

***THE ECONOMIC BENEFITS***

***OF A THOROUGHBRED***

***HORSE RACING INDUSTRY***



**Prepared by the Thoroughbred Racing Bureau Pty Ltd August 2001**

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## **1. INTRODUCTION**

This document has been prepared by the Thoroughbred Racing Bureau Pty Ltd to illustrate the significant economic benefits which can be provided as a consequence of establishing a thoroughbred horse racing industry.

This paper identifies the contribution of thoroughbred horse racing to the Australian economy in terms of investment, employment, tourism and impact on general business activity. Its objective is to suggest that the economic benefits that Australia enjoys due to thoroughbred horse racing can be reproduced in any country to a greater or lesser extent depending on respective demographics, thus creating a new and profitable industry, promoting international awareness and facilitating economic diversification and growth.

The statistical information utilised in this report was obtained from: -

- Rural Industries Research & Development Corporation (Australia).
- Australian Racing Board.
- Racing Victoria.

In addition to detailing the potential impact thoroughbred horse racing can have on a country's economic activity and welfare, a broad outline is provided with regard to the process of establishing a horse racing industry from ground zero. In respect of this matter the Thoroughbred Racing Bureau Pty Ltd provides the full spectrum of consulting and management services for the establishment and growth of thoroughbred horse racing globally. Please visit our website:-



**[www.racingbureau.org](http://www.racingbureau.org)**

## **2. THOROUGHBRED HORSE RACING - CONTRIBUTION TO THE AUSTRALIAN ECONOMY**

Thoroughbred horse racing's contribution to the Australian economy is significant in terms of financial impact and particularly significant when one considers Australia's small population in global terms.

In June 2001 the Rural Industries Research & Development Corporation published a report prepared on their behalf by the Centre for International Economics relating to the Australian horse industry and its contribution to the Australian economy. This document utilises some of the statistical information contained therein as well as thoroughbred horse racing size and scope data produced by the Australian Racing Board and Racing Victoria in order to economically illustrate why every country should consider establishing a thoroughbred horse racing industry in their region.

The Rural Industries Research & Development Corporation Report estimates that the contribution of the horse industry to the Australian economy is over A\$6.2 billion a year, and that if the value of volunteer labour is included as in social national accounts the contribution is over A\$8 billion a year.

The key results from the study are: -

- the contribution to GDP of the horse industry is estimated at over A\$6.2 billion, and if the value of volunteer labour is also included this pushes the contribution of the industry to over A\$8 billion;
- animal related expenditures contribute a little under half of the overall contribution to GDP, at A\$3.1 billion - this expenditure is divided fairly evenly between animal husbandry, feed, stabling and accommodation and training;
- business related expenditures contribute A\$2.4 billion - well over half is labour expenditure;
- event related expenditure is almost A\$0.8 billion - a substantial proportion (around a third) is spending on food and beverages by spectators. Transport for horses and spectators are also big items;
- racing (breeding, racing business and wagering) is estimated to contribute around A\$3.9 billion to GDP, although this includes the cost of keeping young horses;
- equestrian events are not that far behind racing events in contributing to GDP; with expenditures of almost A\$0.4 billion on the events;
- wagering on horse racing alone contributes almost A\$1 billion to government revenue; and
- based on an average tax rate of 25 per cent income taxes on labour would contribute A\$100 million in federal government revenue.

In addition to the aforementioned information provided by the Rural Industries Research & Development Corporation, the Australian Racing Board and Racing Victoria has generated some meaningful economic data relating to wagering, Australia's premier event - Melbourne Spring Racing Carnival, and employment. This data is detailed as follows:-

## Wagering

The Thoroughbred Racing Bureau Pty Ltd contends that a commercially viable thoroughbred horse racing industry can be established and grown which is **not** reliant on any form of gambling income. This is particularly important for countries whose cultural, political or religious beliefs preclude gambling. However, as illustrated by the Australian Racing Board, wagering on racing is a significant industry in Australia. For example, in 1999-00 A\$8.9 billion was wagered on thoroughbred racing which contributed almost A\$1 billion to government revenue.

The following international statistics are included to illustrate the global magnitude of wagering on thoroughbred racing on a per annum basis:-

- Japan A\$64.5 billion.
- USA A\$25.2 billion.
- Hong Kong A\$16.5 billion.
- Great Britain A\$13.9 billion.
- France A\$8.8 billion.

## Globalisation

It is suggested by the Thoroughbred Racing Bureau Pty Ltd that the establishment of a world class thoroughbred horse racing industry in a country can facilitate meaningful international trade and tourism opportunities. This concept is acknowledged by many leading racing nations, particularly Japan (Japan Cup), United States (Breeders Cup), Hong Kong (Hong Kong Internationals), Singapore (Singapore International Cup), United Arab Emirates (Dubai World Cup) and Australia (Melbourne Cup).

Horse racing provides the opportunity for international competition and participation which attracts the attention of the global public and attains large volumes of both print and electronic media exposure which can market a country in a way which could not be replicated other than via significant marketing expenditure.

Over the past decade a number of countries have utilised thoroughbred horse racing in their national development strategy. Three very good examples are Dubai, Singapore and Australia. It is contended that the Maktoum family have successfully promoted their country through horse racing and that the international profile of Singapore has been greatly enhanced over the past three years as a consequence of the new S\$500 million Singapore racecourse and the introduction of the S\$3 million SIA International Cup. In reference to Australia, the following economic data (provided by Racing Victoria) pertaining to the Melbourne Cup (which was internationalised in 1993) is tabled in order to illustrate the significant financial impact that a "showpiece" international horse racing event can have: -

## Melbourne Spring Racing Carnival - Australia's Premier Event

- Economic impact \$317.5 million
- Direct spending \$163.9 million
- Jobs created 2,936
- International visitations 29,749
- Interstate visitations 89,247
- Financial impact.
  - \$317.5 million - the highest monetary impact of any Australian annual sporting event.
  - attracted 631,000 visitors statewide, 230,000 more visitors than the inaugural Formula One Grand Prix (401,000) and 130,000 more than the 2000 Australian Open Tennis (501,000)
  - with an economic impact of more than \$317 million, the 2000 Spring Racing Carnival remains, with the 1956 Olympic Games, as the only two Victorian sporting events in history to exceed the \$200 million barrier.
- All-time record attendance for the four day Melbourne Cup Carnival of 352,313 beating last year's record of 296,140.
- International and interstate visitors totaled 118,996 and had a total spend of \$38 million.
- People who attended the Spring Carnival were among the heaviest event spenders. Visitors from Asia, particularly Hong Kong, Japan, Malaysia and Singapore were the big spenders.
- More than \$22 million worth of clothing items and accessories were purchased by Victorians prior to the carnival.
- The metropolitan economic impact of the Spring Racing Carnival has grown from \$132 million in 1999 to \$278 million in 2000.
- Shopping, Dining and Tourism - international and interstate visitors have a significant impact on the tourist economy.
- An Industry View - Racing Victoria Chief Executive, Brian Beattie, said the results again emphasised the importance of the thoroughbred industry to the state's economy.

“This report attempts to quantify the extraordinary business opportunities that the Spring Racing Carnival provides for so many industries. The fashion, travel, transport and hospitality industries are among the many beneficiaries of what is clearly our biggest social and sporting event of the year”.

“The Spring Racing Carnival attracts many thousands of visitors each year from both interstate and overseas and the millions of dollars, which they spend, provide a windfall for the state's economy”.

## **Employment**

It is contended that the establishment of a viable thoroughbred horse racing industry would provide direct and indirect employment opportunities at all levels of skills in breeding, training, education, race clubs, wagering and servicing of customers. In Australia it is approximated that at least 100,000 are employed as a consequence of the racing industry, with a minimum of 70,000 employed on a full time basis. In the United Kingdom the British Horseracing Board reports that racing and breeding support some 60,000 jobs, including the equivalent of 1 in 8 agricultural workers. A further 40,000 are employed in the betting industry.

The establishment of a thoroughbred horse racing industry from ground zero would create thousands of new jobs within a very short period of time and it is suggested that this job creation would have the potential to grow simultaneously with an expanding racing industry.

## **Other Benefits**

In addition to the economic benefits generated, the establishment of a thoroughbred horse racing industry creates a number of social benefits for a nation. For instance, horse racing provides a source of exciting entertainment for a wide audience which can contribute to the quality of life for a nation's population e.g. in Mauritius (population 1.2 million) racing is one of the most popular sports pulling regularly 30,000 to each race meeting. In addition, horse racing's infrastructure can be utilised as a multi-purpose venue for other sporting and hospitality events, thus providing extra benefits for the overall community. Finally, the creation of a world class thoroughbred horse racing industry has the potential to attract significant international recognition which can positively contribute to a country's national pride and international profile.



### **3. ESTABLISHING A THOROUGHBRED HORSE RACING INDUSTRY**

The Thoroughbred Racing Bureau Pty Ltd provides the full spectrum of consulting and management services to establish and grow an economically profitable thoroughbred horse racing industry in any international region.

The provision of our consulting and management services to establish a thoroughbred horse racing industry incorporate the following: -

- **Feasibility Study**

A feasibility study would comprise the following components: -

- a) Project set up i.e. initiate feasibility project, determine stakeholder expectations, establish practices of world class international racing industry etc.
- b) Development of options i.e. define location and options, determine requirements eg. infrastructure, equipment, personnel etc., establish organisational structure etc.
- c) Development of financial and economic impacts i.e. determine capital costs, determine operating revenues and costs, financially model options, develop economic impact model etc.
- d) Development of recommended strategy i.e. assessment of financial and economic impact of options, cost vs. benefit analysis, development of final strategy etc.

- **Full Spectrum of Development Services**

The Thoroughbred Racing Bureau Pty Ltd possesses an architectural division and a team of building sub-consultants capable of providing the full spectrum of development services for the design and construction of racecourses and associated facilities. Our approach delivers valuable cost savings to our clients, brings to each project a comprehensive understanding of horse racing's functional requirements and ensures the provision of our services are completed on time and within budget.

The five-stage process associated with the provision of the full spectrum of development services includes: -

1. Conceptual Design.
2. Design Development and Site Master Plan.
3. Design Resolution.
4. Contract Documentation.
5. Contract Administration.

- **Business Plan**

The business planning component of a project would provide a business model and strategic blueprint for the future industry and incorporate the following components: -

- Action and control programme.
- Budgeting and cash flow projections.
- Corporate and management structuring.
- Defining objectives.
- Equine resource requirements.
- Financial analysis.
- Human resource requirements/organisational processes.
- Identification of target markets and customer analysis.
- Implementation roadmap.
- Integrity assurance.
- Key improvement opportunities.
- Marketing analysis.
- Strategy formulation.

It is contended that the business plan would initiate, develop and implement strategies, policies and procedures conducive to the development of a world class racing industry as well as delivering a commercial plan, which will maximise the returns to all stakeholders.

- **Implementation of the Business Plan and Administration & Management of the Industry.**

The Thoroughbred Racing Bureau Pty Ltd possesses an extensive range of consulting professionals which have the ability to implement the business plan and assume the responsibility for the ongoing business administration and management of the racing industry on behalf of its owners.

In short, if any individual, consortium or nation is considering the creation of a thoroughbred horse racing industry or the development of their existing industry, the Thoroughbred Racing Bureau Pty Ltd can service all of the professional requirements from undertaking its feasibility, building the required infrastructure, providing the business model and strategic blueprint, and the supplying of ongoing management and administration of the industry.



#### **4. ABOUT US - THOROUGHBRED RACING BUREAU PTY LTD**

The Thoroughbred Racing Bureau Pty Ltd is an incorporated company, which operates through offices in Melbourne, Australia. It was established in March 2000 and is owned and managed by Rodney Rae who has been employed in the Australian racing industry since 1984.

Our mission is to provide consultancy and management services to the international thoroughbred horse racing industry utilising a philosophy which focuses on addressing clients needs and assisting them in achieving their goals. Our overall approach is commercially driven in relation to the management of revenues, costs and assets in order to maximise the returns delivered to clients.

The Thoroughbred Racing Bureau Pty Ltd offers an extensive range of consulting professionals, which specialise in a variety of services and have an intimate involvement with breeders, owners, trainers and racing clubs throughout the world.

Rodney Rae, Managing Director of the Thoroughbred Racing Bureau Pty Ltd has performed key roles in the Australian racing industry during his employment with the Victoria Racing Club, Victoria Amateur Turf Club and the Western Australian Turf Club. In addition, he has held national administrative positions relating to the Australian Racing Board, Australian Group and Listed Races Advisory Group and the National Racing Managers Advisory Group.

In his executive roles he has presided over the Principal Club functions of racing administration, international operations, incentive schemes, race programming, handicapping and apprentice training. Also, his curriculum vitae denotes academic studies in management, marketing, accounting and commercial law.

His major achievements include the management of Western Australia's international racing operations which included the joint venture arrangement with the Singapore Turf Club of simulcasting Perth races to Singapore for the purpose of wagering, and facilitated the first ever international competition in WA races from overseas horses; management of the construction and operation of the Belmont Park Quarantine Facility; implementation of the Australian Triple Crown Series; and, participating in the formulation and implementation of components of Racing Victoria's business plan *Leadership 2000*.

Since the establishment of the Thoroughbred Racing Bureau Pty Ltd, the company has designed a world class racing and training infrastructure in the Philippines giving that country the opportunity of becoming a major player within the Asian racing circuit.



**THE THOROUGHBRED RACING BUREAU PTY LTD PROVIDES THE FOLLOWING RANGE OF SPECIALIST MANAGEMENT AND CONSULTING SERVICES WHICH FOCUS ON ADDRESSING OUR CLIENTS NEEDS AND ASSISTING THEM IN ACHIEVING THEIR GOALS.**

**RACING ADMINISTRATION & MANAGEMENT**

- Bloodstock acquisition and dispersal.
- Business administration and management.
- Conceptual modelling and management of international races and series racing.
- Development and implementation of owners and breeders incentive schemes.
- Group and listed races/international cataloguing analysis and strategy.
- Race programming analysis and strategy.
- Wagering analysis and strategy.

**DESIGN AND CONSTRUCTION OF RACECOURSES & ASSOCIATED FACILITIES**

The Thoroughbred Racing Bureau Pty Ltd possesses an architectural division and a team of building sub-consultants capable of providing the full spectrum of development services for the design and construction of racecourses and associated facilities. Our approach delivers valuable cost savings to our clients, brings to each project a comprehensive understanding of horse racing's functional requirements and ensures the provision of our services are completed on time and within budget.

- Administration offices.
- Club houses.
- Equestrian centres.
- Grandstands.
- International stabling/quarantine.
- Racing and training tracks.
- Residential (and commercial) buildings.
- Stabling (single/double story).
- Training facilities.
- Veterinary laboratory/hospital.

## **MARKETING**

- Advertising design and production.
- Development and implementation of communication and awareness programmes.
- Design, printing, compilation and dissemination of brochures, flyers and information kits.
- Development of strategic media relationships.
- Direct email, facsimile and mail marketing.
- Media releases.
- Personal representation.
- Sponsorship.
- Targeting of key opportunities.

## **PLANNING (BUSINESS, MARKETING & STRATEGIC)**

- Action and control programme.
- Budgeting and cash flow projections.
- Corporate and management structuring.
- Defining objectives.
- Equine resource requirements.
- Financial analysis.
- Human resource requirements/organisational processes.
- Identification of target markets and customer analysis.
- Implementation roadmap.
- Integrity assurance.
- Key improvement opportunities.
- Marketing analysis.
- Strategy formulation.



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