to negotiate the FOCA contract and to promote and stage the 11 Formula One Grand Prix conducted from 1985 to 1995.

After the Grand Prix series moved to Victoria in 1996, the Act continued in existence in order to allow for the receipt of periodic payments for the equipment and facilities sold to the Victorian Government and to manage a number of contracts entered into on behalf of the Adelaide Entertainment Centre.

The Act was amended in December 1998 and the name changed to the South Australian Motor Sport Act 1984 to enable:

- the renamed South Australian Motor Sport Board to conduct or manage a motor sport event annually and other special events in South Australia; and
- the transfer of the assets, rights and liabilities of the Grand Prix Board to another Crown agency or instrumentality.

In 1998, the Board contracted with the Australian Vee Eight Super Car Company Ltd (AVESCO) for the staging of the *Sensational Adelaide 500 Endurance Race* for a 5 year period from 1999 to 2003 with a further 5 year option.⁴ Since 2000, following a sponsorship arrangement with Clipsal, the event has been known as the Clipsal 500. In 2002, this sponsorship was extended to 2008.

In 2000 the Board contracted with Panoz Motorsport Australia (PMA) for the staging of a Le Mans style sports car race on New Year's Eve 2000⁵. Amendments to the Act were passed in 2000 to enable the event to proceed and to allow PMA to promote and assume the financial risks associated with the event, responsibilities which were otherwise restricted to the Board. Specifically, the amendments allow:

- two motor sport events to be conducted in each financial year;
- a body other than the Board to promote an event; and
- the Minister to suspend, or to restrict to specified areas, the exceptions to the Liquor Licensing Act applying during an event (which relax the trading hours restrictions on licences).

³ Hansard, Legislative Council, 4 December 1984

⁴ Hansard, House of Assembly, 4 November 1998

⁵ Hansard, House of Assembly, 24 May 2000

5. OBJECTIVES OF THE ACT

The South Australian Government established the Australian Formula One Grand Prix Board in 1984 to conduct, on its behalf, the Adelaide Formula One Grand Prix series and to establish a motor racing circuit at which these could be held. The Act was extended in 1998 to enable the Board to conduct other major sporting events in South Australia, and in 2000 to enable it to conduct two motor racing events in each financial year.

The Act does not contain a specific objective although:

- the preamble states its purpose is to create a corporation known as the “South Australian Motor Sport Board”; and
- the functions of the Board include negotiating agreements for motor sport events in South Australia (whether promoted by the Board or another organisation); undertaking the promotion, conduct, financial and commercial management of motor sport events; and providing advisory, consultative or management services to promoters and others conducting sporting, entertainment or other special events or projects in South Australia or elsewhere.

It is considered that the primary objective of the Act is to attract, promote and stage major motor sport events within South Australia. This view was supported by the organisations that made submissions to this review, with the exception of the Adelaide Parklands Preservation Association (APPA).

In keeping with its consistent objections to the staging of motor sport events in the parklands, the APPA contends that the Act is “... used to remove perceived or actual obstacles to constructing a temporary circuit in city streets and parklands and to facilitate staging of car races which cause massive disruption to the general public and to public services”. The inconvenience to the public and to public services is examined in section 10.2 of this report. However, the comments made by APPA do not detract from the conclusion that the primary objective of the Act is to attract, promote and stage major motor sport events in South Australia.

6. LEGISLATION IN OTHER STATES

Both Victoria and Queensland have legislation modelled on the SA Motor Sport Act 1984, and containing similar objectives and restrictions. Both have completed competition reviews and have not recommended reforms to their legislation.

7. MARKETS

7.1 Market Structure

7.1.1 Motor Sport Regulators

FIA is the sole international body governing motor sport throughout the world. FIA aims to ensure that motor sport is conducted in accordance with the highest standards of safety and fairness.

The Confederation of Australian Motor Sport (CAMS) is the National Sporting Authority for motor sport in Australia. It was delegated this responsibility by the FIA in 1970.

CAMS is a not for profit organisation responsible for all forms of four-wheeled motor sport in Australia. This includes categories such as circuit racing, rallying, off roading, historic competition and other general motor sport activities (including motorkhana, speed, hillclimb, autocross and khanacross events). In addition to this it is CAMS' responsibility to ensure that all motor sport in Australia is conducted in a manner which secures and enhances the safety of all those involved.

In administering these objectives, CAMS regulates some 1800 motor sport events per year, ranging from club level right through to major international events. CAMS' responsibilities include:

- the coordination of the annual motor sport calendar
- the licensing and inspection of tracks
- the licensing of all competitors
- the permitting of events in accordance with National Competition Rules
- ongoing development of the rules of competition and upholding driver and public safety standards
- liaising with the FIA
- planning and developing motor sport in Australia.
- provision of protection through detailed and comprehensive insurance cover for participants, event organisers and claims by members of the public for injuries.⁶

Every CAMS affiliated club organises and runs their own events under the direction of CAMS and according to CAMS National Competition Rules and safety and technical regulations. The CAMS calendar for 2002 listed 67 races or rallies in international, major national, national, national championship and national historic categories, including the Australian Grand Prix (Melbourne), the Honda Indy 300 (Surfers Paradise), the Procar Long Distance Event (Bathurst) the V8 Supercar Series (including the Clipsal 500 in Adelaide) and the Konica Supercar Series (including at Mallala).

7.1.2 Motor Sport Circuit Owners

In this review, the bodies who own or manage motor sport circuits and their attendant facilities are referred to as "circuit owners". The term includes both the owners or operators of permanent race tracks such as Bathurst and Mallala, and the bodies established by statute to manage the temporary circuits in Adelaide, Melbourne and the Gold Coast.

⁶ CAMS – www.cams.com.au

The South Australian Motor Sport Board consists of no more than nine members, two of whom are nominated by the Adelaide City Council, one by the Confederation of Australian Motor Sport, and the remainder by the Minister. It is a body corporate, whose major role is to negotiate, promote and conduct motor sport events on behalf of the Government. It is not intended to operate commercially. Currently, its main task is the promotion and conduct of the Clipsal 500 motor sport event.

The definition of “circuit owner” also includes event promoter or organiser because under the South Australian legislation the Board is responsible for the circuit and may promote and manage a motor sport event.

7.1.3 Motor Sport Event Owners

In this review, “event owners” describes the organisations which manage and promote competitions involving particular motor car or bike types, and teams of manufacturers or drivers. They award circuit owners the right to hold part of the competition in the circuit owner’s facilities. Two major event owners are involved in Australia, FOCA and AVESCO.

FOCA was created in the 1970s by the F1 teams. Before this, the advantage in negotiations had been in the hands of the circuit owners, who directly controlled the income of the teams, and were also the sport's political force, through a sub-commission of FIA. FOCA unified the F1 teams and created a package (a world championship that delivered one man as the winner at the end of the season) that the circuits could take or leave. FOCA helped promote F1 racing, particularly by getting it onto television.

In 1981, a legal challenge by FIA to FOCA’s TV rights to the F1 championships established that FOCA should control the commercial and promotional rights to Formula One racing and the distribution of monies that flow into Formula One and that FIA should control the sporting rules.

AVESCO controls the V8 Supercar Series, which involves competition between Ford and Holden V8 Supercars and consists of thirteen rounds from March through to November - twelve rounds across all mainland states of Australia and one international round hosted in New Zealand. In addition, V8 Supercars make a special appearance at the Formula 1 Grand Prix at Albert Park in Melbourne. There is also a Konica V8 Supercar Series, from which top performers are selected for the V8 Supercar Series. In 2002 there were five rounds and a special support 30 lap race at the V8 Supercar 1000 in Bathurst.

AVESCO manages, markets and promotes the V8 Supercar category both locally and internationally. It provides a variety of benefits for V8 Supercar teams.

7.2 Definitions

The purpose of the review is to analyse the effect of legislative restrictions on competition in markets. Therefore, identification of the relevant markets is necessary for an accurate assessment.

A market is an area of close competition between firms. It can also be described as the field of actual and potential transactions between buyers and sellers amongst whom there can be strong substitution given a sufficient price incentive.

Markets can be defined in relation to their four elements:

- Product – what is the product and what products are substituted for that product?
- Functional level – is the market at the production, wholesale or retail level?
- Geographic area – is the market regional, Australian or global?
- Temporal – at what intervals does competition occur?

7.3 Motor Sports Events Market

Motor sports events are held throughout the year in Australia by a variety of promoters, organisers, community groups and individuals. They range from small scale community activities, lasting for an afternoon to large scale, week long events of major significance to the town or city where they are located.

Events conducted on a professional or commercial basis are those most likely to be competing with the events with which the SA Motor Sport Board is associated. For the purposes of this review, the market will be considered as the market for attracting, securing, promoting and conducting major motor sports events, whether by series or individually, because this is the market likely to be affected by any restrictions on competition in the Act.

Motor sports events include motor car racing, motor bike racing, drag racing and rallying. A number of major motor sports events, including the series organised by AVESCO, are conducted in several states or territories of Australia, including South Australia, and compete with regional motor sports events.

Circuit owners (for example, the SA Motor Sport Board) compete to obtain permission from the event owner to stage an event. The competition among circuit owners can be strong, not necessarily because of the direct economic benefit to the circuit owner, but because of the indirect economic and regional development created by influx of visiting spectators and the long term effect on tourism for the location generated by global television coverage of the event.

Once an event is secured, either the circuit owner or the event owner may promote and manage the specific event. Often the extra facilities and the ability to promote and manage the event will be factors affecting the ability of a circuit owner to attract the event.

The relevant market is considered to consist of the following elements:

- The product is the right to stage a motor sport event (including the provision of facilities for and the conduct of the event)
- The functional level is the production of a major motor sport event for spectators.
- The geographic market is national, with some circuit owners capable of competing for international events.
- The temporal dimension is intermittent. The events attracted may be individual or part of a series, and each event generally lasts between two to five days; either occurring annually, or as a season of many events. Competition between circuit owners occurs when contracts for the promotion, conduct or management of motor sports events are negotiated or renewed, typically at intervals of up to five years.

7.4 Other sporting or entertainment markets

The APPA argue that the market is wider than motor sport events and includes major sporting events of any type (including horse racing, cycling and other sports) and all major entertainment events. However, all other organisations that made submissions to the review agreed with the conclusion put forward in the draft report. Namely, that motor sport events involve specific activities and require facilities that are generally not suitable for other major sporting events. In addition, motor sport events attract spectators for different reasons. Therefore, while the parklands may be a potential venue for other activities, spectators do not regard other sporting or entertainment events as adequate substitutes or attractive alternatives to the thrill provided by the extreme speed, noise and risk of accident provided by motor sport events.

It is concluded therefore, that for the purpose of this review, the market is confined to motor sport events as this includes activities of direct substitution for the motor car events that have been staged pursuant to the Act. The motor sport event market is where any restrictions on competition contained in the Act are likely to have the most substantial effect.

8. RESTRICTIONS ON COMPETITION

This section covers the types of restriction on competition, identifies the restrictions in the Act, specifies the nature and the level of severity of the restriction and gives a brief reason for the assessment, provides comments on the intermediate and trivial restrictions and on the exemption from the operation of the principles of competitive neutrality.

8.1 Types of restriction

Restrictions on competition take three forms:

- Barriers to entering (or re-entering) a market;
- Restrictions on conduct within markets; and
- Discrimination between market participants.

Each of the restrictions in the Act is identified in terms of the type of restriction. This is useful for analysing the impact of the restrictions on competition in the relevant market.

South Australia has adopted the legislation review methodology of giving restrictions on competition an initial analysis and then categorising them as either trivial, intermediate or serious. This assists in prioritisation, and determines the level of resources that should be applied to the legislation review.

- A trivial restriction on competition imposes, at most, an insignificant cost upon the competitive process relative to the ‘natural commercial cost of doing business in the relevant market’.
- An intermediate restriction upon competition imposes a cost upon the competitive process that is, at least, more than nominal or trivial. It has a measurable effect such that it is capable of altering, in an identifiable way, the dynamic characteristics of a market, or the level of economic activity in a market, or if there is a lack of countervailing power, it will be able to be identified that the cost is being passed on to consumers or suppliers.

- A serious restriction upon competition imposes high costs on market participants and/or on consumers. This may occur because there are high barriers to entry or re-entry (such as numerical restrictions), because there is a prohibition on certain conduct that is commercially desirable, or by placing certain market participants in a highly advantageous position such that their market power is increased and they are able to demand a rent. Such a restriction will probably already be contentious and the subject of reaction by, at least, a segment of the public.

8.2 Assessing the severity and form of restrictions on competition

The Act and Regulations contain the following provisions that may restrict competition. After the summary of the restriction, the nature of the restriction is given in italics. A brief comment explains the basis for the assessment. For example, in some cases the restriction has been assessed as trivial because it is associated with the need to be able to control the “venue” and would be available to the owner of any permanent circuit.

8.2.1 Comment on restrictions on competition assessed as intermediate

Several of the provisions that confer powers not otherwise available to any promoter of major events are assessed as intermediate restrictions on competition. These provisions fall into three groups:

- Exclusive access to and control of public roads and parklands in a declared area for a maximum period of 5 days in order to conduct the event and build the required infrastructure (including suspension for that period of the rights of others to access the land eg councils, schools, clubs) and rights to promote and manage the event (including rights to control behaviour of spectators and the public in relation to the event);
- Suspension of laws relating to protection of the environment, noise levels, road traffic and motor vehicle laws applying to vehicles entered in races, development laws applying to buildings and structures and remedies to deal with public nuisance during the 5 day period; and
- the Treasurer’s guarantee of any borrowings by the Board.

The first two restrictions place a potential competitor of the Board at a significant disadvantage. The Board is advantaged by having guaranteed access to the declared area for a motor sport event up to twice each financial year. It also benefits from not being required to comply with legislation which might prevent the holding of a motor sport event in Adelaide or cause delays in obtaining approvals.

The third restriction provides a Government loan guarantee. This gives the Board access to finance on more favourable terms than is otherwise commercially available. By itself this is not likely to be a significant advantage, but in combination with the other two restrictions, may attract prospective event promoters or organisers to dealing with the Board.

Together the restrictions provide certainty to an event organiser that comes from:

- the Board being appointed by the State Government to act on its behalf;

- the legislative guarantees in the Act that the proposed event can be conducted when and where the Board determines; and
- the financial backing indicated by the Treasurer's guarantee.

8.2.2 *Intermediate restrictions*

The intermediate restrictions are:

- providing the Board with access to facilities or other powers that are either not available to its potential competitors or only available at a higher cost including:
 - **establishing a motor racing circuit on a temporary basis** (Section 10(2) -*discrimination between market participants* – intermediate because it provides an exclusive right);
 - **assuming the care, control, management and use of public roads and parklands on a temporary basis** (Section 10(2) - *discrimination between market participants* - intermediate because it enables large time and cost savings);
 - **constructing, altering or removing public or other roads, track, grandstands, fencing, barriers and other buildings and structures** (Section 10(2) - *discrimination between market participants* - intermediate because it enables large time and cost savings);
 - **borrowing money from the Treasurer or (with the Treasurer's consent) from any other person and having that latter liability guaranteed by the Treasurer** (Section 17 - *discrimination between market participants* – intermediate because it gives the Board easier and cheaper access to loans);
 - **having the care, control, management and use of a declared area for the declared period and the rights or interests of any other person in relation to the land being suspended for the declared period.** Land within the declared area that is public road ceases to be public road for the declared period but on expiration reverts to public road (Section 21 - *discrimination between market participants* – intermediate because of large time and cost savings);
 - **having free and unrestricted access to the declared area for a motor sport event and being able to carry out any works and do any other things on the land that are reasonably necessary for or incidental to the performance of its functions.** The Board must comply with any terms and conditions agreed with any relevant council or person having a right of occupation of the land or, failing such agreement, terms determined by the Minister (Section 22 - *discrimination between market participants* – intermediate because of large time and cost savings);
 - **the non-application of the following laws to the declared area during declared period of the event** (*discrimination between market participants* – intermediate because it enables large time and cost advantage):
 - *Environment Protection Act 1993*;
 - any regulations or by-laws made under the *Local Government Acts of 1934 and 1999*;

- *Road Traffic Act 1961* and the *Motor Vehicles Act 1959* (to a vehicle while being driven in a motor racing event or the driver);
- *Development Act 1993* (to any works within a declared area); and
- no activity permitted by the Board within a declared area constitutes a nuisance.

8.2.3 Comment on restrictions on competition assessed as trivial

The Board is appointed to negotiate, promote and conduct motor sport events on behalf of the South Australian Government. This is a non-exclusive provision that does not preclude the appointment of others for similar purposes, nor does it prevent their access to other venues or the conduct of rival events. It is a trivial restriction in the national market of attracting and conducting motor sport events.

The other restrictions assessed as trivial, are either ancillary to the first two intermediate restrictions discussed above, or restate existing powers or rights. The majority of the trivial restrictions would either be unnecessary for, or are already available to, an event promoter or manager using a permanent venue, and are only necessary because of the temporary nature of the motor sport event, the inner city street circuit used, and the large number of spectators present.

The Board's accounts and annual statements must be audited by the Auditor General. This is a trivial restriction on competition in the market for the provision of audit services (a market not identified in the section on markets because it is not associated with the objective of the Act).

8.2.4 Trivial restrictions

The trivial restrictions are:

- the non-exclusive appointment of the Board to negotiate and enter into agreements (on behalf of the State) under which motor sport events are held in the State, whether promoted by the Board or another organisation; to promote motor sport events on behalf of the State; to undertake the conduct and financial and commercial management of events it promotes (Section 10(1) - *barrier to entry* – trivial because it is non-exclusive);
- providing the Board with access to facilities or other powers that are either not available to its potential competitors or only available at a higher cost including:
 - controlling and charging for the use of official insignia (Section 10(2)); and having an enforceable proprietary interest in the official insignia (Section 28A) – (*barrier to entry* – trivial because these rights duplicate standard intellectual property rights)
 - controlling filming, etc., from outside a motor sport circuit (Section 11 - *barrier to entry* - trivial because it duplicates standard intellectual property rights);
 - using public service staff and facilities (Section 14 - *discrimination between market participants* – trivial because it enables the government to use public servants as Board staff and the Minister's approval is required);

- being able to fence or cordon off land comprising all or part of a declared area for a motor sport event during the declared period, and if reasonably necessary, outside the declared period (Section 24 - *discrimination between market participants* - trivial because of other restrictions);
- being able to have the police remove unattended vehicles in a declared area during a declared period (section 27 - *discrimination between market participants* - trivial because the power exists in other legislation);
- being able to appoint authorised persons to enforce the Regulations (which cover access to the declared area, the racing circuit and restricted areas; ticket requirements; opening and closing times; prohibition on taking alcohol into the declared area; designated refreshment and no-smoking areas; prohibitions on certain behaviour in the declared area; the requirement for licenses for entertainment in the declared area; identification and powers of authorised persons; and offences against the Regulations) (SA Motor Sport Regulations 1999 - *discrimination between market participants* – trivial because they are standard conditions of entry to a venue);
- removal of restrictions on liquor licenses on the days on which and the hours during which liquor may be sold and consumed during the declared period (Section 27B - *discrimination between market participants* – trivial because of other restrictions);
- the expressions "Adelaide 500", "Sensational Adelaide 500", "Race to the Eagle" and "Adelaide Alive", and any other names, titles or expressions declared by the Board as official titles are reserved for the exclusive use of the Board (*barrier to entry* - Section 28AA) and the Board has an enforceable proprietary interest in the names (Section 28A - *barrier to entry* – trivial because it duplicates standard intellectual property rights);
- The annual statements of account must be audited by the Auditor-General (Section 18 - *discrimination between market participants* – trivial restriction on competition in the market of auditing services because of limited effect on market);
- The Board must consult and take into account representations of persons affected by its operations (Section 23 - *discrimination between market participants* – trivial because it only restricts the Board);

8.2.5 Comment on the exemption from Competitive Neutrality obligations (section 10AA)

The *Government Business Enterprises (Competition) Act 1996* (the GBE Act) does not apply to the Board or to any activity of the Board (Section 10AA). The GBE Act provides for the application of the principles of competitive neutrality to significant government business activities, where appropriate and where the benefits of doing so exceed the costs. The State Competitive Neutrality Policy Statement defines a business activity as including:

any activity undertaken by a government agency:

(a) where the activity falls within the Australian Bureau of Statistics classification of “Public Trading Enterprise” and “Public Financial Enterprise”; or

(b) where:

- (i) *the activity is primarily involved in producing goods and services for sale in the market;*
- (ii) *the activity has a commercial or profit making focus; and*
- (iii) *there is user charging for goods and/or services; or*
- (c) *where a government agency submits a tender as part of a tendering process in competition with the private sector.*

However, an activity will not be a business activity if:

- (d) *it provides goods or services to government, and, for reasons of policy or law, there is no competition with alternative suppliers; or*
- (e) *it is clear that the intention of government is that the activity's predominant role is regulatory or policy-making, or where the achievement of public policy outcomes is the main priority of the activity.*

In the second reading speech of the Australian Formula One Grand Prix (South Australian Motor Sport) Amendment Bill 1998 on 4 November 1998, the Premier said:

However, the principles of competitive neutrality do not need to be implemented where it would be inappropriate to do so. Similarly, a restriction upon competition is justified if the public benefits outweigh the anticompetitive detriments.

Based upon experience with the Grand Prix, it is expected there will be significant economic spin-offs for businesses in the State and consequent growth in employment. There will be infrastructure development associated with the staging of the event. The Board's activities will retain and build upon the international recognition of the Adelaide street circuit and the City as a location for major motor racing carnivals.

These same economic benefit objectives form a significant public benefit for the purposes of legislation review that outweighs any anticompetitive detriment that might be considered to arise as a result of the inclusion in the Bill of the provision that exempts the Board and its activities from the competitive neutrality review mechanism under the Government Business Enterprises (Competition) Act 1996.....

This event [Sensational Adelaide 500] is consistent with the Government's objective of attracting high profile events to South Australia that will provide Adelaide and South Australia in general with significant promotional exposure. The staging of the event will return significant economic benefits to the State.....

It is contended that the activities of the Board in promoting and managing a motor sport event are not a business activity because the Government's intention is the achievement of public policy outcomes (economic development, increased tourism). The purpose of section 10 AA of the Act is to make this clear, and to remove any uncertainty about the application of the competitive neutrality principles that might have arisen from interpretations about the definition of business activity and the balance between public policy and profit making intentions, the appropriateness of the application of competitive neutrality principles, and the cost/benefit assessment of implementing competitive neutrality.

8.3 Conclusion

Overall, the restrictions give a great advantage to the SA Motor Sport Board in organising a motor sport event in Adelaide, for example by removing the requirement to comply with noise, local government, liquor licensing and other regulations and to obtain permission from private organisations and local and state government agencies to use city streets and parklands. The APPA argues that the advantage which the Act provides to the Board constitutes a serious restriction on competition:

“By appropriating public roads and parks, the Act advantages a temporary track over a purpose built facility such as Mallala Motorsport Park or Adelaide International Raceway.

The Act also disrupts public and license rights to public areas and provides a highly advantageous position to the Motor Sport event by allowing a commercial organisation to charge admissions for areas that are normally freely accessible to the general public. High costs are imposed on the public, and high costs are imposed upon the spectators including prohibitive charges for parking (Motor Sport Board \$12 versus Adelaide City Council’s U-Park \$5.50).”⁷

While it is acknowledged that it would be much more time consuming and costly for another organisation to attract and organise a motor sport event in Adelaide city than for the SA Motor Sport Board, the Act does not prevent this. Furthermore, the great majority of restrictions are not applicable outside Adelaide city. Therefore, in the context of a national market for attracting and conducting major motor sport events, the adverse effect of the restrictions on competition is considered to be relatively minor. This view is supported by the organisations that responded to the draft report, with the exception of the APPA.

9. ALTERNATIVES TO LEGISLATION

The Act appoints the Board to act on behalf of the State Government to negotiate agreements for motor sport events and to promote and manage such events. Replacing the Act with a contract requiring the Board or another organisation to provide these services is a possible alternative.

However, the nature of motor sport is that it is noisy and attracts crowds. It is likely that many residents living near a street-racing course in the metropolitan area would not voluntarily accept any arrangements that are satisfactory to the promoter. The Confederation of Australian Motor Sport Ltd has emphasised that it is critical for the success of major motor sport events on street circuits that there be a regime of legal certainty for the promoter.⁸

The South Australian Motor Sport Board argues that given the complexities of the powers necessary to stage a street motor racing event in South Australia, the ability to undertake such an event utilising a contract between the SA Government and the Adelaide City Council is extremely unlikely and may

⁷ p.7, “Submission to the Review of the SA Motor Sport Act, 1984”, Adelaide Parklands Preservation Association Inc.

⁸ Confederation of Australian Motor Sport Ltd, 14 August 2003.

create an opening for many legal challenges against the event, which could place the State at risk of both losing the benefits that flow from the event and of facing major litigation.⁹

Removing the event to another location would not achieve the objectives of the Act, which is to enable an event to take place in the city streets, and is not a feasible alternative.

A temporary circuit in the Adelaide streets and parklands, as envisaged by the Act, adds the need for co-operation from state agencies and local government. It may be possible for an event promoter or manager to obtain the necessary approvals to conduct a street racing event, but it would be a time consuming task, and delays from appeals by residents or others opposed to the event are likely to prove fatal.

The primary objective of the event promoter or manager is to conduct the event successfully and profitably and any threats of disruption are likely to dissuade them from proceeding.

For these reasons, replacing the Act with a contractual arrangement between the State Government and the Board is not a feasible alternative. This conclusion is supported by the South Australian Tourism Commission, Silverstone Events Pty Ltd and the South Australian Motor Sport Board, which argue that only legislation can enable the Board to conduct a motor sport event without the risk of expensive delays and challenges which would be fatal to its successful conduct.

10. EFFECTS OF THE RESTRICTIONS ON COMPETITION AND THE ECONOMY

The costs generated by the restrictions in the Act are the extra costs borne by participants in the affected market in complying with the restrictions. Costs which must be borne by anyone staging a motor sport event are not part of these costs. The costs of restrictions impact on competition if they are sufficient to dissuade participation in a market, or are substantial and passed on to consumers as an element of the price charged for goods or services.

10.1 Costs to other event promoters

The primary effect of the restrictions contained in the Act is to provide a property access advantage to the Board that is not available to other motor sport event promoters or managers. This may inhibit the entry of new competitors into the market but does not prevent other events being conducted in Adelaide or elsewhere in South Australia.

The Grand Prix and V8 motor racing events that the Board has attracted to South Australia are unlikely to have been arranged without the support of the State Government. The commercial risks have been substantial and the event owners would not have proceeded without the assurance provided by the Board acting on behalf of the South Australian Government. For both the Grand Prix and the Sensational Adelaide/Clipsal 500, the Government, through the Board as promoter, has accepted all risk associated with the events. If the events lost money due to bad weather or other causes, the Government has had to cover the loss.

⁹ p.1, South Australian Motor Sport Board submission to the National Competition Policy Review of the *South Australian Motor Sport Act*, 1984, 14 July 2003.

While each of the Grands Prix has been a boon for many South Australian businesses, and the event helped to swell the number of tourists in our State, the Grand Prix itself operated at a loss for nine of the ten previous years...the final race...turned in a tidy little profit.¹⁰

The restrictions in the Act have enabled the conduct of motor sport events which have made a positive contribution to the economic base of the State. In securing the Grand Prix for Adelaide in 1984, it was clearly the belief of the Government that there would be indirect economic benefits.¹¹ The value of the events to the economy is described in the section dealing with public benefits.

10.2 Public inconvenience

Some segments of the public are inconvenienced by the staging of the event. It may be argued that this inconvenience is a cost of the restrictions, although similar inconvenience would occur if a similar motor sport event could be organised by a private promoter.

As highlighted by the APPA in its submission to this review, public access to the declared area (part of the parklands and some adjacent roads) is prohibited during the declared period, except to ticket holders (subject to conditions). The South Australian Motor Sport Board has exclusive use of the declared area and can carry out any works required for a motor sport event. This means that organisations and groups which use the parklands may temporarily lose access to facilities (playing grounds, club houses, the Victoria Park Race Course buildings).¹² This represents a general loss of amenity to the public. However, it should be noted that to date, only part of the eastern parklands is used for the motor sport event, leaving the remainder accessible to the public throughout the declared period. Additionally, it could be argued that the staging of other sporting and entertainment events in the parklands, for example Womadelaide and the International Horse Trials, results in a similar loss of amenity to the public.

The Act tries to minimise this inconvenience in section 22(3)(d), which provides that fair and reasonable compensation is paid for damage or loss suffered by any person having a right of occupation to any part of the land. It also provides for reimbursement of costs and expenses incurred by any relevant council (section 22(3)(c)). Furthermore, section 23 of the Act requires the Board to consult and take into account representations of persons affected by operations (relevant councils, neighbouring residents, businesses that might be affected by the Board's operations).

There may be a loss to the general amenity of the area through the intrusion of structures and infrastructure erected for the event. Some of the track remains in place from event to event, and while this may be criticised as permanent loss of parkland amenity, it is used by the public for cycle races, for learning to skate and ride, for operating electric cars, etc.

In the period immediately preceding and after the event, as well as during the five days of the declared period, vehicular access to the city is restricted from the east. This particularly affects those commuting to work from the eastern suburbs by bus or car. During the declared period, residents in inner city

¹⁰ Joan Hall, House of Assembly, Hansard, 23 November 1995.

¹¹ Second reading speech, Australian Formula One Grand Prix Bill 1984, Legislative Council, Hansard, 4 December 1984.

¹² pp.1-2, Adelaide Parklands Preservation Association Inc submission to the National Competition Policy Review of the *South Australian Motor Sport Act 1984*, 1 September 2003.

suburbs and those adjacent to the circuit are affected by the noise of the races. Entertainment associated with the motor sport event also generates noise and occasional rowdy behaviour.

Even though the event promoter erects the required circuit infrastructure in such a way as to minimise the disruption there is considerable inconvenience to local residents and commuters. The total construction period for the 1994 Formula 1 Grand Prix on the Adelaide street circuit was 21 weeks but for the Le Mans event in 2001, total construction occurred over a period of 15 weeks. "That does indicate the importance that the Government has placed on minimising disruption caused by the race" - Minister for Tourism in the Public Works Committee, House of Assembly, Hansard, 4 April 2001. Road closures have been confined to about 10 days.

There may be an impact on the flora and fauna of the parklands, but this has not been assessed.

The South Australian Motor Sport Board recognises that public inconvenience does occur as a result of the staging of the event, in terms of both the lack of public access to a small part of the Adelaide Parklands and restrictions that occur due to road closures but considers this inconvenience to be of a relatively minor nature. The Board has undertaken capital works to improve the environment of the parklands including the installation of automatic watering systems, upgraded tracks and pathways and improved lighting. The Board has also introduced handover inspection reports that detail the return of various parklands assets used during the event which are owned by the Adelaide City Council.¹³

The Board considers that the inconvenience caused by the event to local residents and businesses is more than outweighed by the enormous economic, media, promotional and social benefits generated by the staging of the event.¹⁴

The inconveniences are difficult to quantify. They are assessed against the public benefits in section 12.

In addition to inconvenience, APPA claim that there are a range of other costs associated with the SA Motor Sport Act and the staging of motor sport events under the Act, which have not been included in the economic assessments. According to APPA, these include:

- public servants, public facilities and public infrastructure used for motor sport events
- cost to the public of accessing alternative recreational facilities, where these are available
- cost to the public of loss of access to recreational facilities where these are not replaceable
- loss of access to private property
- loss of productivity due to commuter delays and disruption
- loss of trade due to avoidance of city by eastern suburbs residents
- public liability arising from inadequate provisions for spectator safety
- increased pollution due to traffic congestion, traffic delays and increased travelling distances (detours)
- delay to emergency services, longer response times to eastern suburbs
- fuel wastage due to traffic delays and increased distances
- rerouting and longer running times of eastern suburbs buses

¹³p.2, South Australian Motor Sport Board submission to the National Competition Policy Review of the *South Australian Motor Sport Act*, 14 July 2003.

¹⁴ *ibid.*

- hidden costs relating to track surfaces
- 20% increase in speeding offences
- 8.3% increase in road rage incidents
- increase in public drunkenness and disorderly behaviour
- increase in crime in areas adjacent to the event
- increase in crime in suburban areas due to loss of police protection – police being rostered near the event instead of regular patrols
- extra policing costs associated with overtime, extra staffing
- Hospital/Health costs from the increase in traffic accidents
- Health costs from reduction in active and passive recreation
- noise related stress to workers
- noise related stress to residents and pets
- livestock disturbance from F18 flyovers
- water and power costs
- soil compaction
- tree, grass and garden damage and destruction
- disruption to native wildlife
- increased litter, urination, vandalism, theft.¹⁵

A number of the costs identified by the APPA have been adequately dealt with in the assessment of the restrictions in Section 8 ‘Restrictions on Competition’, on pages 10 to 16 of this document. In addition, a number of the costs listed by APPA have at best, tenuous or indirect links to the Act and do not result directly from the restrictions on competition included in the Act.

11. PUBLIC BENEFITS

The conduct of special events is encouraged by all Australian Governments because of the contributions they make to the social, recreational, cultural and economic base of a region.

The *Australian Formula One Grand Prix Bill 1984* Second Reading speech identified the following primary benefits expected from the first Grand Prix in 1985:

- short term employment resulting from road works, accommodation, construction of fencing and production of souvenir items
- promotion of SA to a worldwide television audience of 250 million that would result in increased tourism and potential investment.

The 1986 economic study of the 1985 Grand Prix by the SA Centre for Economic Studies found that these expectations were fulfilled. It concluded that social costs comprised:

- delays in travel that caused additional travel time and late arrival at work;
- loss of amenity for those living adjacent to the Adelaide Parklands venue; and
- a higher rate of accidents from the ‘Hoon Effect’¹⁶.

¹⁵ pp.8-9, “Submission to the Review of the SA Motor Sport Act, 1984”, Adelaide Parklands Preservation Association Inc, statistics quoted from SA Debating Association, Schools Debate.

¹⁶ Youths, fuelled by alcohol, speeding noisily around the streets.

The study found that the community also benefited from:

- spending by additional visitors estimated by the Grand Prix Board as being an additional 35,000 from interstate and 5,000 international visitors;
- a change of climate resulting in increased levels of confidence particularly amongst the business community;
- additional opportunities to promote SA nationally and internationally as a venue for business, investment and tourism;
- enhanced contacts for the business community; and
- demonstration of the ability of government and business to co-operate in the promotion and conduct of a major sporting event.

Similar benefits were expected of the V8 Endurance races and the Le Mans style race, and information on visitor numbers, media exposure and economic development opportunities provided after other Grand Prix events, the V8 races and the Le Mans event indicate the expected benefits were achieved.

The importance of major events to the economy of South Australia was again recognised in the second reading speech of the SA Motor Sport (Miscellaneous) Amendment Bill 2000. The Minister for Tourism said¹⁷:

This Government formed a review committee into major events in our State. Ultimately, we recommended the establishment of a new arm within Government, now well known as the immensely successful Australian Major Events (AME) group. AME have been responsible for establishing a series of hallmark events for our State and attracting a number of high profile one-off events. Their names and achievements are now well known – the Jacob's Creek Tour Down Under, the Adelaide International Horse Trials, the Australian Masters Games, Wagners Ring Cycle, Tasting Australia and the Golden Oldies World Rugby Tournament.

Together they have now generated more than \$250 million in economic activity and highlighted our State to a worldwide viewing audience of nearly 1 billion people. Major events are now an integral facet of our State's rapidly growing tourism industry. And that is why, nearly two years ago, the Premier initiated and successfully negotiated the return of motor sport to the streets of Adelaide. The agreement with AVESCO to host the Sensational Adelaide 500 (now Clipsal 500) endurance car race for up to ten years on Adelaide's world famous street circuit has now resulted in two extraordinarily successful events.

An economic impact assessment of the 2003 Clipsal 500 event was undertaken by Economic Research Consultants. The results of this study indicate that the 2003 event produced an economic benefit to the State of \$19.7 million and created the equivalent of 320 fulltime jobs. The report also indicates that the number of visitors coming to South Australia as a result of the event rose from 8,500 in 2002 to 10,800 in 2003. According to the report, in the five years to date the event has returned a total economic benefit to SA of \$80.8 million.¹⁸

¹⁷ House of Assembly, Hansard, 24 May 2000.

¹⁸ p.3, South Australian Motor Sport Board submission to the National Competition Policy Review of the *South Australian Motor Sport Act*, 1984, 14 July 2003.

12. COST VERSUS BENEFIT ASSESSMENT

The costs resulting from the restrictions are primarily cost and property access advantages provided to the Board or approved event promoters that are not available to promoters of a rival city street event. There is no reliable estimate of the likely quantum of these costs available.

There are also costs to the community from the noise, disruption and loss of access to public land caused when the event is held. The social costs following the 1985 and 1988 Grand prix events were assessed at \$9.4 - \$12.5 million and \$9.8 million respectively (with social benefits of \$28 million and \$48.1 million respectively).

The costs are offset by the enhanced promotional benefits accruing to SA business and tourism. These events project the image of South Australia as a prosperous region that in turn breeds economic confidence. Increased investment and levels of economic activity are more likely to result in this environment.

The benefits are summarised by a comment of the then Minister of Business and Regional Development, Mike Rann, in relation to the Grand Prix¹⁹. He said:

... the Australian Formula One Grand Prix has been conducted in Adelaide since 1985 and brings substantial economic, employment and social benefits to this State and Australia as a whole. The event ... attracts approximately 300 000 patrons over the four days. Its value for Australia can also be measured through tourism promotion of our State, interstate and overseas, as well as economic and employment benefits. Apart from the television coverage, through the direct and delayed broadcasts of the two-hour race to some 518 million viewers in 102 countries, many of the international media which cover the event in Adelaide also produce features on the City of Adelaide and South Australia. The Price Waterhouse study, tabled in this House earlier this year, concluded that the 1992 event conservatively generated \$37.4 million for the South Australian economy. This independent economic evaluation of the event was documented proof that the Government's investment in the Grand Prix is totally justified considering the immediate return to the State, particularly in terms of tourism and business opportunities. The event also generates 97 full-time and 1 600 part-time jobs each year. It sells 70 000 bed nights in South Australian hotels and provides an ongoing boost to South Australian industry.

A number of economic studies to identify the social and economic costs and benefits of the events have been undertaken. Extracts from key reports, two on the Grand Prix and three on the Clipsal 500 form Appendix C. These reports have been chosen as they cover the whole period of the motor sport events (the first Grand Prix, a mature Grand Prix, the first Clipsal 500, and the two most recent reports of that event) with a focus on the more recent events. The costs and benefits are summarised in the following table.

¹⁹ House of Assembly, Hansard, 10 August 1993.

Event	Costs (\$m)	Benefits (\$m)	Net benefit (\$m)
1985 Grand Prix (SACE report published 1986) Attendance 125,000 (including 32,000 interstate and overseas visitors - 5% from overseas)	economic \$6.6 - \$7.5 social \$9.4 - \$12.5 Total \$16 - \$20	economic \$23.6 - \$24.8 social \$28 Total \$51.6 - \$52.9	\$31.6 - \$36.8
1992 Grand Prix (PriceWaterhouse report tabled in Parliament 1992) Attendance 259,000 (including 16,082 from interstate and 2,695 from overseas)	economic \$9.3	economic \$37.4	\$28.1
1999 Sensational Adelaide 500 V8 (Beston Pacific report) Attendance 162,000 (including 15% from outside SA)			New expenditure in the State 13.2 Creation of value added of \$14.0 Over 5 years, discounted value of \$54 in total income generated in the state.
Clipsal 500 2001 (Barry Burgan Report) Attendance 166,800 (including 11,900 from interstate and 2,900 from overseas)			New expenditure in the State \$13.4 Economic activity arising from this expenditure \$14.3
Clipsal 500 2002 (Barry Burgan Update Report) Attendance 171,200, (including 9500 from interstate and 1500 from overseas)			New expenditure in the State \$15.1 Economic activity arising from this expenditure \$16.2

The APPA alleges that the attendance figures quoted in the economic studies are inaccurate and that as a result the economic benefit generated by the event is overstated.

The economic reports were prepared by different consultants and do not provide data that allows direct comparison. However, the information available is consistent with a conclusion that there is a very significant economic benefit to the South Australian community from the staging of these motor sport events. Therefore, even if the attendance figures are somewhat inaccurate, it is highly unlikely that this would result in the public benefit being reduced significantly.

The APPA claims that the outcome of the economic assessments are highly questionable as a result of insufficient data and lack of independent cost-benefit analysis. The APPA argue that flaws identified in the economic assessments of motor sport events carried out in Melbourne and Canberra suggest that similar flaws are expected to apply to the assessment of South Australian motor sport events.

Again, while it is possible that there are some relatively minor inaccuracies in one or more of the economic assessments, it is considered highly unlikely that each of the independent reports contains flaws which are of a magnitude significant enough to result in the conclusion that a net public benefit is achieved being inaccurate or even significantly overstated.

In a statement immediately after the 2003 Clipsal 500, the Premier announced that the return to the State's economy from the event was anticipated to be more than \$17m. In addition the State also received an estimated \$30m in media coverage both nationally and internationally. "The promotional benefits from the event would be even greater this year with the race being shown on free to air television in China for the first time, as well as live coverage in New Zealand and telecasts in Asia, Europe and North and South America." The Government contributed \$1.39 million to the staging the event.²⁰

Conclusion

The economic and social benefits derived from events already conducted have been substantial, even after factoring in adverse effects experienced by the community, including to residents located near the street racing circuit. The benefits are estimated to exceed the costs of the restrictions by a substantial margin.

13. ADMINISTRATIVE BURDEN

The APPA argue that they would expect there to be an administrative burden associated with, but not limited to:

- Transport Working Party
- Passenger Transport Board
- Auditor General's Office
- Adelaide City Council
- Police and Emergency Services

However, this refers to costs incurred by government agencies in delivering activities associated with the staging of the event. These activities do not represent burdens placed directly on the community by the legislation. No administrative burdens have been identified whose removal is warranted.

14. CONCLUSION AND RECOMMENDATIONS

The APPA contends that "there is insufficient basis to determine that the benefits exceed the costs". The APPA argues that "the legislation seriously restricts commercial competition at significant cost to the community and the restrictions are not justified by public benefits. The Act is contrary to the public interest, incurs substantial unjustified public expenditure, and the legislation should be repealed".²¹

On the basis of available evidence and the submissions received during the Review however, the conclusion of the Reviewer is that, while the restrictions on competition range from trivial to intermediate in their severity, the costs are not large compared to the substantial economic, business and tourism benefits accruing to South Australia.

There are no feasible non-legislative alternatives, and the restrictions are considered necessary for the safe, efficient and successful staging of motor sport events.

²⁰ "Clipsal 500 success is the best yet", Premier Mike Rann, News Release, 23 March 2003.

²¹ p.12, Adelaide Parklands Preservation Association Inc submission to the National Competition Policy Review of the *South Australian Motor Sport Act 1984*, 1 September 2003.

Furthermore, the restrictions on competition are justified by the public benefits derived by the South Australian community as a whole. On this basis, no changes to the legislation are recommended.

Rod Williams
Director, National Competition Policy Implementation Unit, Cabinet Office,
Department of Premier & Cabinet
March 2004

15. APPENDIX A – TERMS OF REFERENCE

1. The SA Motor Sports Act 1984, and associated regulations (“the Act”), are referred to Rod Williams, Director, NCP Implementation Unit, Cabinet Office, (“the reviewer”) for evaluation and report.
2. The reviewer is to focus on those parts of the legislation which restrict competition, or which impose costs or confer benefits on business. In particular, the reviewer is to report on the appropriate arrangements for regulation, if any, taking into account the following objectives:
 - a) the Act should be retained only if the benefits to the community as a whole outweigh the costs and if the objectives of the Act can not be achieved more efficiently through other means, including non-legislative approaches;
 - b) in assessing the matters in (a), regard should be had, where relevant, to effects on the environment, welfare and equity, occupational health and safety, economic and regional development, consumer interests, the competitiveness of business including small business, and efficient resource allocation; and
 - c) compliance costs and the paper work burden on small business should be reduced where feasible.
3. In making assessments in relation to the matters in (2), the reviewer is to conduct the review in accordance with the provisions of Clause 5 of the Competition Principles Agreement. The report of the reviewer should:
 - a) identify the nature and magnitude of the social, environmental or other economic problem(s) that the Act seeks to address;
 - b) clarify the objectives of the Act;
 - c) identify whether, and to what extent, the Act restricts competition.
 - d) identify relevant alternatives to the Act, including non-legislative approaches;
 - e) analyse and, as far as reasonably practical, quantify the benefits, costs and overall effects of the Act and alternatives identified in (d);
 - f) identify the different groups likely to be affected by the Act and alternatives;
 - g) list the individuals and groups consulted during the review and outline their views;
 - h) determine a preferred option for regulation, if any, in light of objectives set out in (2); and
4. In undertaking the review, the reviewer is to consult with key interest groups and affected parties, and provide a report to the Minister for Industry and Investment.
5. After receiving the reviewer’s report, the South Australian Government will determine what action is to be taken, after obtaining advice from the Minister and, where appropriate, after consideration by Cabinet.

16. APPENDIX B – CONSULTATION

The following organisations have been sent a copy of this draft review:

Adelaide City Council
Burnside City Council
Norwood, Payneham and St Peters City Council
Charles Sturt City Council
Unley City Council
Prospect City Council
Walkerville City Council
West Torrens Thebarton City Council
Adelaide Parklands Preservation Assoc
South Australian Jockey Club
Business SA
SA Federation of Residents' and Ratepayers' Associations
Small Retailers Association
Australian Retailers Association
Classic Adelaide Rally
Confederation of Australian Motor Sports
International Management Group Pty Ltd
PROCAR Australia Pty Ltd
Australian Grand Prix Corporation
Australian Racing Drivers Club
AVESCO
SA Motor Sport Board
SA Tourism Commission
Australian Major Events
Office of Local Government
Office of Recreation and Sport
Department of Environment and Heritage
Department of Transport and Urban Planning
SA Police
SA Metropolitan Fire Services

17. APPENDIX C – EXTRACTS FROM ECONOMIC STUDIES

Extracts from the following studies are contained in this Appendix:

1985 Australian Formula 1 Grand Prix – South Australian Centre for Economics Report
1992 Australian Formula 1 Grand Prix – Price Waterhouse Report
1999 Sensational Adelaide 500 V8 – Beston Pacific Report
2001 Clipsal 500 V8 – Barry Burgan Report
2002 Clipsal 500 V8 – Barry Burgan Update Report

1985 AUSTRALIAN FORMULA 1 GRAND PRIX

JPA Burns, JH Hatch, TJ Mules (eds) “The Adelaide Grand Prix – the impact of a special event”, South Australian Centre for Economics, 1986

- Visitor Expenditure (p.16)
The total net or additional visitor direct expenditure generated by the Adelaide Grand Prix was approximately \$8.3m (p.13)...which when fed into the SA economy, resulted in a total income generation of \$9.9m.
- Tangible benefits and costs (p.23)
The benefit-cost ratio for the tangible, or measurable, benefits and costs is from 3.1:1 to 3.8:1. Without the Federal Government Grant of \$5m, costs would have increased by \$5m and benefits decreased by \$5m plus the multiplier effects, or by \$6.59m. The adjusted benefit-cost ration is 1.36:1 to 1.57:1. “Even these adjusted figures show that the Grand Prix did better, on purely tangible costs and benefits, than just about any other use of the money” (farming has a value-added multiplier of 1.005 and home building 1.273).
- Short term social benefits and costs (p. 28)
Costs - \$9.4m to 12m - traffic congestion; time lost because of road detours; property damage incurred by residents close to the track; increased vehicle thefts and thefts from vehicles; noise and road accidents.
Benefits - \$28m - “psychic” (general excitement, good opinion of oneself, extra shopping access, opportunity to have house guests, home hosting opportunities, pleasure of experiencing the event).
- Long term benefits and costs (p.29)
Costs - low significance – loss of amenity, possible increase in crime (vandalism, hooliganism, accidents).
Benefits – medium to high significance – increased tourism, expanded industry (exports, improved terms of trade), improved self-confidence/image.

1992 FORMULA ONE GRAND PRIX

Price Waterhouse, “*The Australian Formula 1 Grand Prix – 1992 Formula One Grand Prix : Economic Evaluation*”, April 1993.

Extracts from the *Executive Summary* –

The Grand Prix is an integral part of ... investment, trade and tourism

Cost benefit assessment is 4:1 based on direct economic benefit of \$37.4M against costs of \$9.3M.

These ratios are consistent with previous evaluations since 1985.

Long term impact continues to be development and growth of export sales to markets that would not have occurred otherwise and the inflow of tourists.

SA Government likely to benefit from additional tax revenue of \$1.1M

Some increase in casual and full-time permanent employment.

Extracts from *Introduction* –

Wide support exists for the event from the SA public, politicians and business community

Methodology used to assess is similar to that used in 1985 report

Source of visitors of 23% interstate and 6% overseas is consistent with previous years

1999 SENSATIONAL ADELAIDE 500 V8

Beston Pacific, “*Financial & Economic Evaluation of the Sensational Adelaide 500*”, July 1999.

Extracts from the *Executive Summary* –

The source of economic impact of a special event held in Adelaide can be defined as the extent of expenditure which the event supports in Adelaide that is sourced from outside the region, and the extent to which that expenditure supports local jobs and income.

The relevant expenditure is of two possible types:

- Event expenditure, industry investment in provision of infrastructure and the operating expenditure associated with the event.
- Expenditure by visitors, including participants and those who visit the city with the express purpose of attending the event.

The net expenditure through visitation to the event is estimated at \$9.9 million, including \$0.9 million of ticket expenditure.

It is estimated that 11,900 adult visitors came to Adelaide specifically for the event...

On the basis of the assumptions used in this analysis, the economic impact – measured as the creation of income and jobs in the region – for South Australia resulting from the hosting of the Adelaide 500 is, we believe, conservatively estimated as follows:

- The generation of new expenditure in the State of \$12.3 million (made up of \$10.3 million of visitor expenditure...\$2.2 m on event operation).
- It is estimated that 6,700 adult visitors came to South Australia specifically for the event...In addition, it is estimated that 700 extended their stay in South Australia because of the event...
- The creation of value added (wages and salaries, and return on capital to businesses) of \$13.1 million. \$5.9 million of this will accrue in industries directly servicing patrons of the event, and \$7.2 million through multiplier effects.
- The creation of some 275 equivalent annual jobs within the State.

These impacts will continue annually over the life of the contract. If the race were to be run for 5 years at this level of performance, the discounted value of the impact will therefore amount to \$54 million in total income generated within the State (discounted at 7%).

Page 42

..it is estimated that Adelaide 500 would return revenues [tax, fee and charges] to the State Government associated with increase in economic activity of the order of \$1.0 million per year. Given the annual request of funds from the Government of \$900,000, this could be interpreted as resulting in an annual net financing requirement for the event – excluding the funding of the capital investment – which is close to zero (the operating grant is offset by the general taxation revenue implications).

2001 CLIPSAL 500 V8

Barry Burgan, “Economic Outcomes Associated with the 2001 Clipsal 500”, 23 July 2001

Extracts from the report:

Page 1

The estimated attendance was 166,800 over the three days of the event in April 2001.

The event is estimated to be responsible for the generation of:

- almost 6,400 visitors to the state in general attendees;
- over 43,400 general visitor nights in the state;
- general tourism gain of \$7.1 million (tourism expenditure in the state of \$4.9 million from general visitors and retained expenditure from local attendees of \$2.2 million);
- net new expenditures associated with specific visitors and participants in the event (including corporate sponsors) of \$4.3 million

The event generated new expenditures in the state estimated as \$13.4 million, primarily occurring in the hospitality sector. The benefits in terms of economic activity arising from this expenditure is estimated at:

- incomes generated in the state above what would otherwise be the case of \$14.3 million;
- creation of 290 full time equivalent jobs.

Page 2

As for many special events, a major motivation behind government support of the event is the tourism and economic development outcomes.

There could be a range of other economic outcomes, which tend to be longer term and which while often sizeable are not quantified in the report:

- improving general marketing profile of the state as a tourist destination;
- capacity of local businesses to use the event as a promotions opportunity, developing supply and market networks.

Page 4

“The categorization of expenditure is consistent with the approach adopted for studies of many special events over recent times – and has been recognized as the appropriate methodology by the Commonwealth Government (Standing Committee on Sport and Recreation) and the Bureau of Tourism Research, and in the event management and tourism economics literature.”

2002 CLIPSAL 500 V8

Barry Burgan, “Economic Outcomes Associated with the 2002 Clipsal 500 – An update on the 2001 Estimates”, 2 May 2002

Extracts from the report:

Page 1

The estimated attendance was 171,200 over the three days of the event in April 2002.

The event is estimated to be responsible for the generation of:

- almost 7,000 estimated visitors to the state in general attendees;
- over 47,100 general visitor nights in the state;
- general tourism gain of \$8.8 million (new tourism expenditure in the state of \$6.41 million from general visitors and retained expenditure from local attendees of \$2.4 million);
- net new expenditure in the state associated with the operations of the event of \$2.3 million (from external sources);
- net new expenditures associated with specific visitors and participants in the event (including corporate sponsors) of \$4.4 million

Page 2

The event generated new expenditures in the state estimated as \$15.1 million, primarily occurring in the hospitality sector. The benefits in terms of economic activity arising from this expenditure are estimated at:

- incomes generated in the state above what would otherwise be the case of \$16.2 million;
- creation of 260 full time equivalent jobs.