

Newmarket's Equine Cluster

The economic impact of the horse racing industry centred upon Newmarket - a short update to the 2014 report

March 2017

SQW

Contents

1: Introduction and Overview of findings.....	1
2: Contribution from trainers.....	4
3: Contribution from stud farms.....	6
4: Horseracing institutions.....	9
5: Scientific and veterinary organisations.....	11
6: Other providers of goods and services.....	13
7: Visitors to Newmarket.....	14
8: Capital expenditure.....	17

Contact:	Bill Wicksteed	Tel: 07712 038963	email: wwicksteed@sqw.co.uk
-----------------	----------------	-------------------	---

Approved as a draft by:	Dr Christine Doel	Date: 11/03/2017
	Director	

1. Introduction and Overview of findings

Introduction

- 1.1 This short report is best read in conjunction with the SQW report on Newmarket's equine cluster which was issued in January 2014. That report provided directly researched estimates of economic impact for 2012, although those estimates were caveated in recognition of the fact that there were some variations in the year end dates of the various establishments surveyed.
- 1.2 In updating the impact estimates to 2016 for trainers and stud farms, this report takes the figures for 2012 as a starting point, given that it was decided not to re-run the surveys undertaken for the previous report. In consequence, the methods adopted here to update the 2012 figures have further, unavoidable, drawbacks and we caution against claiming too much precision for the new estimates. For other important elements of the cluster, however, data for 2016 have been obtained directly through face to face interviews.
- 1.3 To facilitate cross reference, this report uses the same headings as those in the 2014 report, Sections two and three cover the core activities of training and breeding thoroughbred racehorses. Section four considers developments in the major horse racing institutions that are based in Newmarket. Section five focuses on the town's three equine veterinary practices. No further direct research has been undertaken in respect of section six "*other providers of goods and services*" but section seven reports significant recent developments relevant to visitors to Newmarket. Finally, in section eight, we consider both capital projects that have been undertaken in the past four years and some major ones that are currently being planned.

Quantitative findings

- 1.4 The quantitative findings presented below show a clear increase in economic contribution compared with the data for 2012 contained and explained in SQW's 2014 report.¹ All figures are given in current prices (i.e. those pertaining to the year in question), so approximately 8.5% of the indicated increase in economic contribution shown in the table below is accounted for by inflation.
- 1.5 When the 2016 total is adjusted to 2012 prices it reduces to £222,979,000, indicating an increase over the four years of 7.2%. This should, however, be seen as a conservative estimate of growth as, throughout this report, it is emphasised that a cautious approach has been adopted. In the sections covering "*Visitors to Newmarket*" and "*Capital Expenditure*", a likely underestimate is specifically mentioned.
- 1.6 Direct employment attributable to the cluster is estimated to have increased by 9.5% (with a multiplier adjustment the total increases to approximately 9,300 FTE jobs).

¹ Newmarket's Equine Cluster: the economic impact of the horseracing industry centred upon Newmarket. SQW January 2014. This can be accessed from: https://www.westsuffolk.gov.uk/Council/Policies_Strategies_and_Plans/upload/14-01-The economic impact of the horseracing industry centred upon Newmarket.pdf

	Economic contribution £			Employment		
	(direct, indirect and induced)			(direct only)		
	2012	2016	% change	2012	2016	% change
Trainers	96,816,000	118,490,000	+ 22.3	2,020	2,279	+ 12.8
Stud Farms	81,166,000	88,065,000	+ 8.5	814	814	-
Horse racing institutions	9,824,000	12,839,000	+ 30.7	119	133	+ 11.8
Vets and scientific institutions	6,508,000	7,711,000	+ 18.5	172	213	+ 23.8
Horse transporters	1,036,000	1,068,000	+ 3.1	35	33	(-5.7)
Visitors to Newmarket	8,816,000	9,565,000	+8.5	85	85	-
Capital expenditure	3,865,000	4,194,000	+8.5	40	40	-
Totals	208,031,000	241,932,000	+16.3	3,285	3,597	+ 9.5

Qualitative findings

1.7 As well as obtaining hard data, a further purpose in interviewing a range of people from different elements of the cluster was to obtain a qualitative overview of developments since the previous report. Whilst all are locally based, many of them have a broad knowledge of horse racing and breeding which provides a context within which to frame their comments on Newmarket. We met with:

- the chairman of the Newmarket Trainers' Federation
- the chairman of the Newmarket Stud Farmers Association
- major training and stud farm establishments
- the veterinary practices
- Tattersalls
- the British Racing School
- Newmarket's Jockey Club Racecourses
- Jockey Club Estates
- the National Heritage Centre for Horseracing and Sporting Art
- leading hoteliers
- a local bloodstock agent.

- 1.8 The main qualitative finding is the continuing and probably increasing international orientation of the cluster. Newmarket is firmly established as one of a small number of international hubs for the racing industry and several of the interviewees for this updating exercise felt that the cluster's standing has improved in qualitative as well as quantitative terms, not least in relation to the status of stallions standing at the major stud farms.

Technical note

- 1.9 In the sections which follow there are several statistics which need to be updated from the earlier findings to take account of inflation. In March 2012 the Retail Price Index stood at 240.8. By March 2016 it had risen to 261.1 – an increase of 8.4%. Other month to month comparisons between these two years vary between 8.1% and 8.8%. For the purpose of this report, when adjustments for inflation are made to figures in the 2014 SQW report, a factor of 1.085 is applied.

2. Contribution from trainers

Quantitative estimates

- 2.1 In the absence of a survey of all trainers, the economic contribution from trainers in 2016 is estimated from JCE records. In 2012 there were fractionally under 3,000 horses with trainers in Newmarket. In 2016 the monthly average rose to 3,385, an increase of 12.8%. In 2012 the total contribution was £96,816,000 which, adjusted for inflation, amounts to £105,045,000 in 2016 prices. When adjusted upwards by 1.128 to take account of the increased number of horses in 2016, the new estimate is **£ 118,490,000**.
- 2.2 The corresponding estimate for employment is obtained by applying the 12.8% change in the number of horses to the 2012 employment figure of 2,020. This yields a 2016 estimate for the employment created by trainers of **2,279 FTE**.
- 2.3 Within these aggregates there are important differences. In total there were 89 active² trainers in 2016. However 64% of the horses in training were based with only 19 (21%) of the trainers and there were further significant differences within this smaller group:
- five trainers recorded, on average, 150 or more horses
 - a further five recorded between 100 and 149 horses
 - the final nine recorded between 50 and 99 horses.
- 2.4 The importance of this size distribution derives from the finding in the 2014 report that larger trainers pay higher wages per horse and have higher local expenditures per horse.

Qualitative commentary

- 2.5 As well as reviewing the data, discussions were held with a small number of trainers. These broadly confirmed the positive picture suggested by the numbers.³
- new young trainers are still setting up in Newmarket, attracted in particular by the quality of Jockey Club Estates facilities and the business model with which they are operated. When yards become available they are taken up quickly; as at 31st December 2016 there were no training yards being advertised for sale or rent
 - the major investment in Longholes Stud now provides the cluster (trainers in particular) with additional top quality rest and rehabilitation facilities
 - Chinese and Indian owners are basing horses in Newmarket, though some choose to maintain a low profile.
- 2.6 The international nature of Newmarket's equine cluster was emphasised further in several discussions:

² Defined as having, on average, at least one horse in training per month.

³ Discussions with the veterinary practices further corroborated this view – see section 6.

- two leading trainers had, as an average, 75% of foreign-owned horses
- it was further surmised that, across the board, 50% or more of the horses in training probably have foreign owners
- there has been a very significant increase in horses being bought in Newmarket to be raced abroad⁴.

2.7 Concerns expressed in discussions with trainers are, in part, the flipside of success:

- the dominance of a small number of owners who have many of the top horses may make it hard for new trainers to emerge
- staff recruitment is an issue (this was also mentioned by the British Racing School and stud farms).

⁴ Again confirmed by a leading veterinary practice.

3. Contribution from stud farms

Quantitative estimates

- 3.1 Quantitative information is less readily available for stud farms than for the trainers. Very broad information is available from Tattersalls' sales and from Weatherby's records showing the number of foals born. Both, however, have limitations.
- 3.2 By comparison with 2012, Tattersalls recorded a significant increase in sales in 2016. After adjustment for inflation, total sales increased by 16.2% and the average value by 12%. However, much of this increase occurred early in the period. From 2014 to 2016, both figures showed a fall of around 2% in real terms.⁵

	Tattersalls' sales volume (guineas) million	Tattersalls' average value of horse sold (guineas)	UK Foals born (Weatherby's)⁶
2009	169.4	38,224	5,397
2010	162.2	36,171	4,552
2011	182.7	43,015	4,502
2012	210.6	44,311	4,366
2013	248.7	52,977	4,420
2014	263.4	53,376	4,328
2015	262.1	50,499	4,569
2016	265.5	53,869	4,596

- 3.3 The Newmarket Stud Farmers Association (NSFA) has data on Newmarket's equine breeding population that show a significant increase (27.8%) in the number of active stallions since 2012 and a rather lower increase (17.5%) in the number of mares covered. The NSFA supposes that approximately 30% of the mares are permanently based in Newmarket with the remaining 70% visiting for the mating.

2012	36 Stallions	covered 3,253 mares
2013	38 Stallions	covered 3,259 mares
2014	39 Stallions	covered 3,343 mares
2015	41 Stallions	covered 3,594 mares
2016	46 Stallions	covered 3,821 mares.

⁵ The total sales figure for 2016 is not strictly comparable as Tattersalls deliberately rationed the number of horses that could be entered in the yearling sales.

⁶ The high numbers of yearlings seeking to enter the 2016 sales may appear out of kilter with the relatively small increase in UK foals born in 2015. The explanation lies in much of the growth coming from Ireland.

- 3.4 Two separate and well informed sources suggested, in discussion, that Newmarket's major stud farms have probably now reached an equilibrium balance between the number of their own mares and their stallions. Indeed it has been reported that at least one of the seven major local stud farms has made some reduction in their mare numbers. Such major stud farms breed from their own mares to produce horses for their racing teams; sales of yearlings are a by-product.
- 3.5 The importance of Newmarket stallions in terms of quality can be gauged by analysing a listing of all UK stallions with fees of £4,500 or more.⁷ Of 51 listed, 36 are based at one of the Newmarket studs⁸. Of the total 51 there are 17 with a fee of £15,000 or more and 15 of these are Newmarket based, the other two standing in Gloucestershire and Hampshire.
- 3.6 Ireland is Newmarket's rival in the claim to be Europe's top horse-breeding centre, with three stallions in the world top ten⁹ including Galileo, who is reputed to be the most expensive stallion at stud worldwide. For Newmarket, Godolphin's Dubawi is listed second (fee £225,000) and Frankel, standing at Banstead Manor Stud and a son of Galileo, is listed seventh (fee £125,000). An analysis of yearling sales values in 2016 showed the average value of Dubawi's progeny to be £828,212, Frankel's £498,876 and Galileo's £429,020.
- 3.7 We do not have time series data showing the number of horses permanently resident on Newmarket's stud farms, but it is likely that any reduction in economic contribution resulting from smaller numbers of resident mares will have been at least compensated (and perhaps more than) by the increases in visiting mares, whether coming in for breeding or being prepared for export having been purchased at a Tattersalls' sale.
- 3.8 On a conservative basis it can be assumed that the real contribution from stud farms has been maintained at the level estimated in 2012. When adjusted for inflation, the economic contribution in 2016 is, therefore, estimated to be **£88,065,000** but noting the qualification in the 2014 report that "*it would be safest to see this as the central estimate rather than a precise figure*". On the same basis the employment estimate remains at **814 FTE**.

Qualitative commentary

- 3.9 Newmarket is firmly established as an international breeding hub. Mares from many parts of the world are attracted in as visitors by the quality of local stallions and a number of Newmarket stallions go to the southern hemisphere from July to December to stand in their peak breeding season.
- 3.10 Looking forward, it is unlikely that there will be a significant expansion in the capacity of Newmarket's stud farms to accommodate permanent resident or long-stay visiting mares. There should, however, be scope for increased activity from mares that are "*walked in*" to be served by Newmarket-based stallions. Mares are now "*walked in*" from Ireland and France as well as from Gloucestershire and elsewhere in England. In addition to generating income (and employment) for stud farms which have the top stallions, this provides business for other providers of goods and service such as the local horse transporters.

⁷ Source: Richard Frisby Bloodstock Limited: British, Irish and French Sires for 2017 £4,500 or euros 6,000 or over.

⁸ Newsells near Royston and Shadwell near Thetford are included as two of the major studs in the Newmarket area.

⁹ Source: Thoroughbred Racing Commentary global rankings.

- 3.11 As with trainers, stud farms continue to find recruitment of good staff to be challenging though staff turnover is mitigated by the provision of some in situ housing. They also share a major current concern regarding imminent escalation of business rates. This presents a threat to a number of stud farms whose viability is already at the margin. Bio-security is an ongoing challenge as demonstrated recently by a very costly outbreak of the equine herpes virus at a leading stud farm (although this was skilfully contained).

4. Horseracing Institutions

- 4.1 Three of the institutions mentioned in the 2014 report were interviewed for this update: the British Racing School (BRS); Jockey Club Estates (JCE); and Tattersalls. For the other “associations and racing charities with national coverage” it is assumed that their employment levels are unchanged from 2012. Data on local expenditure in 2016 have been provided by Jockey Club Estates. For the other organisations, it is assumed that local expenditure will have changed in the same proportion as employment.

The British Racing School (BRS)

- 4.2 The scale of BRS activities has increased since 2012. Staff numbers are up from 31 FTE to 37 FTE and there are now 75 horses in the school (70 in 2012). This expansion has responded to continuing general shortages of trained workers, including stable staff and work riders. During calendar 2016 the School will have placed some 170 trainees into the UK racing industry. Changes to immigration rules in 2012, prior to which non EEA residents could obtain visas as skilled riders, mean that BRS trainees have little difficulty in finding a job.
- 4.3 As most trainees come from outside the area, the availability of accommodation is the major capacity constraint. The 2014 SQW report mentioned the intention to develop more accommodation and each of the past two financial years recorded substantial investment to develop new student rooms and facilities. When recent refurbishment costs are included, the total outlay comes to just over £900,000. Other major investments since 2012 include £360,000 for refurbishing the School’s gallop.

Jockey Club Estates (JCE)

- 4.4 JCE grounds and facilities provide the essential shared infrastructure underpinning racehorse training. These require substantial continuing outlays for maintenance and periodic refurbishment. Latest annual invoiced expenditure to 2016 was approximately £6.3 million (including Lambourn), of which £2.6 million was accounted for by businesses within 25 miles of Newmarket. In 2016 JCE had 55 FTE staff in Newmarket.
- 4.5 At the time of writing, plans are well advanced for a major investment to create a new uphill gallop on the town’s racecourse side. Preparatory work has already cost in the region of £400,000 and, if planning approval is given, the projected total is expected to exceed £10 million.

Tattersalls

- 4.6 As the numbers in section four suggest, Tattersalls has been operating to full capacity during the past four years. The sales calendar has to be fixed well in advance as it affects the plans of many racing participants - both local to Newmarket and international - including trainers, stud farms and owners. Local veterinary practices, horse transporters and shipping agents also experience peaks in their activities at sales time. As mentioned above, Tattersalls had, therefore, only two options when faced with an exceptional volume of horses:

- to extend the hours of trading further into the evenings, which would have led to uncomfortably long days for vendors and potential purchasers and, most likely, a reduction in the average prices achieved, or
- to restrict the number of horses catalogued in the sales in order to create a practically manageable sales environment for all concerned and, hopefully a consistent buoyancy in the trade. This latter strategy was adopted successfully in 2016.

4.7 Tattersalls' capital expenditure, the vast majority of which is spent on improving and increasing facilities in its extensive Newmarket grounds, has continued at a high level - £1.5m in the year to June 2015 and a further £1.4 million in the year to June 2016. In 2016, Tattersalls had 54 FTE permanent staff in Newmarket plus approximately 140 temporary staff in the sales period.

Associations and racing charities with national coverage

4.8 No further research has been undertaken into these organisations and for the estimation of impact, it has been assumed that they continue to employ 46 FTE staff (23 FTE attributable).¹⁰

Aggregate economic contribution

4.9 For the purposes of estimation, it is assumed that wage levels have not increased in real terms.¹¹ The salary data obtained for 2012 have, therefore, been adjusted to take account of the RPI increase (+ 8.5%) and changes in employment levels.¹²

4.10 The results on these calculations, when multiplier effects are included, is as follows:

- | | |
|---|------------|
| • direct contribution (local wages) | £5,546,811 |
| • indirect contribution (local purchases) | £3,703,600 |

with multiplier adjustments

- | | |
|---|---------------------|
| • direct contribution | £5,546,811 |
| • indirect contribution (£3,703,600 X 1.25) | £4,629,500 |
| • induced contribution (£5,546,811 X 0.48) | £2,662,469 |
| total | £12,839,000. |

4.11 Attributable employment (excluding the temporary staff employed at Tattersalls) is estimated to be **133 FTEs** in 2016.

¹⁰ The 2014 report stated in a footnote that the attributable contribution was reduced from 46 to 32 FTS staff. This was a misprint. It should have read that there was a 50% reduction to 23 FTEs – which was the number actually taken into the impact calculation for the 2014 report and is also the number used in this update report.

¹¹ The annual agreement between the National Association of Stable Staff and the National Trainers Federation for 2017 included a 5.5% increase in minimum rates of pay so, although wages in Newmarket tend to be above the minimum, some increase in real wages is likely in 2017.

¹² JCE have provided actual expenditure data and it is these that are included in the calculations. To avoid double counting, it is assumed that one quarter of JCE revenue is accounted for by the local expenditures of local stud farms and trainers. As these are included in the sections above, the JCE wages and local expenditure data have been reduced correspondingly. The same logic and reduction has been applied for Tattersalls' data.

5. Scientific and veterinary organisations

- 5.1 In the 2014 report, estimates were provided for the three equine veterinary practices, the Animal Health Trust and LGC (formerly Quotient Bioresearch)¹³. For this report, up to date employment information has been obtained from the vets and this is used to adjust their economic contribution. For the AHT and LGC, contributions are assumed to be unchanged in real terms.

Veterinary practices

- 5.2 In 2012 the three practices employed 208.5 FTE staff of which 76 were vets. By 2016 total staff numbers had increased to 272 FTE of which 85 were vets; increases of 30.5% and 11.8% respectively. The difference in these growth rates can, in part, be understood in terms of the diverse services which are provided. As well as surgical and medical procedures, the two equine hospitals undertake diagnostic tests (especially for lameness) and annual check-ups. As with the hospitals, customers for laboratory services also come both from within the local equine cluster and from further afield.
- 5.3 As well as their local work for studs and trainers, the “racing” vets travel to clients elsewhere in the UK and to overseas sales. Their soundness examinations at Tattersalls may well be for overseas owners and some younger staff gain experience through swap arrangements with practices in the Southern Hemisphere (which also helps to deal with seasonal peaks in activity). The two equine hospitals also undertake a significant volume of “export” work.
- 5.4 We conclude, from discussions and data reviewed in interviews that, since 2012, there has been an increase in the proportion of income generated from outside the Newmarket cluster. In estimating economic contribution it is assumed that this has increased from one third in 2012 to 40% in 2016. With an 8.5% adjustment for inflation, the direct economic contribution from attributable wages is, therefore, increased from the 2012 estimate of £1,700,000 as follows:
- wages increase of 20% (a conservative estimate reflecting the lower proportion of higher paid vets) $£1,700,000 \times 1.2 = £2,040,000$
 - increase of 6.7% in attributable impact $£2,040,000 \times 1.067 = £2,176,700$
 - adjusted for inflation $£2,176,700 \times 108.5 = £2,361,700$.
- 5.5 It is assumed, conservatively, that local purchases have been unchanged in real terms and with the multiplier adjustment the inflation adjusted 2016 estimate is:

- $£280,500 \times 1.085 \times 1.25 = £380,400$

The induced economic contribution from local expenditures of wages and salaries is:

- $£2,361,700 \times 0.9 \times 0.48 = £1,020,300$.

¹³ Quotient's Bioanalytical Sciences division was bought by the LGC early in 2013. LGC had previously purchased HFL Sport Science, Quotient's other Newmarket-based operation.

Animal Health Trust and LGC

5.6 It is assumed that the attributable employment contribution from the AHT remains at 69 and that of LGC at 35. In terms of monetary contributions, the estimates given in the 2014 report have simply been adjusted for inflation as follows:

- AHT direct economic contribution $\text{£}1,725,000 \times 1.085 = \text{£}1,871,600$
- AHT induced economic contribution $\text{£}745,000 \times 1.085 = \text{£}808,300$
- LGC direct economic contribution $\text{£}875,000 \times 1.086 = \text{£}849,400$
- LGC induced economic contribution $\text{£}378,000 \times 1.085 = \text{£}419,100$.

Total contribution from scientific and veterinary organisations

5.7 The total contributions are as follows:

• direct economic contributions	£5,082,700
• indirect contribution	£380,400
• induced contributions	£2,247,700
total	£7,711,000

5.8 Total attributable employment is **213 FTE**.

6. Other providers of goods and services

6.1 The various other providers of goods and services are of vital importance to the well-functioning of the equine cluster. They include:

bloodstock agents	builders for maintenance and capital projects
catering contractors	cleaning contractors
equine photographers	farriers and
feed suppliers	fencing contractors
fertilizer and grass seed suppliers	forage and hay suppliers
horse transporters	insurance specialists
IT support services	machinery suppliers
marketing firms	muck/bedding removers
paddock maintenance contractors	security companies
solicitors	straw bedding/shavings suppliers
stationery suppliers	tack/other equipment supplier and repairers
vehicle supply and maintenance.	

However, as much of their income is derived from customers within the cluster, their additional economic contribution is relatively small. Horse transporters were the only service providers for which the 2014 report estimated a contribution.

6.2 Since that report, there has been a small increase in the number of local farriers listed by the Farriers Registration Council – up from 57 to 59 and consistent with the increased number of horses.¹⁴ By contrast, the 2012 Directory of the Racehorse Transporters Association (RTA) listed 20 members within the 25 mile radius of Newmarket; in 2016 this had fallen marginally to 19 (out of a total of 53 members listed for England).

6.3 The composition of the RTA's Newmarket membership in 2016 was similar to that in 2012 with three stud farms and one trade association, although the trainer listed in 2012 has since retired from training but remains an RTA member. This suggests that the “lost” member operated as an independent business and in estimating the contribution from transporters we have, therefore, reduced the 2012 estimate by 5% to account for this loss (before making the upward adjustment for inflation). The employment estimate has been reduced to **33 FTE**¹⁵.

- $£1,036,000 \times 0.95 = £984,200$ and $£984,200 \times 1.085 = \mathbf{£1,068,000}$.

¹⁴ The economic contributions from farriers and all other providers of goods and services (apart from the horse transporters) is captured in the local multipliers applied to the expenditures of trainers and stud farms.

¹⁵ This is a cautious assumption as it could be argued that the contribution from horse transporters might be expected to increase in line with the increased activity of trainers, Tattersalls and the veterinary practices.

7. Visitors to Newmarket attracted by the horseracing industry

7.1 The period since SQW's 2014 report has seen a sea change in efforts to enhance the town's attractiveness to visitors, a number of which are still in train. The racing industry has contributed to these in a variety of ways, recognising that maintaining and increasing Newmarket's facilities and ambience as a place are important to the cluster's continuing prosperity, whilst the cluster, in turn, helps to define the town as a distinctive place with special qualities. Race meetings and Tattersalls' sales both attract many visitors to the town.

Newmarket Racecourses

7.2 Data from the racecourses show a positive performance across the board. In 2012, 339,972 people attended race meetings at Newmarket's racecourses; in 2016, this rose to 366,961 (+7.9%). The 2016 total was down somewhat from that achieved in 2015 reflecting weather dependence. Total expenditure increased to £23.6 million from £19.5 million in 2012 – an 11.5% increase after adjustment for inflation - and prize money within this total increased by 8.2%, again in real terms. Employment numbers remain at 44.5 FTE but there was a significant improvement in profitability over the period.

7.3 Newmarket racecourse staff participate actively in a number of collaborative efforts to increase Newmarket's attractiveness:

- a stakeholder in "Discover Newmarket", along with the Animal Health Trust, Godolphin, Jockey Club Estates/Rooms, Rewards for Racing and Tattersalls. Newmarket Racecourses also houses the organisation's back office functions. Racing, broadly defined is the majority backer of "Discover Newmarket" whose profits are reinvested in the town¹⁶
- a voluntary contributor to Newmarket's Business Improvement District (BID), although outside the BID area, amounting to £7,000 per year
- an involvement in efforts to upgrade the railway station environment and gain an improved service frequency.

The National Heritage Centre for Horseracing and Sporting Art

7.4 The former National Horse Racing Museum has been transformed through a major investment (upwards of £15 million). This has been achieved through a combined effort from local public and private sectors, including Forest Heath District Council and Suffolk County Council, supported by just under £5 million from the Heritage Lottery Fund and a similar amount from private racing sources.

7.5 The resulting attraction includes:

¹⁶ Discover Newmarket is also supported by other leading racing interests including Al Basti Equiworld, Juddmonte and Lanwades.

- an impressive collection of sporting art and racing artefacts exhibited in the refurbished Palace House and a gallery developed as part of the new build across the road
- educational exhibits that explain racing and thoroughbred physiology
- visitor facilities including a cafeteria with 44 covers (with additional external space) and a gift shop
- the refurbished Rothschild Yard with stables for retired racehorses and an arena for twice-daily demonstration.

7.6 In all respects this is now an attraction of high quality which certainly justifies a half day visit and arguably, depending on individual interests, a full day. There is planning permission to park five coaches and the business plan is targeting 57,000 visitors, more than four times the number achieved by the National Horse Racing Museum. Admission charges are quite high but local people and others who visit the town frequently can benefit from a one-year pass at no extra cost if they buy their tickets at the Heritage Centre.

7.7 In addition to its own education programmes, the Heritage Centre collaborates with Godolphin's Dalham Hall Stud and the Racecourse in the "Under Starter's Orders" project which in 2016 gave 150 year eight children from six local primary schools a greater understanding of and interest in the horseracing industry. The Heritage Centre is a stakeholder in "Discover Newmarket" and is keen to support efforts to upgrade the High Street.

Hotels

7.8 In 2012, Newmarket had 295 hotel rooms. Since then, then the former Paddocks House hotel (now Swynford Manor) has changed ownership. It now operates as an event venue, having closed its 15 bedrooms. Garrads Boutique hotel (9 rooms) has also closed. The two closures are not a general reflection on poor overall demand but indicate, rather, their uneconomic size. Discussions with managers of two leading hotels, Bedford Lodge Hotel and Best Western Heath Court Hotel reported, in one case, improved occupancy rates since 2012 and, in the other, strong revenue growth. Both had made significant investments in upgrading projects and each has plans for further investment projects. Both hotels are partners in "Discover Newmarket" and are members of the BID despite, in the case of Bedford Lodge, being outside the BID area.

7.9 The 2014 report assumed that racing customers accounted for 10% of occupancy. This still seems a reasonable working assumption, recognising that the contribution to turnover and profitability will be greater on account of much higher room rates on race days. The two hotels interviewed account for 44% of Newmarket's hotel rooms and their combined data suggest that the previous assumption of 0.7 FT employee per room may be somewhat low. Nonetheless, in the absence of data from the other hotels, the 0.7 ratio is used to calculate the economic contribution from hotels that is attributable to the equine cluster.

Combined economic contribution

7.10 The contribution made by Newmarket Racecourses is greater in real terms than it was in 2012. However, the loss of 24 hotel rooms will have reduced the contribution from hotels (in

employment terms there is a net attributable loss of 3 FTE). In 2017 the National Heritage Centre for Horseracing and Sporting Art will clearly make a substantially greater impact in terms of both employment and economic contribution, but 2016 has been a year of transition in which these have not been fully felt.

7.11 The safe, if conservative, estimate for 2016 is, therefore, obtained by simply updating the 2012 figure to account for inflation and assuming that the permanent staff total remains at **85 FTE**. In 2017 and subsequent years the attributable contributions should be significantly higher.

•	direct contribution	$£2,156,000 \times 1.085 = £2,339,300$
•	indirect contribution	$£5,625,000 \times 1.085 = £6,103,100$
•	induced contribution	$£1,035,000 \times 1.085 = £1,123,000$
	total	£9,565,000.

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

8.1 In the various discussions undertaken for this update report one of the questions asked related to interviewees' capital expenditures during the past four years. In addition to confirmed figures obtained from several of the organisations listed in paragraph 2.3, descriptions have been obtained also for the facilities developed at Longholes Stud and Rathmoy Yard and an informed estimate has been made of their likely investment levels. Not all the interviewees were able to provide data on their capital expenditures and some only did so for the latest year or two, so there will be underestimation even for these organisations.

8.2 In terms of coverage, two of Newmarket's stud farms (albeit including the largest) have been assessed and four of the trainers. Nonetheless the capital projects identified totalled £43 million. A significant part of the total is accounted for by a single project, the National Heritage Centre for Horseracing and Sporting Art but, even taking this into account, the limited nature of this report's research suggests that the annual average assumed in SQW's 2014 report of £10 million (£10.85 adjusted for inflation) is a very cautious estimate.¹⁷

8.3 If that estimate, which was derived from survey returns, were to be increased in the light of it very probably being an underestimate, the increase in economic contribution from the cluster as a whole would be very modest. Increasing the capital expenditure estimate by 50% would lead to an increase in the grand total of only 1%. The overall tenor of this update report, following the logic of the 2014 report, is that when evidence is limited it is proper to err towards underestimation. Until more accurate findings are available we, therefore, choose merely to update the economic contribution estimated for 2012 by inflation and to keep the employment estimate at **40 FTE** local jobs:

• direct contribution (local wages)	$£1,125,000 \times 1.085 = £1,220,600$
• indirect contribution	$£2,200,000 \times 1.085 = £2,387,000$
• induced contribution	$£540,000 \times 1.085 = £585,900$
total.	£4,194,000.

8.4 The importance of continuing capital investment is, arguably, underplayed by this estimate of contribution in a single year. Capital projects that increase the capacity of trainers' yards, stud farms or other facilities provide the potential for sustained increases in the size and contribution of the cluster over future years. It would, therefore, be helpful to maintain a data set of capital projects with yearly updates. Past experience suggests that many in the cluster may be reluctant to provide precise figures, but we wonder whether they would be prepared to report the scale of their capital projects within a range such as, for instance:

¹⁷ Jockey Club Estates was able, from general knowledge, to identify a further 10 projects that have been undertaken in the period but are not included in the total and there are doubtless other smaller expenditures as well.

- up to £249,999
- £250,000 to £499,999
- £500,000 to £999,999
- £1,000,000 to £1,499,999
- £1,500,000 to £2,499,999
- £2,500,000 to £4,999,999
- £5,000,000 to £9,999,999
- £10,000,000 or more.