



Executive Summary

The Economic Impacts of the Motorsports Industry on the North Carolina Economy

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Motorsports—A Growth Industry Under Threat

authored by The Sanford Holshouser Business Development Group LLC

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Introduction

North Carolina's stock car heritage, coupled with the increasing popularity of racing across the nation, gives the state a strong competitive advantage in the field of motorsports. North Carolina, the birthplace of NASCAR, is the home of the greatest number of NASCAR race teams in this country. The state possesses a specialized labor pool, a motorsports-specific supplier chain, infrastructure in the form of race tracks and testing facilities, and a culture supportive of racing. Because of these factors, a strong motorsports industrial cluster has emerged in this state.¹ Today, the North Carolina motorsports cluster is not limited to NASCAR or stock car racing, although this form of racing continues to be the largest industry segment. Motorsports in North Carolina also include drag racing, karting, motocross, truck racing, and powerboat racing.

Despite some unprecedented challenges, such as the loss of major NASCAR race dates from venues in Wilkesboro and Rockingham, team consolidation, and increasing difficulty in acquiring sponsorships², the motorsports industry in North Carolina has been and continues to be successful. This success has attracted the notice of surrounding states. The sharp decline of many of the traditional manufacturing industries in the Southeast has made this industry very attractive as a viable source of economic development. Virginia and South Carolina, in particular, are making concerted, visible efforts to court motorsports-related businesses. North Carolina, in turn, has an obvious and vested interest in maintaining its position in this economic field.

The impetus for the North Carolina Motorsports Economic Impact and Development Study came from the motorsports industry and its recently formed trade association, the North Carolina Motorsports Association (NCMA). Public attention tends to focus on the entertainment aspects of racing, but the economic impact of the motorsports industry receives little scrutiny. The purpose of this study is to recognize the importance of motorsports as an economic force, to establish the relative importance of this industry in terms of economic output and employment, and to suggest effective strategies to retain and grow the industry here in North Carolina.

The study itself is comprised of two separate but related research efforts. Dr. John Connaughton, TIAA-CREF Professor of Economics, at the University of North Carolina at Charlotte, led the research team that conducted the first part of this study entitled, *The Economic Impacts of the Motorsports Industry on the North Carolina Economy*. The Sanford Holshouser Business Development Group LLC, a North Carolina based economic development consulting firm, undertook the second part of the study. Their research, *Motorsports—A Growth Industry Under Threat*, addresses economic development strategies and recommendations to promote and expand the motorsports industry. Generous funding was provided for this study by the Golden LEAF Foundation,

¹ An industrial cluster is a group of companies, in geographic proximity to one another, which are related through buyer-supplier relationships, competitor and collaborator relationships or shared resources relationships.

² The costs of sponsorships have skyrocketed since the inception of the sport. Estimates put the cost of a superior driver at \$6,000 in 1963, \$3 million in 1987, and currently between \$10–\$20 million.

the North Carolina Rural Economic Development Center, and the North Carolina Motorsports Foundation. The overall project was coordinated by the UNC Charlotte Urban Institute.

The Economic Impacts of the Motorsports Industry

Authored by Dr. John Connaughton, Dr. Ronald A. Madsen, Dr. John M. Gandar, and Joseph D. Arthur at the University of North Carolina at Charlotte

Race events are the most obvious source of economic activity in motorsports. These events attract large crowds and receive extensive television coverage. When one thinks of motorsports, this is the image that comes to mind. But the economic activity of different manufacturing and service industries that take part in the production process of race equipment and activities (not just auto racing, but also truck, motorcycle and boat racing) constitutes a significantly larger, if much less visible, source of economic activity. *The Economic Impacts of the Motorsports Industry* measures the economic impact not only of the visible, entertaining side of racing (the teams, the racing events, etc.), but also of the suppliers, vendors and services that comprise the industry behind the scenes.

METHODOLOGY

Connaughton et. al. estimated the economic impact of motorsports-related economic activity both in terms of direct economic impact and total economic impact. The “direct economic impact” refers to the dollar output or employment associated with the industry being evaluated.³ The “total economic impact” not only estimates the direct impacts, but also uses a multiplier to estimate indirect and induced impacts. The indirect impact is the additional economic activity of the supplier chain network caused by the economic activity of the industry. The induced impact is the additional economic activity of all other unrelated firms and households caused by the economic activity of the industry.

The basic methodology employed in this study involved the collection of primary data about employment and output through mailed surveys of firms in this industry. Where data was missing, the direct survey data was supplemented by secondary data on employment and output from Reference USA and Dunn and Bradstreet.

The Minnesota IMPLAN Group provided the multiplier methodology for the study. IMPLAN is a multiplier methodology originally developed by the United States Government and currently maintained by this IMPLAN Group.

The study estimated the economic impact for the State of North Carolina as a whole, as well as for each of the seven regional economic development areas as designated by the North Carolina Department of Commerce.⁴ Key findings for the State of North Carolina are highlighted on the following page. Findings for individual regions are available in the full report.

³ In this context, the term direct output is most closely associated with the total annual sales/revenue generated by the different organizations that make up the motorsports industry in North Carolina.

⁴ The seven regional economic development areas are: Advantage West, Carolinas Partnership, North Carolina’s Eastern Region, North Carolina’s Southeast Region, North Carolina’s Northeast Partnership, Piedmont Triad Partnership, and Research Triangle Regional Partnership.

Highlights

- The total economic impact of the motorsports industry on the North Carolina economy in 2003 was just over \$5 billion.⁵
- In North Carolina, the total direct spending by motorsports-related firms was almost \$3.2 billion.
- Direct employment in the North Carolina motorsports industry in 2003 consisted of 12,292 jobs.
- The motorsports industry generated a total of 24,406 North Carolina jobs in 2003.⁶
- The average compensation per employee for direct motorsports generated jobs was \$70,548 annually.⁷ This average compensation is in the top 3.6% of all jobs in the state.
- The overall average annual compensation per employee for all 24,406 direct, indirect and induced jobs was \$61,017 per year.
- The motorsports industry contributed just under \$1.5 billion in total employee compensation to the North Carolina economy.
- The direct value added impact of the North Carolina motorsports industry in 2003 was \$1.4 billion. The total value added impact was just under \$2.5 billion.⁸
- Motorsports is not classified as a separate industry by the North American Industrial Classification System (NAICS), the system by which most industry-related statistical data is collected. If such a classification existed, motorsports would rank as the 30th largest industry in the state.⁹

⁵ The total economic impact is the sum of the direct, indirect and induced impacts.

⁶ The 24,406 jobs include direct, indirect and induced employment.

⁷ Average compensation per employee includes wages and non-wage benefits.

⁸ Unlike economic impact which is measured by the final selling prices of goods and services, the value-added impact measures the value added by North Carolina industry to the final good or service being produced.

⁹ This ranking was estimated using IMPLAN sector codes. There are over 500 sector codes.

Motorsports—A Growth Industry Under Threat

Authored by The Sanford Holshouser Business Development Group LLC

The second report, *Motorsports—A Growth Industry Under Threat*, served to assess the competitive environment faced by the North Carolina motorsports industry. It also recommended strategies to promote and expand the industry within the state.

METHODOLOGY

The Sanford Holshouser Business Development Group employed a qualitative methodology combining focus groups with key informant interviews to solicit input from motorsports-related industry segments. The segments surveyed included race teams, venues, suppliers, driving schools, media production/public relations firms, and sanctioning associations. In addition, interviews or focus groups were held with local economic developers, travel and tourism officials, university and community college representatives, philanthropic organizations, corporate sponsors, motorsports events organizers, and officials at the N. C. Department of Commerce. All interviewees were asked to describe their specific business/organization, to discuss specific challenges they may have encountered, to assess the competitive environment in North Carolina, and to suggest ways in which the State of North Carolina and local economic developers could help recruit and retain motorsports businesses. Other areas of inquiry were tailored for the particular group or individual being interviewed.

The information collected in these focus groups and interviews is set forth in the full report. The principal recommendations, some of which have already been targeted for implementation, are highlighted below:

Recommendations

Overall industry promotion:

- It is recommended that the Governor establish by executive order, a N.C. Motorsports Task Force to serve as an advisory body to the Governor and General Assembly
- A motorsports position on the N.C. Economic Development Board should be established.
- The N.C. Department of Commerce should establish a position for an economic developer who is a motorsports specialist.

Recruitment:

- A trade show pavilion display should be purchased for promoting motorsports in multiple venues such as trade promotion shows, travel and tourism conferences, and shows attended for business recruitment purposes.

- The NCMA should work to identify motorsports suppliers which are recruitment prospects for an expansion or relocation to this state. These firms should subsequently be targeted for recruitment by the N.C. Department of Commerce.
- The N.C. Department of Commerce should target and recruit racing sanctioning organizations to North Carolina.
- State, regional and local development entities should cooperate with private sector partners to recruit the International Motorsports Hall of Fame (currently in Talledega, AL) or develop an alternative facility which has the capacity of becoming known as the Motorsports Hall of Fame.
- N.C. motorsports vendors/suppliers should have exposure of their products to other markets by the N.C. Department of Commerce having exhibit space at two international trade shows and two domestic trade shows per year.

Travel and Tourism:

- The Travel and Tourism Division of the N.C. Department of Commerce should prepare and distribute a comprehensive motorsports tourism guide.
- The Travel and Tourism Division of the N.C. Department of Commerce should develop a logo and slogan to be branded over time as synonymous with North Carolina motorsports.
- Each welcome center in the state should have a kiosk where promotional materials on motorsports tourism opportunities are available.
- The General Assembly should make appropriations or allow for grants to help maintain the motorsports museums in the state.
- The General Assembly should appropriate \$1 million annually to a grant fund to support events ancillary to the All Star NASCAR Race at Lowe's Motor Speedway, and other funds to provide sanctioning fees or promotional costs for racing events which are new to North Carolina.

Credits, Grants and Incentives:

- It is recommended that a corporate or franchise tax credit be allowed for companies having corporate or divisional headquarters in the state that become new sponsors of N.C. race teams. The tax credit should equal 25% of the sponsorship amount.
- N.C.G.S. §105-164.13 should be amended to provide for the exemption from sales and use taxes on any parts or components that go into the assembly of vehicles, motorcycles, or boats utilized in motorsports racing events, if the company assembling the vehicle, motorcycle or motorboat is located in North Carolina.
- Venues and race team facilities that require road improvements to either locate a new facility or expand an existing facility should receive grants from the N.C. Department of Transportation to pay for all or part of the state road improvement costs.

- Any state incentive or tax credit which by its terms applies to other types of companies, but not race team facilities, should be amended to extend those incentives to race team facilities, i.e. William S. Lee Tax Credits, the Job Development Investment Grants.
- Race teams should be exempted from state tax on aircraft fuel and property taxes on aircraft owned by racing teams.

Technology and Education:

- Following a full feasibility analysis and due diligence as to business model projections, the state should invest in motorsports technology, housed with the University of North Carolina system. Technology assets should be available at reasonable fees for private sector use.
- The state should expand motorsports and automotive training programs in the community colleges. Top quality equipment that will be used in the work place should be provided to these community college programs either by appropriations from the General Assembly or private sector partnering.



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