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**TITLE: Public money wasted on tourism**

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This week the Premier, Morris Iemma, made his fist-pumping announcement that he would create a NSW major events corporation to steal big events from other cities. But why pour taxpayers' dollars down the drain simply to attract and host major events?

Governments claim that, in terms of investment dollars, jobs and multiplier effects throughout the economy, public subsidies benefit not just the tourism industry but the whole economy.

This could not be further from the truth. State and territory assistance for domestic tourism marketing and major events is a zero-sum game in which taxpayers are the ultimate losers. Such subsidies merely promote the tourism industry at the expense of other industries and public services, while also prompting wasteful competition between the states.

NSW spends about \$24 million in this way a year, outlaying \$22 million on domestic tourism marketing and about \$1.5 million on event attraction.

But rather than enhancing the welfare of the people of NSW, these subsidies enhance only the welfare of an industry that plays state against state in the fight for a share of the domestic tourism market. In subsidising the tourism sector, these schemes also draw money from other businesses and reduce the money available for front-line public services such as schools and hospitals.

Further, and importantly in the context of the proposed major events corporation, when states and territories provide public assistance to attract events, the promised economic gains rarely materialise and taxpayers are left to foot the bill.

The Australian Grand Prix is an example. South Australia hosted the event in the early 1990s and provided millions in assistance for infrastructure and other costs, yet in 1993 Victoria outbid South Australia and secured the rights at a cost of about \$100 million.

Victoria also had to buy "Grand Prix assets" from South Australia at a cost of more than \$12 million. It was claimed this would create 2000 new jobs in Victoria, but few asked what would happen to the 2000 South Australians who were now out of work.

The chairman of the Productivity Commission, Gary Banks, has argued major events bidding is "difficult to justify on economic grounds" and the trumpeted "gains for the state are often illusory, and even when they are positive there will often be negative outcomes nationally".

Yet the NSW Government looks set to fritter away more money on these events with the proposed events corporation. In this light, NSW taxpayers have good reason to ask why these types of subsidies are being offered to major events when the evidence shows that they are likely to provide no net benefit to the community.

The answer appears to be that governments are afraid of standing up to the tourism lobby and are scared that if they pull the plug on the subsidies, and other states do not, they will be the ultimate losers. While this persists, domestic tourism assistance will continue to benefit hotel owners and others in the tourism industry, while providing no public benefit. If domestic tourism marketing is to be undertaken it should be funded by the tourism industry and not the taxpayer. If this occurs, it may be desirable for government to play a co-ordinating role to overcome problems associated with regional and state tourism promotion.

This could involve government, in cooperation with the tourism industry, imposing a compulsory levy on tourism operators to finance a domestic marketing fund, as occurs in some other industries. While there are various ways in which governments could assist with the co-ordination of marketing efforts, domestic tourism campaigns that are funded by the public purse cannot be justified on either equity or efficiency grounds.

Despite the fanfare that surrounds major events, the reality is that state and territory governments are often spending large sums of taxpayer money in attempts to divert events, tourists, jobs and associated revenue from one part of Australia to another, and from one industry to another.

emma's announcement is no different. Public money spent on major events is money that can't be spent on schools, hospitals or fixing the water shortage.

The people of NSW need to start asking whether wanting to be the home of major events is so great after all, for they are the ones picking up the burgeoning tab.

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