



SUNNICA ENERGY FARM DCO EXAMINATION

WRITTEN REPRESENTATION

ANNEX K –ECONOMIC CONTRIBUTION OF HORSERACING

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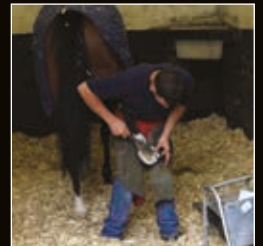
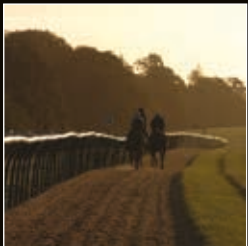
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Newmarket's Equine Cluster

The economic impact
of the horseracing industry
centred upon Newmarket

January 2014



SQW

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Overview

Quantitative

Throughout this report we have been cautious in the assumptions we have used when estimating economic contribution. In addition we have been unable to estimate the expenditures in town of horse owners who visit Newmarket and the off-course expenditures of race-goers. To do so would require a visitor survey and, although their inclusion would increase the economic contribution to some extent, we do not think these expenditures would radically increase the totals shown below.

In some areas of the report, and in common with most economic assessments, we have had to rely on grossing up which is not an exact science. This is partly because one or two organisations provided data for a year other than the 2012 calendar year or the 2012/13 financial year. Moreover, in the absence of input-output tables, the estimation of multiplier values is a matter of judgement.

Despite these caveats it is quite definite that the horseracing industry makes a very major contribution to the economy of Newmarket and the surrounding area. Although, for the purchase of goods and services we chose to define a 25 mile radius, we are clear from our various discussions that much of the expenditure is in fact focussed on the town itself and a much closer surrounding area. We estimate a total economic contribution in money terms of slightly more than £200 million pounds.

Table 1: Main contributors to economic impact¹

	Economic contribution £ (direct, indirect and induced)	Employment (direct only)	Employment (with multiplier)
Trainers	96,816,000	2,020	
Stud farms	81,166,000	814	
Horseracing institutions	9,824,000	119	
Vets and scientific institutions	6,508,000	172	
Horse transporters	1,036,000	35	
Visitors to Newmarket	8,816,000	85	
Capital expenditure	3,865,000	40	
Totals	208,031,000	3,285	8,500

Source: SQW survey

In terms of employment, a total of some direct 3,285 Full Time Equivalent (FTE) jobs are estimated, within which there is a substantial component of part-time employment. There will, however, be additional jobs created:

- indirectly through the local purchases made by trainers, stud farms and other business within the cluster

¹ These figures exclude double counting. For instance the payments made by trainers and stud farms to Newmarket vets are included in the estimate of economic contributions from trainers and stud farms but excluded from the economic contributions from vets.

£208 million

Total economic contribution of the horseracing industry centred on Newmarket

£96.8 million

economic contribution from Trainers

£81.2 million

economic contribution from Stud farms

- through the local expenditures of men and women employed in those businesses (the induced employment effect).

The direct jobs, plus additional temporary “events-related” employment at Newmarket Racecourses and Tattersalls, relate to direct expenditure on wages totalling £79,747,000. When this amount is subtracted from the total economic contribution, the remainder of £128,497,000 indicates the additional impact contributed by indirect and induced effects. The ratio between these is 1:1.6 which, when applied to the 3,285 local jobs indicates a further 5,256 attributable jobs within the wider 25 mile area. **This results in a total of around 8,500 jobs which relate to the £208 million economic contribution.**

Local context

Judging how much of the impact will be local to Forest Heath and East Cambridgeshire is somewhat conjectural. However, of the £128,497,000, the induced contribution was deliberately calculated so as to be local, and this accounts for £38,072,000. The remaining £90,425,000 will be more widely spread throughout the area within the 25 mile radius, but a reasonable assumption is that 30% of it will be spent in either East Cambridgeshire or Forest Heath. This yields expenditure of £65,200,000 in the two Districts and £63,297,000 further afield.

Apportioning the 5,256 jobs accordingly gives a further 2,667 jobs in the two Districts, which means that **the total employment created by the racing industry in East Cambridgeshire and Forest Heath is 5,952.**

This figure of nearly 6,000 jobs can be set in a broad context by comparing it with the employment data from the 2011 census which showed:

- 76,000 employed or self-employed in East Cambridgeshire and Forest Heath
- 9,500 employed or self-employed in Newmarket’s three wards.

Total expenditure in East Cambridgeshire and Forest Heath is some £145 million and this approximates² to an estimate of the gross value added (GVA) contributed by the horseracing and breeding industry. The GVA for the two Districts is in the region of £2,379 million³ which means that **the industry contributes just over 6% of their combined GVA.**

Qualitative

In our discussions we heard many views about the racing industry and the town and their prospects. Although some shortcomings were voiced, the general tone was one of pride in the place and cautious optimism. However, those knowledgeable about horseracing, whether as participants or the suppliers of goods and services, were at one in emphasising a single point.

The successful recent development of Newmarket’s equine cluster and its strengths today are fundamentally down to the investors who have come into the area and built up large stud farms. Prior to their major investments most of the top stallions were exported to America. A healthy proportion is now retained in Newmarket and they are of fundamental importance for the whole cluster; for other stud farms, for the leading trainers, for the veterinary practices, for the horse transporters, for Tattersalls and, both directly and indirectly, for all the many firms which supply goods and services.

² There are differences between commercial accounting practices and those used in the National Accounts.

³ Estimates of the GVA for local authority districts have been calculated from data supplied from Cambridge Econometrics’ subnational databank.

There are, of course, downsides from being a supplier in a competitive cluster. The major players have a great deal of buying power which they can use to ensure competitive prices. The scale of the market draws in new entrants some of whom embed in the town (for example the third veterinary practice), but others may come into the area to sell products from the “back of their van”. On balance, however, Newmarket remains an excellent location in which to develop and grow a business related to horseracing and breeding. It has both a positive international image and real substance behind it in terms of world-class facilities and expertise.

Looking ahead, there are promising signs of potential for further growth in the horseracing industry. A recent stud purchase by an overseas investor, who is seen as a growing force in horseracing, is expected to lead to substantial investment and reinforcement of Newmarket’s reputation for top quality horses. This underlines both the current attractiveness of the town and the importance of sustaining its appeal for internationally mobile equine establishments.

In terms of the benefits for the town and, in particular, its independent retailers, the major National Heritage Centre for Horse Racing and Sporting Art project will increase the numbers of visitors to the town centre and offer potential for capturing more local expenditure. This flagship project can help build a stronger alignment between the horseracing industry and the general attractiveness of the town centre for discretionary shopping.



Introduction

It is easy to see that the various activities connected with horseracing play a major role in the economic life of Newmarket. The town's green surrounds are dominated by the two racecourses, The Jockey Club's gallops and paddocks belonging to stud farms. Many racehorse trainers have yards within the urban area and from before dawn to mid-day strings of horses cross the town on their way to exercise.

Quantifying horseracing's economic impact is, however, less straightforward, principally as a result of three factors:

- the great diversity of local activities, facilities and services related to horseracing
- consequent dangers of missing some aspects or, conversely, of double-counting the impacts of others
- difficulty in sourcing data on activities, for instance due to the unwillingness of businesses in a closely connected yet highly competitive community to divulge sensitive information.

In commissioning this study Forest Heath District Council and the Newmarket Horsemen's Group sought to obtain "an up-to-date understanding of the scale and economic significance of the horseracing industry in the Newmarket area". They saw a sound evidence base as being important both to assist the development of local planning and economic development policies and to be available if wider strategic issues, such as the management of aeroplane movements, were to come to the fore.

There are very few 'quiet' periods for people engaged in thoroughbred breeding and racing, and we are most grateful for those who responded to our survey questionnaire. We also approached many local firms that provide supplies and services to breeders and trainers, and these suppliers were generous in providing both information and a qualitative understanding of how the equine cluster functions.

Various 'events' attract many visitors to Newmarket. The two racecourses support more turf race meetings than anywhere else in the UK and Tattersalls' sales also bring both people and horses to the area, both of which require accommodation and refreshment and, for horses, specialised transport as well. The tourism element is further enhanced by opportunities to visit the National Horseracing Museum, the National Stud and, at certain times, other specialised establishments. Visitor spending provides extra income for, inter alia, hotels and shops. Again we are grateful for the help that these businesses provided in quantifying the economic contribution to the area.

Research Approach

Gathering data

In addition to published material and data provided by members of our client group, notably Jockey Club Estates and the Newmarket Stud Farmers Association, three research methods were deployed to gather data:

- postal/web-based survey
- face-to-face interviews
- telephone interviews.

Trainers

Following a pilot exercise, a postal survey (with the option for online completion) was sent to all the larger trainers (i.e. those with 11 or more horses in their Newmarket yards) and one-third of the smaller trainers with 10 or fewer. The response rate in terms of returned questionnaires was 26%. However, response rates varied with the size of the trainer, measured by the average number of horses in a yard during 2012, as follows:

81 or more horses	67% response rate
41-80 horses	67% response rate
21-40 horses	25% response rate
11-20 horses	11% response rate
10 or fewer horses	13% response rate <i>from those surveyed (or 4% of the total)</i>

The variation in response rates was unsurprising, as the survey questionnaire was most easily completed by trainers with detailed management accounts and dedicated administrative staff. Many of the smallest establishments do not have such resources. In consequence, this skewed response rate has helped us to estimate the economic impact, because many of the largest trainers, who have the greatest impact, did respond. The trainers who returned a fully completed questionnaire accounted for approximately 1,300 of the

3,000 horses in Newmarket – a response rate measured in these terms of 43%. The economic contribution from trainers is discussed below in section three.

Stud farms

Similarly, a pilot exercise was undertaken for stud farms and a postal survey (with the option of online completion) was then sent to 57 members of the Newmarket Stud Farmers Association. There were 17 replies, giving a numerical response rate of 30% but, as with the trainers, responses were skewed towards the most important establishments. As is explained later in this report, the stud farms which have “standing” (breeding) stallions provide the foundation for most of the stud farm sub-sector, and also for many other elements of the cluster. Five of these key stud farms are near to Newmarket (another two are further away though still with close links to Newmarket) and we have good, though not fully comprehensive, data from all seven⁴. The economic contribution from stud farms is discussed below in section four.

Horseracing institutions

By virtue of its national and international role as the centre for Flat racing and thoroughbred breeding, Newmarket has three major and a range of minor establishments, which serve the country as a whole. The major ones are the British Racing School, Jockey Club Estates and Tattersalls and we held face-to-face discussions with them all. The more minor ones include associations and racing charities and these were interviewed through a telephone survey. Section five below considers their economic contributions.

⁴ In order to include these two major stud farms with “standing” stallions we defined an area within a radius of 25 miles from Newmarket as the ‘study area’ this also brought into the study a response from a smaller commercial boarding stud farm.

Most of the largest trainers and stud farms responded to the postal surveys

Many local businesses supply goods and services to trainers and stud farms

Suppliers of goods and service to trainers and stud farms

Trainers and stud farms source a wide variety of goods and services from local firms including:

- veterinary practices and scientific laboratories
- farriers
- horse transporters
- feed suppliers and hay suppliers
- straw/bedding suppliers
- muck/bedding removers
- fencing contractors
- contractors to spray/aerate paddocks
- machinery suppliers
- tack and other equipment suppliers and repairers
- builders for maintenance and capital projects.

We undertook a programme of face-to-face interviews with a selection of these for two principal reasons. First, to gain a qualitative understanding of how the equine cluster functions and, second, to gauge turnover which such firms generate from customers outside the Newmarket area. Some of these businesses are based locally because of the area's horseracing and breeding establishments, but also trade further afield. This additional revenue is attributable to the cluster's overall impact (see sections five and six below).

The racecourses and events

The town's two racecourses mean that Newmarket stages more Flat racing fixtures than any other turf venue in the UK. Racegoers spend money on admission and, within the racecourse, on food, beverages and betting. A proportion of racegoers also come into the town and provide business for local shops and restaurants – as do those who are staying overnight in hotels and other accommodation. To explore these impacts we obtained data from the racecourse itself, which included non-racing

events held in its premises, and also had face-to-face discussions with local hotels and a range of shops. In addition to the impact from race meetings, we confirmed that people attending Tattersalls' sales are significant for hotels and for other local businesses. Tourism's economic contribution is discussed below in section eight.

Approach to calculating the economic contribution

Current expenditure

Drawing on the information provided by stud farms' and trainers' questionnaire responses we can quantify their expenditures on wages. Local wages and locally retained profits comprise the **direct** contribution to the local economy. We do not have sufficiently accurate data on profits to allow us to include them in our calculations and, in any case, suspect that for the local racing community as a whole profits are not large, bearing in mind that most of the largest enterprises belong to owners who do not live locally.

The surveys also provide data on stud farms' and trainers' purchases from companies within a 25 mile radius of Newmarket. However, the companies from which these purchases are made will also make local purchases and so on through further rounds of expenditure – this is known as a *supply chain multiplier effect*. Taken together these comprise the **indirect** contribution.

Finally, employees living locally (which our survey defined as within 10 miles) will also make local purchases of goods and services, which will lead to a subsequent round of local expenditures (including employment costs) by the shopkeepers, hairdressers, restaurants, night clubs etc. So there is an *income multiplier effect* from local wages and this is the **induced** element of the economic contribution.

Capital expenditure

The survey also gathered data on capital expenditure. Interpreting these data is, however, fraught with difficulty as capital projects can be very lumpy, with high outlays

The area covered by a 25 mile radius is used to estimate business purchases

Estimates of employee spending are based on those living within 10 miles of Newmarket

in one year and very low outlays in another. By way of example, two of the veterinary practices have in recent years developed equine hospitals. They were major capital projects but are beyond the scope of our survey. Similarly, when the racecourse constructed a new stand this was a major, one-off, capital item.

To avoid the identification of individual establishments, we have amalgamated survey replies from trainers and stud farms and shown the aggregate amount reported in the two surveys which was paid to local firms in connection with capital expenditure. To this we have added a further provision for other local expenditure arising from capital projects undertaken by organisations at the heart of the equine cluster. The economic contribution from capital expenditures is considered in section nine.

There will also be an indirect multiplier effect from payments to local firms undertaking work on capital projects, which we have estimated and included in our calculation.

Estimation of the multipliers

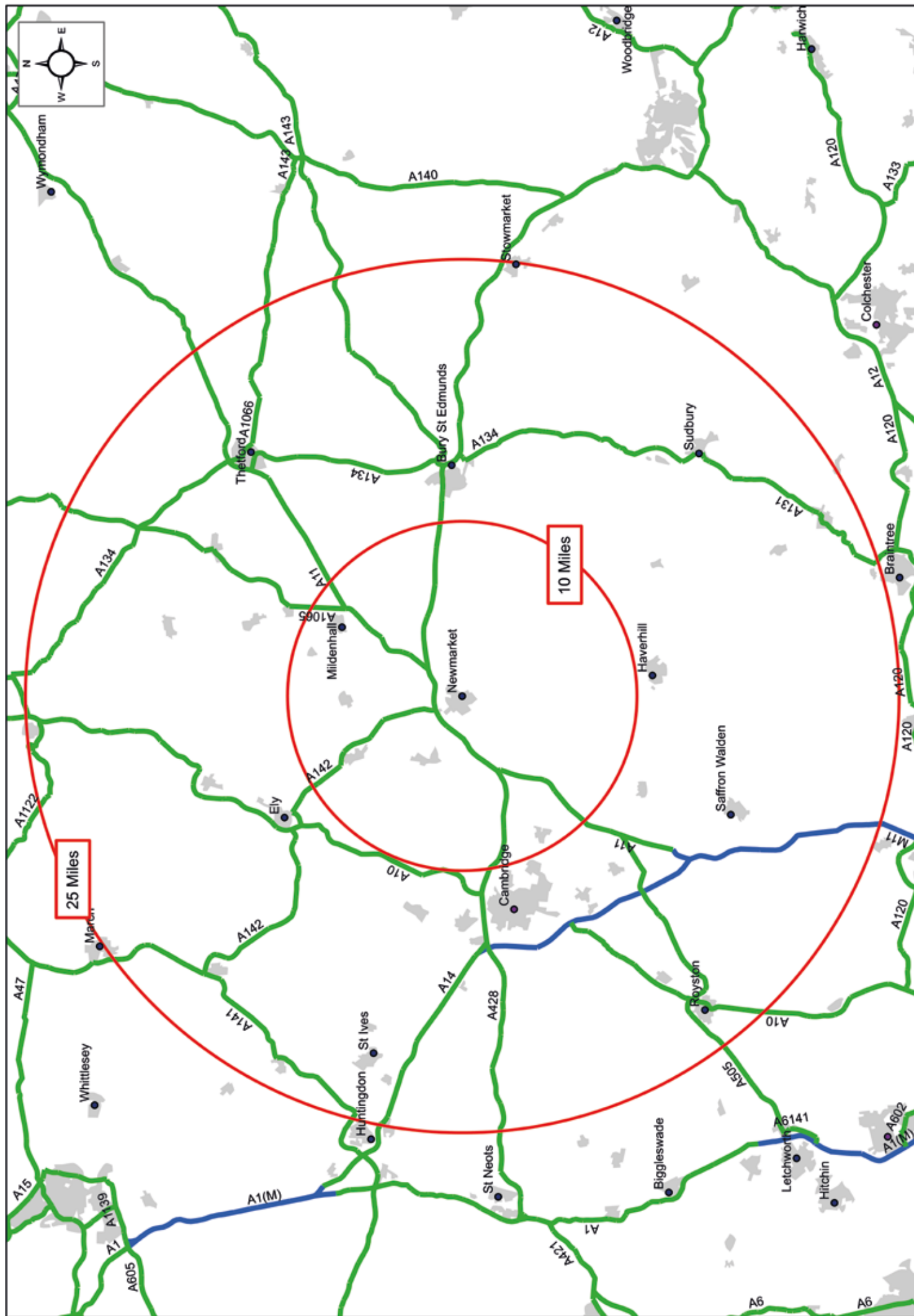
For the trainers and stud farms who responded to the questionnaire we have used the actual data they provided to compute their local expenditures. There is imprecision in these data as they are based on respondents' estimates in terms of a percentage and we appreciate that this will have been difficult to compute. Much of their local expenditure is likely to be on services with a fairly high labour content (and a low leakage from the local economy). Despite this, in estimating the contribution from further rounds of expenditure, we have made the conservative assumption that there will be a leakage from the area of 80%, i.e. the firms from which trainers and stud farms buy goods and services will only make 20% of their total purchases within the 25 mile area. This gives a multiplier, calculated by summing the second and subsequent rounds of 1.25. We also apply this multiplier to the proportion of expenditure on capital projects which goes to local firms.

The data on wages paid to employees are accurate and reliable, as a record has to be kept for National Insurance (NI) purposes. Our questionnaire returns included employers' NI contributions which (based on an assumed average wage cost of £20,000) will account for approximately 8.5% of the figures given for wage costs. This we have deducted from the totals for the direct cost of wages. In estimating what proportion of resultant total wages is spent in the Newmarket area we have first deducted 20% to allow for employee's national insurance contributions, personal taxation and savings. From an examination of average expenditures shown in the household expenditure survey, we estimate that 60% of the remainder is spent locally. This means that 48% of the total wage bill accruing to staff living within 10 miles of Newmarket is spent in the local area.⁵

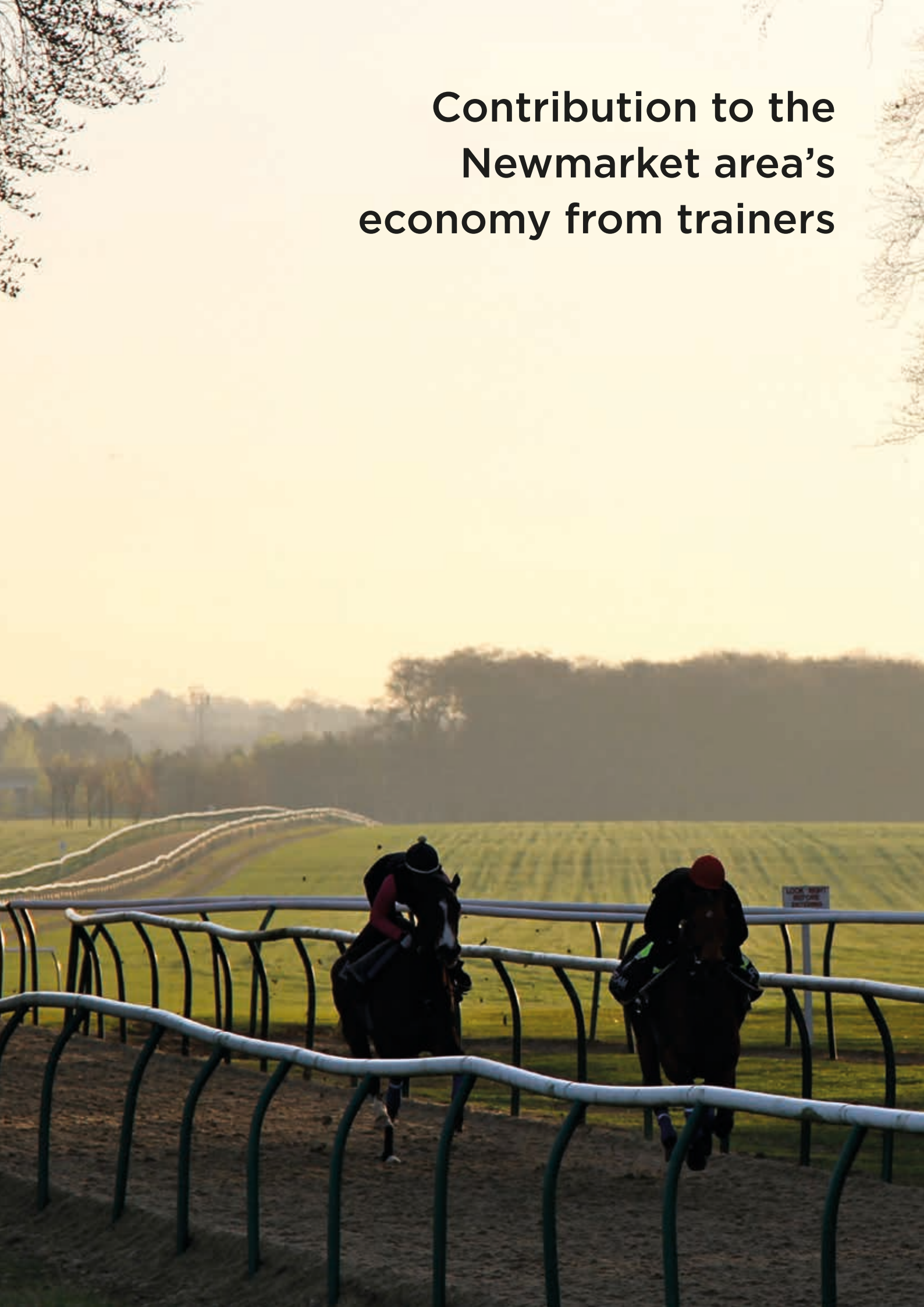
Bounds of the study area

A radius of 25 miles was considered as the extent of the equine cluster around Newmarket, as it includes the major stud farms near Royston and Thetford. When considering how near to Newmarket staff live a 10 mile radius was used, which stops short of Bury St Edmunds, Cambridge, Ely and Haverhill. Even if they work in or near to Newmarket, staff living further than 10 miles from the town are likely to make at least a proportion of their day-to-day purchases elsewhere.

⁵ We have taken this as the total induced effect and not iterated for further multiplier effects as we do not have a reliable basis on which to estimate the share of wages in the various firms where staff spend their wages.



Contribution to the Newmarket area's economy from trainers



Introduction

A typical racehorse trainer, who is operating commercially, will be based at a relatively compact “yard” which is within riding distance of the training areas provided by Jockey Club Estates. Most, but not all, of the horses in the yard will be in regular training in preparation for entry into races – whether in Newmarket or at other courses around the UK or overseas. A small proportion of the horses may be owned, or partly owned, by the trainer but most will be owned either by individuals or syndicates from outside the local area or by local stud farms. To avoid double-counting, our calculations of impact have excluded payments to other trainers and to local stud farms. Trainers will send horses which need rest and recuperation (“spelling”) to stud farms where they can be put out to pasture and typically incur lower costs.

Calculation of economic contribution

Trainers responding to the questionnaire

For the trainers who responded to the questionnaire we have used the actual data they provided as the basis for calculating their contribution to the local economy. From their answers we have specific information on the direct component (wages), and the indirect component, i.e. purchases from within a 25 mile area from Newmarket. To these figures we apply the multipliers discussed in section two. However, for the induced component we have made a downward adjustment for staff living more than 10 miles distant (whose local expenditures are assumed to be only half those of their more local colleagues).

Grossing up for non-respondents

We need then to make an estimate for the trainers who did not respond to the survey and we used data from the replies we did receive in order to do this. From the questionnaire replies we calculated two

figures as the basis for estimating the contribution from non-respondents – local expenditures per horse and wages per horse in yard in Newmarket. The following estimates were derived from the replies and applied to the non-respondents based on the average number of horses they had in yard in Newmarket during 2012⁶:

- for trainers with up to 40 horses
 - wages per horse £6,000
 - local expenditure per horse £7,200
- for trainers with 41 or more horses
 - wages per horse £10,900
 - local expenditure per horse £8,000.

Estimated total economic contribution

When the actual data from respondents are added to the estimated amounts for non-respondents, the overall totals are:

Direct contribution (wages bill less 8.5%)	£41,657,000
Indirect contribution (local expenditure)	£28,131,000

With multiplier adjustments, as discussed above, the economic contributions are:

Direct contribution	£41,657,000
Indirect contribution (£28,131,000 x 1.25)	£35,164,000
Induced contribution (£41,657,000 x 0.48)	£19,995,000

This sums to an estimated £96,816,000 though it would be safest to see this figure as the central estimate rather than a precise figure.

⁶ This is the closest fit with the financial data.

Employment

The trainers who returned questionnaires employed 1,133 full-time staff and 75 part-time staff from which we estimate 1,170 are Full Time Equivalent jobs (FTEs). To gross up for non-respondents, we have calculated ratios of horses in yard per FTE and taken a conservative average of two horses per employee. On this basis we estimate that trainers who did not respond to the survey employed a further 850 FTEs.

- The total number of Full Time Equivalent jobs provided by trainers is, therefore, calculated as 2,020⁷.

⁷ As with expenditure, it is usual to apply a multiplier in order to estimate the total employment contribution. This is explained and applied in the overview section of the report in which the various strands of economic contribution are drawn together.

**Contribution to the
Newmarket area's
economy from stud farms**



Introduction

Within the overall category of stud farms there are very significant differences between establishments, which the following paragraphs summarise. Most of the larger stud farms make significant payments to trainers and/or other stud farms and, to avoid double counting, we have excluded this from estimates of local expenditure. As mentioned in section two, our survey returns included three from stud farms which are on the periphery of the survey area. In consequence, very few of their employees live within 10 miles of the town and the contribution that these three make to direct effects are quite small.⁸ All three gave data on their payments to local vets and two of them also reported on payments to trainers and other firms within the cluster area. These data indicate a significant connection with the cluster despite being located on the geographical fringe.

Major stud farms with standing stallions

These are the largest stud farms in a business sense and they are absolutely crucial to the overall well-being of the equine cluster. Their stallions earn fees both from mares permanently based in the Newmarket area and from mares which are brought to Newmarket from elsewhere in the UK and from overseas, specifically to be 'covered by' (bred with) one of the stallions. The major stud farms will also have their own mares and from these produce a large number of foals each year, many of which are sold through Tattersalls, typically as yearlings.

Some of the progeny will be retained and put into training in Newmarket. In time, race fillies may return to the stud to become broodmares but colts with the potential to be future stallions typically

have to demonstrate their potential on the racecourse. Those that are strong performers are very often retained and stood as stallions – 21 of the 40 stallions within the survey area are home bred. Top stallions are not often sold and those that are will typically be through a private deal.

The major stud farms will, in consequence, either have their own training yard and/or employ the leading trainers to get the best from their 'elite' horses. Two of the leading trainers replying to our survey had earnings from stud farms of more than £1 million and a further two earned more than £500,000.

Commercial boarding stud farms

The major stud farms are also of great importance for boarding stud farms. Many of the mares that come from further afield to Newmarket to be covered by local stallions will be boarded on these stud farms. To have the best chance of a successful pregnancy a mare will typically be sent to a local boarding stud in early February for the start of the breeding season and stay for approximately six weeks after covering (success can be confirmed after 40 days).

Tattersalls' sales provide another source of business, with horses arriving on studs for sales preparation in order to ensure they are in peak condition. After horses have been through the auction they are often kept on boarding studs prior to travelling to their next career or export.

In addition to this short term boarding business, many of the commercial boarding stud farms will have some of their own horses and of these some will be in training. Half of the commercial stud farms responding to the survey recorded payments to local trainers. Another important source of income comes from permanent boarders, and the stud farm will often have a long-established relationship with their owners. Finally, some business will come from "spelling" for trainers who wish to give their horses a rest from the

⁸ Two of them are, however, major establishments and they will make a significant contribution to economic life in and around Thetford and Royston.

Despite the complexities of grossing up for non-respondents, the dominance of a small number of major establishments means that our estimates are robust

rigours of the training regime; perhaps to recover from injuries in lower cost accommodation. There are a few specialised spelling farms which also offer this service.

Other stud farms

There are two further types of stud farm:

- small stud farms which may or may not have a strong commercial focus
- private stud farms, whether small, medium or large in size, which meet the needs of their owner and probably a small number of friends or family members.

Calculation of economic contribution

There is no convenient single metric through which to classify stud farms. With guidance from the Newmarket Stud Farmers' Association Ltd. (NSFA) we have derived a classification using three indicators: acreage; number of boxes; and the user categories in Newmarket's equine scheme. The stud farms were grouped into five categories and the numbers sent the questionnaire survey and numbers responding were as follows:

- seven major local stud farms with standing stallions – seven responses (two incomplete)
- eight large (commercial) boarding stud farms – three responses
- 23 medium (commercial) boarding stud farms – five responses (one incomplete)
- 12 small stud farms – two responses
- seven largely private stud farms (three large, two medium, two small) – no responses.

Stud farms responding to the questionnaire

For the stud farms that responded to the questionnaire we have used the actual

data they provided as the basis for calculating their contribution to the local economy. From their answers we have specific information on the direct component (wage bills less 8.5%), and the *indirect* component, i.e. purchases from within a 25 mile area from Newmarket. To these figures we apply the multipliers discussed in section two. However, for the induced component we have completely excluded staff living more than 10 miles from Newmarket; as for many of these staff their places of work, as well as their places of residence, may be some distance away from the town.

Grossing up for non-respondents

We need then to make an estimate for the stud farms that did not respond to the survey and to do this we used data from the replies we did receive. From the survey responses we calculated, for the large, medium and small stud farms (using employment as an indicator of size), two figures: local expenditure per employee and 'local' wages per employee. As the stud farms are located further from Newmarket than the trainers' yards, we assumed that staff living more than 10 miles from Newmarket should be fully excluded from the calculation of direct economic contribution and we assume that 5% of employees are non-local. So the wage bill per employee used for grossing up has been reduced by 5%. These are the figures used for grossing-up:

- large boarding stud farms - £25,000 local expenditure per employee and £16,150 'local' wages per employee
- medium-size boarding stud farms - £23,500 local expenditure per employee and £16,150 'local' wages per employee
- small stud farms - £10,000 local expenditure per employee and £14,250 'local' wages per employee
- private stud farms too have been assumed to incur these expenditures (depending on their size) but in all

cases the amounts have been reduced by one third to take account of the likelihood that their assets will be worked less hard.

Based on survey returns, it is further assumed that: the five non-responding large boarding stud farms will have a total of 42 employees; the 18 non-responding medium-size boarding stud farms will have a total of 62 employees; the 10 non-responding small stud farms will have a total of 22 employees; and the seven non-responding private stud farms will have a total of 22 employees.

Estimated total economic contribution

When the actual data from respondents are added to the estimated amounts for non-respondents, the overall totals are:

Direct contribution (wages bill less 8.5%)	£25,118,000
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Indirect contribution (local expenditure on goods and services)	£35,193,000
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With multiplier adjustments, as discussed above, the economic contribution comprises:

Direct contribution	£25,118,000
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Indirect contribution (£35,193,000 x 1.25)	£43,991,000
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Induced contribution (£25,118,000 x 0.48)	£12,057,000
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This sums to an estimated £81,166,000 though it would be safest to see this figure as the central estimate rather than a precise figure.

The robustness of our assumptions for non-respondents

It may, quite reasonably, be argued that our assumptions on the employment levels at non-respondents are speculative and subject to possible wide margins of error.

To a lesser extent the figures used for calculating local expenditure and local wages may also be questioned. In reality, however, these concerns should not be extended to the overall estimates of economic contribution. This is because the high response rates from the largest establishments mean that:

- for the local expenditure on goods and services, 86% of the total comes from actual data provided in the questionnaire returns (and a further 5% is calculated from actual, rather than assumed, employment numbers)
- for the local wages, 91% of the total comes from actual data provided in the questionnaire returns.

Employment

The stud farms that returned questionnaires employed 622 full-time staff and 88 part-time staff, from which we estimate 666 Full Time Equivalent jobs (FTEs). We estimate that those that did not respond employed a further 148 FTEs.

- The total number of Full Time Equivalent jobs provided by stud farms is, therefore, calculated as 814.⁹

⁹ As with expenditure, it is usual to apply a multiplier in order to estimate the total employment contribution. This is explained and applied in the overview section of the report in which the various strands of economic contribution are drawn together.

Horseracing Institutions



Jockey Club Estates owns some 2,500 acres of training grounds which provide vital facilities for trainers

Introduction

The three major horseracing institutions discussed below – the British Racing School, Jockey Club Estates and Tattersalls – all provide facilities and services used by trainers and stud farms. It might, therefore, be supposed that to include the employment and income arising from their activities would lead to double counting. This is, to some extent, an issue and we have made consequent adjustments which are noted in this section. However, the proportion of their income which comes direct from horse owners has not been included in the economic contribution shown in sections three and four.

In order to preserve confidentiality we have aggregated the data on expenditure provided by these organisations.

The British Racing School (BRS)

Prior to the establishment of the BRS in Newmarket there was a temporary jockey training centre at Goodwood. The opportunity to move into Newmarket came from the construction of the A14 dual carriageway which cut through the Chippenham estate and left 120 acres somewhat isolated. Newmarket was the obvious location as it was seen as the centre of British racing.

The School is a charitable organisation with annual running costs of approximately £3 million. Its major activity is the delivery of training courses funded, principally, by the Government through the Skills Funding Agency and the Education Funding Agency. In respect of the Stable Staff Foundation Course the racing industry makes a contribution, which comes from a deduction of trainers' prize money topped up by the Horserace Betting Levy Board. The other major sources of income come from the provision of other courses and the BRS' conference and events business. There is a comprehensive description on the BRS website <http://www.brs.org.uk>.

Over recent years the BRS has become a more diversified business. It has seen growth in training income from overseas customers and growth in its conference business. However, its main purpose is to provide the training needed by the UK racing industry. Although some training is undertaken for local trainers and stud farms most trainees come from further afield. Therefore, Residential accommodation is provided for trainees. In this respect the School is currently operating at full capacity and it intends to invest in more accommodation. There is a special training initiative involving local schools in which 15 and 16 year olds can enrol to spend one day a week on a foundation course.

There are presently 70 horses at the School and the inputs of goods and services required are similar to those needed by trainers (with the exception of transport) and most are sourced locally; as are repairs and maintenance, vehicles and vehicle maintenance. Capital projects have to be funded through charitable donations and vary quite widely from year to year in both scale and the proportion of expenditure which goes to local firms.

- BRS employs 31 FTE staff (23 full-time and 16 part-time) 90% of whom live locally. Catering contractors employ eight additional staff.

Jockey Club Estates (JCE)

Jockey Club Estates own some 2,500 acres of training grounds which encircle the town and provide vital facilities for trainers and some stud farms; only the very largest trainers have their own facilities and even these also make use of the 'shared asset'. A monthly fee is payable for access to the training grounds and an additional premium for the special gallops. Fees are paid by the horse's owners and whilst some of these are local, and included in the impacts quantified in sections three and four, most are not. To avoid double counting in the calculation of local impact, we have assumed that one quarter of JCE

Tattersalls' sales are the most important in Europe and attract important international business to Newmarket

The British Racing School and the National Stud provide a range of training and education programmes

revenue is accounted for by the local expenditures of local stud farms and trainers which have been included above in sections three and four.

The Jockey Club Rooms premises in Newmarket comprise of the 'Club' rooms, which are let for private functions when not reserved for members at the time of race meetings or sales. A further source of income comes from 18 bedrooms, which are let similarly. In addition to its land JCE has a property portfolio in Newmarket and owns the National Stud and the racecourses.

- JCE has 52 FTE staff in Newmarket and 87% of them live within 10 miles of the town.

The National Stud

Employment and expenditure data for the National Stud are aggregated within data shown in section four. Their activities are considerably more varied than other stud farms, including visits for tourists and training, which includes:

- a diploma course from February to end of June with an intake limited to 24 by the number of rooms (with en suite) in Westbrook House
- a basic, pre-apprenticeship training course of two month duration which is Government funded via the BRS
- various short courses using the lecture room and, when available, the residential accommodation.

For tourists, including visitors to race meetings, the National Stud has a coffee shop (with parking for coaches) and it offers visitor tours from mid-February to the end of September. There are two tours daily for each day in the week and additional tours to support the October race meetings. Concern to avoid disruption to the Stud's operation make it unlikely that this pattern will be changed, which means that tours will be capped at around 20-22,000 visitors per annum.

- Within its overall staffing, four of the full-time staff are employed for education activities and one for tourism. In addition there are 11 part-time tour guides and two part-time coffee shop staff.

Tattersalls

Tattersalls is an integral part of Newmarket's equine cluster; its sales are the most important in the Europe. Horses come to the sales from across the UK, including a proportion from local trainers and stud farms (especially for the horse in training sale). Tattersalls moved all its sales to Newmarket in the late 1950s because of the concentration of local businesses focussed on horses. The timing of the sales are favourable for other Newmarket businesses, as the main period is from October onwards; an otherwise relatively quiet period for trainers, stud farms and hotels/restaurants (until the start of their Christmas season).

In its financial year 2012/13 Tattersalls' sales totalled more than £222 million and it has been estimated that around £150 million of this was accounted for by overseas buyers from as many as 50 different countries (although some of these horses will be trained and raced in the UK). Over the years, Tattersalls has built a strong reputation for efficiency and probity. The commission it charges are the lowest outside the USA and it has made substantial investments to upgrade the Newmarket facilities; more than £5 million between 2009 and 2012. A relatively high proportion of contracts for construction work and revenue repairs is won by local firms (Tattersalls has stabling for 850 horses).

By far the major part of Tattersalls' income comes from the sales, in which an entry fee and vendors' commission are charged.¹⁰ It is not possible to obtain an accurate

¹⁰ Additional income comes from functions business such as weddings, corporate events and fine art auctions.

estimate of the proportion of Tattersalls' income that comes from local stud farms and trainers and has already been included in their local expenditures shown above in sections three and four. This is partly because local horses may be entered in the sales by specialist consignors based outside the local area. As with the calculation for JCE we have assumed, conservatively, that one quarter of Tattersalls' revenue comes from local stud farms and trainers.

- Tattersalls employs 45 full-time permanent staff and during the sales period up to 150 temporary staff and our calculations are based on the estimate that 80% of them live within 10 miles of Newmarket.

Associations and racing charities with national coverage

There are several bodies in Newmarket which, although based in the town, serve a wider community; although we estimate that two thirds of their income comes from trainers and stud farms in the Newmarket area. We have noted the following:

- Astley Club
- European Breeders' Fund
- Federation of Bloodstock Agents
- Injured Jockeys' Fund
- International Racing Bureau
- Racing Welfare
- Thoroughbred Breeders' Association.

Information on their local employment was provided by five of the seven and, with a small addition for the two non-respondents, we estimate that in aggregate they have:

- 40 full-time staff and 12 part-time staff or 46 FTEs and that 70% live within 10 miles of Newmarket¹¹.

Economic contribution

Aggregate data for the horseracing institutions are as follows:

direct contribution (local wages)	£4,696,000
indirect contribution (local purchases)	£2,299,000

With multiplier adjustments, as discussed above, the economic contributions are:

direct contribution	£4,696,000
indirect contribution (£2,299,000 x 1.25)	£2,874,000
induced contribution (£4,696,000 x 0.48)	£2,254,000

This sums to a total of £9,824,000.

Employment

The employment figures shown above need downward adjustments to account for income received from local stud farmers and trainers. When these are made the attributable employment is estimated as 119 FTEs (excluding the temporary staff employed by Tattersalls).

¹¹ We have estimated that 50% of the income from these organisations comes from local studs and trainers and included only 32 FTEs as an attributable contribution. As we do not have data on local purchases no provision for these is included in our estimate of indirect contribution.

Scientific and Veterinary Organisations



Newmarket has world renowned leaders in veterinary practice and science

Newmarket's vets employ just over 200 staff and earn a third or more of the income from outside the cluster

Introduction

There are three large veterinary practices in Newmarket and two major scientific laboratories in the local area, which have significant connections to the horseracing cluster. These are recognised as world renowned leaders in the field of equine veterinary practice and science. Each of them derives some income from local studs and trainers; for the vets the proportion is high. For reasons explained below, the extent to which employment and local income generated by the Animal Health Trust and Quotient Bio-Research can be attributed to the equine cluster is open to debate.

Veterinary practices

Newmarket can claim to be the Harley Street for the treatment of horses. Each of the two larger veterinary practices has an equine hospital with treatment and laboratory facilities. These attract custom from across the UK and some work from overseas. Newmarket-based vets and surgeons also travel to clients beyond the local area again including clients overseas. Work outside the UK includes attendance at the major European sales. For both these and, importantly, the Tattersalls' sales a "vetting" service is provided which essentially is a due diligence process leading to a certificate of suitability.

Vets are recruited internationally, partly in response to the requirements of owners who can be demanding as to who treats their horses. The most recently established practice first came to the area from their base overseas, at the request of an owner, to give a second opinion on a suspected fracture. The relationship they developed with the Newmarket trainer seeded the development of their local business.

Veterinary services are of vital importance for both trainers and stud farms. For the breeding industry in particular, veterinary expertise helps to secure a high fertility rating for stallions. The vets in turn benefit from the large number of clients in and

around Newmarket. The economies of scale which these provide mean that, although Newmarket is reputed to be an expensive place for training horses, veterinary fees are relatively good value compared to national averages. This, together with a reputation for quality, has helped increase levels of national and international business.

We have information from stud farms and trainers on their veterinary expenditures (although there will be some additional payments for Newmarket-based horses which are made directly by their owners) and also information from two of the three vets – which can be scaled up using an estimate of turnover per vet. A comparison of these figures provides an approximate cross check on the accuracy of the survey responses provided by trainers and stud farms and they are, in fact, reassuringly consistent.

We estimate that two-thirds of the total income of the veterinary practices comes from the local cluster and that, therefore, one third of the employment they provide locally is additional to that already computed above in sections three and four.

- Employment at the veterinary practices was 200 full-time staff and 13 part-time staff or 206 FTEs.
- One third of these, i.e. 68 FTEs, contribute additional impact and 80% live within 10 miles of town.
- Assuming an average wage of £25,000 (excluding NI) gives a direct economic contribution of £1,700,000.

We do not have accurate figures for vets' local purchases of goods and services but those with the two equine hospitals will purchase a similar range of goods and services as do trainers in respect of the resident horses. The two hospitals have a combined capacity for 145 resident horses and, on the assumed basis of 70% occupancy, this is equivalent to a training yard with 102 horses. Based on information from a similar business we estimate local purchases of £2,750 per

horse giving a total of £280,500. There will be some further local purchases for other aspects of the business but we have not felt competent to estimate an amount for these.

- With an allowance for the local multiplier, the indirect economic contribution is $(£280,500 \times 1.25) = £351,000$
- The induced economic contribution, calculated on the same basis as that used for trainers in section three, is calculated as $(£1,700,000 \times 0.9 \times 0.48) = £734,000$.

Animal Health Trust

The Animal Health Trust (AHT) is a scientific research charity which undertakes research and provides scientific services through its equine centre. AHT has advanced equipment and a containment unit designed to comply with level 3 requirements. It undertakes important and unique research into infectious diseases including equine flu, equine herpes and strangles as well as inherited diseases.

Work undertaken for the horseracing industry includes:

- the verification of thoroughbred foals through a DNA test. This covers about 5,000 foals annually (in 2013 Newmarket studs produced 1,847 foals according to NSFA data)
- diagnostic services such as analysing swabs taken from mares prior to breeding and infectious disease diagnostics
- infectious disease research.

Work undertaken for the local equine cluster has reduced since the two equine hospitals opened and the balance of AHT activities is changing. In the context of modest overall growth, the overall current and likely future picture is of:

- growth in genetic services

- growth in equine genetics, infectious disease and orthopaedic research
- modest growth in contract research
- modest growth in the small animal clinic
- a relative decline in equine orthopaedic clinical work and modest growth in other areas.

Whilst the AHT is in Newmarket because of the equine cluster (in the 1940s, based on Snailwell Road, it was the Veterinary Educational Trust) it is not reasonable to attribute all its economic contribution to the cluster. Moreover there will be some potential double counting in relation to services provided for local stud farms and trainers. AHT has a staff of 230 FTEs and we estimate that, after an allowance for double counting, 30% of these can be included as part of the equine cluster and, as with the veterinary practices, 80% can be assumed to live locally. Assuming an average wage of £25,000 (excluding NI) gives an attributable wage bill of £1,725,000:

- the direct economic contribution is, therefore, £1,725,000
- the induced economic contribution is $(£1,725,000 \times 0.9 \times 0.48) = £745,000^{12}$.

Quotient bioresearch

Although the historical reason for Quotient being based in Fordham traces back to the equine cluster, its activities are now very diverse; described on the website as:

provider of early stage and specialist drug development services to life science clients worldwide. We provide tailored solutions for pharmaceutical, biotechnology and agrochemical clients, using state-of-the-art

¹² As the AHT works with thoroughbred samples rather than the horses themselves, we have not included an estimate of indirect impact arising from the purchase of goods and services from local suppliers.

technologies underpinned by unparalleled medical, chemical and biological expertise.

Quotient is now part of the LGC (formerly Laboratory of the Government Chemist) and is its largest site after the Teddington HQ. Some 260 people are employed at Fordham and 55 of these work directly on sport tests, of whom approximately two thirds (say 35) focus on equine tests (the British Horseracing Authority (BHA) being the main client). Taking the same assumptions on wages and local residence as for the AHT, gives an attributable wage bill of £875,000:

- the direct economic contribution is, therefore £875,000
- the induced economic contribution is $(£875,000 \times 0.9 \times 0.48) = £378,000$.

Other providers of goods
and services



There are 57 registered farriers within 10 miles of Newmarket (excluding apprentices)

Introduction

In addition to the substantial organisations discussed above in sections five and six, we had discussions with a range of businesses providing goods and services to stud farms and trainers. Most of these discussions were face-to-face, although some were undertaken through a structured and more limited telephone interview. Through them we obtained information on the business itself and how it contributed to the cluster. We also asked what proportion of revenue was earned outside the cluster. In practice their economic contribution is mostly captured by the multiplier applied to the purchases of goods and services by the firms and organisations discussed in the preceding four sections (or the section below on tourism).

During our discussions we asked about local suppliers and the list below shows the variety that interviewees mentioned. It is difficult to provide precise data without breaching confidentiality, but the two exceptions which generated attributable benefit beyond that already quantified through application of the multiplier were the specialist equine retail outlets and horse transporters.

In our interviews the following were identified as providing goods and service:

- bloodstock agents
- builders for maintenance and capital projects
- catering contractors
- cleaning contractors
- contractors to spray/aerate paddocks
- equine photographers and marketing firms
- farriers
- feed suppliers
- fencing contractors
- fertiliser and grass seed suppliers
- forage and hay suppliers

- horse transporters
- insurance specialists
- IT support services
- machinery suppliers
- muck/bedding removers
- security companies
- solicitors
- straw/bedding/shavings suppliers
- stationery suppliers
- tack and other equipment suppliers and repairers
- vehicle supply and maintenance.

In the remainder of this section we offer brief comments on some of the more interesting activities, in order to illustrate the variety of business opportunities which the equine cluster provides.

Farriers

Farriers typically pay daily visits to trainers and stud farms for hoof trimming, shoeing and precautionary inspection. If hooves get out of shape this puts pressure on the horse's leg and can lead to lameness; which accounts for a high proportion of call outs to vets. Racehorses have an average of six shoes per month when in training, but mares, foals and yearlings on stud farms are only shod for remedial reasons and typically have their hooves trimmed once a month.

Farriers based in Newmarket are highly skilled and, consequently, cover a wide area. This extends to Newsells' stud farm near Royston, North Hertfordshire, and, further afield than this, an expert Newmarket farrier may well be asked to act in a consultant capacity. The typical arrangement is for farriers to work as independents and have long-term relationships with a small number of trainers and stud farms. A mix of clients can be helpful as trainers require morning visits but stud farms can be done in the afternoon. The larger training yards may well require a farrier all day, but only one

Newmarket trainer employs their own farriers.

The Farriers Registration Council lists 57 farriers within 10 miles of Newmarket not including apprentices training locally.

Feed suppliers

Much of the feed supply comes from major firms outside the area covered by this study; notably Baileys Horse Feeds at Braintree and Dodson and Horrell near Kettering. There are, however, smaller suppliers and producers within the cluster which specialise in feed for thoroughbreds and there are local millers who source their inputs locally. A few of the largest stud farms also mill their own oats. Up to 80% of feed ingredients can be sourced from the local area, although they can also come from further afield (for top quality oats there is competition from human food suppliers such as Jordans at Biggleswade). For a brood mare or a horse in training, imported soya oil and maize account for about 10% of the mix and molasses (used for coating mixes) is also imported.

As for many others in the cluster feed suppliers experience fluctuating levels of demand during the year. During the breeding season from January to May when the stallions are standing, an additional 1,000 mares may be based within the cluster and there are also demand peaks around Tattersalls sales.

Whilst local feed suppliers are not major employers, the two we spoke with together employed fewer than 10 people, they provide specialist dietary advice locally and contribute to educational courses.

Forage and hay suppliers

A horse in training will require about two tons of main crop hay per year and four tons of bedding. Just for trainers in Newmarket that means delivering some 6,000 tons of top quality hay and 12,000 tons of straw and rape straw and removing a similar amount. There are still farms in

the area that supply hay and haylage to trainers and stud farms, typically on the basis of a longstanding relationship. However, a number of farmers have ceased to do so on account of the labour and cost involved in storage and delivery. In June, there may be a seven month stock of hay to cope with.

A greater number of local farms supply straw to the cluster although this too is traded nationally and one local firm takes straw to the West Country and brings hay back as a return load. Hay is also imported from overseas, some from as far away as North America. Oat straw is sent out of the area and a proportion comes back as roughage in feed.

Perhaps the most relevant point for local farmers is not the quantity that is actually supplied today to the equine cluster but the fact that there is the opportunity to supply local customers should they so wish. Current crops may become relatively less attractive in future – whether as a result of market prices, transport costs or regulations governing pesticides and fertilisers. As with the agricultural sector generally, employment numbers are low in hay and forage production and supply but, on a per acre basis, they are in the region of twice as labour intensive when compared with a large arable farm.

Horse transporters

The 2012 Directory of the Racehorse Transporters Association (RTA) lists 20 members within the 25 mile radius of Newmarket and most of them are in or close to the town. Three of them are stud farms, one is a trainer and one an Association, but the others operate as independent businesses.

We spoke with five of the RTA's Newmarket members and one sole trader who is not a member. They employ in total 45 full-time staff and 18 part-time staff; an FTE total of 54. If representative of the RTA membership as a whole, this would suggest employment in local horse transporters of 160 FTEs. However, we believe that our

interviews were with some of the larger businesses and that 100 FTEs would be a more reasonable estimate.

There is considerable variation in the activities undertaken by these businesses. Some rely almost entirely on local trainers and stud farms but for others 80% or more of their business comes from non-local customers. Our working estimate is that of the 100 FTEs 35 are attributable to purchases by customers located outside our study area. If it is assumed that 80% of these live locally and are paid an average wage of £25,000 then the economic contribution is £1,036,000.

Discussions with two firms serving mainly non-local customers emphasised, yet again, the important role that Tattersalls plays in the cluster. The cornerstone of their business is shipment overseas of horses bought at the sales. Aside from proximity to the sales, Newmarket is a good place from which to do this. It offers the necessary facilities and quality skills to look after valuable horses prior to shipment and it has stables that meet pre-export isolation requirements. JCE also allows non-local horses to train on the heath for two weeks or so prior to shipment for races overseas.

We do not have evidence to provide the basis for including the economic contribution from this sub-sector in our overall calculation but the contribution may be non-trivial. One of the firms we spoke with, which relies on non-local customers, indicated annual payments to local transport firms of around £150,000, a similar amount to vets and local purchases of horse equipment and feed totalling £400,000. Other transporters use Marshalls' airport in Cambridge.

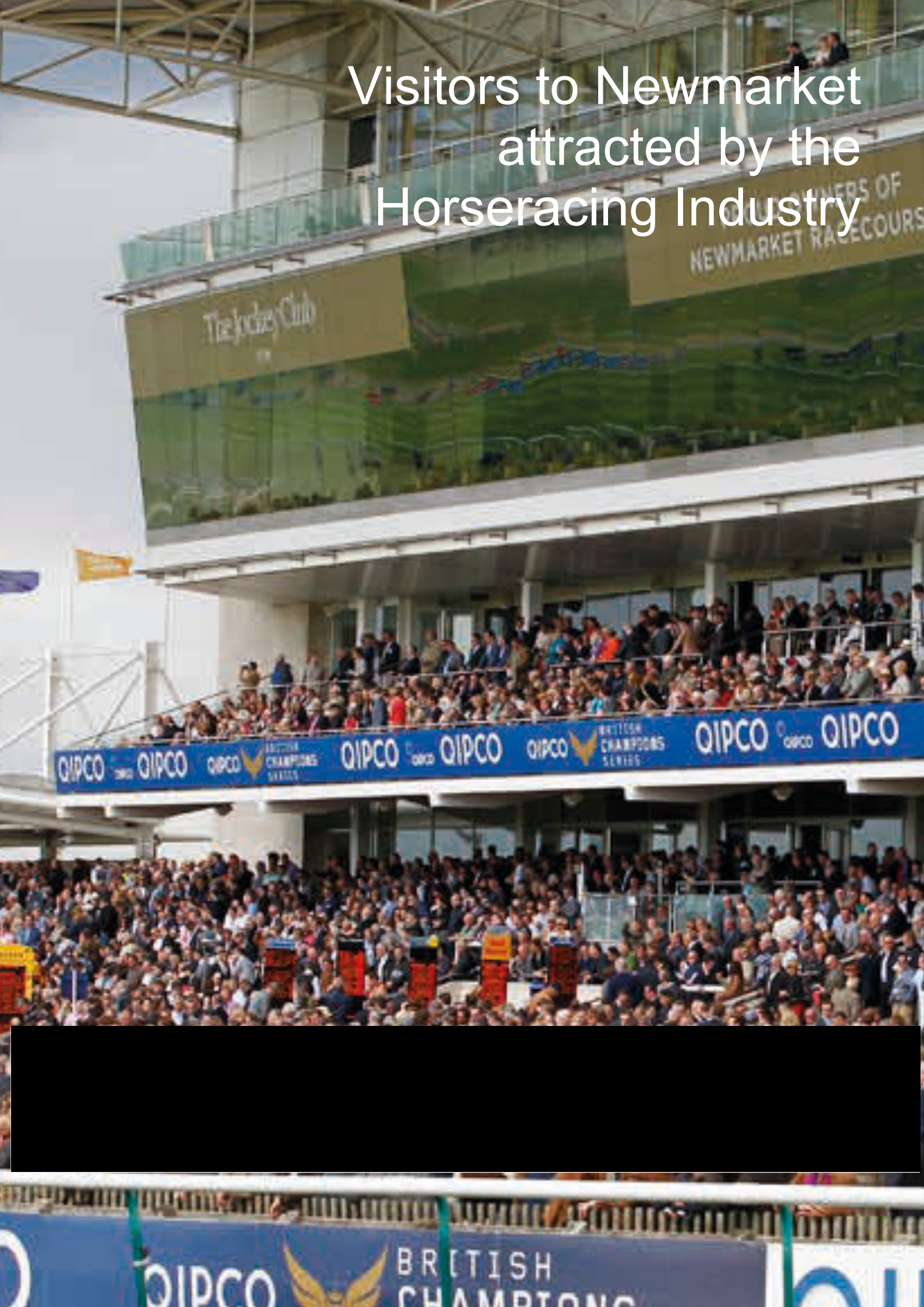
Tack and other equipment suppliers and repairers

Newmarket's two main retail outlets for horse-related equipment and supplies are both located in Newmarket because of the local customer base. Whilst they compete

in certain items each has a distinct niche and together their FTE employment is more than 20. There are only limited local purchases. Much of the ironmongery now comes from China and most leather goods are also imported. Because they offer a wide range of specialist equipment and services, both businesses win more than half their custom from outside the study area and there are additional sales to non-local customers who come to the town for race meetings and, most notably, Tattersalls' sales.

In addition to retail activities, craftsmen are employed who repair saddles and other tack. They also make a limited range of smaller products including clothing such as racing silks, exercise saddles, racing bridles and other bespoke textile products. Other, somewhat smaller, businesses provide similar services and products.

Visitors to Newmarket attracted by the Horseracing Industry



Introduction

The horseracing industry's main attractors are race meetings and the Tattersalls' sales and they attract business in all but two months of the year. In 2013, the racing calendar is as follows:

February 7 th , 8 th	Tattersalls February Sale
April 16 th to 18 th	Tattersalls Craven Breeze Up Sale
April 17 th , 18 th	Race meeting
May 2 nd , 3 rd	Tattersalls Guineas Breeze Up and Horses in Training Sale
May 4 th , 5 th	Race meeting
May 16 th to 18 th	Race meeting
June 7 th , 8 th	Race meeting
June 21 st , 22 nd	Race meeting (music night on the 21 st)
June 28 th , 29 th	Race meeting (music night on the 28 th)
July 9 th to 12 th	Tattersalls July Sale
July 11 th to 13 th	Race meeting
July 19 th , 20 th	Race meeting (music night on the 19 th)
July 26 th , 27 th	Race meeting (music night on the 26 th)
August 2 nd , 3 rd	Race meeting (music night on the 2 nd)
August 9 th , 10 th	Race meeting (music night on the 9 th)
August 16 th , 17 th	Race meeting (music night on the 16 th)
August 23 rd , 24 th	Race meeting
September 21 st	Race meeting
September 26 th to 28 th	Race meeting
October 5 th	Race meeting
October 12 th	Race meeting
October 8 th to 11 th	Tattersalls Yearling Sale
October 14 th to 18 th	Tattersalls Yearling Sale
October 23 rd	Race meeting
October 28 th , 29 th	Tattersalls Autumn Horses in Training Sale
November 1 st	Race meeting
November 25 th	Tattersalls December Yearling Sale
November 27 th to 30 th	Tattersalls December Foal Sale
December 2 nd to 5 th	Tattersalls December Mare Sale

The importance of both the race meetings and the Tattersalls sales varies. The most important sales are in October, November and December. Attendances at race meetings are highest in June, July and August. However, they all bring significant numbers of people to the town and to understand their impact we had discussions with the racecourse, hoteliers and retailers.

Newmarket stages more Flat racing fixtures on turf than any other racecourse, attracting some 340,000 people

Newmarket Racecourses

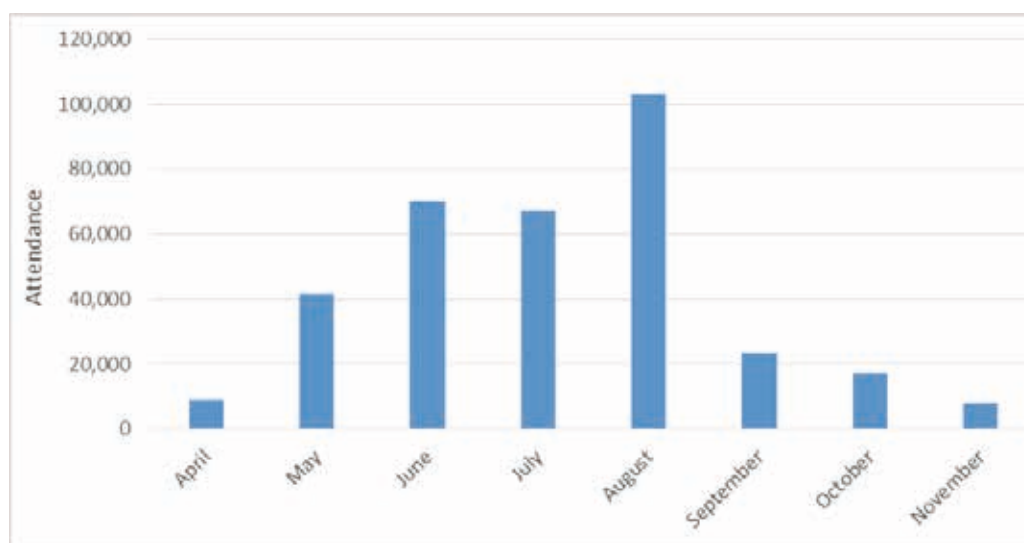
Thanks to the two racecourses, the Rowley Mile and the July Course, Newmarket is able to stage more days Flat racing on turf than anywhere else in the UK. Newmarket stages two of the country's five Classic races, the QIPCO 2000 Guineas and the QIPCO 1000 Guineas (both part of QIPCO British Champions Series), and of the UK's 32 Group 1 races, nine are held in Newmarket.

An important innovation at the July Course is the popular music events, which combine music and horseracing. There are seven Newmarket music nights and two music days. In addition to racing events, both racecourses are year-round event venues, hosting up to 400 events a year – both public and private. These include conferences, dinner dances, private celebrations, exhibitions and business meetings.

In 2012, 339,972 people attended race meetings at Newmarket's racecourses and the racecourses management suggests that whilst at the racecourses these customers spent approximately £11 per head on food and beverages, i.e. a total of £3,740,000. Their other expenditure would have been on travel (including car parking), entry fees, racecards and betting. There are no estimates of what race-goers spend in or near the town.

Attendances at Newmarket's racecourses 2012

April	May	June	July	August	September	October	November
9,159	41,625	70,198	67,327	103,075	23,459	17,078	8,051



Source: Horserace Betting Levy Board

The racecourses' total expenditure in 2012 was £19.5 million. Prize money accounted for some £8.6 million of this.

The racecourses employ 42 full-time staff and some five part-time staff, or 44.5 FTEs and we estimate that 80% of these live locally. Up to 500 additional staff are brought in to help with the running of race fixtures, including work on the days either side of events. These additional staff are recruited through local advertising and word of mouth.

The National Horse Racing Museum and Palace House project

The National Horseracing Museum (NHRM) opened to the public in 1983 and houses a nationally and internationally significant collection of art, objects and photographs relating to the history and science of racehorses and the people and places connected with the horseracing industry. There is a café on site as well as a gift shop for locals and visitors. The museum is a registered charity and today attracts around 13,000 visitors per annum. The

museum's turnover in 2012 was £358,263, a slight increase from 2011 and figures from the shop indicate highest takings in the months of November and December associated with Tattersall's sales. There are 20.5 FTE members of staff working at the museum (2013). 95% of them live within 10 miles of Newmarket.

The NHRM is currently working towards a new project to open a National Heritage Centre in Newmarket by 2016. The aim of the project is to redevelop the Palace House and Palace House Stables to house the Museum (relocating), the Gallery of the British Sporting Art Trust (BSAT), an education centre and a working yard for the Retraining of Racehorses Trust (RoR). The driving force for the project is the Home of Horseracing Trust which has been responsible for fundraising and overall development of the site. The overall management of the site once it is opened however will be the NHRM. The Trust has been granted a 999 year lease on the entire site by Forest Heath District Council at a peppercorn rent. The £15 million capital investment needed for the project has been funded by £4.2 million from the Heritage Lottery Fund, £5.1 million from private sector racing sources as well as both Forest Heath District Council, Suffolk County Council and other private funds.

The Heritage Centre will be a major visitor attraction in both Newmarket and the wider East of England Region. Research from the Association of Independent Museums suggests that the total impact on the local economy is likely to be a minimum of £2 million per annum. Turnover of the Museum is expected to rise significantly when the National Heritage Centre opens in 2016 (£786,059 turnover expected in the first year). The museum estimates that visitor numbers will also rise significantly, somewhere in the region of 40-50,000 visitors per annum.

Visitors in the town

Viewed at a broad level Newmarket is relatively well supplied with hotels. Bury St Edmunds, a town with over twice the population, has eight hotels with 289 rooms compared with Newmarket's nine hotels which have 295 rooms. Ely has only two hotels with 52 rooms. There has also been significant investment activity in and around Newmarket, with major refurbishments and expansion at the Bedford Lodge Hotel and changes of ownership leading to new investment at Paddocks House (formerly Swynford Paddocks) and the Best Western Heath Court Hotel. The Rutland Arms Hotel is purportedly for sale. A new Premier Inn (75 rooms plus a restaurant) was built in the town centre some three years ago.

The contribution of racegoers and people attending Tattersalls' sales or making other equine-related visits is, in numerical terms, quite modest. Two hotels that kindly provided figures estimated a 10% share of room occupancy. The recession has had an impact on business from the race meetings with some long-standing customers reducing their stays from three nights to two. Indeed business from visitors to Cambridge may well match the horseracing industry in terms of occupancy share.

This statement may, however, understate the contribution of the horseracing industry. By way of example Premier Inn's website has two short paragraphs on its home page, the first of which underlines the relevance of racing:

Newmarket Premier Inn and Ormonde restaurant are located in the centre of Newmarket, just over half a mile from the station and less than 1 mile from Newmarket racecourse.

Further substantiation is provided by the room rates quoted by Premier Inn in November, with the 29th being in the middle of Tattersalls December Foal Sale:

• Friday November 7 th & 15 th	£38 (saver rate)	£48 (flexible rate)
• Friday November 22 nd	£36 (saver rate)	£47 (flexible rate)
• Friday November 29 th	£106 (saver rate)	£109 (flexible rate)

The size of this premium is untypically high, but all Newmarket Hotels will increase their rates when there is racing or a sale. Mark-ups vary significantly, but we estimate that they range from 20% to 60%. For purposes of calculation we have taken an average of 30% and assumed that this will be obtained on 50 out of 365 days. Even if some rooms are taken by other types of customer, they will still pay the premium rate.

For occupancy we make an assumption that, on average over those 50 days, the hotels would have achieved 75% occupancy in the absence of horse industry business but that in reality this rises to 100%. Taking an average typical room rate across all the hotels of £80, the racing industry premium will increase this to £104. The contribution which racing makes to room revenue can then be calculated as follows for Newmarket's 295 rooms:

- from increased occupancy £104 x 295 rooms x 0.25 x 50 days = £383,500
- from premium rates £24 x 295 rooms x 50 days = £354,000.

The total of £737,500 refers only to room rates and some additional attributable income will be generated by purchase of food and beverages by the occupants of what would otherwise be unoccupied rooms. If there is average room occupancy of 1.5 persons and each spends a further £10 some £51,000 will accrue bringing the overall total to £789,000.

In terms of employment there is considerable variation in the staffing ratio per room. We estimate an average of 0.7 FT employee per room and the total employment in hotels to be slightly more than 200 (excluding those employed in spas and other ancillary facilities).

- If 10% is attributed to the horseracing industry this means a contribution of 20 FTEs.

It is certainly the case that some overnight and day visitors to Newmarket attracted by the racing industry will spend money in the town. However, no data are available to indicate what proportion of racegoers or sales attendees go into the town and spending patterns are also not documented. There is, therefore, no sound basis for quantifying this aspect of horseracing's economic contribution. Indeed, whilst some specialist shops do report a significant proportion of income from visitors, the Newmarket Retailers Association expressed somewhat negative views, feeling that:

- local people avoid the town on race days because of traffic congestion
- most racegoers stay at the racecourse, Tattersalls sales are largely self-contained events and visitors to the museum come in and out on coaches and don't spend time in the wider town.

Improving the visitor experience

In order to improve the overall level of service in Newmarket there are current efforts to secure "WorldHost" status. This is achieved by a high proportion of staff in hotels and shops being trained using the four modules of the WorldHost programme:

- Principles of Customer Service
- Ambassador Workshop
- Customers with Disabilities
- Service across Cultures.

Two local hotels and a major food store have already been involved, with the training delivered by West Suffolk College, and have reported good outcomes. In another sphere efforts are being made to attract and retain independent retailers in the town and thereby enhance the leisure shopping experience. It is hoped that these initiatives, together with the major new tourism project described above, will encourage more visitors to linger in the town and increase visitor expenditure.

Economic contribution

When data from the racecourses and the National Horseracing Museum are combined with those from hotels the totals are as follows:

Direct contribution (local wages)	£2,156,000
Indirect contribution (local purchases)	£4,500,000

With multiplier adjustments, as discussed above, the economic contributions are:

Direct contribution	£2,156,000
Indirect contribution (4,500,000 X 1.25)	£5,625,000
Induced contribution (2,156,000 X 0.48)	£1,035,000

This sums to a total of £8,816,000.

Employment

Employment of permanent staff totals 85 FTEs. This excludes the casual staff employed on race days by the racecourse, although their cost is included in the total for wages.

**Contribution to the
Newmarket area's
economy from capital
expenditure relating to the
horseracing industry**



In our surveys of trainers and stud farms we asked for information relating to capital expenditure (including property improvements and equipment/vehicle purchase) as follows.

(14) Total capital expenditure (from most recent year)	£
(15) Approximate % of capital expenditure paid to other individuals and firms within the 25 mile area of Newmarket	%

All but three of the 19 trainers indicated an amount of Capex and so did 12 of the 17 stud farms. Taken together they reported spending £17,926,122 of which £15,849,519 was paid to firms and individuals within 25 miles i.e. 84.4%. However, within these totals a very small number of exceptionally large projects dominate. If four of them are excluded the totals reduce to £1,206,122 and £1,001,519 respectively i.e. 83% of purchases within the study area.

This suggests that in any one year capital expenditure totals may well be heavily influenced by a small number of major projects depending, in particular, on the plans of the large stud farms and of other major organisations. With respect to these other organisations the following examples underline the point that the economic contribution from capital projects is likely to vary significantly from year to year.

- In November 2012, the Animal Health Trust opened its £3 million Cancer Centre
- Between 2001 and 2011 Tattersalls spent some £10 million on capital projects but there was not an even annual spread.
- The British Racing School has spent just more than £1 million over the past three years, but a single project accounts for much of this and was

mainly comprised of imported special equipment.

- Constructing and equipping each of the two equine hospitals will have cost in the region of £10 million and for the veterinary practices have been a once in a lifetime capital outlay (they were both completed before our study period).
- The Millenium Grandstand at the racecourse, completed in 1999, cost £16.5 million.
- In 2007 the racecourse invested £10 million in the July Course.
- Jockey Club Estates spent £1.1 million on two capital projects this year but, exceptionally, they were both undertaken by firms located more than 25 miles away.

These figures confirm that businesses and organisations in the racing industry invest significant amounts locally, but they do not greatly help in estimating what level of capital expenditure might be expected in an average year. Rather than include the actual amounts shown for 2012 we suggest it is reasonable to allow £10 million as the norm for capital spending and to assume that 75% of this will go to firms within a 25 mile area.

Depending on the type of project, there will be a wide variation in the proportion of contract cost accounted for by wages. If an average of 30% (excluding NI) is taken then the wages paid by firms within the study area will total £2,250,000. At an average wage of £28,000 this implies a total of 80 jobs. Our estimate of economic contribution is based on half of these jobs being taken by people living within 10 miles of Newmarket.

We believe that local purchases by contractors will be significantly lower than those made by the stud farms and trainers and have assumed local purchases of £2,000,000. The wages content of these local purchases will also be lower than for those made by stud

farms and trainers. We believe, therefore, that a lower multiplier of 1.1 is appropriate.

Economic contribution

The economic contribution from construction is estimated as follows:

Direct contribution (local wages)	£1,125,000
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Indirect contribution (local purchases)	£2,000,000
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With multiplier adjustments the economic contributions are:

Direct contribution (local wages)	£1,125,000
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Indirect contribution (£2,200,000 x 1.1)	£2,200,000
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Induced contribution (£1,125,000 x 0.48)	£ 540,000.
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This sums to a total of £3,865,000 and there are 40 local jobs.

Annex A: Questionnaire for stud farms

Study to quantify the economic contribution of the horseracing industry to the Newmarket area

Questionnaire for stud farms

This questionnaire asks for confidential information, but we have restricted our requests to the minimum needed to provide an accurate estimate of the contribution that horseracing makes to the Newmarket area. **Robust evidence is essential for the industry's needs to be given due weight.**

The answers you give will not be divulged beyond the SQW team and our report will present aggregate data in which individual responses cannot be identified. We appreciate that it may be difficult to quantify payments precisely in terms of whether they are to people and enterprises within or outside the 25 mile radius shown on the enclosed map, but your estimate will be helpful to our computations.

Please note that for all questions we are asking you to answer in relation to your Newmarket operations – i.e. those within a 25 mile radius (see map)

(1) Establishment name:	
(2) Name of person filling in the survey:	

Full-time and part-time jobs in the business

	Full -time	Part-time
(3) in 2010		
(4) this year		

(5) In 2016, do you expect to offer..... (please tick as applicable)	☐	fewer jobs
	☐	the same number of jobs
	☐	more jobs

(6) What proportion of employees live within 10 miles of Newmarket?	%
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Running costs (from the most recent year's accounts)

(7) For which year do these financial numbers relate?	
(8) Total expenditure on running costs	£
(9) Your direct wage bill including NI	£
(10) Rates <i>(land and property paid to the District Council)</i>	£
(11) Approximate value of expenditure to veterinary surgeons within the 25 mile area of Newmarket <i>(We need this figure to avoid double counting in our analysis)</i>	£
(12) Approximate value of expenditure to other studs and trainers within the 25 mile area of Newmarket <i>(We need this figure to avoid double counting in our analysis)</i>	£
(13) Approximate % of total expenditure paid to other individuals and firms within the 25 mile area of Newmarket <i>E.g. pre trainers feed merchants, farriers, jockeys and horse care staff (not employed by you), transport providers, fencing contractors, building maintenance etc.</i>	%

Capital expenditure (including property improvements and equipment/vehicle purchase)

(14) Total capital expenditure (from most recent year)	£
(15) Approximate % of capital expenditure paid to other individuals and firms within the 25 mile area of Newmarket	%

Turnover (Income)

(16) Total turnover <i>(excluding turnover from buying and selling horses)</i>	£
(17) How much of total turnover (income) is from outside the 25 mile area <i>(include owners whose principal residence is more than 25 miles from Newmarket)</i>	£
(18) How much of total turnover (income) is from	%

outside the UK?	
(19) Income from your business's share of prize money (if appropriate)	£
(20) Turnover (income) from other studs and trainers within 25 miles of Newmarket	£
(21) Profit (or loss) from buying and selling horses (in a typical recent year)	£
(22) Typically what proportion of horse sales are to overseas buyers	%

If there are any other points that you would like to draw to our attention in connection with this research study, please write them on the reverse side of the enclosed map.

Thank you for your assistance. Rachel Redman [REDACTED]

Annex B: Questionnaire for trainers

Study to quantify the economic contribution of the horseracing industry to the Newmarket area

Questionnaire for trainers

This questionnaire asks for confidential information, but we have restricted our requests to the minimum needed to provide an accurate estimate of the contribution that horseracing makes to the Newmarket area. **Robust evidence is essential for the industry's needs to be given due weight.**

The answers you give will not be divulged beyond the SQW team and our report will present aggregate data in which individual responses cannot be identified. We appreciate that it may be difficult to quantify payments precisely in terms of whether they are to people and enterprises within or outside the 25 mile radius shown on the enclosed map, but your estimate will be helpful to our computations.

Please note that for all questions we are asking you to answer in relation to your Newmarket operations – i.e. those within a 25 mile radius (see map)

(1) Establishment name:	
(2) Name of person filling in the survey:	

Full-time and part-time jobs in the business

	Full-time	Part-time
(3) in 2010		
(4) this year		

(5) In 2016, do you expect to offer..... (please tick as applicable)	☐	fewer jobs
	☐	the same number of jobs
	☐	more jobs

(6) What proportion of employees live within 10 miles of Newmarket?	%
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Running costs (from the most recent year's accounts)

(7) For which year do these financial numbers relate?	
(8) Total expenditure on running costs	£
(9) Your direct wage bill including NI	£
(10) Rates (land and property rates paid to the District Council)	£

Running costs (from the most recent year's accounts) continued

(11) Approximate value of expenditure to veterinary surgeons within the 25 mile area of Newmarket (We need this figure to avoid double counting in our analysis)	£
(12) Approximate value of expenditure to other trainers and studs within the 25 mile area of Newmarket (We need this figure to avoid double counting in our analysis)	£
(13) Approximate % of total expenditure (shown in question 8) paid to other individuals and firms within the 25 mile area of Newmarket (E.g. pre-trainers, feed merchants, farriers, jockeys and horse care staff not employed by you, transport providers, fencing contractors, building maintenance etc.)	%

Capital expenditure (including property improvements and equipment/vehicle purchase)

(14) Total capital expenditure (from most recent year)	£
(15) Approximate % of capital expenditure paid to other individuals and firms within the 25 mile area of Newmarket	%

Turnover (Income)

(16) Total turnover (excluding turnover from buying and selling horses)	£
(17) How much of total turnover (income) is from outside the 25 mile area (owners whose principal residence is more than 25 miles from Newmarket count as outside the area)	£
(18) How much of total turnover (income) is from outside the UK?	%

(19) Income from your share of prize money	£
(20) Training fees from studs within 25 miles of Newmarket	£
(21) Profit (or loss) from buying and selling horses (in a typical recent year)	£
(22) Typically what proportion of horse sales are to overseas buyers?	%

If there are any other points that you would like to draw to our attention in connection with this research study, please write them on the reverse side of the enclosed map.

Thank you for your assistance. Rachel Redman [REDACTED]

SQW is a leading provider of research,
analysis and advice on sustainable economic
and social development for public, private
and not-for-profit organisations.