

# Hobart Baroque and the Tasmanian economy

## Key points

- The Hobart Baroque music festival in 2014 produced an overall economic stimulus to the Tasmanian economy of \$5.45 million in return for a government investment of \$400,000.
- This represents return on the government's investment of 13.6 times.
- The government will make all or most of its money back in the form of taxes, charges and payments to government business enterprises.
- The now-cancelled 2015, 2016 and 2017 festivals would have produced similar results, with a total stimulus over the three years of \$36.6 million in return for a government investment of \$3.05 million.
- This represents a return on investment of 12 times.
- Again, the government is likely to have made all or most of its money back through taxes, charges and government enterprises.
- A substantial and ongoing stimulus to the Tasmanian economy would have been achieved with either no cost or no significant cost to the state budget.

**Martyn Goddard**  
**Hobart**  
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The producers of the Hobart Baroque music festival asked the Tasmanian government for a contribution of \$800,000 to allow them to mount a third festival in 2015. They also asked the government to consider triennial funding to allow the event to become a major international event. That would have involved a suggested government grant of \$1 million in 2016 rising to a peak of \$1.25 million in 2017.

The government rejected this, offering instead \$300,000 for one year only. The festival has been cancelled.

There has been no analysis, either by the government or by the organisers, on the likely overall economic return to the state if the event had been allowed to go ahead. Until now, the data to make such an exercise possible has not been available. Now, with results from the 2014 festival from the organisers and from a survey commissioned by Events Tasmania, it is possible to come to a reasonable basic view about the event's likely economic value.

The 2014 festival received a state grant of \$400,000, donations and other income of \$150,000 and took \$500,000 at the box office, giving it a total income of just over \$1 million. All of this was spent.

Box office data show 41% of tickets were sold to people from interstate or overseas. This figure was confirmed by the EMRS study, commissioned by the government, which estimated that 39% of patrons came from outside Tasmania, a total of 850 to 900 people. These spent, on average, \$2,455 during their stay, giving a total expenditure by out-of-state visitors of between \$2,086,750 and \$2,209,500.

Each interstate or overseas patron stayed in the state for an average of 4.8 days. Ninety-three per cent said they travelled to Tasmania specifically for Hobart Baroque, 93% said they would attend the now-cancelled 2015 festival and 96% said they would come to Tasmania again.

## **An approach to the estimates**

The primary economic contribution of Hobart Baroque to the Tasmanian economy consists of the amount it spends itself in the state, plus the amount spent by patrons. This money is then recirculated through the economy as people and businesses receiving the primary expenditure spend it, in turn, on other goods and services. In this way, the effect on economic activity is multiplied.

Methods used to calculate multipliers in large, highly diversified economies may not be appropriate for small regional economies such as Tasmania's. In a very diversified economy, a very large proportion of goods and services anyone purchases will be created within that same economy. So the money someone spends to buy a refrigerator will support not only the retailer but also the wholesaler, the manufacturer, the workers on the assembly line, the makers of components and their employees, and all their suppliers. Under such a model, very high multipliers can be involved.

A smaller economy, on the other hand, cannot supply as much demand from its own activities: the gap must be filled by imports from elsewhere. A model must therefore take into account this 'leakage'. Such a multiplier may be considerably less than 1.

An academic study of a group of small festivals in communities in New South Wales – in a small

regional economy which was very highly dependent on imported goods and services – calculated a multiplier of 0.4, meaning only 40 cents in every dollar spent locally remained in the region to be recirculated. Tasmania’s economy is very much larger and produces many more of its own goods and services, but is nevertheless reliant on substantial imports from other states and from overseas.

In the specific case of Hobart Baroque, a relatively small proportion of expenditure went on obvious imports (such as air fares) and much more on restaurants and accommodation, labour-intensive enterprises where most of the money can be expected to remain in the state.

#### **Average amount (\$) spent by interstate and international visitors to Hobart Baroque**

<b>Accomm</b>	<b>Travel to Tas</b>	<b>Meals</b>	<b>Entertain</b>	<b>Shopping</b>	<b>Travel in Tas</b>	<b>Other</b>	<b>Total</b>
715	463	419	361	277	180	41	2,456

Source: EMRS

This supports a somewhat higher multiplier than would otherwise be the case. This paper will use a multiplier of 0.8 to calculate initial (first round) secondary economic impact.

## **Calculating economic return: the 2014 festival**

Economic activity resulting from the 2014 festival consists of the amount spent by the festival itself and by patrons, plus the effect of that money circulating through the state economy.

The event’s budget consisted of its state government grant of \$400,000, box office return of \$499,088, and money from other sources – from donors and sponsors, from the two co-producers themselves, and a small amount from the Hobart City Council – amounting to about \$150,000. All of this income was spent. Therefore, an initial input was made of about \$1,050,000.

To this must be added the amount spent by patrons. The EMRS study calculated that between 850 and 900 interstate visitors attended the festival; let us assume, for our purposes, a mid-point of 875. As the table above shows, an average of \$361 each was spent on entertainment; as most of this was likely to be in the form of tickets to Hobart Baroque events, this must be deleted to avoid double-counting. Therefore, the total expenditure of interstate and overseas patrons was \$2,095 individually and \$1,833,125 collectively.

Of all respondents to the EMRS survey, 61% were Tasmanian residents. The size of groups accompanying both interstate and Tasmanian respondents were similar, so a total of 1,312 Tasmanian patrons can be extrapolated. When entertainment was eliminated, each spent \$109, producing a total of \$143,008.

The total impact on the economy can be shown, using a multiplier of 0.8 to calculate secondary impact.

#### **Impact on the Tasmanian economy (\$) of the 2014 Hobart Baroque**

<b>Festival Budget</b>	<b>Interstate patrons</b>	<b>Local patrons</b>	<b>Primary impact</b>	<b>Secondary impact</b>	<b>Total</b>
1,050,000	1,833,125	143,008	3,026,133	2,420,906	5,447,039

The total economic contribution of the 2014 festival to the Tasmanian economy can therefore be calculated as \$5,447,039. This represents a return on the state government's \$400,000 investment of 13.6 times. On these figures, it is highly probable that the government made all or most of its money back through taxes and charges, and payments to government business enterprises.

This does not include intangible assets created by Hobart Baroque, such as a positive contribution to Tasmania's reputation as an arts tourism destination, its general image interstate and overseas as a progressive and attractive society and its future potential in helping to attract new tourists and residents to Tasmania from interstate and overseas, particularly from China. A more detailed analysis would assign a monetary value to these.

Nor does it include the intangible liabilities created by the event being cancelled because of a lack of government support, and by well-publicised, aggressive and personal attacks on Leo Schofield and the event itself, such as that by the federal Liberal Member for Braddon, Brett Whiteley.

Other methods of calculating secondary impact may produce much larger figures than those shown in this paper. New money coming into an economy has been likened to a rock being thrown into a pond: there is an initial splash, followed by ripples which eventually become less and less. In the case of economic impact, a primary impact (the amount of new money coming in) is added to by re-circulation of money within that economy. Studies which seek to include these subsequent rounds of expenditure can produce astronomical figures which, though supported by economic theory, may stretch credibility for many people. The present exercise, therefore, restricts itself to calculating only the primary and secondary (that is, the first round of re-circulation) effects.

## Calculating economic impact: 2015, 2016 and 2017

Box office receipts grew by 107% between the first festival in 2013 and the second in 2014. Projections in the funding proposal put to the Tasmanian Premier were based on plans for the growth of the festival to moderate to an increase of 60% between 2014 and 2015, with growth of 25% per cent between 2015 and 2016, and 2016 and 2017.

The requested government contribution was to grow from an initial \$800,000 in 2015 and, as the state budget improved and the festival itself became more widely known and attended, would rise to \$1 million in 2016 and \$1.25 million in 2017. The producers believed this would allow the festival to become a significant international even by the end of the triennium. Throughout, the state grant would comprise 45% of total income.

### Hobart Baroque income: projections, 2015 to 2017

	<i>Subsidy</i>	<i>Box office</i>	<i>Donors/other</i>	<i>Total</i>
% of total	45%	45%	10%	100%
<b>2015</b>	\$800,000	\$800,000	\$176,000	\$1,776,000
<b>2016</b>	\$1,000,000	\$1,000,000	\$220,000	\$2,220,000
<b>2017</b>	\$1,250,000	\$1,250,000	\$275,000	\$2,775,000

Source: Hobart Baroque

As in 2014, all income would be spent. The expenditure projections proposed that the organisation would remain lean, though allowing for a small permanent office and a core of three or four full- or part-time staff to be retained. Two-thirds of income would go directly into productions.

### Hobart Baroque expenditure: projections, 2015 to 2017

	<b>Admin &amp; salaries</b>	<b>Productions</b>	<b>Marketing</b>	<b>Total</b>
<b>% of total</b>	<b>27.5%</b>	<b>66%</b>	<b>6.5%</b>	<b>100%</b>
<b>2015</b>	\$488,400	\$1,172,160	\$115,440	\$1,776,000
<b>2016</b>	\$610,500	\$1,465,200	\$144,300	\$2,220,000
<b>2017</b>	\$763,125	\$1,831,500	\$180,375	\$2,775,000

Source: Hobart Baroque

The 2015, 2016 and 2017 festivals will not go ahead. But their likely impact on the Tasmanian economy can nevertheless be estimated by extrapolation from the 2014 results and from projections contained in the funding proposal.

For the purposes of this exercise, it is assumed that the amount spent by each festival patron would have remained at 2014 levels but that the total number of patrons would have risen at the same rate as other elements of the festival – an initial 60%, followed by 25% per annum. We also assume that the proportion of interstate and overseas visitors would have remained at 40% in 2015 but risen to 45% in 2016 and 50% in 2017. This is because the festival would have become steadily better known and more widely marketed outside of Tasmania, and because the Tasmanian market is necessarily more limited than the interstate and overseas markets.

### Impact on to the Tasmanian economy (\$) of the 2015, 2016 and 2017 Hobart Baroque

	<b>Festival Budget</b>	<b>Interstate patrons</b>	<b>Local patrons</b>	<b>Primary impact</b>	<b>Secondary impact</b>	<b>Total</b>
<b>2015</b>	1,776,000	2,933,000	228,812	4,937,812	3,950,250	<b>8,888,062</b>
<b>2016</b>	2,220,000	4,122,960	262,254	6,605,214	5,284,171	<b>11,889,385</b>
<b>2017</b>	2,775,000	5,725,635	297,897	8,798,532	7,038,825	<b>15,837,357</b>

The total economic impact, compared with the requested state grant, represented ratios of 1:11.1 in 2015, 1:11.9 in 2016 and 1:12.7 in 2017. Again, it is highly probable that the state government would have made all or most of its money back in terms of taxes, charges and payments to government business enterprises. In addition, there would have been a significant stimulus of sections of the Tasmanian economy, significant support for employment, and a cultural event with its own inherent value to the people of the state.