

27 February 2020

Australian Grand Prix Corporation

Victorian Independent Remuneration Tribunal – Determination on Remuneration Bands



1. Introduction

In response to the forthcoming Victorian Independent Remuneration Tribunal (Tribunal) Determination on the values of remuneration bands for executives employed in prescribed public entities, the Australian Grand Prix Corporation (AGPC) presents the detail in this Paper as a prescribed public entity under the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards (Prescribed Public Entities) Regulations 2019*.

The AGPC's CEO and seven subordinates would be impacted by any change to the bands. These are:

- Chief Financial Officer and General Manager – Business Services
- General Counsel and General Manager – Legal & Strategy
- General Manager – Sales & Commercial
- General Manager – Operations
- General Manager – Motorsport, Entertainment & Industry
- General Manager – Marketing
- Director – International Consulting

This Paper highlights that executives of the AGPC take on a level of responsibility, risk, commercial/sales expectation, international exposure and competition that demands protection from any changes to remuneration bands by the Determination.

2. Knowledge

The level of skill and expertise demanded of the executives at the AGPC reflects the position that:

- The AGPC is the promoter for both the Formula 1 Australian Grand Prix and the Australian Motorcycle Grand Prix – the two pinnacles of global motorsport and both parts of World Championship series.

- The AGPC is one of only five promoters in the world that controls national rights for both Formula 1 and MotoGP (along with Spain, United States, United Kingdom and Austria). Further, the AGPC is the only one of these five that manages its two events across two different circuits. This requires significant expertise and places high demand and risk onto AGPC executives.
- The AGPC is one of only six promoters in the world that run a 'street circuit for the Formula 1 race' (along with Monaco, Baku, Singapore, Hanoi, and Sochi). Converting a public area into a safe and functional circuit/arena requires elite management levels that are specialised in nature (i.e. not found in standard stadium management nor Government).

Importantly, and separate to this specialisation and knowledge, the AGPC has sales targets and requires significant revenue generation to meet budgets set (i.e. the AGPC does not just manage expenditure levels). All executives at the AGPC have responsibility and accountability to meeting annual revenue budgets of approximately \$67m (based on 2018/19).

3. Relationships

The Formula 1 Australian Grand Prix and Australian Motorcycle Grand Prix are two key pillars of the Victorian Major Events calendar.

The Formula 1 event directly competes with the Australian Open (Tennis Australia), AFL, Spring Carnival (VRC and MRC), Boxing Day cricket (Cricket Australia), NRL, A-League, the International Airshow (every second year) and many one-off major events for corporate sponsorship and general admission revenues.

The demands on fan experience, entertainment, event and patron safety and professionalism as a sports and events promoter are the same amongst these events. The AGPC is the only Government entity within this group of sports and events organisers and the executives' remuneration must remain competitive to ensure it can attract and retain high-performing executives. Failure to do so puts Victoria's reputation for hosting Major Events at risk.

4. Impact

The AGPC works in a truly international workplace/landscape/market. Besides the demands on the executives to work international-friendly hours (because of the commercial rights holders in England and Spain), many of the sponsors and suppliers are also internationally based. This places a high demand on AGPC executives to ensure that risk management, governance and commercial practices stand-up to international scrutiny.

Both the Formula 1 Australian Grand Prix and Australian Motorcycle Grand Prix events are truly global. The AGPC is seen as one of the lead promoters in world motorsport. Each series is broadcast into approximately 180-200 countries and territories and the Australian events are attended by tens of thousands of international guests each year. This places significant importance on the knowledge of key executives.

The success of these global events is crucial to Melbourne, Victoria and Australia demonstrating its ability to host international events and visitors in a safe and organised method. As well as the tourism benefits, the AGPC provides a huge financial benefit to the country and state and responsibility for this rests with the executives and the Board.

5. Judgement and Risk

The AGPC utilised approximately 290,000-labour hours in the build of its Albert Park Formula 1 circuit alone. With up to 1,500 construction workers and over 500 different suppliers being managed on-site.

The AGPC hosted, in its care, over 400,000 people at its events in 2019.

The executive team forms the AGPC's CIMRT (Critical Incident Management & Recovery Team) which is the response team to any crisis at these events.

The high level of expectation and responsibility on the executives (construction to event) from workers to patrons and in crisis situation, must be reflected in remuneration.

6. Strategic Change

The AGPC has established a consulting arm which is generating millions of dollars of revenue for the State of Victoria by exporting its major events management knowledge and intellectual property internationally.

This is an international transaction that was secured by AGPC and now populates a key element of Victoria and Australia's sports diplomacy position and works to assist key Victorian Government agencies in the Asian region through Global Victoria.

The expertise and skill of the executives both established the relationship and helped create the intellectual property that is a core component of the project deliverables. The executives all work, in some capacity, on this project with the Director – International Consulting full time. The AGPC continues to pursue further consulting services opportunities.

7. Case Study

A recent example of the impacts of remuneration at the executive level at the AGPC was in 2019. This AGPC General Manager had a base salary of approximately [REDACTED], with eligibility for an incentive payment of up to [REDACTED].

- In 2019, the AGPC General Manager was successfully headhunted by a private organisation, also in the major events and sporting field, for a salary increase of around \$[REDACTED] plus a more generous incentive scheme and a range of other benefits.
- The AGPC was unable to provide a matching or counteroffer.
- In recruiting to backfill the role, the AGPC was advised by its executive search firm that it would be challenging to find someone willing to accept the salary on offer, with the experience required.
- When the candidate 'long list' was presented (which included those working in similar roles in private organisations), those who met AGPC's criteria were on current salaries far in excess of what AGPC could offer and these candidates were not willing to entertain any offers from AGPC.
- In meeting with candidates with broadly relevant experience, who indicated a willingness to accept the pay on offer, AGPC clearly found they were not at all suitable for the complexities associated with the role or corporation.
- After eight months of searching, the AGPC eventually found a candidate willing to accept a pay cut to work in a passion area for her.

8. Conclusion

Ensuring that the executives of the AGPC are protected from any adverse changes to remuneration bands will further the success of these two key international events and their place in Victoria and Australia. Adverse changes have the potential to misalign the risk/responsibility/expectation placed on these executives with the reward they receive and this could lead to high turnover (as well as hinder the ability to attract high-functioning replacements).

The impacts may also include an increase in the State of Victoria's financial, reputational and safety/security risk.

Yours sincerely



Paul Little AO
Chairman