Winning at All Costs: The Hidden Price of Australian Sport's Economic Success

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Australia's reputation as a sports-loving nation is validated by the Australian Sport's Commission (ASC)'s most recent evaluation that spending on sport exceeds $12 billion and generates economic activity equivalent to 2-3 per cent of Australia's GDP[1]. However, these figures overlook hidden costs associated with sport, as well as sport's capacity to deliver future economic benefits. It is this paper's aim to present a more complete picture of sport's economic contribution and to propose a set of policies that will facilitate sustainable growth in the sports sector with these adjustments in mind.

Sport's net economic contribution is undeniably positive and is achieved through both professional and amateur forms. Professional sport creates layers of derived demand that boost Australia's aggregate expenditure through admission fees, subscriptions and merchandise at a consumption level; broadcasting, construction and retailing at an investment level; and tourism at an export level. Professional sport can also be seen as a 'public good' in the sense that the international success of elite sportspeople and teams elicits nationwide satisfaction and pride that is both non-rival and non-excludable; thereby directly enhancing national wellbeing.

Amateur sport comprises volunteers, players and coaches who assume unique roles as producer-consumers[2] in the sense that, through their voluntary time and club registration fees, they fund the supply of the sports activity that they participate in. Thus, growth in amateur sport participation is essential for the expansion of the sector's productive capacity and contribution to national economic growth. Participation in amateur sport is also instrumental in providing indirect benefits, or 'positive externalities', that flow on to broader society. This occurs in three main ways. Firstly, playing sport lowers individual health risks[3]; an outcome that benefits society by helping lower national health costs. Secondly, participating in sport gives rise to greater labour productivity[4] which is a key determinant of economic growth[5]. Finally, playing sport in school has been found to increase academic performance[6]. This increase in the value of young Australians' education is important for upskilling Australia's future workforce and amplifying long-run economic growth[7].

Yet, there are costs that escape this initial analysis. Major sporting events, while generally boosters of short-run economic activity for host cities, have been proven inefficient at increasing long-run economic growth[8]. The 2000 Sydney Olympics, for example, created no induced tourism effect for the NSW economy in the years following the Games[9], as Figure 1

illustrates, and, like all other Olympics to date[10], ran significantly over budget due mainly to exorbitant infrastructure costs. Despite increasing tourism exports and a city's 'goodwill' in the short-run, major sporting events often neglect the costs they impose on local households and businesses. Many locals avoid their city for the duration of the event due to congestion and increased prices; a crowding out effect that reduces the economy's post-event capital stock. Additionally, a portion of the revenue generated by the event inevitably leaks out of the local economy through the claims of overseas capital owners and employees. Of course, there is also a significant opportunity cost attached to these events that should be accounted for, as the money spent hosting could have financed other infrastructure, health services, crime prevention or education. Moreover, bidding for major sporting events is exceptionally wasteful. Australia's failed bid for the 2022 FIFA World Cup, for instance, cost Australian tax payers $46 million[11] in the form of flights, accommodation and gifts purchased to influence FIFA.

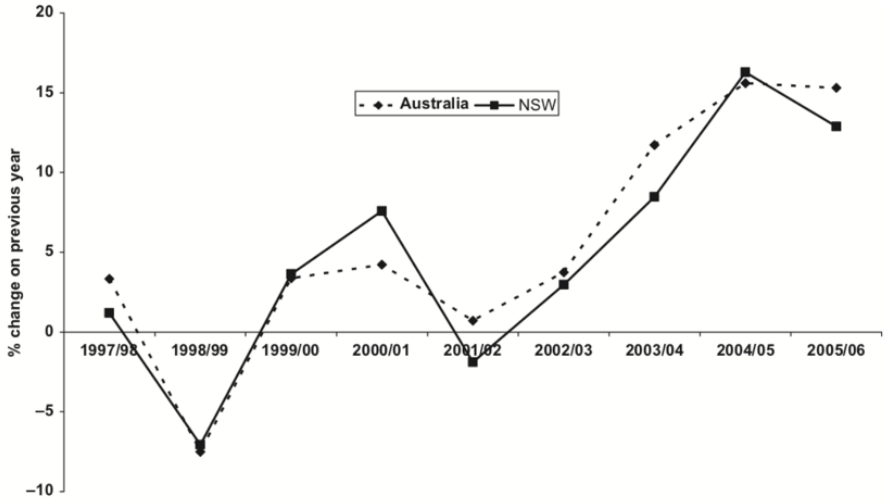

***Figure 1**: Foreign Willingness to Pay for NSW and Australian Tourism (Per Cent Change on Previous Year).*[9(p223)]

It is perhaps a unique cultural phenomenon in Australia that the consumption of sport so frequently coincides with the consumption of alcohol[12]. This apparent degree of complementarity between sport and alcohol is well-supported[13] and is concerning given the breadth of empirical studies[14] that show consuming sport, in many cases, leads to increased incidents of violence through sport's association with alcohol. This has been brought to Australia's attention most recently by evidence that domestic violence incidents spike on nights that State of Origin matches are played[15] to which the prevalence of alcohol advertising is attributed as one of the key influencers. Thus, insofar as sport shares a degree

of complementarity with alcohol, sport can be considered to give rise to negative externalities in the form of domestic violence that are borne by family and community members of alcohol-abusing sports fans. While a monetary value is difficult, if not impossible, to ascribe to the costs borne by these third-parties, a 'social cost' can be applied instead. In events where sport facilitates alcohol-induced violence, impacted third-parties, who, as the aforementioned studies show, are predominately women, bear a social cost in the form of physical, emotional or sexual abuse. Thus, in the market for sport-related alcohol, there is a welfare loss equal to the excess of social cost above private cost, which, in this case, is borne by firms advertising alcohol during sports matches. As long as sport maintains its connection to alcohol, social costs will taint sport's positive economic contribution.

Despite these hidden costs, Australians might, as a sports-loving populace, rest assured that sport's contribution will always be potent. However, current trends threaten to reduce participation in sport and, in turn, constrain sport's capacity to provide benefits to the economy in the future. Australia's population is ageing[16], which will increase the pool of Australians unwilling or unable to participate in sport. Strong sports participation among ageing Australians is imperative, not only to maintain the sports sector's level of output, but also to create a healthier and more active ageing cohort that will help Australia avoid increased healthcare costs and prolong working lives. Of equal concern to sport's capacity to contribute is Australia's high obesity rate[17] as it partly reflects the engrained reluctance of many Australians to participate in sport. Thus, in order for sport to remain a viable channel of supply and demand, it must evolve into more accommodating forms.

Historically, Australian governments have been influential in shaping the country's sporting landscape. To address sport's contemporary shortcomings, Federal and State Governments need to exercise this influence in a more conscientious and innovative way than ever. To address the wasteful bidding process that nations vying to host major sporting events currently endure, the Australian Government could support the Australian Olympic Committee and Football Federation Australia in lobbying the International Olympic Committee and FIFA respectively for the replacement of the current bidding process with an auction process. By awarding hosting rights to the highest bidder in an auction, wasted campaign expenditure on inducements would be eliminated and saved funds could instead be allocated in far more useful ways. Alternatively, governments could evade the high-cost nature of traditional sporting events altogether and, instead, host eSports tournaments that

have proven immensely popular in Asia and North America and have growing appeal in Australia[18]. These events, dependent on a single stadium or venue, generate revenue through mass online global participation and come with significantly fewer physical infrastructure expenses, possibly providing a safer sports investment for Australia's future.

Perhaps the most intuitive way to disentangle alcohol from sport would be to follow Pigou's method[19] of market intervention and impose an indirect tax on alcohol firms advertising their products during sport. However, the imposition of such a tax might prove cumbersome as firms that advertise alcohol during sport often also advertise their products in non-sport contexts and would be punished, in part, for actions unrelated to the intention of the tax. A more precise approach might be for the Federal Government to establish a market for tradeable advertising permits among alcohol firms who wish to advertise their products during sport. This process, analogous to an emissions trading scheme, would incentivise alcohol firms' sale of rights to advertise during sports broadcasts and allow for a more controlled separation of alcohol from sport.

Governments can incentivise participation among ageing Australians in a number of ways. By requiring a certain amount of sports broadcasting to be devoted to amateur leagues and tournaments involving elderly participants, governments can create greater context for ageing Australians' participation at large. To complement this, governments might subsidise sports and wellbeing programs aimed at engaging otherwise sedentary ageing Australians through low-intensity exercise such as martial arts that emphasise body posture and slow coordinated movement. Similarly, governments can engage obese Australians by adapting traditional sports to emphasise enjoyment over competition and by setting guidelines for clubs to implement strong cultures of inclusion and anti-discrimination.

The overall economic contribution of sport may be positive; however, a scrutinizing appraisal of this contribution reveals sport's burdensome and ineffectual underside. It is incumbent on governments to recognise these shortcomings and proactively implement policies that stamp out sport's hidden costs while harnessing sport's diverse growth avenues. Only then will Australia's sports sector be aligned to achieve true economic gold.

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