

Motorsports Industry in the Indianapolis Region

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TABLE OF CONTENTS

Executive Summary.....	1
Introduction	4
The Motorsports Industry Includes Many People	5
The Economic Value of Motorsports	6
Estimated Firms.....	6
Estimated Employment	6
Estimated Wages.....	7
Additional Considerations	7
Motorsports and the New Economy	8
Motorsports Is a Competitive Cluster	8
Motorsports Is an Innovative Industry	9
The Motorsports Industry Attracts and Retains Human Capital	10
Motorsports Is a Growth Industry.....	13
Competition for Motorsports Business Is Increasing.....	14
Indianapolis Region’s Motorsports Industry Has Two Important Competitive Advantages.....	16
Location, Location, Location	16
Workforce	17
Issues That May Affect the Future of Motorsports in Indiana	18
Technical Support.....	18
Organizational Support	19
Incentives	19
Financing.....	20
Other Issues	20
Recommendations	21
Appendix.....	22

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EXECUTIVE SUMMARY

Indianapolis has been proclaimed the amateur sports capital of the nation and the crown jewel of the rustbelt. The city is well respected for its public-private partnerships and progressive leadership. It has hosted Final Fours, the Pan American Games, and Olympic trials, and it has a world-class symphony and museums. But throughout the world, Indianapolis is most recognized as the racing capital of the world and home of the Indianapolis 500.

No other place can boast the number and variety of major racing events that are held annually in and near Indianapolis. In addition to the 500, the Indianapolis Motor Speedway hosts the Brickyard 400 and the U.S. Grand Prix. And Indianapolis Raceway Park, located in Clermont, hosts a Busch Grand National event, a NASCAR Craftsman Truck series race, and the NHRA's U.S. Nationals every Labor Day weekend.

These internationally-televised events represent Indianapolis and Indiana's motorsports industry to world audiences, but behind these glamour events, the motorsports industry in the Indianapolis Region is much larger than most people realize. For example, the industry includes:

- thousands of individuals working full time all year around in shops on Gasoline Alley and throughout the region to produce the radiators, steering wheels, shocks, brakes, motors, and other components that keep the race cars going;
- employees of race tracks ranging in size from the Indianapolis Speedrome to the Indianapolis Motor Speedway;
- teams and drivers who race in Indiana and nationally (there are Indy Racing League teams such as AGR Racing, Ganassi Racing, and PDM Racing; NHRA teams such as John Force and Don Prudhomme; Open Wheel Racing Series teams such as Walker Racing, Mi-Jack Conquest Racing, and Forsythe Championship Racing, and scores of sprint car, midget, and outlaw teams);
- organizations such as Just Marketing, an independent full-service agency that exclusively represents corporations in all forms of motorsports worldwide, and MainGate, a firm that runs retail merchandise operations for some of the largest attended spectator events in the world;
- sanctioning organizations such as USAC, OWRS, and the Indy Racing League; and
- other economic activity that can be linked to motorsports, including sports medicine, a variety of local motorsports radio shows, CARA Charities and other charitable foundations, and the increased national media attention in May and August.

Based on data collected during interviews with 18 motorsports companies based in the Indianapolis Region, and supported by other sources, we estimate that there are more than 400 motorsports-related firms in the Indianapolis Region, employing up to 8,800 individuals, and generating more than \$425 million in wages. The average wage for motorsports workers is \$48,359 compared to Indiana's average wage of \$35,953 (Bureau of Economic Analysis, earnings by place of work divided by BEA total employment).

Perhaps more important for the Indianapolis Region's economic future, the motorsports industry appears to perfectly fit the new economy model of a competitive cluster. It is a highly technical high-skill industry with aeronautical engineers, workers with advanced



manufacturing skills, and computers in virtually every garage. The pace of innovation and invention is so rapid that inventors of new parts and technology don't bother with the patent process—they report that the new parts often become obsolete before a patent can be granted.

The motorsports industry is very entrepreneurial. Many of the large companies we interviewed started as one- or two-person shops in the last 20 years. And many of the smaller firms were started in the last few years and expect rapid growth.

The industry is also an important asset in Indiana's efforts to retain and attract college graduates and other creative and skilled individuals. During our interviews, we met individuals from both coasts and many continents. Some entrepreneurs from Australia and England said they moved to the Indianapolis Region because it is "the place to be" if you want to start a motorsports company or get involved in the industry.

And finally, motorsports is a competitive cluster with individuals and companies enjoying the benefits of a highly skilled and mobile workforce that move from company to company as demand changes.

The motorsports industry is expected to grow at a rapid pace. The *USA Motorsport Report* estimates that the national value of motorsports in the United States will grow from \$16.5 billion in 2002 to \$22 billion in 2007, an increase of 33 percent. Locally, those interviewed project a growth rate of 37 percent over the next five years. And while these estimates may or may not be accurate, there is anecdotal evidence that motorsports in Indiana will continue to grow. Hendricks County recently benefited from the relocation of NHRA teams from California, and the Indianapolis region is likely to lure even more teams because of its geographically advantaged racing location and low cost of living. To cite one example, Just Marketing was identified by the *Indianapolis Business Journal*, in September of 2004, as the fastest growing private company in the Indianapolis area.

By most accounts, Indianapolis, Charlotte NC, and England are the three leading motorsports economies. However, many other regions are actively pursuing an economic development agenda for motorsports. In December 2003, H.A. "Humpty" Wheeler, General Manager of the Lowe's Motor Speedway in Charlotte, was quoted by Tom Gillespie in the *North Carolina Motorsports News* as saying, "We are going to have to fight in both states (NC and SC) to keep our strong presence in racing. There are many states that could lure racing teams and businesses." In October 2004, the North Carolina Motorsports Association, in cooperation with the UNC Charlotte Urban Institute, completed a report titled *Motorsports: A North Carolina Growth Industry under Threat*. Among the other regions in the United States that are actively pursuing motorsports are Atlanta, Virginia, and Las Vegas. These efforts and others may threaten Indiana's ability to maximize the economic benefits and increase its share of growth related to motorsports.



The motorsports industry in Indiana has, for the most part, grown “under the radar,” with sporadic attention and few incentives from state and local governments. The fact that it has endured and continues to grow is evidence that it has the potential to play an important role in Indiana’s economic competitiveness. In order to meet the threat of increased competition and ensure that motorsports remains an important driver for Indiana’s economy, industry leaders and public policy makers should consider ways to work together. Together, they can create an environment that enables Indiana’s motorsports industries to compete and win in the race that matters most—the race for jobs, income, and economic stability.



INTRODUCTION

Indiana's economic development policymakers and analysts are working to identify competitive industries that will enable the state's economy to transition to the new world economy. A variety of competitive clusters have been identified, including life sciences, advanced manufacturing, information technology, and distribution transportation logistics. These competitive clusters are important components in Indiana's effort to reinvigorate the state's economy.

The Indy Partnership, with financial support from Hendricks County Economic Development Partnership, the Indianapolis Motor Speedway Foundation, the Corporation for Economic Development—Madison County, and Indianapolis Economic Development, in conjunction with the City of Indianapolis, engaged the Center for Urban Policy and the Environment (Center) to undertake an exploratory study to define and describe the motorsports industry; estimate its contributions to the state's economy; explore its potential role in the Indianapolis Region's economic future; and identify competitive advantages that may be important for industry growth and challenges that may place the future of the Indianapolis region's industry at risk.

Because motorsports does not neatly fit into a single code that enables analysts to easily measure the number of motorsports-related firms, employees, and wages, little is known about the total economic value of the industry in Indiana beyond the value of major racing events. Furthermore, because of these data limitations, motorsports has not been identified through traditional cluster analysis. However, professional staff at The Indy Partnership, based on their work experience and expertise, believes that the motorsports industry represents an important economic development opportunity. Based on that belief, professional staff from The Indy Partnership and the Center set out to determine the economic value and potential of the motorsports industry in the Indianapolis Region.

This report is based on interviews with individuals associated with the motorsports industry, surveys of 18 motorsports-related companies located in the Indianapolis region, and a variety of secondary data sources. Those who participated in the study included racing teams, engine and parts manufacturers, suppliers, sanctioning bodies, track operators, and marketing and promotion firms. Participating business ranged from a one-man shop to the Indy Racing League's sanctioning organization. A complete list of businesses is included in the Appendix.



THE MOTORSPORTS INDUSTRY INCLUDES MANY PEOPLE

The motorsports industry in the Indianapolis Region includes:

- major races such as the Indianapolis 500 and the NHRA's U.S. Nationals,
- the Indianapolis Motor Speedway, Indianapolis Raceway Park, the Indianapolis Speedrome and other venues,
- racing teams in the IRL, OWRS, NHRA, midgets, sprint cars, outlaws, and karting,
- companies that produce engines, brakes, shocks, springs, and other racing products,
- firms that are involved in retail and marketing,
- radio and other media, and
- charities directly associated with racing.

It is important to remember that the motorsports industry in the Indianapolis region includes much more than the nationally recognized glamour events such as the Indianapolis 500, the Brickyard 400, the U.S. Grand Prix, the NHRA U.S. Nationals, and the Busch Series and Craftsman Truck races at the Indianapolis Raceway Park. More specifically, the industry also includes:

- thousands of individuals working full time all year around in shops on Gasoline Alley and throughout the region to produce the radiators, steering wheels, shocks, brakes, motors, and other components that keep the race cars going;
- employees of race tracks ranging in size from the Indianapolis Speedrome to the Indianapolis Motor Speedway;
- teams and drivers who race in Indiana and nationally (there are Indy Racing League teams such as AGR Racing, Ganassi Racing, and PDM Racing; NHRA Teams such John Force and Don Prudhomme; Open Wheel Racing Series teams such as Walker Racing, Mi-Jack Conquest Racing, and Forsythe Championship Racing, and scores of sprint car, midget, and outlaw teams);
- organizations such as Just Marketing, an independent full-service motorsports only agency that exclusively represents corporations in all forms of motorsports worldwide, and MainGate, a firm that runs retail merchandise operations for some of the largest attended spectator events in the world;
- sanctioning organizations such as USAC, OWRS, and the Indy Racing League; and
- other economic activity that can be linked to motorsports including sports medicine, such as Doctors Trammel, Bock, and others who have developed treatment, rehab, and safety practices, and motorsports radio shows, other media demands (particularly in May and August) as well as CARA Charities other civic contributions.



THE ECONOMIC VALUE OF MOTORSPORTS

We estimate that in the Indianapolis region there are:

- more than 400 motorsports-related companies doing businesses;
- up to 8,800 individuals working full time in jobs directly related to motorsports; and
- total estimated motorsports-related wages of more than \$425 million annually.

In addition, we estimate that the average wage for full-time motorsports workers in Indiana is \$48,359—this is 35 percent higher than the average wage (\$35,953) for all sectors of Indiana’s economy.¹

Estimated Firms

The estimate of approximately 440 Indianapolis region motorsports-related firms is based on secondary data collected from searches of a variety of Web-based firms such as superpages.com and citysearch.com. These search devices provided a list of 248 motorsports-related companies. The additional 191 firms are estimated based on survey results. Each firm surveyed was asked to identify the five firms they purchased the most from in dollar amounts and the five firms to which they sold the most products. More than 77 percent of the firms they listed had not been included in our original list of 248 motorsports-related firms. Based on the assumption that this relationship is representative of the entire motorsports industry in the state, there may be as many as 77 percent (or 191) more firms in Indianapolis region than were identified in the motorsports Web search. If we assume that as additional motorsports firms were interviewed, the share of firms not identified on the original list would decrease by 50 percent, the total estimated number of these firms in the Indianapolis region would decrease to 344.

Estimated Employment

Motorsports-related employment estimates are based on the estimated number of firms and the median number of employees at motorsports firms that participated in the interviews. The median number of jobs at firms reporting current employment was 20. The median was used rather than the mean (35) because of the wide variance in employment. Estimates of total employment using this method are calculated by multiplying the total number of firms (344 or 440) times the median employment per firm (20). Thus the range of motorsports-related employment in the Indianapolis Region is estimated to be between 6,880 and 8,000 jobs.

For perspective, according to the Bureau of Economic Analysis (accessed through Stats Indiana) there were 919,301 wage and salary employees in the Indianapolis Region in 2002, and estimated motorsports employment ranges from 0.7 percent to 1.0 percent of total wage and salary employment in the region.

¹ The average wage for all Indiana workers is based on 2002 data from Bureau of Economic Analysis, specifically total earnings by place of work divided by total employment.



For further comparison, a study titled *The Economic Impacts of the Motorsports Industry on the North Carolina Economy* by the Belk College of Business Administration at the University of North Carolina at Charlotte completed in October 2004 estimated that there were 12,949 motorsports-related jobs in North Carolina.

Estimated Wages

Wages were estimated based on the average wage of employees at firms responding to our survey of \$48,359 (this is significantly lower than the average motorsports wage in North Carolina of \$70,500). We multiplied the survey average wage times the survey-based estimate of employment. This results in an estimated total motorsports-related wage range in the Indianapolis region of \$332,709,920 to \$425,359,200.

Because the average motorsports-related wage of \$48,359 exceeds the Indianapolis regional average of \$36,067 (as well as the Indiana average of \$35,953), the motorsports-related share of wages in the Indianapolis Region is 1.0 percent to 1.3 percent, slightly higher than the share of employment.

Additional Considerations

The estimates of jobs and employment do not include the additional part-time jobs generated by events such as the Indianapolis 500, NHRA U.S. Nationals, and smaller events at other Indianapolis Region race tracks. The motorsports industry's impact reaches far beyond businesses directly related to the production of racing vehicles or the promotion of races. For example, some of the nation's leading orthopedic surgeons are located in Indianapolis, and some of their most high-profile clients are associated with racing. However, the medical portions of the racing industry are not included in our estimates. Additionally, our estimates do not include the indirect jobs generated as the economic activity associated with motorsports ripples through the economy, and these effects can be substantial. For example, in North Carolina, the indirect benefits or multiplier effect of motorsports was estimated to provide nearly \$2 billion of indirect economic benefits.

Finally, it is our intention in this exploratory study to provide conservative assumptions. For example, if we had used the mean employment data from the survey of 35 jobs per firm rather than the median of 20, the survey-based job estimates would have been 15,400 rather than 8,800.



MOTORSPORTS AND THE NEW ECONOMY

Interview results indicate that motorsports in Indianapolis Region appears to be a highly competitive industry that perfectly fits the new economy paradigm. Based on the interviews, we believe:

- The motorsports industry in the Indianapolis Region is a competitive cluster. Many of those interviewed suggested that the concentration of racing firms in the state enables both individuals and companies to enjoy the benefits of a highly skilled and mobile workforce that moves from company to company as demand changes.
- There is a high level of innovation in motorsports, as evidenced by reports from individuals that they don't apply for patents because the patent process takes longer than the shelf life of the innovative part.
- Motorsports is a highly technical, highly-skilled industry.
- Motorsports firms in Indianapolis Region are attractive to many of the best and brightest individuals in the sport, and can play an increasingly important part in retaining graduates of Indiana colleges and universities.
- Motorsports is highly entrepreneurial. Many of the firms we interviewed were founded in the past decade or two.

Motorsports Is a Competitive Cluster

The textbook definition of a competitive cluster suggests that one of most important components is concentration of a highly-skilled, specialized labor force that can seamlessly move from company to company. The labor pool in a competitive cluster exists in no small part because of the high volume of similar businesses that are concentrated in a particular region.

Based on the interviews and survey responses, the motorsports industry, especially the technical part of the motorsports industry, perfectly fits the description of a competitive cluster. One respondent said that they are located here because *Indianapolis is the center of the motorsports industry* (this individual owns a firm in Hendricks County). Virtually all respondents acknowledged the benefits of being located near a large concentration of other firms in the industry. Some respondents said that motorsports is a face-to-face business. They explained that proximity is important to success because immediate feedback is important as a team of companies strive to create a better product which is usually measured in increased reliability or speed. Others communicated feelings of how they believed they would have to move to Indianapolis to start their business if they wanted to be successful. The respondents considered any location in Indianapolis region as an "Indianapolis location." They believed it was important to locate here because it established credibility, placed them in proximity to suppliers and buyers, and most important, they knew Indianapolis had or would attract the highly skilled and specialized workers they would eventually need.

The highly-skilled and specialized workforce was the most commonly cited response to survey questions asking why the firm initially located here and why it might remain in Indiana. The quality and quantity of the local workforce was also mentioned by respondents in virtually every interview. Respondents made the important point that Indiana's motorsports workers are highly skilled and plentiful. The depth of the work force makes the Indianapolis region a very appealing place to locate a new or emerging motorsports firm, and the variety of skills possessed by the workforce increases the likelihood that a business will thrive.



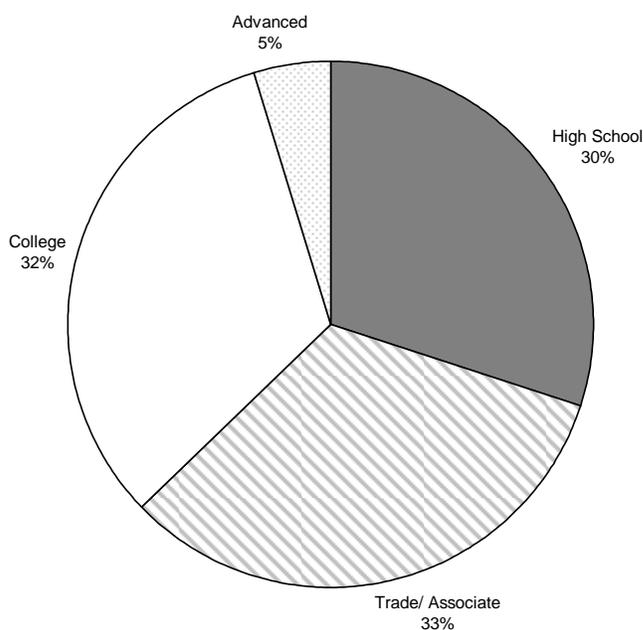
Motorsports Is an Innovative Industry

One of the most commonly used measures of innovation is *patent activity*. Yet a common refrain among the respondents was that the pace of innovation in motorsports is so great that a new part or new technology would be obsolete before the patent application process could be completed. Many in motorsports report that they rarely allow the patent process to delay the pace of innovation. The “no time for patents” refrain was consistent across both the providers of highly technical components for Indy Cars and for the firms making better parts such as springs and shocks for karts, midgets, and sprint cars.

High-Tech / High-Skill Industry

Survey results indicate that 70 percent of those respondents who were employed full time at motorsports firms had earned an associates degree or higher. This dramatically exceeds the statewide academic achievement levels. (According to the 2000 U.S. Census, 45 percent of Indiana’s population over the age of 25 has earned an associates degree or more.)

Figure 1: Education Levels of Employees and Owners in the Indianapolis Region Motorsports Industry



Source: The Indy Partnership Survey of Motorsports Firms, 2004



Our interviews provided additional evidence that motorsports has evolved into a highly technical industry with aeronautical engineers and mechanics equipped with computers, employees with advanced manufacturing skills, and wind tunnels and computer aided design efforts making the equipment from just a few years ago look primitive. For example, a one-person shop we visited had two computers. One was used for inventory and billing; the other provided readouts of engine performance as tested on the shop's dynamo. While visiting another motorsports firm, we learned that from an aerodynamic point of view, Indy Cars are similar to jets. The critical difference is that aeronautical and mechanical engineers who work with motorsports use the wind generated by forward movement to keep the cars grounded, while engineers working with airplanes use the force to provide lift.

A partial list of the types of experience and advanced skills required by the motorsports firms we interviewed includes:

- 3D design,
- computer-aided design,
- scale development of race car models for testing,
- aerodynamic engineering,
- mechanical engineering,
- electrical engineering,
- fabrication,
- Tungsten Inert Gas (TIG) welding,
- CNC machine programming, and
- flow analysis.

The Motorsports Industry Attracts and Retains Human Capital

In the new economy, human capital, rather than corn or steel, has become one of Indiana's most important natural resources. There are many efforts underway to help stem the state's *brain drain* and create an environment that makes Indiana more attractive to well educated, creative, and entrepreneurial individuals. Our interviews indicate that not only has the Indianapolis region been able to effectively compete for the most highly qualified individuals in the motorsports industry, but that Indianapolis and the Indianapolis region are magnets that attract some of the best and brightest from all over the world.

During our interviews, we met an individual from Australia who said he had packed up everything he owned and moved to Indianapolis because he knew that if he wanted to make it in motorsports, he had to be here (this man works in Brownsburg). We also met individuals from Boston, New Jersey, Oregon, Texas, and California who moved to the Indianapolis region because of motorsports. It should be noted that these comments were not responses to a survey question. Rather, they reflect a trend that was revealed in conversations as we interviewed individuals. Thus, this trend, as we observed it, applies primarily to business owners or managers rather than all employees of the firms. However, if one theme clearly emerged, it was that Indiana, along with North Carolina and England, are the three best places to

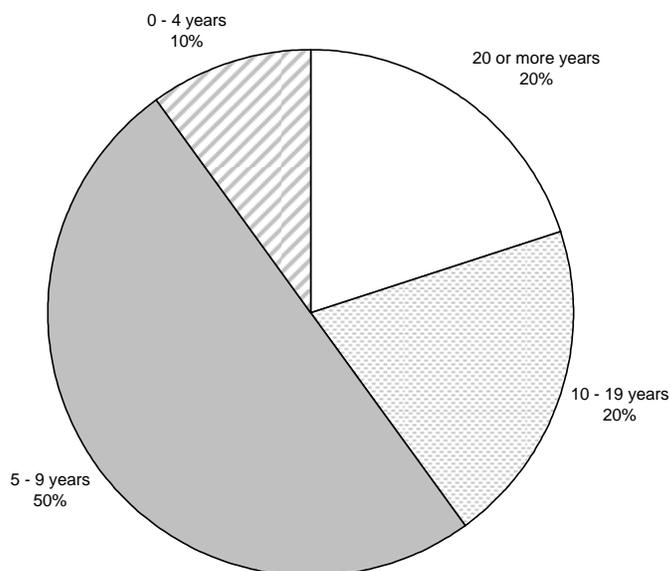


work in the motorsports industry. A recent trend that seems to support this evidence is the ongoing migration of NHRA teams from California to Hendricks County.

Motorsports Is an Entrepreneurial Industry

While innovation is important, entrepreneurs need the ability to convert innovation into jobs and income. In this regard, the motorsports businesses we studied certainly qualify as entrepreneurial. One measure of being entrepreneurial might be how long businesses have been in operation. This provides a measure of new business startups (think of this as entrepreneurial spirit), as well as a measure of longevity (think of this as a measure of entrepreneurial success). As Figure 2 shows, 60 percent of the firms we surveyed were started in the last 10 years, which indicates a healthy level of start-up energy. And while we made no effort to determine the share of motorsports firms that fail or go out of business, the fact that 40 percent of the firms we interviewed have been in business for more than 10 years certainly provides evidence of stability.

Figure 2: Motorsports Firms in the Indianapolis Region, Years in Business



Source: The Indy Partnership Survey of Motorsports Firms, 2004



The interviews also provide much evidence of an ongoing entrepreneurial spirit in motorsports. People involved in motorsports understand that their business survival is dependent on constantly improving both the product and the production process, and many of the newer companies we studied were formed because the people involved believed they could produce a better product.



MOTORSPORTS IS A GROWTH INDUSTRY

- Nationally, the motorsports industry is expected to grow by 33 percent over the next five years.
- In the Indianapolis region, the motorsports industry may grow by 37.5 percent over the next five years.

Most analysts expect the motorsports industry to grow at a rapid pace. The *USA Motorsports Report* estimates that the total value of the motorsports industry in the United States is expected to grow from \$16.5 billion in 2002 to \$22 billion in 2007, a 33 percent increase over five years. In 1996, a report produced by the University of North Carolina at Charlotte found that motorsports in North Carolina had grown by 48.8 percent during the previous five years.

In the Indianapolis Region, our survey respondents expect employment at their companies to grow (on average) by 37.5 percent over the next five years. Survey respondents project payroll to grow by an average of 41 percent. They expect revenue to grow by 37 percent. While these expectations may or may not be achieved, they are remarkably similar to the national projections completed by USA Motorsports and slightly less than the growth rate that North Carolina experienced between 1991 and 1996.

While there may be debate over the growth projections, there is also anecdotal evidence that suggests growth will continue in the motorsports industry in the Indianapolis region. Hendricks County has recently benefited from the relocation of NHRA teams from California, and according to those in the industry, Indiana's location (relative to all NHRA events) and lower cost of living (relative to California) are advantages that promise to attract additional teams. One NHRA insider compared Brownsburg's growing NHRA community to the NASCAR community in Mooresville, NC. Additionally, Just Marketing, an independent full-service motorsports-only agency that acts as a go-between to help corporations achieve maximum value for their involvement in motorsports sponsorships, was identified by the *Indianapolis Business Journal* in September 2004, as Indiana's fastest growing private company.



COMPETITION FOR MOTORSPORTS BUSINESS IS INCREASING

A few states have undertaken aggressive efforts to attract and retain motorsports-related business. They are:

- North Carolina,
- South Carolina, and
- Virginia.

Other states or regions that have the potential to compete with Indiana for motorsports-related economic growth are:

- Atlanta,
- Las Vegas, and
- Texas.

By most accounts, Indiana, North Carolina, and England are recognized as the three leading local motorsports economies. England is generally acknowledged as the epicenter of Formula One and technologically advanced chassis design. North Carolina is generally acknowledged to be the hub for NASCAR (though NASCAR's most prominent event, the Daytona 500, and its corporate headquarters are located in Daytona, FL). Indianapolis, while generally known as the home of open-wheel racing (such as the IRL and OWRS), has a broader appeal. It is also known for sprint cars, midgets, karting, NHRA, and many other forms of racing.

While these three regions enjoy the benefits associated with competitive advantages, they cannot be complacent. H.A. "Humpy" Wheeler, General Manager of the Lowe's Motorspeedway in Charlotte and a major promoter of racing events across the United States, told the *North Carolina Motorsports Association News* in a December 4, 2003 interview that, "*We are going to have to fight in both states (NC and SC) to keep our strong presence in racing. . . . There are many states that could lure racing teams and businesses. The race is on by other states to recruit race teams, suppliers, and events away from North Carolina. . . . but the competition is going to pass the state unless proactive measures are taken to retain and grow the thriving motorsports industry in NC.*"²

The motorsports industry and state and local government in North Carolina have heeded Mr. Wheeler's advice, and the North Carolina Motorsports Association (founded in 2002) continues to work with North Carolina governments to build the public-private partnerships necessary to support the state's motorsports industry by protecting existing firms and attracting new firms. The North Carolina Citizens for Business and Industry Web site quotes North Carolina Gov. Mike Easley as saying, "We are a leader in the motorsports industry and plan to keep our top ranking."³ The NCCBI goes on to claim that Gov. Easley says the state Department of Commerce is "aggressively recruiting

² Sanford Holshouser Business Development Group in cooperation with UNC-Charlotte Urban Institute. (2004, October). *Motorsports: A North Carolina Industry under Threat*, A report prepared for the North Carolina Motorsports Association.

³ See <http://www.nccbi.org>. (November 19, 2004).



motorsports and automotive companies” and has assembled an enterprise team to focus on expanding the industry. Finally, according to one industry insider we interviewed, North Carolina has spent \$4 million on a feasibility study to consider the benefits of spending \$50 million on a wind tunnel testing facility to support the local motorsports industry and make the Charlotte area more attractive to additional motorsports teams and businesses.

In addition to the well-organized and aggressive North Carolina effort, in 2003, Virginia launched a motorsports initiative intended to attract motorsports-related businesses to the state. And in South Carolina, Clemson University and others have entered into a partnership intended to make South Carolina a hub of the U.S. automotive and motorsports industry. Our interview respondents suggested that Atlanta, Las Vegas, and Texas are also becoming more aggressive in pursuing motorsports-related economic development opportunities.



INDIANAPOLIS REGION'S MOTORSPORTS INDUSTRY HAS TWO IMPORTANT COMPETITIVE ADVANTAGES

The two competitive advantages that have driven the motorsports industry in the Indianapolis region are:

- location, location, location, and the Indianapolis Motor Speedway,
- a highly skilled workforce.

Until recently, the motorsports industry in the Indianapolis region has evolved with little assistance from the public sector.⁴ The Indianapolis Motor Speedway (IMS) is the facility that provides motorsports in Indiana with its identity as the racing capital of the world and plays an important role in attracting and sustaining the cluster of motorsports firms, tracks, and racing events in the Indianapolis Region. IMS was built with private investment. All improvements to the facility are privately funded, and it pays its full share of property tax.

Location, Location, Location

The IMS opened in 1909 and the first Indianapolis 500 was run in 1911. The race track and motorsports have grown up together, and the track and Indiana's central location are the two most commonly cited competitive advantages for motorsports in the Indianapolis region. Nearly everyone interviewed suggested that they first located in the Indianapolis region either because many of their customers and business partners are here, because of proximity to the IMS, or because Indiana is centrally located relative to their racing series.

The cluster of firms located in the Indianapolis region provides benefits to racing-related firms in the state and makes Indiana attractive to those looking to start a new business or relocate an existing one. Specifically, the location of so many racing firms in Indiana assures an ample supply of customers, partners, employees, and suppliers. For example, many interviewees described motorsports as a "face-to-face" business in which meetings between several firms working together to develop new technology are an essential component of the process. Others said they relocated to the Indianapolis region because the number of businesses in the area provided either employment opportunities or assured their company of a well-trained highly mobile workforce. Others said most of their customers and suppliers are located here and this proximity helps their business relationships.

Another competitive advantage that Indiana provides to motorsports firms is its proximity to many other major racing events. The centralized location and the presence of the IMS and Indy Racing League and OWRS headquarters have historically made the Indianapolis region very attractive to open-wheel teams. Recently, the state's centralized location has become appealing to other series, particularly NHRA teams, some of which have established major facilities in Hendricks County in the last few years. Interviewees suggested that while

⁴ In the past decade, the state has begun to offer limited incentives, particularly exemptions from state sales tax for certain high-tech racing components, including engines and chassis, but excluding tires and accessories. See Information Bulletin #67, January 2003.



the initial motivation for locating here was that a central location reduces travel costs and time during the racing season, the relatively low cost of living makes Indiana increasingly attractive to teams headquartered in California and other high cost of living states.

Workforce

While it might be argued that the motorsports-related workforce competitive advantage is partly a function of location, it is important to note that many interviewees and survey respondents focused on the high quality of the workforce. Interviewees stressed that most of those employed in motorsports have high levels of technical skill and many have high levels of education. The proximity of IUPUI and the Purdue University engineering programs, particularly aeronautical and mechanical, were frequently cited as major advantages.



ISSUES THAT MAY AFFECT THE FUTURE OF MOTORSPORTS IN INDIANA

While it appears that the competitive advantages enjoyed by the Indianapolis region assure the long-term health of the motorsports industry, there are issues that threaten the state's ability to maximize the economic potential of the industry. Perhaps the single biggest issue threatening the future of motorsports in the Indianapolis region is apathy. As other states and regions get organized and aggressively pursue the motorsports businesses now located in Indiana, they may be able to capture a share of economic activity that otherwise might locate or remain in Indiana. As one interviewee said, "We can no longer take being the motorsports capital of the world for granted."

Other issues that may limit the future of motorsports in Indiana include:

- technical support,
- organizational support,
- incentives, and
- financing.

Technical Support

The three major concerns of our respondents regarding technical support were the absence of a full-scale wind tunnel, the need to create a stronger alliance with the state university system, and the need for skill-specific training as technology evolves.

As on-track testing time becomes more limited, wind tunnel access becomes a critical component of technical development. The wind tunnel in Indianapolis operates at a 60 percent scale, and this requires users to build costly scale models for testing. And while the existing wind tunnel has been effective in attracting businesses in the past, its business will be threatened as newer full-scale wind tunnels come on line in other states. In North Carolina, the state, the University of North Carolina at Charlotte, and the racing industry are in the process of working together to develop a full-scale wind tunnel. One respondent suggested that the state/university/private partnership method of development used in North Carolina might be successful in Indiana.

A stronger partnership between the racing industry and colleges and universities in the state was the second technical support issue arising from the investigation. Several colleges and universities in North Carolina have motorsports programs, including NC State, Rowan-Cabarrus CC, and UNC-Charlotte. And UNC-Charlotte has engineering programs that feed engineering students and graduates directly to the race teams. One article reported that UNC-Charlotte has more than 100 undergraduates enrolled in mechanical engineering. Purdue has more than 800 mechanical engineering undergraduate students and nearly 500 aeronautical engineering undergraduates. In addition to more fully integrating students into the racing industry, it is hoped that more shared research and development opportunities can be developed for the racing industry and Indiana colleges and universities.



The final technical support issue is the need for better training and technical support for the advanced manufacturing component of the racing industry. Specifically, respondents suggested that the racing industry would benefit from increased input into the types of training made available to its workers.

Organizational Support

The primary issue for organizational support is a lack of medical and life insurance. Many of the smaller and newer racing businesses, and some established ones, lamented the fact that access to both medical and life insurance are either lacking or extremely expensive. One respondent said that product liability insurance is virtually impossible to acquire. In addition to insurance benefits, many in the racing industry also lack access to retirement plans. A number of participants suggested that development of group insurance and retirement plans would be the most immediate and meaningful benefits that could be provided to support the racing industry in Indiana.

The racing industry also might benefit from establishment of a racing-specific business incubator. Many individuals described themselves as racers or mechanics rather than businessmen. A racing-specific business incubator could supply support and advice to startup and existing firms and might lower the cost of support functions such as bookkeeping, human resources, clerical, and promotional activities.

Incentives

Interviewees and survey respondents expressed three main concerns about state and local government incentive programs.

1. Increased competition and new motorsports incentives from other states and local governments create competitive disadvantages for Indiana firms.
2. Existing programs need to be fine tuned. Some current programs sound good, but appear to miss their mark.
3. There is a perception that incentives and economic development attention are focused on big teams and glamour events, and attention needs to be directed to the industry that supports them.

As one interviewee stated, “Racers are looking for an edge, and speed costs money. Every dollar we don’t spend on taxes is another dollar we can spend to go fast.” And while speed isn’t a concern of public policy, if other states are more aggressively reducing the public cost of racing, then teams may become increasingly likely to locate in those places. Of course, incentives are not the sole determinant of the cost of doing business, and Indiana’s location advantage should not be overlooked. Another aspect of the incentive issue is respect—many interviewees complained that motorsports gets virtually nothing compared to other professional sports in Indiana. Respondents seemed to feel that if other states provide greater incentives, they must have a greater appreciation for the value of motorsports.

The current state incentive package that received the most criticism was the sales tax exemption. The primary concern was that the incentive is too narrowly defined. For example, a steering wheel for an Indy Car costs about \$80,000, but that steering wheel is not included on the list of high-tech parts exempted from sales tax. This increases the cost of the steering wheel by \$4,800 for race teams located in Indiana. One participant said this has a detrimental impact on both the manufacturer of the steering wheel and the race team.



If either were to move to another state, they might be able to avoid sales tax. For example, if the steering wheel manufacturer were located in Charlotte, they wouldn't have to charge sales tax; and if the race team were located in Charlotte, they wouldn't have to pay sales tax. In either case, competitors in North Carolina have a price advantage.

The final issue with the incentive system is that there is a strong perception that its focus is on racing teams, specifically Indy Car racing teams, and not structured to help the industry as a whole. However, there were no specific suggestions for what types of tax incentives might be beneficial to the industry.

Financing

Many interviewees and survey participants said that access to credit or the difficulty in obtaining conventional financing is a major obstacle to startup and expansion efforts. In fact, conventional bank financing is so difficult to obtain that two individuals reported using credit cards to finance their business startups. A common belief is that banks are reluctant to provide credit because they fail to fully understand the depth of the racing industry. It was suggested that the credit problem is, in part, a communication breakdown. Banks and other potential creditors fail to understand the racing industry, and the racing industry fails to understand the needs of the bank. Many suggested that access to credit is a primary factor limiting startup and expansion opportunities.

Other Issues

Motorsports businesses believe that they are more directly affected by local zoning ordinances than many other businesses. They believe that many regulations make it difficult for racing businesses to find a good location for their company. One small businessman suggested that the cost of obtaining the appropriate variances added 15 percent to the cost of buying his company's current facility. Some interviewees called for a racing zoning category.

Many individuals are also concerned about public transportation, and the lack of it outside of Marion County. This affects access to place of work and suggests that ethnic diversity is emerging as an issue in the racing industry.

Finally, thinking and acting collectively does not appear to be a particular strength of the motorsports industry. Competition rather than cooperation is a tradition for those in the industry. During the racing season, which appears to get longer every year, the focus is on competition, not on cooperation. Additionally, many of the most successful businessmen got their start by acting in an individualized fashion and striking out on their own because they believed they knew a better way to build a part or run a team. Also, there appear to be factions within the industry that will make collective action difficult. It is essential that any effort to assure the future of motorsports involves a representative sample of those in the motorsports industry, and the best way to sustain the efforts of those in the industry is to deliver immediate results and prospects for a better future.



RECOMMENDATIONS

The findings contained in this report are based on an exploratory investigation. A logical next step would be to bring together a panel of racing industry and public sector representatives to review these findings and determine a future course of action.



APPENDIX



Motorsports Interview Participants

C & R Racing

C & R Racing was started in December 1988 as a custom machine shop and metal fabrication shop serving the Indy Car industry. Founded by Indy Car chief mechanic Chris Paulsen, this small operation started business with one goal in mind—to provide the highest quality, innovative, custom-made race car parts available and to meet or exceed the high demands of the Indy Car world. With Chris' reputation as an Indy Car chief mechanic and his contacts in the sport of auto racing, C & R quickly established a clientele made up of teams like Porsche Motorsports, Penske Racing, Patrick Racing, Reynard, Riley & Scott, Newman-Haas, Roush Racing and many others.

And now years later, what started as a one-man shop with a lathe, mill, and an heli-arc welder is a multi-faceted company with the latest in CNC equipment, metal fabrication equipment, and a group of skilled specialists serving all major forms of auto racing. From CART Indy Cars, to NASCAR Winston Cup, the IRL, the WOO, and SCCA, C & R Racing has a presence.

With Chris Paulsen and George Huening, C & R's shop manager, there is a combined total of 30 years of Indy Car chief mechanic experience and over 50 years of hard-core racing experience. The racing industry is the only profession either Chris or George have ever known.

<http://www.crracing.com>

A.E.D Motorsports Products

A.E.D. Motorsports is a distributor of fabrication metals used in the manufacturing of racecars, equipment, components, and tools. Primary inventory includes 4,130 chrome moly aircraft alloys, stainless steel, aluminum, steel, titanium, and a variety of other materials. A.E.D. stocks materials in tube, sheet, plates, and bars. In addition to fabrication, they also stock and distribute bearings, hose lines and fittings, weld inserts, tools, and a variety of other products used in the fabrication of racing materials. In the near future A.E.D. will add Tungsten to their inventory.

<http://www.aedmotorsport.com>.

Magtech Ignitions

Magtech Ignitions builds ignition systems for performance racing engines.

estarr@magtechignition.com



RedBull Racing

Red Bull Cheever Racing opened its doors in 1997 with the mission to become a leader in American motorsports. Since then, the team won the Indianapolis 500, five other IRL IndyCar Series races and four pole positions. Red Bull Cheever Racing twice finished third in the 1997 and 2000 IRL IndyCar Series championships and has won two Rookie of the Year titles at the Indy 500.

Red Bull Cheever Racing benefits from corporate, technical, and research and development partnerships with Red Bull, Toyota, Dallara, Firestone, and Mecachrome.

<http://www.redbullcheeverracing.com>

United States Auto Club

The United States Auto Club is the sanctioning body for Silver Crown, Sprint, and Midget car racing series. It sanctions events across the United States.

<http://www.usacracing.com>

MainGate

MainGate is the premier event retail and merchandising company in the country. Their fully vertical company has honed its craft by producing merchandise and also retailing the merchandise at many of the largest spectator events in the United States since 1963.

From creating the art to screen printing and embroidery, they take the product and sell it wholesale, retail, and fulfillment. They will be the MainGate to portray brand images for their customers. MainGate sells custom decorated products and licensed merchandise to the racing marketplace.

<http://www.maingateinc.com/>



Frank Weiss Racing

Frank Weiss, the entrepreneur and president of FWRC, began making components for race cars after a debilitating accident at the Indianapolis Motor Speedway ended his driving career. Frank worked part-time out of his garage until 1981, when he relocated his growing business to a shop at Park Fletcher.

Frank named the company Frank Weiss Racing Components in conjunction with a move to a shop on Gasoline Alley. He was a major fitting supplier for Mike Fanning, whose engines won the Indianapolis 500 in 1980 and 1983.

Seeing that the future of machining would be in programmable machines, Frank purchased his first CNC mill in 1986. Two years later, he purchased his first CNC turning center.

The business moved to its current location, 140 Gasoline Alley, in 1990. The next year Frank purchased his first Haas CNC machining center. Since then FWRC has become the second largest Haas CNC customer in the state of Indiana.

2004 has been a year of growth as FWRC expanded its facility, more than doubling available workspace, and by adding another Haas CNC machining center. Frank's son, Wade, has assumed responsibility for most of the day-to-day operations while Frank travels to races and visits customer facilities to provide customer and technical support

<http://www.fwrc.com/>

Ganassi Racing

Chip Ganassi is gearing up for his fourth season in the NASCAR Nextel Cup Series. He first branched out into the world of stock car racing in 2000, when he partnered with Felix Sabates and Team SABCO. Ganassi renamed the organization Chip Ganassi Racing with Felix Sabates and soon reaped the rewards of a new business venture. Veteran driver Sterling Marlin gave Ganassi's team its first victory in the first race of the 2001 season, the Gatorade 125 qualifier in Daytona, Florida. Since then, the team has remained competitive; Marlin led the NASCAR point's race for 25 weeks straight of the 2002 season before being injured. The 2003 season saw veteran driver Sterling Marlin partnered with two rookie drivers, Jamie McMurray and Casey Mears.

Never one to be satisfied with his current position, Chip Ganassi made another significant move in the 2003 season—a switch from the CART Series, where his team won four consecutive championships from 1996–1999, to the Indy Racing League. Despite the new series and



new competition, Ganassi and Team Target driver Scott Dixon proved they could meet the challenge when Dixon captured the IRL IndyCar Championship.

Ganassi's new IRL team forged a youth movement with drivers Tomas Scheckter and Scott Dixon. The perceived lack of experience didn't intimidate Ganassi; he has a stellar track record of picking young drivers who can compete, and sometimes dominate, immediately. Eddie Cheever, Alex Zanardi, and Juan Montoya all won Rookie of the Year honors for Ganassi's team, with Zanardi and Montoya taking the series title in the same year. Dixon already captured the Rookie of the Year title in CART and now he has joined the elite ranks of Ganassi drivers who have won series titles.

<http://www.chipganassiracing.com>

PDM Racing

Paul Diatlovich began work as a journeyman chief mechanic for several teams in the late 1970's. He served as chief mechanic on teams that took four drivers (Randy Lanier, Fabrizio Barbaza, Billy Vukovich, III, and Bernard Jourdain) to Rookie of the Year status at the Indianapolis 500 from 1986–1989, respectfully.

Diatlovich's most recent work with Leader Card Racers helped him establish his own shop in Indianapolis and earned him an election to the Championship Auto Mechanics Board of Directors.

<http://www.pdmracing.com/>

Advanced Racing Suspensions

Advanced Racing Suspensions state-of-the-art shock rebuilding facility continues to provide the latest shock-valving technology available. Advanced Racing Suspensions specializes in only racing stocks which allow them to focus on providing the latest technology available.

<http://www.advancedracingsusp.com/>

Rich Brannan Enterprises

Rich Brannan Enterprises builds and tests engines for a number of midget and sprint car race teams. They have a dynamo available for rent.

(317) 271-6550



Indianapolis Raceway Park

IRP is located three miles west of Clermont on US Highway 136. IRP is 15 miles from downtown Indianapolis and 20 miles from the Indianapolis International airport. IRP is located in Hendricks County and the nearest towns to IRP are Brownsburg, Avon, Plainfield, and Speedway.

Among the events it hosts are the Kroger Speedfest and the MAC Tools U.S. Nationals

<http://www.irponline.com>

Indy Racing League

The Indy Racing League sanctions the Indycar Series and the Menard's Infiniti Pro Series. Among the races including in the Indycar Series is the Indianapolis 500.

<http://www.indyracing.com>

Joe Saldana / Saldana Racing Products

Saladana Racing Products has an 8,000 square foot shop with all the latest technology available to allow their technicians to efficiently build parts. In the 10 years they have been in business, they have continued to grow. They believe this is because of the company's constant commitment to giving customers the highest quality parts, in a timely manner, at a fair price.

<http://www.saldanaracingproducts.com/>

Just Marketing

Former professional racing driver Zak Brown founded Just Marketing in 1994, after recognizing that most corporations did not understand how to maximize their motorsports marketing investments. Zak's comprehensive knowledge of the motorsports industry helped him identify and attract the most talented marketing team and strategic partners from a variety of industries. Each of whom support Just Marketing's core tenet to represent only corporate client's participation in motorsports.



Just Marketing analyzes each client's goals and then carefully designs and implements customized, turnkey motorsports marketing programs to meet them.

- Strategic consultation, research, and evaluation
- Sponsorship development, negotiation, and management
- Integrated promotion planning, and execution
- Event creation, marketing, and management
- Hospitality and VIP entertainment
- Customized driving events
- Introduce and facilitate partnerships
- Public relations
- Media planning and buying
- Creation and production of promotional materials
- Merchandising and licensing

<http://www.justmarketing.com>

Championship Off Road Racing

For over seven years, Championship Off Road Racing has been recognized as the "Place to Race Off Road." CORR's success continues to evolve around a simple formula: combine close, fender-to-fender racing on a course designed to allow the fan in the stands to see all the action on the track, while allowing television viewers at home to live vicariously through their favorite driver.

<http://www.corracing.com/>

ROOMAN Racing

Rooman Racing builds chassis and roll cages for a number of NHRA teams. It is located in Brownsburg and also does a wide variety of specialty car body work.

roomanent@Prodigy.net

Auto Research Center, LLC

"The Auto Research Center is dedicated to pushing forward the boundaries of motor racing and this new facility is a testament to the best technical practices available today." – Adrian Reynard. All wind tunnel components have been designed to optimize repeatability and correlation between lab and field tests. The ARC invests in leading edge technology and the latest advances are available for customer use during each test session. The knowledgeable, experienced staff at the ARC provides services from consultation to model design, fabrication, and rental. And the wind tunnel itself will accommodate a wide variety of models.

<http://www.arcindy.com>



Background Interviews

Lynn St. James

Joie Chitwood, Indianapolis Motorspeedway

Sue Swayze, Greater Indianapolis Chamber of Commerce

Tony Stewart Racing

Mechachrome