

Policy Shift in the Evaluation of South Australian Festivals and Events

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In 2006 the South Australian Tourism Commission (SATC) moved to standardize the evaluation of the festivals and events it supported through the adoption of the Computable General Equilibrium (CGE) model for determining economic impact.

Previous evaluation had been undertaken using Input/Output (I-O) models which had provided results that often overstated the financial outcomes and economic impacts of the events under study.

“The economic impacts of events have often grossly overstated the impact by including expenditure that would have occurred irrespective of the event taking place. Excessive multipliers have also been used in many studies to further inflate the overall results.”²

At the inaugural Global Event Congress in Brisbane in 2006, speaker Leo Jago discussed the likely effect of the adoption of the CGE model and gave examples of events in Victoria that had done so that had shown considerably less favourable results as a consequence.³

In most cases it is likely that evidence of strong economic performance in terms of the return on the investment (ROI) by governments and funding authorities will be hard to find, and that the economic value to the host community will be reduced.

Given that events have, to date, paid little or no attention to the triple bottom line of economic, environmental and social impact, and have relied almost exclusively on their economic impact and benefit to justify their worth to governments and funding authorities, many festivals and events may be in jeopardy of losing that funding and support given the more realistic figures generated by CGE modeling.

Jago and Dwyer argue that “for an event to be truly successful over a long period of time, it is essential that its stakeholders adopt a holistic approach to impact evaluation across a range of economic, environmental and social criteria”.⁴

While arguing for a more comprehensive statistical analysis based on the CGE model, Jago and Dwyers’ *Economic Evaluation of Special Events: A Practitioner’s Guide*, provides a simplified survey instrument for the evaluation of events that can be easily adopted by festivals and events. Together with the SATC’s policy shift, it is likely that there will be widespread adoption of the CGE model in time for festivals and events in South Australia.

The following example illustrates the dilemma this creates for many of those festivals and events.

Hypothetical Event

Simple I-O Model

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CGE Model

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Festivals and events have, through their desire to please - and the demand from – funding authorities and governments, been forced to justify their existence solely on economic grounds. Much of that evaluation has been questionable. Attendance figures are often inflated⁵ and the I-O modeling provides an over-simplified and less accurate result.

Because government and funding authorities only measure the ROI based on a dollar value, festivals and events are now in the position (given likely CGE evaluation results) of falling below the required ROI target ratios being set.⁶

While the economic impact might now be seen to be less viable as evidence of the worth of a particular event, any positive social impact that an event might have is rarely considered and is even more rarely evaluated. By and large, this is due to the intangible nature of social impacts, which have been defined as 'any impacts that potentially have an impact on quality of life for local residents'.

Measuring changes in quality of life – which might include sense of community pride, identity and even life perspectives – involves measuring emotional elements, and therefore requires a much different methodological approach than standard economic impact evaluation. It is for this reason that such models are virtually non-existent in the industry, both nationally and internationally.

And yet, the social impact of festivals and events may provide events with a more compelling argument for their continued financial support and sponsorship. The importance of social capital as an indicator for any given society's wellbeing has been enhancing in recent times, with a pressure on societies to look 'economy-wide' in their development philosophies and policies.

A look at South Australia's current Strategic Plan reinforces this idea, where key objectives include those of a social nature, with a view to foster creativity and build communities: 'Strong, open and diverse communities ... are the wellspring of a competitive economy and a high quality of life'.

This trend, combined with the introduction of CGE economic evaluation models, signals the need – perhaps more than ever – for techniques to measure the social impacts of festivals and events. Finding a way to do so is likely to create another legitimate source of justification to event stakeholders (including those providing funding and sponsorship), and may well help save many events, particularly those of a small, community-based nature.

Tourism social impact assessment will provide a good starting foundation for designing social impact models for festivals and events; so too will the work of Fredline, Dago and Deery, who began looking at such models in their study on the Gold Coast Indy and the Australian Tennis Open.

Essentially, an overall increase in research and debate on potential design of such models is required in the first instance, particularly with regard to the methodological approach, where a balance will need to be struck between the need for qualitative methods, and the industry's ever-present push to have quantitative (numeric) impact measurements.

Overall, it is clear that reliance on the evaluation of economic impact of festivals and events to justify both their existence and their support, given the adoption of the CGE model, places those festivals and events at risk unless they are fully commercial, profit driven events.

The development of a practical and accurate social impact evaluation model and its industry-wide acceptance may well manage that risk.

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Notes:

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2. Jago, L & Dwyer, L 2006 *Economic Evaluation of Special Events: A Practitioner's Guide*, Common Ground Publishing, Victoria, Australia.
3. Jago, L, *Business Events: The Mis-Fit of Tourism*
4. Jago op. cit.
5. The authors are aware of a number of events where the stated attendance exceeds the physical capacity of the venue by several thousands – and the attendance is 'growing'!

6. Events South Australia, the events arm of the SATC, sets a 7:1 ratio. That is, it demands 7 dollars returned to the state's economy for every 1 dollar that it provides in support of the event.
7. Fredline, L., Jago, L. and Deery, M. 2003, 'The Development of a Generic Scale to Measure the Social Impact of Events' in *Event Management*, Vol. 8, pp. 23-37.
8. Jago, L. and Dwyer, L. 2006, *Economic Evaluation of Special Events: A Practitioner's Guide*, Common Ground Publishing, Victoria, Australia.
9. South Australian Strategic Plan Update Team, 2007, *South Australia's Strategic Plan 2007*, South Australian Government, p.30.
10. See Fredline, L., Jago, L. and Deery, M. 2003, 'The Development of a Generic Scale to Measure the Social Impact of Events' in *Event Management*, Vol. 8, pp. 23-37 and Fredline, L., Deery, M. and Jago, L. 2005, *Testing of a Compressed Generic Instrument to Assess Host Community Perceptions of Events: A Case Study of the Australian Open Tennis Tournament*, Sustainable Tourism Cooperative Research Centre, Gold Coast.
11. The authors can be contacted via steve.brown@flinders.edu.au