Submission on the Hobart Stadium project

I am not aware that the residents of Queensland or Brisbane City had any say or had a referendum put to them before having the 2032 Olympics foisted upon them by a coalition of State parliamentarians and regional mayors. Maybe, in respect of public consultation around the Hobart stadium, Tasmanians are getting a better deal. Yet, not so for the project itself. Considering the Tasmanian Government's recently outlined fiscal situation and the negative NPV calculated by consultants for the stadium and its ancillaries, the project should be dispensed with and any relevant bill and act rejected. It appears, from afar, that the State government and city councils are being gamed by a sporting lobby. All this, as in Queensland, is redolent of our political leaders trying to recapture the grandstands and glory days of their youth.

Even if the DCF analysis were to produce a positive benefit/cost ratio (which seems a distant expectation) and the project were thus to be considered cost-efficient, it would fail a more fundamental test of effectiveness (i.e. allocative efficiency) based on the opportunity cost of the capex involved.

Total Capex	Number of seats	PV cost per seat	Annual opportunity cost of capital		
			@ 4%	@5%	@6%
$800 million	23,000	$34,800	$32 million	$40 million	$48 million
$1 billion	23,000	$43,500	$40 million	$50 million	$60 million
$1.25 billion	23,000	$54,300	$50 million	$62.5 million	$75 million

My reading of Tasmania suggests a list of other needs (not wants) which should be addressed before ascending the Maslovian hierarchy into the domain of sport. Health care, provision of infrastructure homelessness are obvious examples which could benefit from application of the opportunity costs of capital noted in the table above.

One could further remark that that negative NPVs attending stadia reflect the dearth of positive public investment projects available in Australia. Stadia are a poor substitute for intervention which would augment general public welfare, as opposed to pandering to a relatively privileged lobby.

If the argument is raised that stadia are more welfare-effective than pouring monies into the ‘care economy’ with its dubious productivity performance, one response should be that industry policy would be a more worthy recipient in terms of VC support, new business starts and export promotion. So, too, could be local government which is usually in arrears to finance the 3Rs.

A stadium could further have the downside of exposing foreseeable weaknesses in the Tasmanian economy. For instance, widespread drought could cripple the mainstay hydro industry, requiring strong public assistance years or months into the future for those impacted. Drought could likewise risk public water supplies (as the 2007 drought did in Brisbane). Bushfires are another potential threat which could make demands on State coffers. It would be advisable to undertake a broad economic risk appraisal of the State’s prospects over the next quarter century to identify contingencies toward which current stadium expenditure would be inimical.

In sum, and in spirit of realism rather than perrversity, I submit that Tasmania cannot afford the proposed stadium for the eventuality of 400,000 visitations per annum.