

MOTORSPORTS

A North Carolina Growth Industry Under Threat

**A REPORT PREPARED FOR
NORTH CAROLINA MOTORSPORTS ASSOCIATION**

BY

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Business Development Group**

IN COOPERATION WITH



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PRELIMINARY REMARKS

INTRODUCTION

The race is on, in more ways than one.

Racing as a participatory and spectator sport is speeding ahead in popularity. For example, attendance at NASCAR events is up over 90% since 1990. Stock car racing generates better TV ratings than those of any sport other than the National Football League. The Nextel Cup series draws an average of more than 180,000 fans to each race.¹ Because of its racing legacy, North Carolina is well positioned to gain a considerable amount of the economic activity generated by this growth in popularity.

The race is also on by other states to recruit race teams, suppliers, and events away from North Carolina. Incursions from other states are actively being pursued right now. North Carolina, through its long heritage of racing, enjoys a leading position and the inside track. But the competition is going to pass the State, unless proactive measures are taken to retain and grow the thriving motorsports industry in North Carolina.

The North Carolina Motorsports Association (“NCMA”), formed in 2002, identified the opportunities North Carolina has available to grow and promote this industry. Consequently, in the Spring of 2003, representatives of NCMA met with Governor Michael Easley and other senior state officials to discuss the need to quantify the economic impact of this industry and to devise effective strategies to retain and grow the strong advantages the State now enjoys in the motorsports sector.

Governor Easley was supportive and concerned with the need for these analyses. He pledged support for the project and his administration’s readiness to take a leadership role in efforts to retain and grow this industry sector.

The overall motorsports study consists of two parts. First, an analysis of the economic impact of the motorsports industry in North Carolina was conducted by faculty at The University of North Carolina at Charlotte and accompanies this portion of the report.

Secondly, this portion of the report addresses the competitive environment which this State faces in the motorsports arena. It suggests strategies that state and local economic development organizations might undertake to retain and build the motorsports industry in North Carolina.

The intent of this portion of the report is to recommend policy and program initiatives that build on the industry cluster North Carolina enjoys in motorsports.

Although the depth of analysis, as reflected by the number of interview and focus groups, is inevitably limited by time and cost limitations, an effort has been made to gain

¹ Fay, David, “Rural NASCAR Crosses Border,” *The Washington Times*, August 6, 2004

some input from all segments of the motorsports industry. For the purpose of this study, motorsports segments that have received focus are oval track racing, drag racing, road racing and powerboat racing. There are many other segments of motorsports racing which were not included in this evaluation due to limits of time and resources. These include motorsports entities centered on motocross racing, mud slings, tractor pulls, road rallies and others. These segments are important as well, but are not within the scope of this study. Input was obtained from race teams, venues (major and secondary), suppliers, museums, race schools, economic development organizations, travel tourism promotion organizations, sanctioning organizations, television and film production companies, educational institutions, philanthropic organizations, race sponsors and others.

This broad view of motorsports, beyond the obvious predominance of attention on NASCAR Cup Racing, reveals an industry which is high in technology, geographically dispersed all over the State, and ripe for growth.

Acting upon the recommendations contained in this report will provide North Carolina's leadership the opportunity to build upon the State's great motorsports heritage.

METHODOLOGY

The Sanford Holshouser Business Development Group developed the scope of work for this study in collaboration with NCMA and the University of North Carolina at Charlotte Urban Institute. As stated earlier in this report and in the University of North Carolina at Charlotte's economic impact analysis, the motorsports industry is not a clearly defined industry. This study captured many segments of the motorsports industry. Several groups were targeted for input: motorsports industry officials, sanctioning associations, economic developers, tourism directors, educational institutions and other motorsports organizations.

This study considers the motorsports industry to include these segments that are directly involved in motorsports and those segments that support the motorsports industry. Examples of segments directly involved in motorsports are race teams and venues. Examples of support segments are tourist attractions, driving schools and industry suppliers. Information was gathered from the following industry segments in focus groups and/or interviews: race team managers and drivers, sanctioning associations, museums, public relations/media firms, venues, vendors/supplier and driving schools.

The database used to identify industry contacts is the largest known database of the motorsports industry in North Carolina. Developed by NCMA, the database includes NCMA members and nonmembers. Some participants were not a part of the NCMA database and were discovered during the course of this study.

At Appendix A is a detailed summary of the methodology used in this study and the segments of the industry contacted. Also included at this Appendix are summaries of

the background and capabilities of The Sanford Holshouser Business Development Group and the University of North Carolina at Charlotte Urban Institute.

IMPACT OF INDUSTRY

As stated above, faculty at the University of North Carolina at Charlotte prepared an economic impact analysis of the motorsports industry. This analysis was led by Dr. John Connaughton of the Belk College of Business at that University. Dr. Connaughton is a well recognized expert who has provided similar services in other such analyses. Most notably he has in the recent past coordinated an economic impact analysis of the motorsports industry in the Charlotte region.

Dr. Connaughton's analysis in this instance focused on a statewide economic impact of the motorsports industry, based on 2003 data, and produced some enlightening and encouraging results which are summarized here.

Dr. Connaughton's analysis evaluated several types of impacts, which include:

- Output impacts, which measure total spending by the industry.
- Employment impacts, which measure total employment in the industry.
- Employee compensation impacts, which measure compensation of employees in the industry.
- Value added impacts, which measure the value added inputs which are in this State.

Dr. Connaughton's evaluation demonstrates that total output impacts (spending) is conservatively \$5,075,067,394. This alone is clear evidence of how significant the motorsports industry is to North Carolina.

Also of great significance is the number of jobs created by the motorsports industry. His report shows that the number of direct, indirect and induced jobs generated by the motorsports industry in North Carolina is 24,406. At a time when this State is losing jobs in many traditional industries (e.g., furniture and textiles) ,the employment created by the motorsports industry is of great importance.

Dr. Connaughton's study also shows that the jobs created by the motorsports industry are very well paying. Total compensation within the industry is determined to be \$1,489,175,042. The average direct compensation per job is \$70,548 per year.

Total value added impact measures the value that North Carolina industry contributes to the final selling price of goods and services. For example, Fountain

Powerboats manufactures high performance racing boats in this State. A powerboat manufactured here has value added here, which is reflected in the selling price. An automotive part manufactured in another state has value added in that state, even though the selling of that product in this State is reflected in total output impacts stated above. The total value added impact of motorsports in North Carolina amounted to \$2,496,911,841.

The study done by Dr. John Connaughton and others establishes a surprisingly large economic impact. The scope and impact of the motorsports industry was understood to be substantial, by people who were aware of the industry and knew of its full breadth and depth, beyond NASCAR. However, the economic impact discovered by Dr. Connaughton's team exceeded the expectations of even those people who are well informed about the industry.

The point of reviewing the key economic impact findings herein is to emphasize the importance of this industry and hence the need to develop strategies to retain and grow the industry. This level of attention is long overdue. With the current level of competitive threats rising, it is imperative that State, regional and local economic development organizations provide for much more in-depth involvement in and support of the motorsports industry.

Attention to Dr. Connaughton's study is encouraged for the details of his analysis, which are merely summarized above.

HISTORY OF MOTORSPORTS IN NORTH CAROLINA

In order to put matters into a proper context, it is worthwhile to reflect briefly upon the history of motorsports in North Carolina.

This brief history is not offered merely for the purpose of nostalgia. More importantly, it is because of that long heritage that so many motorsports elements populate the State. It is this natural cluster of motorsports companies, venues and events that is North Carolina's strongest asset for the continued retention and growth of the industry.

Consequently, in a very real sense, the heritage of motorsports in this State is the basis upon which the industry is to be protected, more of the industry is to be attracted, and the State is best promoted as the leading motorsports destination in the Country.

Richard Petty has been noted as saying that motor car racing has been around ever since the second car was built. No doubt this is true. Consequently, no state can likely claim to be the "birth place" of motorsports.

However, no other state in the nation can lay claim to the long, rich heritage

which motorsports has in North Carolina

Long before the super speedways of today, there was a venue in Charlotte known as the Charlotte Speedway. At various times, it was located near the intersection of Wilkinson Boulevard and Little Rock Road. Later it was moved to the area of the intersection of North Tryon Street and Sugar Creek Road.

At its original location, the Charlotte Speedway was a one and one-half mile oval track with a wooden plank surface. The first race at that track was in 1924, which had approximately 50,000 spectators in attendance. This race involved open wheel cars. The presence of this venue and the events at this track began to stimulate interest in motorsport racing. Some smaller racing venues began to be developed around the State.

As many have heard about the origins of stock car racing, a number of future stock car drivers learned their skills by driving cars on the roads of North Carolina hauling moonshine (illegal, non-taxed whiskey) for the manufacturers of this product. A classic movie starring Robert Mitchum, *Thunder Road*, immortalized this. A recent article in the July 28, 2004 issue of "National Speed Sport News" commented that, "Robert G. Johnson, Jr. - better known as Junior Johnson - used driving skills he learned running moonshine on the back roads of North Carolina to become one of the most prominent figures in stock car racing history." Junior Johnson went on to win fifty races at NASCAR's top level and he finished in the top five 121 times in 313 career starts. Many other stock-car drivers came up in this way.

In 1948, promoter Bill France, the founder of NASCAR, created an opportunity for moonshine runners, young men racing on short tracks, and others to enter racing in an organized, legal and rewarding way. The first National Association for Stock Car Auto Racing (NASCAR now) race was run after Mr. France developed a few rules for this new sport. Curtis Turner, Bob Flock, Lee Petty and other legends of motorsports racing ran cars in this first stock-car race in Charlotte.

Stock car racing in those days was a lot different from today. Then, drivers would travel to and from races in the same cars they raced or in family cars. Today top NASCAR drivers have available a fleet of aircraft to quickly move them to and from races. Major race teams as we know them today did not exist. Instead, there was one major race shop, Holman-Moody, in the Charlotte area. Holman-Moody was an entity involved in motorsports, sports car manufacturing, research and development for Ford Motor Company, and parts manufacturing and distribution. Holman-Moody race teams competed in stock car racing, endurance racing, road rallies, offshore motorboat racing, and some open wheel Indy racing. Other teams in the early days were small operations working out of small garages.

Although other small oval track races, drag racing and road course racing events were being held, NASCAR (stock car racing) rapidly expanded the fan base for motorsports. The drivers were "good ole boys", just like their fans. The cars they drove were stock cars, just like the fans could buy, albeit "souped up" versions. This

connection between fans and their favorite drivers led to a deeply committed fan base that still today sustains NASCAR racing and all other levels of motorsports.

With this increased level of interest, smaller venues began to develop, such as the North Carolina State Fairgrounds track, Bowman Gray Stadium Track in Winston-Salem, the Hickory Motor Speedway and others. Also other major NASCAR venues began to appear, such as the North Wilkesboro track and “The Rock” in Rockingham, North Carolina.

The interrelationship between NASCAR and other forms of racing has been very important to the overall growth of motorsports in North Carolina and the country. In addition to the inception of racing in Indianapolis at an earlier date, NASCAR was the lead car which pulled other forms of racing along in its draft. Perhaps a young man could not afford to get into stock car racing, but he could sure put together a car to run on small oval tracks or drag race tracks around the State. And a few of these weekend racers were good enough to make it to the big time, NASCAR. Drivers Greg Biffle and Johnny Benson in interviews commented on starting their careers on small oval tracks.

The importance of this historical relationship between NASCAR and other forms of racing has recently been rediscovered. In this year, Lowe’s Motor Speedway, initiated a new entry level racing division for strictly stock production automobiles, known as Road Haws. In “Business Today” newspaper, H.A. “Humpy” Wheeler, President of Lowe’s Motor Speedway commented on this new division of motorsports racing by stating:

“The idea of rescuing a car from a junkyard, making a few safety modifications and racing at a local short track has virtually disappeared. That concept is the very foundation upon which major league stock car racing was built. The Road Haws allow us to maintain a low-cost entry point into the sport . . .”²

Consequently, the interrelationship between the major NASCAR venues and events and other venues and events is critical to the development of the high cluster of motorsports we have in this State. The glamour and excitement of NASCAR draws fans who then race at and attend races as spectators at the small tracks in the State. Fans that first go to races at small tracks are also likely to be NASCAR fans.

In addition to all of the above benefits from the historical roots and long term organic growth of the motorsports industry in this State, tourists are drawn to this State by the heritage and history of North Carolina motorsports. Thus, totally aside from the nostalgia of the history of racing, the historic roots of racing in this State underpin the sport of today.

² “Putting the “Stock” back into Stock Car Racing”, Business Today, May 7, 2004

Through a very incremental growth process, essentially unobserved at most economic development levels, North Carolina has become one of the key epicenters in the country, and now the world, for motorsports. No other state in this nation enjoys the pole position in motorsports that North Carolina has inherited.

BEST PRACTICES – COMPETITIVE THREATS



OVERVIEW OF BEST PRACTICE

Quite a few other states and some countries have initiated economic development efforts to promote and grow the motorsports industry in their jurisdictions. These efforts have the same core function of all economic development programs, which is to create quality jobs and tax bases. It is very apparent that the recently enhanced awareness which has arisen in North Carolina of the importance of the motorsports industry as a generator of good quality jobs and increasing tax collections, is not unique to our State.

An analysis of best practices in economic development policies and programs directed to the motorsports industry serves two purposes.

First, it is helpful to be aware of the threats to this industry that North Carolina faces. The programs implemented by other states, particularly those in near proximity to North Carolina, present real and immediate threats. Several NASCAR Nextel Cup race teams and manufacturers reported receiving direct contacts from economic developers in other states, trying to induce them to move their operations to those states. Major campaigns to recruit motorsports facilities from North Carolina to other states are underway right now.

For example, a NASCAR race team has disclosed to this consulting team a letter and packet of information received from the Hampton Virginia Department of Economic Development. The cover letter encouraged this NASCAR race team to move to that area of Virginia. Primary selling points were the technical resources available in that area, that are summarized under the best practices analysis which comes later in this report; the diverse population base, which would help broaden NASCAR efforts to achieve greater diversity; and financial assistance from state and local governments. From the materials reviewed, it was clear that these extensive marketing materials were not assembled in order to approach just one NASCAR race team. It is likely that others have been contacted also.

Consequently, it is helpful to examine the motorsports economic development policies and programs of other states in order to understand the threats to this industry which are faced by North Carolina.

Secondly, it is useful to examine the practices of other states to develop ideas as to policy and program initiatives which this State should pursue, or to validate ideas in this regard which have arisen out of interviews and focus groups. In fact, it is noteworthy that many of the ideas for promoting and growing the motorsports industry, which arose out of the interviews and focus groups, were indeed very consistent with what some other states have initiated.

At Appendix B is a detailed summary of best practices prepared by the University of North Carolina at Charlotte's Urban Institute. The policies and programs of certain states are not as relevant to the interests of North Carolina, as other states' practices might be. For example, as shown in the summary of Appendix B, some states have

focused efforts on inducing the locations of major oval tracks and events in their state, such as Missouri. Given the realignment of NASCAR events, which has pulled events away from North Carolina, it is unlikely that any locality in this State will in the foreseeable future, be engaged in an effort to build a major racing venue suitable for hosting a NASCAR Nextel Cup event. What are given focus in this report are the practices of states that compete with North Carolina for race teams, suppliers, events, etc.

A review of the practices of all of the states summarized at Appendix B is encouraged. However, special attention should be given to the efforts being made by two states, South Carolina and Virginia, to develop the motorsports industry, given those states' proximity to North Carolina and their concerted efforts to recruit elements of the industry from our state.

VIRGINIA MOTORSPORTS INITIATIVE

On August 13, 2003 Virginia Governor Mark R. Warner announced the launch of the Virginia Motorsports Initiative, under which the Virginia Economic Development Partnership and local economic development officials specifically target motorsports industries. Within the package, different incentives are offered such as the standard partnership package plus low-interest startup loans and workforce development programs. Other incentive goals include state marketing and promotional support for tourism in racing communities and federal funds for the expansion of research and development opportunities including NASA's Langley wind tunnel for race car testing. The Virginia Motorsports Initiative has three main components:

1. Recruit companies to Virginia involved in the motorsports business that will provide well-paid year round employment.
 - The Virginia Economic Development Partnership ("VEDP"), in cooperation with local economic development officials, will identify and recruit research and design facilities, engine fabricators, specialized machine shops, racing controls and instrumentation makers, race car teams, and other businesses that support and supply the racing industry.
 - VEDP will offer Virginia's traditional incentives to qualifying businesses, as well as coordinate the overall effort to recruit these new businesses.
 - The Virginia Department of Business Assistance ("DBA"), through the Virginia Small Business Financing Authority, will provide \$250,000 in low interest loans from its new Direct Loan program to help finance the move of new motorsports businesses

to Virginia, and encourage our existing racing businesses to expand.

- DBA's Workforce Services division will create a new targeted Workforce Development initiative aimed at the motorsports industry, and will make funds available for this purpose for companies that invest at least \$100,000 and create at least five new jobs.
 - The Virginia Tobacco Commission will provide up to \$250,000 in funds available for incentives to attract motorsports businesses to the tobacco regions of that State.
2. Support Virginia's 37 different racing venues—from the Nextel Cup circuit to local dirt tracks and drag strips.
- The Virginia Tourism Corporation (“VTC”) has provided the organizational, marketing and promotional support for the new Virginia Motorsports Coalition. This organization is made up of many of Virginia's racing venues.
 - Support the efforts of the Virginia Motorsports Coalition to promote motorsports racing in Virginia.
 - VTC will develop a fan-friendly guide to Virginia's racetracks, providing information, maps, and event schedules for all of Virginia's motorsports venues.
 - VTC will assist localities with existing tracks with data research, marketing and skills training for promotion of these facilities.
3. Nurture research and development and workforce training in Virginia's motorsports industry.
- The Commonwealth will seek additional federal funds for the expansion of NASA's Langley Full Scale Wind Tunnel to allow a broader array of race car testing.
 - The Commonwealth will support the efforts of the Virginia International Raceway, the Institute for Advanced Learning and Research in Danville, Virginia Tech, Congressman Virgil Goode and Senators John Warner and George Allen to bring the Joint Unmanned Systems Test and Research Center to Virginia to test Unmanned Ground Vehicles and related technology.

- DBA will provide Workforce Services funds to further encourage more programs to train students to work in the racing industry.
- The Commonwealth will work with the motorsports industry and their community colleges to encourage the development of other motorsports-related programs.

A very visible part of the Virginia Motorsports Initiative is the Hampton Motorsports Technology Alliance that has set the goal to establish Hampton, VA as the "Motorsports Technology Capital of North America". The Hampton Motorsports Initiative is mainly centered on research and testing facilities with the NASA's Langley windtunnel as the centerpiece of their marketing campaign.

SOUTH CAROLINA INITIATIVE

The South Carolina Upstate Alliance is a public/private regional development agency for a ten county region in upstate South Carolina. This Alliance is capitalizing on the fact that it is in the middle of the Charlotte-Atlanta motorsports corridor. Located between the race teams and race tracks in North Carolina and the Atlanta speedway, the South Carolina Upstate Alliance believes it has the potential to become a focal point for the expansion of the motorsports industry. For this reason, the Alliance has set a goal to attract motorsports-related industries to the region.

Most visibly, South Carolina has announced the development of an automotive research campus at Clemson University. This is planned to be a \$90 million, 400 acre automotive research campus to be developed by the University which will lead to the establishment of the International Center for Automobile Research (the "ICAR"). This Center plans to offer advanced automotive and motorsports testing and support facilities, i.e. an automotive electronic systems lab, a crash-worthiness lab, a fuels lab with an emphasis on hydrogen-based research, and a full-scale wind tunnel. In addition to the ICAR, Clemson's Carroll A. Campbell Jr. Graduate Engineering Center and the Information Technology Research Center will focus on the automotive industry. The Graduate Engineering Center will focus on preparing graduates to meet the engineering and management challenges of the automotive and motorsports industry, as motor components become increasingly computerized. The Information Technology Research Center will be a nonacademic tenant on Clemson's campus. The \$15 million facility will be owned by Clemson and leased by BMW and will support research that focuses on improving automotive software systems and software/hardware compatibility for BMW products. The funding for the automotive research campus is a combination of government as well as private funds, including funds from the city and county of Greenville, BMW Manufacturing Corp., the State of South Carolina, and Clemson University.

BMW, in particular, has shown significant support for the South Carolina

initiative. The company has provided a \$10 million gift to endow professorships at Clemson's graduate school of automotive engineering. BMW also helped secure \$25 million to build the graduate school as part of its pledge for a \$400 million expansion at the BMW plant in Greer. The \$25 million for the graduate school was part of a deal with state officials in exchange for a 400-worker, \$400 million expansion at its Greer plant. Thirty million dollars in contributions from the state's Research Centers of Economic Excellence program and matching industry awards will fund three endowed chairs and additional research faculty for the ICAR. In addition to the ICAR, BMW will also lease space from Clemson to house its Information Technology Research Center. State funding for the \$15 million facility was part of the state incentive package offered to BMW when the company announced its expansion.

The Upstate Alliance and Clemson University have also received substantial help from the South Carolina state government. State lawmakers earmarked \$15 million in annual lottery proceeds to endow new research professorships in automotive and motorsports technology. Clemson was the first university to tap lottery funds available generated by the state lottery. To be eligible, Clemson had to secure private matching funds and demonstrate how their proposals will promote economic development. Forty million dollars came from the state's Economic Development Bond Act to build and equip the graduate engineering center and build the information technology center that will be leased by BMW. Another \$14 million came from the state to fund roads and other infrastructure.

The State of South Carolina and the Upstate Alliance are also aggressively marketing the region to the motorsports industry through business-recruiting trips to Detroit. Representatives have also attended meetings and trade shows specifically targeted at motorsports. For example, South Carolina officials from the Upstate Alliance attended the Performance Racing Industry (PRI) trade show in Indianapolis last year. The Alliance and Clemson University hosted side-by-side booths.

CONCLUSION

As can be seen from the above and the summary of state programs at Appendix B, it is quite evident that Governor Easley's and the Legislative Motorsports Caucus' focus on motorsports as a critical industry for North Carolina is timely and essential. The recommendations in this report are intended to address the competitive threats from other states.



OVERVIEW OF FINDINGS

As stated in the previous section on Methodology, numerous organizations in motorsports, economic development, and travel and tourism were interviewed either individually or in focus groups. Through this process, a number of distinctive elements related to supporting and building the motorsports industry in North Carolina became evident.

Quite often in economic development studies, such findings are set forth in a S.W.O.T. analysis of strengths, weaknesses, opportunities and threats. Such an analysis of the motorsports industry as a whole is impractical. The characteristics of various sectors of the industry are so different, that one analysis of the overall motorsports industry is impossible. The strengths, weaknesses, opportunities and threats are quite different for NASCAR Nextel Cup teams than they are for small racing venues, drag racing teams, museums, etc.

Consequently, this section of the report evaluates significant findings regarding some overarching dynamics of the industry, such as the effect of clusters of activity, and certain significant findings regarding specific motorsports industry sectors, e.g., NASCAR, drag racing, museums, large venues, small venues, etc.

This section of the report will summarize significant findings as to:

- Motorsports Cluster
- NASCAR Elements
- Suppliers
- Technology and Educational Institutions
- Venues
- Sanctioning Associations / Events
 - Drag Racing
- Museums
- Television, Film and Radio Production
- Marketing/PR Companies
- Philanthropic Organizations
 - Victory Junction Gang Camp

- Women's Auxiliary of Motorsports
- Local Travel and Tourism Professionals
- Local Business Recruitment Professionals

During the course of this study, it became apparent that the motorsports industry in North Carolina is like a three legged stool. The stool is stable as long as it is underpinned by three legs. Take away one leg or more and the stool is entirely unstable and certain to fall.

As discussed in more detail in this report, the three legs which support the motorsports industry and give North Carolina a very enviable position are as follows:

- The dense cluster of motorsports industry companies and elements in North Carolina provides a solid leg of the stool. Numerous survey respondents, who represent the motorsports industry, commented on the importance of this cluster as to their being attracted to locate in North Carolina or inclined to remain here.
- The tourism components of the motorsports industry underpin the industry as a whole, and serve as a second strong leg of the stool. The large flow of fans who tour team shops help keeps the racing teams here. Such tours build fan loyalty for the teams. Also, this base of tourists directly supports museums, other attraction events and venues. The tourism base for motorsports is largely a result, in part, of the long heritage of motorsports in North Carolina.
- Technology is the third leg on the stool. A number of university programs, community college programs, and private sector companies give North Carolina a reasonably good set of technology resources for the motorsports industry. However, as noted in the following, there is work to be done to enhance the motorsports technology resources in the State and thereby to strengthen this leg of the stool.

If North Carolina can undertake economic development efforts which help to retain and strengthen this State's motorsports cluster, tourism flow, and technology resources, the motorsports industry in North Carolina will stay strong. If however, this State fails to maintain the motorsports cluster in the state, to keep the tourism flow vigorous, and to build on the existing technology base, this State's motorsports stool becomes very unstable and the motorsports industry in North Carolina will be exposed to greatly increased risks.

The findings that follow form the bases for the Recommendations contained later in this report.

MOTORSPORTS CLUSTER

As stated above, North Carolina's greatest strength in retaining and growing the motorsports industry in our State is the large cluster of motorsports related enterprises that are now here.

The most obvious and visible part of the cluster consists of NASCAR Nextel Cup teams in the Mooresville/South Iredell County and Concord/Cabarrus County areas. At Appendix C is a list of the location of all NASCAR race teams in all three levels of NASCAR, Nextel Cup, Busch and Craftsman Trucks. North Carolina has within its borders 82% of all Nextel Cup teams, 72% of all Busch teams, and 55% of all Truck teams. The concentration of these large team facilities in North Carolina is extraordinary.

However, on a broader geographical basis, there are other elements of the cluster which buttress the strong position which North Carolina enjoys:

- There are fifty race tracks in the State at forty seven facilities. Some facilities have more than one track. The average number of race tracks per state is 26.88.³
- Drag racing has a very significant presence in this State with seventeen drag racing tracks being present. In the country, there is only an average of 5.9 drag race tracks per state.⁴
- A significant number of nationally competitive drag race teams are resident in North Carolina. They are geographically dispersed in places such as the Lumberton, Lincolnton and the Mooresville areas. No one knows for sure the exact amount of lower echelon drag race competitors there are in North Carolina, but there are likely several hundred drag race competitors in the State. On test and tune nights at the Rockingham Dragway a turnout of up to 400 competitors is not uncommon.
- Based upon feedback from study respondents there are a very large number of people in the State who participate in small venue racing, but the number is unknown.
- There are nine motorsports museums in the State.
- There are eight racing schools in the State, where fans can experience driving race cars.

³ National Speedway Directory, 2004 Edition, by Allen E. Brown and Nancy L. Brown. For any economic developer or travel promotion professional intending to promote the motorsports industry in North Carolina it is encouraged that a copy of this directory be obtained by contacting National Speedway Directory, PO Box 448, Comstock Park, MI 49321-0448, Phone (616) 785-0324. The cost is \$10,00 plus \$3.00 for postage and handling.

⁴ *Ib id*

- There are numerous motorsports suppliers in North Carolina.

Consequently, the cluster of racing entities in North Carolina at all levels of racing is enormous.

What is the importance of having this large cluster of motorsports entities in North Carolina? At Appendix D is an excellent summary of the concept of industry clusters which provides more information about and explains the value of such clusters. Prepared by University of North Carolina at Charlotte's Urban Institute, this summary also provides a case study of a similar cluster in the British motorsports industry, which is known as Motorsports Valley.

In very basic terms, an industry cluster supports the retention and attraction of the types of companies in that industry sector. More racing venues support a higher concentration of race teams and competitors. More race teams and competitors support a higher concentration of suppliers. And these concentrations have spillover effects including infrastructure investments attractive to the industry as a whole (e.g., airport facilities, motorsports focused business parks, etc.), a highly qualified labor pool specific to that industry, and technological innovation.

The effect of clusters is not new. Because textiles was a historical cluster in the Piedmont area of North Carolina, there is until today, a high concentration of German companies that were drawn to that area because German machinery was predominant in that industry. Companies that provide hardwoods, parts and equipment are heavily concentrated in the western part of North Carolina, where the furniture industry has been predominant for decades.

A number of comments made during the interviews and focus groups conducted for this study validate the importance of the motorsports cluster in our State. Some of these are:

- The Wood Brothers Racing Team moved from Virginia to North Carolina in late 2003. One of the stated reasons for the move was to be closer to the suppliers that serve the motorsports industry, as well as proximity to technological resources and a better labor pool.
- Virtually every team stated the importance of being in this State in proximity to suppliers, technological resources and a good labor pool.
- Some local economic developers have built recruitment strategies around attracting motorsports manufacturers and suppliers that need to gain proximity to race teams.
- NASCAR Images, which produces shows for Speed Channel is located in Charlotte. A primary reason supporting this location is the proximity to

NASCAR drivers' homes and racing team shops, which makes interviews with drivers and team representatives considerably more convenient.

- The Mooresville/South Iredell and Concord/Cabarrus areas enjoy vigorous motorsports tourist traffic, drawn largely by the opportunity for those tourists to visit a large number of team shops in a central area.

It is evident therefore that the positive effects of clusters apply to the motorsports industry. Although many states have some motorsports resources available, none have the high concentration of motorsports entities which reside in North Carolina. This evident advantage for motorsports economic development efforts must be retained and built upon.

NASCAR REALIGNMENT AND ITS CONSEQUENCES

For the purposes of this section of the report, reference is only made to NASCAR teams, venues and events in the NASCAR Nextel Cup series. Obviously there are numerous other levels of NASCAR and non-NASCAR racing, but they will be commented upon elsewhere in this report.

EVENTS

During the last year, the loss of NASCAR Nextel Cup races from North Carolina Speedway, in Rockingham, has received much attention. The impact of the loss of those races has been economically damaging for the Rockingham area. Earlier the loss of a NASCAR Cup event from the North Wilkesboro Speedway was also devastating for that area. The result in both areas has been the closure and mothballing of these two tracks.

Despite the economic loss, the transfer of these races to other venues is a part of an overall realignment strategy for NASCAR and there is very little which can be done to prevent or redirect this realignment, except for perhaps special NASCAR events, such as the NASCAR All-Star Race.

The diversion of NASCAR Nextel Cup events from North Carolina Speedway is not without some regrets. Driver Jeff Burton has stated:

“Rockingham is one of the most fun places for drivers, but what’s in the best interest of the sport isn’t necessarily in the best interest of the driver at times, and I think this is one of those occasions. I also hate to see North Carolina lose another race, but, again, we go back to long-term benefit for the sport, and it’s best served by being in as many

regions around the country as possible”.⁵

The realignment of race locations is driven by several factors, including a limited number of race dates, lawsuits, population centers, rising costs to teams, lagging sponsorships and, most of all, the move toward larger media markets.

There are a finite number of NASCAR Nextel Cup events, because there are only a certain number of race weekends available. In a recent publication, an interview of Mike Helton, President of NASCAR, indicated that he does not anticipate this schedule extending beyond the current 36 race series. Instead, he foresees that changes in the 2005 schedule, if any, would be the result of the realignment of existing races, not the addition of events.⁶ Consequently, the number of NASCAR Nextel Cup races is essentially fixed at 36 races. The question then faced by the leadership of NASCAR is where those 36 races should be to realize the best benefit for NASCAR.

Some might attribute the latest realignment of NASCAR Nextel Cup events to the settlement of an antitrust lawsuit, Ferko v. NASCAR. However, this was not the determinative factor. H.A. “Humpy” Wheeler, President of Speedway Motorsports, Inc. is quoted as saying regarding the settlement of this lawsuit and realignment that, “This is a win-win for everybody. Because whether the suit had been settled or not, I don’t think it would have made any difference in NASCAR’s realignment of the schedule. They were obviously destined to do that”.

The determinative factor regarding this realignment is the need to access more major media markets, which draws more fans and therefore strengthens the financial base of NASCAR. By expanding beyond its traditional southern base, NASCAR expects to expand its fan base. This geographic expansion will increase the attractiveness of NASCAR for television coverage, since more areas of the country will “be involved” in NASCAR. This will increase the value of television rights to NASCAR Nextel Cup events.

This greater geographic dispersion will also assist NASCAR Nextel Cup teams in obtaining sponsorships and increasing the value of those sponsorships. Teams involved in focus groups and interviews as a part of this study routinely cited as one of their problems, the financial squeeze they are experiencing between rising costs and current limits on sponsorship income. Accessing more customers in more markets will increase the value of sponsorships in the opinions of these teams, because it increases consumer attention to the products sold by NASCAR Nextel Cup sponsors.

The reasons for realignment significantly override anything this State or localities in the State could have done to try to retain these race events. Consequently, the State should be supportive of NASCAR events, but there is very little which can be done to reverse this trend. As Chris Browning, former President of North Carolina Speedway

⁵ May 20, 2004 ISSUE OF NASCAR Scene newspaper

⁶ April 22, 2004 Issue of NASCAR Scene newspaper

said in response to the loss of the last NASCAR Nextel Cup race from Rockingham, “Even if we had sold the place out, the way things are going with the criteria that’s been laid out, I don’t know that it would have really mattered. We’re not in a major market, we are in what’s termed a saturated market. So those are things you can’t change”.

One effect of this realignment to the western part of the country is that North Carolina no longer represents the geographical center of NASCAR racing, as was the case when it was first a southern sport and then an east coast sport. As the geographical center of NASCAR events and venues has shifted, the risk of NASCAR race team facilities shifting to the mid-west or the west coast has also increased. A few race teams indicated that current consideration was being given to locating satellite facilities in the west or mid-west. A satellite facility for any industry can always be a first step toward further migrations of facilities.

One survey respondent made a very good point. With the movement of NASCAR into international markets (e.g., announcement of a Busch series race in Mexico City⁷), when expansions into Europe come, this would again establish North Carolina as an ideal central location given a balance between access to domestic venues and events, and to European markets. However, international expansions by NASCAR are just beginning. For the foreseeable future, North Carolina must deal with the reality that it is no longer the geographical center of NASCAR, and must anticipate the risks this creates for losing team facilities.

If there is good news in this, it is that recent media reports indicate that for the immediate future, there does not appear to be any plans for further realignment, and that any future realignment measures may be focused on other states.⁸

It should be emphasized that the above analysis is applicable to NASCAR Nextel Cup point races. However, a very different situation exists for one of the two special events held by NASCAR each year, the NASCAR All-Star Race in Concord. This special event has been held for many years at Lowe’s Motor Speedway. Consideration is currently being given as to the future location(s) of this event. Full support from the State level of economic development should be joined with efforts in the Carolinas Partnership economic development region to retain this race in North Carolina. Such efforts can be of significance as to where this race will be held in the future. This will be commented on later herein.

TEAMS

The most strategically important elements of NASCAR for North Carolina are the NASCAR Nextel Cup teams. The highest concentration of these teams in the country is in the State. They are of the greatest economic benefit to the State given their large budgets, high technology profile, and high paying jobs. A large NASCAR race team

⁷ Fryer, Jenna, “Busch Series Lands south of the border,” *Raleigh News and Observer*, August 6, 2004

⁸ May 20, 2004 issue of “NASCAR Scene” newspaper

with multiple cars will typically employ two hundred to three hundred people. Many of the jobs are decidedly high technology, and the high salary levels paid to employees of one of these large NASCAR teams is evidence of that. It is essential that these team facilities be retained and other similar facilities be attracted to North Carolina.

The good news is that virtually every NASCAR team interviewed individually or in focus groups indicated that it is unlikely that they would move from their current locations for now. Reasons for this relate back to the discussion above, about how the industry cluster benefits North Carolina. NASCAR teams find great benefit to being in proximity to suppliers, a large labor pool, and technological resources. Also family and community relationships help to hold teams here. Examples of this are Petty Enterprises, which enjoys long time family roots in Randolph County, and Childress Racing in Davidson County, where the owner, Richard Childress has a number of diversified business interests (e.g., winery, real estate development, etc.).

However, despite the current disposition of these teams, North Carolina should not, under any circumstances, rely upon these reassuring comments. Several factors may in the long term cause NASCAR Nextel Cup teams to look elsewhere for more desirable locations. Some of these dynamics are as follows.

First, as pointed out above, North Carolina is no longer the geographical center of NASCAR, as it was when this was largely a southern sport. With the geographic dispersal of events resulting from realignment, some teams are already considering locating satellite facilities in the mid-west and west to better service cars between events, in an effort to cut costs. A satellite facility can be a first step toward a relocation of a facility.

Secondly, as race teams become larger and more corporate as a result of the mergers and consolidations, family and community ties, that have helped keep the teams in North Carolina, become less and less important.

The combination of increasing cost structures combined with a tightening of corporate budgets has led to a wave of consolidation among race teams. Felix Sabates joined forces with Chip Ganassi. Jim Smith formed an alliance with Ray Everham. Jasper Motorsports became a minority partner in Penske Racing South. This undoubtedly has changed the landscape of NASCAR and could also have consequences for the existing motorsports cluster in North Carolina.

Probably the most significant consequence of consolidation is an increase in risk for the State. To be more precise, the industry's economic output and employment is centered around fewer large teams. The potential loss that the state would suffer if one of the big teams leaves the state would be a lot more substantial, than would the loss of a smaller team.

Not only is there the increase in risk because the majority of the industry's labor force is employed by a handful of firms, but there is also a potential change of unwritten

rules in the game of economic incentives. Large economic entities are more likely to demand and receive very large incentive packages from local and state governments. Currently limited economic incentives are offered in different regions and states to attract motorsports business. The value of these incentive packages could increase if race teams consolidate and the popularity of NASCAR keeps growing. North Carolina is home to most race teams and would be affected negatively if some of the big race teams left. This would cause a significant weakening of the motorsports cluster. It is likely that a relocation of race teams would trigger a relocation of the suppliers, and their suppliers and so on, in a detrimental downward spiral.

The ultimate effects of race team consolidation on the existing motorsports cluster are not entirely clear. It is unlikely that the cluster would be substantially weakened immediately because of consolidation, but the threat is real in the long run.

Thirdly, vertical integration is potentially very dangerous to the structure of the existing motorsports cluster in North Carolina and warrants special attention. Vertical integration entails the merging of buyer or supplier industries within the core industry. In the case of race teams this would entail the integration of parts manufacturing.

Interview responses suggest that race teams have begun to manufacture their own parts and therefore are taking suppliers out of the production process. Several possible reasons have been mentioned. It appears that technological requirements have increased and that many of the parts manufacturers cannot keep up with technology. It is this lack of availability of high tech parts that gives incentive to the race teams to produce their own parts.

Another possible source of this vertical integration movement can be seen in curbing the exchange of technological knowledge. It is commonly known that racing industries, willingly and unwillingly, exchange information about technology by sharing the same supplier. In order to prevent this leaking of proprietary technological knowledge, race teams see an incentive to produce their own parts, especially those parts that are technologically unique. Motorsports is a very competitive sport and race teams gain or lose advantage through technological improvements on their equipment. There is clearly an incentive to keep technology secret and not to make it accessible to competing race teams. This increased need for secrecy is very dangerous to the motorsports cluster. This is so because one of the reasons for industrial agglomeration (clustering) is the exchange of information and technology, the existence of the “common knowledge pool”. If race teams become more concerned with secrecy, they will cease to share common suppliers. Also of concern to racing teams is the leak of information which can result from sharing a labor pool with other race teams. Not only is information shared by having a common supplier but also by sharing the same labor pool.

Consequently, there may arise a trend toward race teams seeking to be farther apart to avoid technological “leaks” by departing employees. It was the impression of the economic developer for Davidson County that the Childress Race Team prefers that County as a location in order to be at some distance from other teams. If race teams

become focused on the need to increase the protection of their proprietary technologies, they are less likely to locate directly next to each other, less likely to share a supplier, and more likely to be interested in keeping their workers within the team (curbing turnover of the shared labor pool). These changes are a threat to the industrial cluster because at a certain concentration the cluster loses its positive significance to the industry and may become a negative factor. Was this need for secrecy a reason for Toyota to locate its race team in the Greensboro/High Point area, not in the cluster in the Charlotte area?

To the extent that an overly dense cluster of motorsports race teams causes some to move to other locations in North Carolina, the State would not experience any net losses. However, if race teams move to other states, the losses would be substantial.

For the above reasons, it is critically important that North Carolina should not take NASCAR race teams for granted, despite the reassuring news of their current intentions to not relocate. The State should immediately address their needs and problems, to make North Carolina an even more desirable location.

In this regard, interviews of NASCAR teams indicated several areas of concern:

- In North Carolina, a sales/use tax is charged on parts and components that go into race cars. A number of teams cited this as a competitive disadvantage in relation to other states that do not charge a sales/use tax on these parts and components.
- Workers compensation rates have, in the last fifteen years, been escalating faster in North Carolina than certain other states in general and specifically for NASCAR teams. These teams cited these higher rates as a competitive disadvantage.
- Recent wage and hour enforcement efforts have been of concern to NASCAR teams in the State. Those teams also cite concerns about the possibility of increased OSHA enforcement.
- Operating aircraft is one of the most expensive elements of a NASCAR team budget. Teams cited the need to help alleviate these costs by exempting aircraft from property taxes and exempting aircraft fuel from state taxes.
- For certain types of testing, NASCAR teams have to travel long distances to places in Kentucky, Virginia and elsewhere. The NASCAR teams emphasized the need to have more technology resources closer to home.
- NASCAR teams cited the cost of new facilities as a critical factor. The assistance of government agencies in decreasing those costs, through funding of road improvements for example, is an area of interest.

- A number of State incentives by definition apply to certain types of facilities (e.g., manufacturing, distribution, corporate headquarters, etc.), but by those definitions, do not at presently apply to NASCAR Teams. These include the William S. Lee Tax Credits, the newly passed research and development tax credits and the Job Development Investment Grant program. All teams interviewed commented favorably as to having these incentive programs and any other State level incentives apply to NASCAR teams.
- Since the close proximity of suppliers to NASCAR teams supports the retention of these teams in the State and serves as a factor in attracting new teams, the State should focus an effort on recruiting more suppliers to North Carolina. In cooperation with the North Carolina Motorsports Association and race teams located in the State, a list of recruitment prospects should be developed. Representatives of NASCAR teams should be involved in “opening the doors” at these companies to assist State recruiters in initiating the most effective contact possible.

Consequently, to increase the odds of retaining NASCAR teams in North Carolina and to attract other teams, consideration should be given to the above matters.

DRIVERS

There appears to be a trend toward some drivers moving their residences to Florida to avoid personal income taxes. In fact, a number of drivers have done so. This seems to be entirely related to the avoidance of this tax. For very high income individual, the amount of money saved is substantial. With almost all major teams having multiple aircraft, the increased travel for drivers to regularly return to their team shops in this State, is not much of a problem.

Elimination or large reductions in personal income taxes is the only way to counter this trend. It is the impression of the preparers of this report that such a step is unlikely. Consequently, there may be little that can be done about this trend.

NASCAR VENUES

With the realignment of NASCAR Nextel Cup events, two major racing venues in this State have been mothballed, the North Wilkesboro Speedway and North Carolina Speedway at Rockingham, North Carolina.

It would obviously be of great value if these venues could be put to some use. However, they are privately owned, and the owner of these tracks can essentially do with them whatsoever they choose to, including keeping them mothballed.

However, senior State officials should be in contact with the owner of each track to offer reasonable assistance for these tracks to be put to some use. This may not change

anything, but it is all that can be done by the State.

NASCAR ALL-STAR RACE

As noted above, NASCAR Nextel Cup points events are in the midst of a realignment process. Very little can be done by state, regional or local economic development officials to change this process. However, NASCAR holds two major special racing events each year. One is the Bud Shoot Out, which is held elsewhere. The NASCAR All-Star Race in Concord is the other special event held each year.

The NASCAR All-Star Race, which has been held for a number of years at Lowe's Motor Speedway, is at risk according to input from interviewees. There seems to be clear indications that this event might be moved to another location or rotated among different venues. Unlike the NASCAR Nextel Cup points series events, there are steps that can be taken to keep this event in the Charlotte area.

It is reported that efforts are being mounted in the Carolinas Partnership economic development region area to preserve this event. The State should become a full partner in this effort. This involvement by the State must be at senior levels, including the Governor. Specifically a senior official with Lowe's Motor Speedway indicated in an interview that a significant financial contribution to festivals, and ancillary events which complement this race, would be most helpful. Having multiple activities and events in conjunction with the All-Star Race would increase the draw of fans to that race.

This is similar to efforts made by local areas in the past to attract other major sporting events (e.g., NCAA and CIAA Basketball Tournaments, etc.). However, given the importance of the All-Star Race, the State must be working cooperatively in this effort. This should include regular leadership involvement in the overall efforts to retain this race, and the provision of grants to ancillary events, which will support the All-Star Race. There was a stated interest in grants from the State for this purpose, which would be combined in the same program with grants to support the introduction of new events at smaller racing venues. This is commented upon later in this report.

It was the impression received from a number of survey respondents that attention to this matter should be immediate.

SUPPLIERS

Manufacturers, vendors and suppliers that provide parts and components to the motorsports industry proliferate North Carolina. They are referred to collectively herein as suppliers.

As was discussed in focus groups and interviews with this sector, defining a motorsports supplier is somewhat difficult in terms of differentiating between such

companies, and companies that are suppliers to the automotive sector, but not specifically the motorsports industry. Some companies serve the motorsports industry, but not the automotive sector, and vice versa. Some companies serve both sectors to some degree. Consequently, any estimate of motorsports suppliers is likely quite conservative, inasmuch as any number of companies which are viewed as suppliers to the automotive industry are also finding markets for their products in the motorsports sector.

The magnitude and importance to North Carolina of this segment of the motorsports industry cannot be underestimated. In addition to the size of this segment, the large concentration of suppliers underpins other segments of the motorsports industry (e.g., race teams, venues, etc.). As noted above, race teams value their location in proximity to suppliers and at least one NASCAR team, Wood Brothers, has reportedly moved to North Carolina in part to gain proximity to suppliers. However, it works both ways. Davidson County's economic developer, Steve Gooze, reports that his success in recruiting motorsports suppliers to his County is in part based on proximity to those companies' customer base. The cluster of suppliers allows race teams to enjoy the advantages of what manufacturing firms refer to as just in time efficiencies and savings. Also, this proximity allows for very easy exchanges between the technical/engineering staffs of customers and suppliers.

The benefits of this cluster of racing activities were commented on frequently by participants from all sectors of the industry. One interviewee stated it simply by words to the effect that the best thing that the State can do for motorsports suppliers is to keep racing in this State.

The need to maintain this State's base of racing events and teams certainly applies in major part to NASCAR teams, particularly NEXTEL Cup teams. These teams have the biggest budgets and rely upon the highest technology in advanced equipment and components. Therefore, NASCAR teams are of primary importance to maintaining and gaining the huge supplier cluster in this State.

However, it would be a serious mistake to underestimate the importance of other types of race teams and venues to this supplier cluster. In the June 7, 2004 focus group of suppliers, significant comments were made to the effect that small tracks are the foundation of the motorsports industry from their perspective. As was pointed out in this regard, there are only a very limited number of NASCAR Nextel Cup cars and teams, fifty six cars in thirty three team shops. Yet, in North Carolina there are probably thousands of small race teams, race shops, and individual racing hobbyists, and no doubt, tens of thousands of such small racing entities nationwide. All of these smaller racing entities are customers, for the most part, of the companies in the supplier segment of the motorsports industry. Of course, some companies interviewed dealt predominantly with NASCAR teams, but most suppliers had a much broader market extending across all levels of racing.

It is interesting to note from interviews and focus group responses that a number of the participants reported having a large portion of their total market in North Carolina,

as opposed to sales to customers located outside of this State. For example, one company that manufactures forged pistons, exclusively for the motorsports industry, has an estimated 45% of its sales revenues in North Carolina. Another company which does contract embroidery and distribution of apparel has 100% of its motorsports business in North Carolina, and its business with motorsports makes up 50% of total revenues.

For the reasons stated above, it is not surprising that a consensus opinion among suppliers participating in this study is that the best thing North Carolina can do for them is to keep racing here and to grow racing's presence. In this regard, they stated their concern regarding racing venues that are going out of business, or which are at risk of doing so. Also, they expressed the need for support of efforts by small venues to attract additional events. A number of comments from suppliers participating in this study indicated that they felt there was the potential of attracting more events in levels of racing other than NASCAR, such as karting, junior drag racing, tractor-pulls, and quarter midget cars.

As may be obvious from the above, suppliers are generally supportive of most of the measures recommended in this report. Any effort which is successful in attracting more events, preserving more venues, growing the base of race teams, and promoting the motorsports industry overall, is of interest to and receives the support of the suppliers participating in this study.

However, motorsports industry study participants suggested the following as being of particular benefit:

- Some suppliers participating in this study export some volume of products to race teams overseas, and would welcome more export business. Other companies would like to become involved in export markets. Consequently, suppliers are supportive of vigorous representation of North Carolina based motorsports product lines in overseas markets and other markets in this State. As noted later in this report, the International Trade Division of the North Carolina Department of Commerce has already been doing work in this regard, but there is a perceived need for more resources to be available in order to maximize this potential.
- A number of supplier study participants expressed concern over workers compensation insurance costs and regulatory concerns as to OSHA and other programs. Advocacy and assistance by the North Carolina Motorsports Association was urged to address the concerns of suppliers in this regard. Similar concerns were raised by other motorsports industry segments, e.g., race teams.

Implementation of the above measures would strengthen motorsports supplier base, which in turn, underpins other elements of the motorsports industry in North Carolina. The strongest consensus opinion was that North Carolina must do all it can to preserve venues, increase racing events and generally promote and grow the industry.

TECHNOLOGY AND EDUCATIONAL INSTITUTIONS

A STRONG FOOthOLD IN MOTORSPORTS TECHNOLOGY

Significant emphasis has been given in this report regarding the great advantage North Carolina has as a result of the enormous cluster of motorsports companies in the State. This is clearly the leading advantage North Carolina enjoys in the competitive market place for motorsports companies, teams and events, and is a strong leg on the motorsports “three legged stool.”

However, North Carolina also has a sound footing in a second leg of that stool, technology programs and facilities which advance the motorsports industry. This benefits racing teams, while serving as advanced teaching and research tools for universities and community colleges. It would be fair to say that the technological advantages this State has are not as predominant as the cluster effect is. Also, other states, including Virginia and South Carolina, have announced plans to undertake technology efforts to support the motorsports industry. From all comments received during this study and the professional opinions of the preparers of this report, improving upon an already very competitive motorsports technology base should be a high priority for the State. To seize a leading position in technological resources, would be the equivalent to the current impact of the cluster effect which this State enjoys. It would put North Carolina firmly in a comfortable lead in the motorsports race among states.

North Carolina has a very impressive array of public sector technology resources in this State, which form a solid base upon which to build. Some of these are:

- The University of North Carolina at Charlotte’s College of Engineering houses the NC Motorsports and Automotive Research Center which encompasses students from seven departments on campus. The center promotes research and development on the graduate level and provides a strong experiential learning program on the undergraduate level. This program has certain technology value to the motorsports industry, and it is available for use by race teams. Established in 1998, this program is part of the University’s Lee College of Engineering. The program supports undergraduate and graduate studies, and is one of the few undergraduate degree programs in the country focused on the motorsports industry. The program and its students maintain and build a variety of cars, such as a drag racer and a Legends car. The Legends car race team has won five consecutive championships in the Inter-Collegiate Auto Racing Association.
- North Carolina A&T State University offers an interdisciplinary program incorporating motorsports electives in its mechanical engineering program, as well as training and certification in pit crew technology. This program is designed to encourage minority students to participate in the motorsports industry, which compliments the diversity efforts of

NASCAR and many NASCAR race teams. Students are taught NASCAR rules and regulations, motorsports demographics and the interdisciplinary roles of technology, engineering, management, marketing and graphic design. Currently there are approximately fifty students involved in the program, which offers two semesters with NASCAR and other businesses in the motorsports industry. Students also participate in engineering projects in motorsports. Inasmuch as North Carolina A&T State University has large minority base in its student body, racing programs at this University offer a promising means by which to diversify racing.

- North Carolina State University's Chapter of the Society for Automotive Engineering called Wolfpack Motorsports, is open to all undergraduate and graduate students who wish to become involved in the motorsports industry. Most students involved are enrolled in the school's traditional mechanical engineering program. Additionally, NC State offers students a Wolfpack Motorsports Summer Workshop, which allows early exposure to the motorsports industry to junior and senior high school students. Wolfpack Motorsports' college program has built an open wheeled Formula racer and an off-road Mini-baja car to enter competitions. The cars are used to study motorsports technology involving such issues as vehicle dynamics, suspension geometry and chasis tuning.
- A number of community colleges have programs that lead to certificates of completion or associate degrees in motorsports technology. Some of these programs are at Wilkes Community College, Catawba Valley Community College, Rowan-Cabarrus Community College, and Davidson County Community College, which operates it program in conjunction with Forsyth Technical Community College. Students who graduate from these programs are highly employable as automotive and motorsports technicians. By all reports received during the course of this study, most of these programs are fully subscribed and graduate' have a high rate of employment. Eighty percent of the graduates from the program at Catawba Valley Community College go directly into a job in the motorsports industry. Since demand for these programs exceeds their capacity, many survey respondents felt that these programs should be expanded and additional funding for state of the art equipment should be provided.

In addition to outstanding programs based in some of this State's universities and community colleges, a significant number of private sector facilities support the motorsports technology base in this state. Representative among these facilities are:

- NASCAR Technical Institute. This facility located in Mooresville, as of the writing of this report, has a student body of 1236, representing 48 states. The economic impact of having that many people from out of the area staying there to go to school, has a substantial impact on the local

economy. The availability of well trained technicians supports the motorsports industry, especially in North Carolina.

- **NASCAR Research and Development Facility.** This state of the art 61,000 square foot research and development facility in Concord owned by NASCAR and is used for safety research and testing. It has already provided many innovative solutions for the motorsports industry. In addition to safety research, the facility works on aero matching, which is getting different manufacturers to produce race vehicles that have similar aerodynamic characteristics to improve competitive fairness, and hence, improve the motorsports industry for both the fans and the teams.
- **Aerodyne Full Scale Wind Tunnel.** Located in Mooresville, the Aerodyne full-scale wind tunnel operates twenty four hours a day, seven days a week for development, testing and verification purposes and is used primarily by NASCAR teams to “tweak” the aerodynamic properties of race cars.
- **ARC 40% Scale Wind Tunnel.** The Auto Research Center in Mooresville is a 30,000 square foot facility featuring an open jet/rolling road wind tunnel for aerodynamic testing of 40-45% scale racing vehicles. Also available to the motorsports industry is a seven post chasis dynamometer. ARC provides engineering services to NASCAR teams in the area, as well as to sports car and open wheel vehicle motorsports teams.

The above is not an exhaustive listing of motorsports technology resources in North Carolina. In fact, interpreted broadly there are many more resources in the State’s higher educational system that bring some benefit to bear on the motorsports industry. For example, a composite materials program at North Carolina State University may have utility in the motorsports industry, but is not denominated as a motorsports program.

The University of North Carolina System is undertaking an entirely separate study, pursuant to a legislative directive, of how to better integrate resources of the University into economic development efforts in the State. Supporting industry clusters in the State will be a key focus of the study process. The motorsports cluster should be examined as to University resources which could assist in the economic growth of this sector. This would more fully define all University resources available to support the growth of this industry.

NEEDED ENHANCEMENTS IN TECHNOLOGY RESOURCES

Although North Carolina enjoys an excellent foothold on motorsports technology, there are still serious gaps in the technological resources desirable for the motorsports industry.

This is evidenced by the fact that many teams travel quite long distances to utilize

test facilities in other States. Teams travel regularly to test facilities in Virginia, Kentucky, Michigan, Canada, Nebraska and other areas where test race courses, equipment and facilities are located. To the extent that more testing facilities are closer to the concentration of NASCAR teams in North Carolina, the less expense teams incur on travel, which as noted above is one of the largest expense items for major teams.

Consequently, most elements of the motorsports industry, but particularly race teams, commented on the desirability of having more technology resources closer. The desirability of investing in technological resources to further cement the motorsports industry in North Carolina is not only validated by comments from study respondents. In a sense the fact that competitive threats from South Carolina and Virginia are focused in major part on technology resources, validates a focus on technological resources in this State. Investing in motorsports technology helps to blunt those and other competitive threats.

The difficulty comes in defining what motorsports technology investments are desirable, and in what priority. A full analysis of this would require a much more in depth examination of needed technology, and a thorough feasibility study and a business plan as to each type of technology. Also there must be a prioritization of these ideas against available funds. A thorough third party analysis would decrease the chances of a major investment proving to be worthless or not having a significant return on investment.

NORTH CAROLINA MOTORSPORTS TESTING AND RESEARCH COMPLEX

During the course of this study, a proposal arose out of the Carolinas Partnership area for the funding and establishment of a North Carolina Motorsports Testing and Research Complex. This proposal, also contains a few other policy/program proposals that arose during this study. It was disseminated to government leaders through a combined effort of the Carolinas Partnership, Lowe's Motor Speedway officials, and officials of the University of North Carolina at Charlotte. A copy of this proposal, as disseminated to State officials and others, is at Appendix H.

This version of the proposal contains virtually no detail as to what equipment and facilities would be at this proposed Research Center, other than the mention of a racetrack. Consequently, it was difficult to get very specific feedback on this proposal from race teams that were study respondents. However, it was clear that at the General Manager level of these teams, there was no clear consensus of the degree to which this facility is needed, what assets should be in it, and where it should be. In this regard, comments from team representatives regarding this proposed Testing and Research Complex were along the following lines:

- Responses from race team representatives as to the degree to which such a facility is needed varied. Some commented that it was needed now, but that if NASCAR eliminated a good deal of required testing, this Complex

would not likely have enough usage to justify it. Other team representatives felt that utilization of the Complex would remain vigorous even if NASCAR eliminated a good deal of current testing requirements.

Media sources have had comments in the recent past regarding the potential for NASCAR to severely curtail testing. A racing commentator, Steve Waid, in a recent column stated that as a cost cutting measure for race teams, NASCAR “can eliminate testing altogether. Testing is an expensive and unnecessary process.....But if it is outlawed, everyone would be much happier with the bottom line.”⁹

- There was no clear consensus among race team respondents as to what types of resources should be provided at this Complex. Without this information to be used by the consulting team during interviews and focus groups, it was difficult to obtain particularized reactions to specific equipment and facilities.
- Race team representatives differ as to the necessary proximity of this Complex, although all teams would prefer to have such resources “next door”. Some race team representatives felt it should be within thirty minutes. Some other race team representatives felt anywhere within an approximately two hour distance would be helpful, which calls into consideration areas of the State other than the Carolinas Partnership area, such as Rockingham, North Carolina and the North Carolina Speedway.
- There was some comment that given the amount of investment involved in this Complex, it should be available for multiple purposes, e.g., race car testing, automotive and OEM testing, and military testing.

Subsequent to the completion of interviews and focus groups which were a part of this study, a more detailed proposal for this Complex was obtained. Consequently, details of what equipment and facilities might be a part of the Complex, as set forth were not put before study respondents.

There is a strong generalized sense in the industry that investments in technology resources would be a strong factor in keeping racing teams in the State and attracting other ones. The lack of consensus seems to be around the details of what technological resources are most desirable and where they should be located. Clearly there would be great benefit from making motorsports technology investments, such as this. Consensus on the details of this proposed Complex will likely develop during the feasibility analysis and business planning for that idea.

This matter needs to be studied carefully as to feasibility, given the large amounts of investment that may be called for.

⁹ May 20, 2004 issue of NASCAR Scene newspaper

NEXT STEPS ON MOTORSPORTS TECHNOLOGY

From comments made by study respondents and others it appears that several principles should guide any policy/budgetary review of motorsports technology investments. The points raised most often included the following:

- Most, if not all, of investments in motorsports technology equipment and facilities should be in programs based in the Universities or Community Colleges in the State which have motorsports technology programs. These facilities and equipment can be made available to motorsports teams and automotive manufacturers on a reasonable cost basis. Ideally, the business plan for any such investments will demonstrate the ability to be largely self supporting.
- It would be most desirable if any investments in motorsports technology were available to benefit all universities and community colleges on a shared use basis. Regardless of where certain equipment or facilities reside in the university or community college systems, they should be available for use by other institutions.
- A process should be established to provide for a review of the feasibility of, need for, and best location of any equipment or facility recommended. An impartial process in this regard would help to assure that wise investments are made, and political squabbling among regions of the State and universities is kept to a minimum. The North Carolina Motorsports Task Force, recommended in this report to be formed, should serve this function. The State should be hesitant to make substantial investments which do not receive a sign-off in this review process.

In any event, it is clear that investments in motorsports technology will be very helpful in retaining the motorsports industry North Carolina has and attracting other motorsports elements. However, a careful due diligence of any such proposal should be done in an impartial environment.¹⁰

¹⁰ It should be noted that this portion of the report to the proposed North Carolina Motorsports and Automotive Research Center and other technology investments was prepared solely by The Sanford Holshouser Business Development Group, LLC, as was the case with most portions of this report. Given that the University of North Carolina at Charlotte would likely be a recipient of significant resources, if technology investments are made by the State, input to this portion of the report from the University of North Carolina at Charlotte was limited in order to avoid any appearance of a conflict of interest. This section's contents reflect input from study respondents and the independent professional opinions of The Sanford Holshouser Business Development Group, LLC.

VENUES

There were three major racing venues in the State mentioned in the above. Lowe's Motor Speedway is anchored by major NASCAR events and is in a class by itself. North Wilkesboro Speedway and Rockingham's North Carolina Speedway are currently inactive with very uncertain prospects for any future use.

In addition there are forty eight other race tracks at forty five other venues. The continued viability of these tracks is critical to the overall viability of motorsports in North Carolina, based upon comments from many study respondents as to how the activity which surrounds these smaller venues feed racing at higher levels with fans, drivers, technicians, etc.

In Appendix E is a list of these tracks with key information on addresses, contacts at each facility, a summary of the type of tracks, and a summary of the events run at each of those tracks. The broad geographical dispersal of these venues across the State, is evident from this list. This demonstrates that motorsports touches on every area of our State. This was taken from the National Speedway Directory.

The number of venues in North Carolina is summarized by the following:

Oval Tracks	
Dirt Tracks	17
Paved Tracks	17
Total Oval Tracks	34
Dragstrips	19
Road Courses	1

Because certain tracks may have more than one use, the numbers above as to the types of tracks do not match the total number of tracks. For example, an oval track, may also have a straightaway, which can also be used as a drag strip, and a motorsports park may have a combination of types of tracks, e.g., oval, drag strip, kart track, etc.

This summary of racing venues does not include motocross racing courses, tractor pulls, mud sling courses, kart racing tracks and motorcycle racing tracks. These would be in addition to those track venues set forth above, and as shown at Appendix E. Also this listing does not include bodies of water suitable for powerboat racing. Virtually any reasonably large body of water would suffice for this type of racing event.

Although North Carolina is blessed with a significant number of racing venues, a number of these facilities are at risk or are already likely to close. The Executive Director of North Carolina Motorsports Association indicates that he has received reports of two tracks which will close after this year. Fortunately, he also reports that another

track that has been closed will reopen in 2005.

To some degree the dynamics of whether certain tracks remain open or not, may be beyond the control of anything the State or a local government can do. However, comments from representatives of these venues in interviews and focus groups indicated that there are some meaningful things which can be done to assist these venues and make them more viable. Essentially these recommendations relate to increasing profitability by increasing revenues and reducing costs.

Some of the specific stated areas of interest, which have merit are as follows:

- More events equal more revenues. However, in the first few years of a new event, it is more difficult to make a profit, until the event develops a fan base. Consequently, one idea was for a grant fund to be established to provide for a part or all of the cost of sanction fees or promotional costs for new racing events to be brought to the State.
- Many racing venues sell fuel for race cars to participants in racing events at those venues. It was suggested that the State's statutes be amended to allow for a refund to tracks of the state taxes on motor fuels sold at racing venues in the State. On the margin, this would contribute to the profitability and continued viability of a number of tracks in this State. The amount of lost revenues to the State would be minor.
- Certain tracks would attract more events if their facilities were upgraded. However, quite often the costs of such improvements are prohibitive. It was suggested that the State should expand the Industrial Highway Access Fund in the Department of Transportation to include some or all for the costs of road improvements connected with a new or upgraded track facility. This fund now exists and is used for industrial projects to fund needed road improvements like turn lanes, deceleration lanes, etc. The fund would have to have its terms expanded and additional money provided to accommodate this need.
- The ability of smaller venues to promote and advertise their events is limited. There was a strong feeling that as a part of an overall motorsports promotional effort by the State, promotional measures should be implemented to advertise and promote racing events and venues in the State.

It was the consensus opinion of the racing venues participating in this study that the above measures would be of tangible benefit. Loss of a substantial number of these venues would significantly weaken the overall motorsports infrastructure in the State..

SANCTIONING BODIES / EVENTS

The real potential for growth of the motorsports industry in North Carolina is in the many levels of racing, in addition to the three NASCAR series (Nextel Cup, Busch and Craftsman Trucks). This has been commented upon by many focus group or interview participants. This is also evident as a result of actions being taken by leaders in the industry, such as H.A. “Humpy” Wheeler’s comments regarding the new Road Haws series, as discussed earlier in this report. Limited interviews with a few sanctioning organizations also indicated that growth as to some series of races was desired.

By drawing more events, enthusiasm and fan loyalty for racing will naturally grow. More race teams, race shops and hobbyist racers will be located in the State. This will support more vendors/supplier. Along the way, venues become more and more stable and the cluster which is North Carolina’s strength, grows and grows.

Already North Carolina enjoys a broad variety of types of racing at the racing venues in the State. A review of events held at racing venues in this State, as reflected in Appendix E, covers the gamut of racing events, a few of which are NASCAR Late Models, Late Model Super Trucks, Legend Cars, motorcycles, Hooters Series, etc.

However, interviews of sanctioning organizations indicated many more events could be attracted to this State. Sanctioning organizations’ comments in this regard included the following:

- American Motor Racing Association’s representative indicated that this organization would support the establishment of a Chapter of AMRA in North Carolina, which would promote open wheel modified racing in the State.
- A representative of United Speed Alliance Racing, which promotes the Hooters Cup racing series, indicated that this series is open to expansion in its schedule of events, that in his opinion the North Carolina market was not saturated, and that his organization would like to have another race in this State. These races are nationally televised.
- Representatives of International Motor Contest Association, which has six racing divisions (hobby stocks, stock cars, sprint cars, late model cars, sport modified cars, and modified cars) stated a strong interest in expanding its number of events in North Carolina. Of interest to this organization is that its data shows that attendance at existing events in this State is approximately 15% higher than the national average.

Of the sanctioning associations interviewed as a part of this study, only one stated a lack of interest in locating another event in this State.

The scope of this study was necessarily limited. Only a sampling of sanctioning associations was possible. However, there are well over one hundred fifty sanctioning organizations in this country. At Appendix F, is a partial listing of sanctioning organizations. This was taken from a much longer list of such entities listed in National Speedway Directory, which publication was referenced earlier in this report in footnote three. Any sanctioning organization shown in National Speedway Directory, which by its description was limited to sanctioning races in specific states other than North Carolina, was excluded from the list at Appendix F.

This list is available for use in its current form. However, it would be useful if a thorough interview could be conducted of all of these associations to identify ones which are candidates for expanding events to North Carolina, and the criteria for such an expansion.

Unfortunately, interviews of sanctioning association representatives indicated several issues which impede attracting new events to this State which include:

- Certain events require lighting sufficient for night time TV production. Many venues in this State lack that level of lighting.
- Many racing venues in North Carolina need improvements which have not been done in many instances due to a lack of funds.
- There is a small minority opinion that North Carolina is saturated with racing events.
- A need for more promotion of motorsports at the state and local levels was cited.

There are roles to be played by local and state economic development levels in attracting new racing events. However, any local or state efforts must be in conjunction with and led by a qualified racing venue. The efforts of State and local economic development efforts must be in support of a venue seeking a new event.

DRAG RACING

Drag racing deserves a special mention for three reasons.

First, North Carolina enjoys a high concentration of drag racing tracks and events. This State has nineteen drag strips. That is more than any other state except Texas. North Carolina has 6.4% of the drag racing tracks in the country, which is statistically three times what this State should have if the dragstrips in the country were distributed evenly among the states. A number of nationally competitive drag racing teams are located in this State. Two national level International Hot Rod Association events are held each year in this State, at Rockingham Dragway. A national IHRA event at Rockingham attracts on the average 45,000 fans for three days and 700 entrants from all

over the United States and Canada, according to Steve Earwood, President of Rockingham Dragway. Consequently, drag racing should be recognized for its importance to the overall motorsports profile of North Carolina.

As an additional benefit to the State, the concentration of drag strips in the State, the many events which are held at these raceways, and the presence of two national IHRA races each year result in many drag racing teams being located in North Carolina. According to Mr. Earwood, he estimates that twenty five percent of all IHRA member teams are located in North Carolina.

Secondly, it is worthwhile to note a basic difference from drag racing as opposed to most types of oval track racing. Most types of oval track racing are fan driven. That is, relatively few cars or teams are participating in the racing event. Most in attendance are fans. Drag racing is participant driven. For example, at many tracks' "test and tune" nights, as many as 400 hundred participants may turn out to run their cars or motorcycles against others. This distinction was pointed out in many interviews of the drag racing sector representatives.

Thirdly, drag racing presents an opportunity to diversify the motorsports industry and fan bases. A significant number of African-Americans are involved in drag racing, particularly drag racing motorcycles, based on input from study respondents. As evidence of this Rockingham Dragway recently announced that in the first week of August 2005, it will for the first time, host the National Riders Roundup. This is an event which extends over one week. The 40,000 people in attendance are almost entirely African American motorcycle enthusiasts. During the week there are drag races, bands, socials and church services. As a part of this event, approximately 1,000,000 pounds of food are donated to the local food bank where the event is held. It is reported by the Rockingham Dragway that already, rooms in the Rockingham and surrounding counties are being booked. This event is on a six year rotation among host venues. Every effort should be made to have North Carolina be a regular part of this rotation.

The above factors give rise to certain implications when considering an overall economic development motorsports plan.

First, drag racing should receive a very high priority in recruitment and promotional efforts. North Carolina has a significant concentration within this segment of motorsports to build upon. The State has premier drag racing facilities and events. The overall drag racing climate is one of the best in the country. As a participatory type of event, more exposure to drag racing will rapidly increase the growth in small shops and hobbyists, all of whom buy parts, equipment and materials. As a major form of racing, this State has a good base but a lot of room to grow in this sector.

The second implication relates to how promotional efforts are conducted. Marketing efforts for most types of racing are directed at the fan base. Marketing efforts to promote drag racing events and venues must, at least in part, be addressed to the participant base. As some measure of this, Mr. Earwood of Rockingham Dragway

indicates that his track has approximately 98 races per year. The participants in all of these races constitute a significant market. An overall motorsports marketing plan should contain elements aimed at the drag racing sector, as standard market targeting research would likely indicate.

In view of the points raised in this study, and which are summarized above, several initiatives were commented upon favorably by motorsports industry study respondents, and would appear to be effective strategies for increasing racing activity in the State.

- Recruit headquarters of sanctioning organizations to the State. Such organizations would generally bring a large impact by way of capital investment or jobs created. Moreover, more sanctioning organizations in the State would increase the cluster and inevitably lead to more events being held here.
- Grants should be provided by the State, managed by the Division of Travel and Tourism, which would fund sanctioning fees or promotional costs for new events, as commented above under the section entitled Venues.
- Assisting local racing venues in attracting new events is an area in which local economic developers or travel professionals, can play a role, as will be commented on later in this report.

The emphasis given above to drag racing does not imply that attention should not be given to increasing the presence of many other kinds of racing in this State. The effort to attract new events should be multi-pronged. However, drag racing is an excellent sector of racing on which to focus, because this State has a good base of drag racing organizations to begin with. Also this sector of racing is a high value sector of motorsports.

MUSEUMS

The motorsports industry cluster in North Carolina not only leads to strong synergies among race teams, venues and suppliers, it also has led to an enormous cluster of tourist destinations. As noted above under the discussion of NASCAR Teams, the team shops themselves are very active tourist attractions.

Adding to these North Carolina motorsports tourist attractions are a number of motorsports and automotive museums. At Appendix G is a list of such museums, which have been identified to date. This list was obtained from the Department of Commerce Travel and Tourism Division. There certainly may be some similar museums in the State which have not been identified.

In regard to museums, much like with suppliers, the distinction is blurred between such entities that are based on motorsports specifically, versus those that are more broadly directed to the automotive sector.

Interviews and focus group comments from several museum representatives confirms that even museums denominated as automotive museums, most often include some cars and exhibits that are drawn from the motorsports industry. Consequently, the list at Appendix G includes all museums identified whether denominated as a motorsports or automotive museum. This also seems appropriate inasmuch as tourists who visit race team facilities and motorsports museums would also be likely prospective visitors to automotive museums.

In general, there are two types of such facilities. Some museums are co-located with a racing team's facility, such as the Hendrick, Childress and Roush facilities. Some museums stand alone, such as the North Carolina Auto Racing Hall of Fame, Petty Museum, Backing Up Classics Auto Museum, and Wheels Through Time Museum.

From feedback received from interviews and focus groups, it appears that most museums are rather small. Attendance figures are respectable but modest at each museum. Various museums reported annual attendance being in the range of 12,000 to 33,000 visitors per year. It appears that museums/displays located in conjunction with a race team facility draw larger numbers of visitors, with one race team museum reporting 150,000 to 200,000 per year. It is readily apparent from all input received that tourists do not come and visit just one race team or museum, but instead, stay in the State for a period of time and visit multiple race teams and museums.

Most museums have difficulty being financially self-supporting. Many museums or displays connected with NASCAR team facilities have free admission and are operated by the teams for purposes of building fan loyalty. Some stand alone museums are supported financially by their founder. One respondent reported supplementing a museum budget by \$500,000 per year. Some museums are marginally successful. Consequently, the major area of concern for museums relates to increasing tourist traffic and revenues, as well as being able to benefit from state or local government help to promote their facilities.

In response to this opportunity, two local areas that have the largest accumulation of NASCAR team shops and other attractions, Mooresville/South Iredell County and Concord/Cabarrus County, have available printed brochures, tour maps and/or websites to assist tourists in seeing all of the attractions. These generally include museums in the area. A number of private businesses have been setup to provide guided tours of race team shops and other attractions such as museums.

Consequently, it appears that an excellent tourism base has built up around the motorsports industry due to the large accumulation of NASCAR teams in this State, which are tourist attractions in and of themselves. Certain local areas, Mooresville/South

Iredell County and Concord/Cabarrus County, as leading examples, have capitalized on this tourism base.

However, outside of these geographical areas, museums have limited means to draw tourism traffic. Limits in the ability to promote motorsports attractions across the State are obvious. One museum providing input into this study commented that the local tourism promotion program does not seem to be aware of or to promote the presence of the museum. However, most responses from study participants expressed the need for statewide promotion of motorsports attractions; programs to help museums which are financially struggling; and better highway signage.

Based upon the input received from museums, a number of concerns and needs became apparent:

- A constant concern from this sector of the motorsports industry related to difficulty in obtaining road signage from Transportation officials, to advertise a museum's presence.
- A number of respondents expanded upon this by urging that such signage for all motorsports facilities (not just museums) have a standard appearance, logo, slogan, etc.
- All respondents urged increased promotion at the State level to tie all motorsports attractions in the State together. These efforts were recommended by various respondents to include tour maps; inclusion in an overall motorsports tourism guide; dedicated space at welcome centers to display motorsports promotional materials; inclusion in a motorsports website which is connected back to each museums website; and promotional advertising for motorsports attractions in the State.
- A number of museums commented on the need for state grants or appropriations to support marketing efforts of museums.
- One respondent recommended cooperative efforts among state and local government officials, and private sector entities to establish a large, central motorsports hall of fame/museum, along the lines of the Rock n' Roll Hall of Fame in Cleveland.

Motorsports/automotive museums in North Carolina are integral parts of the overall motorsports presence. These elements of the motorsports industry add to the overall tourism draw and should be promoted and preserved.

TELEVISION, FILM AND RADIO PRODUCTION

North Carolina is fortunate to have as corporate citizens, two television and film and one radio production facilities focused on the motorsports industry.

NASCAR Images is one of these facilities located in Charlotte. This company, co-owned by NASCAR Digital Entertainment and Fox Cable Network, engages in several lines of business, all focused around the entertainment segment of the motorsports industry. These include the following:

- **Television Production.** NASCAR Images produces NASCAR shows for other broadcast/network entities.
- **Corporate Videos.** NASCAR Images produces corporate promotional videos which are used at racing events, trade shows and commercials. This customer base also centers on the motorsports industry and companies that find marketing opportunities in that industry sector.
- **Home Videos.** NASCAR Images produces home videos for retail distribution. NASCAR Images is the exclusive producer of all NASCAR related home videos.
- **Licensing.** NASCAR Images is the exclusive licensor of NASCAR racing footage.
- **Digitization Services.** As an outgrowth of producing and storing its own work digitally, NASCAR Images, on a contractual basis with other companies, will digitize film/tapes, maintain it, and market the material (or whatever combination of the above functions a company should need).
- **Event Planning.** NASCAR Images has recently initiated an event planning group which is focused on providing services to motorsports related events first, but provides services to non-motorsports events as well.

Some of the motorsports shows now being produced by NASCAR Images for several broadcast entities include the following:

- **Speed Channel**
 - **Inside Nextel Cup Racing**
 - **NASCAR Performance**
 - **NASCAR Craftsman Truck Series Races**

- NASCAR Victory Lane
- FOX Sportsnet
 - Totally NASCAR
 - NASCAR This Morning
- Outdoor Life Network
- NASCAR Outdoors

Speed Channel, also located in the Charlotte area, is the second film production facility. This company moved its operations from Stamford, Connecticut to Charlotte, in major part to be closer to the center of NASCAR activity, team officials and drivers. NASCAR Images also cited proximity to NASCAR elements as its reason for being in the Charlotte area. The power of the cluster effect works throughout the motorsports industry.

Speed Channel is an affiliate of FOX Network. FOX saw the advantages of having a channel that showcases motorsports. Roughly 50% of Speed Channel's programming is focused on NASCAR, and the remaining air time covers other motorsports sectors.

Interviews of senior representatives of both companies gave rise to several pertinent points related to motorsports economic development, which are as follows:

- Attention should be focused on recruiting additional events to the State from all sectors of racing. This provides for the opportunity to produce more product for broadcasting, close to the base of Speed Channel, NASCAR Images, and Performance Racing Network. This should include grants to assist in bringing new events to the State.
- There is good potential for recruiting other production companies to the area. Specific thoughts were shared as to several recruitment targets. Given the confidential nature of this information, it has been shared confidentially with appropriate economic development officials and is not reported here.
- It was recommended by a representative of NASCAR Images that an effort be made to recruit the International Motorsports Hall of Fame and Museum to the Charlotte area, from Talledega, Alabama where it is now located. This would be boosted by existing tourists who are drawn by the race teams and attractions in the area, and in return the Hall of Fame would feed tourists back to these facilities.

Performance Racing Network is a radio production facility located in Concord, North Carolina. This company is an affiliate of Speedway Motorsports, Inc. and Lowe's Motor Speedway. Performance racing Network produces 5 different shows that are focused on racing activities. Performance broadcasts qualifying, Busch Series and Nextel Cup races and post race shows for all NASCAR races held at Speedway Motorsports, Inc. (SMI) race venues. Those shows are carried on 723 radio stations in the United States and Armed Services Network.

These matters should be addressed.

Feature film movie production opportunities are of a different nature. No movie production company would focus all of its production on motorsports. Consequently, attracting such a production facility is not realistic.

However, feature film movie production companies do look for good places to do location shoots. North Carolina is rich in locations and facilities that tie into motorsports. For this reason, a portion of a movie on Dale Earnhardt's life bearing the title "3", was produced in part at North Carolina Speedway this year. Local officials estimated the total local economic impact of this production was in the range of \$150,000 to \$200,000 which is a significant amount for that area.¹¹

The North Carolina Department of Commerce has a very active and historically successful Film Industry Office, which promotes North Carolina as a site for film production. Its locations photo library includes numerous shots of racing venues and motorsports related facilities. Any incentives this Division may have available from time to time for movie productions in general, would apply equally to productions focused on motorsports.

It appears that the efforts of the Film Industry Office are adequate to the opportunities to recruit motorsports film production to North Carolina, and therefore no recommendations were commented upon as to this economic development sector.

MARKETING AND PUBLIC RELATIONS FIRMS

A significant number of marketing and public relations firms which entirely or predominantly focus on NASCAR and other levels of motorsports have offices in North Carolina.

Based upon information provided by the North Carolina Motorsports Association, it is estimated that there are approximately seventy marketing and public relations firms in this State. Most of these have a primary client focus on all levels of NASCAR. These companies employ approximately eight hundred eighty nine people in North Carolina.

¹¹ May 12, 2004 issue of Sandhills Business Times newspaper

These companies' offices are significantly grouped in and around Mooresville/South Iredell County, Concord/Cabarrus County, and the Charlotte areas, as one might expect. However, some of these companies have a presence outside of this geographical area, with offices in areas such as that around Greensboro, Winston-Salem and High Point.

Marketing and public relations companies provide a broad range of support for motorsports teams, venues and attractions. These would generally include the following:

- Media relations for race teams, drivers and sponsors on an on-going basis with on-site services at major race events.
- Marketing services coordinating driver, team and crew chief obligations for sponsor activities at scheduled sponsor appearances.
- Mobile marketing displays at major race events promoting race teams, event sponsors and related promotional programs.
- Equipping and operating mobile merchandising trailers at major events that sell souvenirs.
- Logistical support for sponsors.
- Developing and executing marketing programs for events, teams and drivers.
- Providing hospitality services for events and sponsors.
- Coordinating driver fan clubs.
- Developing souvenirs.
- Managing sports and sponsor licensing programs.

These types of companies have a significant presence in North Carolina. However, growth in this sector will generally come about organically, without focused economic development programs and support. Consequently, no recommendations were made herein regarding this segment of the motorsports industry.

PHILANTHROPIC ACTIVITIES

Although not all philanthropic activities which arise out of the motorsports sector are readily apparent, it is reasonably clear that this industry sector contributes significantly in this regard.

Much of what the motorsports industry does in this regard comes from teams, drivers and others on a very private, confidential basis. They may not give through charitable organizations that are more publicly touted. However, anecdotal reports of this type of support arose regularly during the course of this study. This returns an obvious direct benefit back to this State and its citizens. Given the large cluster of motorsports entities in this State, the total impact is no doubt substantial.

Some philanthropic facets of the motorsports industry are more obvious in their presence and activities.

One of these is the Women's Auxiliary of Motorsports, Inc. The Women's Auxiliary of Motorsports, Inc. (WAM, Inc.) one of only three charities of NASCAR, was established in 2004 with the merger of the Winston Cup Racing Wives Auxiliary and the Busch Series Ladies Association. The Auxiliary's mission is to enrich the sport of NASCAR with a commitment to its families through fund-raising and wellness programs for those requiring medical or financial assistance. In addition, the Women's Auxiliary of Motorsports, Inc. helps support organizations with like minded missions and purposes.

Victory Junction Gang Camp has become the largest, most visible philanthropic program with its roots in NASCAR. The Victory Junction Gang Camp was established to enrich the lives of children with chronic or life-threatening illnesses by creating camping experiences that are memorable, exciting, fun, empowering, physically safe and medically sound. All children who attend Victory Junction would not otherwise be able to attend camp because of their special needs. No child or family has to pay to attend Victory Junction. Located on 62 acres in Randleman, North Carolina, Victory Junction Gang Camp was opened in 2004. It operates solely on contributions and donations from corporations, individuals and foundations. The Victory Junction Gang Camp hosts campers ranging from 7 to 15 years old. The summer program consists of eight week-long sessions for 125 children each session. The remainder of the year includes family retreat weekends, specialized programs for disease groups, sibling weekends and camper reunions. Pediatric specialty doctors, nurses and a fully equipped medical center are available 24 hours a day to handle any medical needs, including everything from bandaging a minor cut to providing chemotherapy.

Just the philanthropic benefits of these programs are quite enough in terms of the contributions they make. However, The Victory Junction Gang offers some extraordinary opportunities to promote North Carolina as a motorsports destination, which should be fully explored. In the final analysis, no promotion should be undertaken that detracts from the philanthropic purpose for which The Victory Junction Gang exists. However, in interviewing Brian Collier, President/Executive Director of The Victory

Junction Gang Camp, it is apparent that some exceptionally promising opportunities exist to raise awareness of North Carolina's motorsports industry by tasteful and appropriate connections with visitors to this facility. Some of these are the following.

First, at full operations 4000 to 5000 children and their families, from all over the country, will be at this facility, each year. This will include family events as noted above. Also, when campers come to The Victory Junction Gang Camp in the summer, one or more parents will generally be traveling with these children at the start and finish of camp. Some parents will stay over for the week their child is in the camp. Parents and family members can be entertained by tours of motorsports facilities and museums, or by attending events. Tour packages can be developed just for these visitors. Tourism promotional packages can be delivered directly to these visitors either before or upon arrival at this camp. Busses transporting them to race events could be available.

One great advantage of this marketing opportunity is the potential to diversify the fan base for NASCAR and other levels of racing. As Brian Collier pointed out, most of the people coming to the camp are there because of the Camp's ability to handle children with disabilities and are not NASCAR fans at the outset. However, given the camp's focus on a racing theme and by way of regular visits from NASCAR drivers, many people leave as race fans. Because disabilities do not adhere to racial or ethnic divisions, The Victory Junction Gang Camp offers not only the ability to widen the motorsports fan base, but to diversify its demographic reach as well.

Secondly, The Victory Junction Gang Camp hosts open houses on a regular basis. One was held in the spring of 2004 with another planned in the fall of 2004. Brian Collier indicated that at the open house in the spring of 2004, approximately 15,000 visitors went through this facility. Mr. Collier estimates that unlike families which visit on family trips or to leave a camper, 75% or more of these open house visitors were there because they are race fans, not because they have disabled children. This is a perfectly targeted market. Promotional materials and tour maps could be made available to these visitors. Other promotional opportunities might be realized by way of connections to this identified fan base.

Thirdly, The Victory Junction Gang Camp regularly hosts very senior corporate executives from companies which provide financial support for this program. These executives can be an excellent contact point for multiple promotional purposes.

Consequently, the following seems to be an appropriate response to these opportunities:

- To the extent consistent with the philanthropic mission of The Victory Junction Gang Camp, a Department of Commerce representative should work with senior management of this program to define means by which the motorsports industry can be tastefully promoted among visitors to this facility, without detracting from its philanthropic mission.

LOCAL TRAVEL AND TOURISM PROFESSIONALS

Input was received from a number of local travel and tourism professionals by way of focus group and interview formats. Each of the local travel and tourism professionals participating in this study had at least one motorsports asset in the County. This ranged from one county which had only one smaller venue track, to counties with a race team, vendors/supplier and other resources.

In addition to gaining insight from motorsports industry entities, the consulting team believed input from economic development professionals would be most appropriate. This included input from representatives of two disciplines of economic development, the local level travel and tourism professionals and business retention/recruitment professionals. At the State level, contact was also initiated with other types of economic development professionals (e.g., international trade promotion, finance, etc.). This section of the report reflects input received from local travel and tourism professionals.

There were several benefits derived from this input.

First, the economic development professionals (both travel and tourism, and business retention/recruitment) in North Carolina are generally recognized and acknowledged by external trade sources and colleagues in other states as being in the top tier of professionals in the Country. Why would one not seek this kind of insight?

Secondly, they represent a source of validation (or refutation) of ideas which had arisen from motorsports industry sectors as to how to nurture the motorsports industry in this State and how to attract more of the industry here.

Thirdly, these professionals represent the front line of implementing many of the recommendations which come out of this report. It is helpful to determine which ideas have some “buy in” from the professional economic development community, when making recommendations for new programs and new policies.

For all of these reasons, it was clearly essential to talk to economic development professionals as a part of this analysis. As it turned out, it was highly beneficial to have input from these professionals.

It is the impression of the interview team that local travel and tourism professionals involved have a very high level of awareness of the importance of the motorsports industry. Many cogent thoughts came from these interviews, which are summarized by the following:

- All enthusiastically acknowledged the great importance of this industry from a tourism promotion point of view.

- There is a strong consensus that in most areas there has been a recent increase in awareness about the importance of this industry to travel and tourism. Some areas such as Mooresville/South Iredell County and Concord/Cabarrus County have been keenly aware of the importance of this industry and focused on it for many years, given the high concentration of motorsports resources in those areas. However, many other counties have only in the last couple of years, become intensely aware of the industry's potential.
- All agreed that if motorsports attractions in the State are to be best promoted, there needs to be an organized, packaged message including a standard logo and slogan reflecting North Carolina motorsports; signature signage for attractions, like that which is now in use to highlight the winery industry; a primary tourism guide promoting motorsports with information on attractions, museums, racing teams, racing venues, racing events, etc.; a tourism map showing the locations of all of the elements of the motorsports industry summarized in the bullet point immediately above; and promotion of heritage tours of motorsports attractions.
- Motorsports as a travel and tourism promotional effort uniquely benefits from regional efforts and therefore regional cooperation, inasmuch as tourists visiting one team shop or museum will visit several.
- Promotion of motorsports must be addressed to all levels and segments of motorsports, in addition to an emphasis on the primary draw, which is NASCAR.
- The effort to attract motorsports tourists must be a state led effort, in partnership with local and regional travel and tourism programs.
- A number of respondents were very aware of the need to promote and support smaller racing venues, given that many are very financially strapped.
- Threats to the motorsports industry in North Carolina are seen as arising from states such as Virginia, South Carolina, Florida and the City of Indianapolis.

Some of the economic development policies and programs which arose out of these interviews, and some ideas from other sources which received validation, are shown below. These measures are not commented on in detail at this point in the report. More detailed comments are in the Recommendations section of this report. The initiatives embraced by a consensus of travel and tourism professionals included the following:

- Full staffing and funding of State Travel and Tourism Division to support a state-wide marketing effort to promote motorsports.

- Tourism guide cataloguing and promoting all motorsports events, venues, teams, attractions, etc.
- DOT signage for attractions and teams .
- Map of all attractions and teams.
- Motorsports kiosks at visitors centers.
- Motorsports website maintained by the State Division of Travel and Tourism linked back to local websites.
- Evaluating the feasibility of a mobile marketing unit to promote North Carolina Motorsports.

Of great significance is that comments and ideas from travel and tourism professionals seem to match closely to comments and ideas received from motorsports industry representatives. There seems to be a common understanding on many of these points. Also, the local travel and tourism community seems to have a number of ideas which are entirely supportive and validate similar input from the State Division of Travel and Tourism. In fact, as will be commented on later in this report, the State Travel and Tourism Division has already embarked on implementing a number of ideas which arose in the course of this study.

In summary, the good news is that the travel and tourism sector of economic development seems poised to step up motorsports promotional efforts, subject to further resources being available to drive the program.

LOCAL BUSINESS RECRUITMENT PROFESSIONALS

A large number of business recruitment professionals were interviewed either one on one, or as participants in focus groups. Focus groups were held in six of the seven regional economic development partnerships. One-on-one interviews of business recruitment professionals were conducted for some professionals in the seventh regional economic development partnership area which did not host a focus group, and professionals in key counties that have a significant motorsports presence.

All of the comments above in the travel and tourism section regarding the high professionalism of the economic developers in this State apply equally to the business recruiters in this State, and the benefits which derive from talking to travel and tourism professionals is equally present from interviews with business recruiters.

It is the impression of the consulting team members that many business

recruitment professionals had not fully contemplated the size, scope and impact of the motorsports industry in this State. Certainly business recruiters (most of which are also involved in business retention efforts as well) who have a significant motorsports presence in their area are more alert to this industry. Business recruiters from counties with a smaller motorsport presences are not as aware of or focused on this industry sector. However, it was equally evident that as discussions went on in focus groups, the full potential of the motorsports industry became much clearer. Most local business recruitment professionals left their focus group visibly more enthused about efforts to promote and grow this industry.

As was the case with travel and tourism professionals, business recruitment professionals had a number of important thoughts regarding the motorsports industry:

- From their contacts with the industry it seems that overnight delivery of parts and supplies and just-in-time stocking requirements are important considerations for some elements of this industry.
- Quite a few focus group participants emphasized the high value of the existing motorsports clusters. Their comments validated observations on clustering outlined above. It was felt that in Concord/Cabarrus County the motorsports cluster had clearly become more dominant than the historical predominance of the textile cluster. This was in part due to growth of the motorsports presence in the County and the closing of textile plants.
- It has been well documented that automotive manufacturing has a high multiplier effect that ripples revenues through the economy. Motorsports sectors are a subset of automotive and can therefore be assumed to have similar multiplier effects. Also in general the motorsports industry has a high multiplier effect, stimulating suppliers to be nearby but also boosting tourism business, sales of collectibles and memorabilia, public relations, etc.
- The State has a strong position in terms of motorsports technology resources, particularly at the University of North Carolina at Charlotte. Investments should be made to achieve a preeminent position as a motorsports technology leader.
- The presence and success of Lowe's Motor Speedway was an important factor in being able to attract professional sports teams and major sporting events to the Charlotte area.
- Many small companies associated with the motorsports industry are moving to the State from Ohio, Michigan, and other states. Likewise it is evident that other states are approaching motorsports teams and companies in this State to try to recruit them away. The environment is becoming more competitive.

- Race teams seem to have less interest in local chamber and recruitment activities, than they do in tourism promotion efforts. Race teams are generally very active with local tourism promotion efforts.
- Race teams are generally very generous supporters of local charities and schools.
- Community College motorsports training programs are very successful, and they also supply the automotive maintenance sector.
- The proximity of a modern, general aviation airport is essential to recruiting NASCAR Nextel Cup teams. Race teams are so dependent on quick access to air travel that this becomes almost an essential infrastructure for a NASCAR team.
- Taxes on aircraft owned by and fuel used by aircraft that are owned by motorsports teams are significant burdens which should be lessened or removed.
- The concentration of motorsports entities in the Carolinas Partnership area is at the level that outward investment in new facilities by race teams and motorsports suppliers in surrounding counties is becoming quite evident. Prosperity is moving outward.
- The concentration of motorsports facilities in the Carolinas Partnership area has gotten to a critical mass that has caused certain companies in that area to look elsewhere for expanded operations. The negatives of a cluster mentioned in the discussion in the first part of this report (e.g., migration of technology to other teams, cannibalizing workforces, etc.) are causing some companies to look outside of the Charlotte region.
- The Federal Express hub under development at Piedmont Triad International Airport will be of great benefit to certain motorsports companies because of the capability for expedited handling of just in time parts and components.

Respondents from the business recruitment community validated certain economic development ideas which came forward from other interviews and focus groups. Also a number of ideas as to effective economic development policies and programs directed at the motorsports industry arose out of focus groups and interviews. Some of the proposed policy or program initiatives which have a consensus of support among business recruitment professionals include the following, which will be described in more detail under the section of this report covering Recommendations.

- Assure that motorsports companies are eligible for all state level incentives (e.g., Job Development Investment Grants, William S. Lee Tax Credits, One North Carolina Fund, Research and Development Tax Credits).
- Have North Carolina motorsports manufacturers and suppliers represented in overseas and domestic trade shows to promote the sales of their products.
- Create some type of mechanism or incentive to put unused racing venues, particularly North Wilkesboro and North Carolina Speedway, back into use.
- Refund state tax on fuels used by motorsports cars in events and testing.
- Refund or exempt property tax on aircraft, and state taxes on aircraft fuels used by race teams and associated motorsports businesses.
- North Carolina Department of Commerce should examine organizing a match-making event for motorsports race teams, and motorsports vendors and suppliers.
- Provide a tax credit for a North Carolina based company which sponsors a North Carolina based racing team or North Carolina motorsports event.
- Examine the possibilities regarding public financing of motorsports venue infrastructure needs (e.g., lights), which open the door to events that are filmed and run at night.
- Recruit motorsports sanctioning organizations to the State.
- Respondents in this category validated certain ideas which arose from travel and tourism professionals. This included such things as a heritage tour promotional effort, development of a state motorsports attraction map, motorsports kiosks in Welcome Centers, etc.

Later in this report under recommendations for local economic development programs, some of the successful local motorsports economic development efforts that have been undertaken in this State will be highlighted. Comments from business recruitment respondents will be reflected in those recommendations.



INPUT FROM STATE ECONOMIC DEVELOPMENT OFFICIALS

As stated in the scope of work, a part of this study has involved communicating with State officials involved in the oversight and management of economic development efforts. Interviews have been held with a number of such senior officials. However, additional time was spent with certain officials within the North Carolina Department of Commerce, inasmuch as many of the recommendations in this report would fall under the purview of that Department and its economic development divisions to implement.

Through this process, a strong sense of support for promoting the motorsports industry was evident, and in fact, some measures recommended in this report are already being implemented. These representatives commented on recommendations coming out of this study and in many cases offered important insights. Also of great importance, by these contacts an early level of conceptual concurrence with virtually all of these recommendations was indicated.

It would be premature to say what, if any, of the recommendations that follow will be implemented by the Department of Commerce. Essentially, the senior policy officials with whom the consulting team met, voiced concurrence for these recommendations in the sense of an acknowledgment that the economic development concepts were sound. They indicated support for these strategies, if the Secretary of Commerce, Governor and General Assembly deem the recommended policy initiatives meritorious, and if resources to fully and effectively implement the recommendations are provided.

That should not be interpreted to mean that all of these recommendations will find their way into implementation, at one time. A number of these recommendations are subject to action being taken by the Governor and/or the General Assembly to support them. The hard reality is that when forced to make adjustments in budgeting and staffing needs, as a part of the budget process, some very good ideas and efforts just do not get supported, in relation to other needs.

Consequently the following recommendations are validated in part by input from senior Department of Commerce officials.

An aerial, black and white photograph of a race track. Several open-wheel race cars are visible, clustered together in a turn. The track surface is light-colored, and the surrounding area appears to be a flat, open field. The image is positioned on the left side of the page, partially overlapping the title text.

RECOMMENDATIONS- STATE POLICIES AND PROGRAMS

A review of the findings of this study, summarized in the preceding section, suggests several policy and program initiatives which would be helpful to retaining and attracting elements of the motorsports industry. Not all recommendations which arose from study participants are presented as recommendations in this report. The most feasible and effective recommendations are put forth herein.

Of significance is that each of the recommendations put forth in this report is validated on three or more of the following bases:

- Comments and recommendations from industry representatives participating in the study.
- Comments and recommendations from local business recruitment and travel and tourism professionals.
- Comments and recommendations from State economic development policy leaders.
- Best practices analyses of other states and countries.
- The considered judgment of the economic development professionals involved in preparing this report.

Consequently, the recommendations which are made herein have been triangulated from several sources as being recommendations worthy of implementation.

The recommendations which follow are organized by the entity which would have a lead role in implementation. This seemed to be the most effective way to organize these proposals inasmuch as the primary audience for this report consists of economic development policy leaders. At Appendix J is a list of these proposals organized in relation to the sector of the motorsports industry which is advanced by each particular proposal. Also at Appendix J a list of recommendations which is organized by the Department of Commerce Division or other agency likely to be an implementer.

The recommendations contained in this report are considered to be an integrated whole. That is to say that implementation of one or two of the following recommendations should not be looked at as a sufficient motorsports economic development program. Rather, the package of proposals should be implemented substantially as shown, even if the full implementation of this integrated program has to be spread over more than one year. These recommendations are intended to create an effective multi-disciplinary economic development effort.

Of course, implementation of many of the following recommendations is dependent upon appropriations and staffing. Others can be done from existing resources.

In light of the above, the following recommendations are respectfully submitted

as an economic development agenda which will preserve and grow this State's dominant lead in the motorsports sector.

GOVERNOR/COMMERCE SECRETARY

A number of recommendations are best implemented at the levels of the Governor and the Secretary of Commerce. Certainly some of the following recommendations could be assigned to a division within the Department of Commerce for implementation (e.g., purchase of a trade show pavilion and designation of a position for a motorsports specialist in Commerce). However, because the following recommendations seem to cut across divisional lines of economic development, implementation at the Department of Commerce level seems to be appropriate.

NORTH CAROLINA MOTORSPORTS TASK FORCE

RECOMMENDATION: **The Governor should establish by executive order, a North Carolina Motorsports Task Force, consisting largely of representatives of the motorsports industry, to serve as a vehicle for promoting the industry and advising on policy matters concerning motorsports.**

Because of growth in the motorsports industry, recent publicity regarding the industry, this economic impact/development study, Governor Easley's focus on the industry, and other states' interest in this industry, there is a heightened awareness in our State of motorsports at present. This has resulted in some ideas already being put forward, such as the proposed North Carolina Motorsports Testing and Research Complex.

However, there is no focal point for the receipt of all the proposals coming forward, through which to review and make recommendations on such proposals. Several entities are now involved in these matters. These include a motorsports legislative caucus, the Governors Office, the Department of Commerce, several regional economic development partnerships, and a number of local economic development organizations. When major policy and program proposals come to policy makers in State government, it is generally helpful to have an advisory body which receives these proposals and makes disinterested, third party recommendations as to meritorious initiatives. This gives a higher degree of comfort to policy makers that proposed ideas are sound.

A Motorsports Task Force, created by the Governor's Executive Order, which broadly represents the industry, would serve this purpose.

The Task Force should be a relatively small working group of nine to thirteen

people. Most members should be senior representatives of various segments of the motorsports industry, with a minority coming from a more political/governmental background, so that policy/program proposals recommended have the best chance possible to be put into action. However, most members of the Task Force should be from the industry.

In general the Task Force would serve as an advisory body to the Governor's office, the Department of Commerce, and the General Assembly on motorsports matters.

Specifically the Task Force should perform several critical functions, which include:

- Receiving recommendations and findings resulting from this economic impact/development study; reviewing and commenting on this study's recommendations in order to draw on the collective experience of the motorsports industry representatives on the Task Force; and making additional recommendations not contained in this study.
- Reviewing the development of and making recommendations regarding the feasibility study and business plan for the North Carolina Motorsports Testing and Research Complex, which has been proposed by several entities in the Carolinas Partnership economic development region, and for which the General Assembly has provided funding.
- Managing an RFP process for the location of the North Carolina Motorsports Testing and Research Complex, if the feasibility study and business plan support an investment in such a facility. This will help to address concerns that arose earlier over where such a facility should be located.
- Providing on-going consultation and advice to state policy leaders on retaining and growing the motorsports industry in North Carolina.

Of course other functions could be assigned by Executive Order to the Task Force in the discretion of the Governor.

As stated above, the Task Force should be predominantly industry representatives so that policy guidance and recommendations are founded in motorsports reality. The North Carolina Motorsports Association can recommend potential appointees to this Task Force when such recommendations might be appropriate.

MOTORSPORTS SPECIALIST

RECOMMENDATION: Establish a position in the Department of Commerce for an economic developer who is a motorsports specialist.

As an industry, motorsports is quite unique, from an economic development perspective. Motorsports has significant implications for all of the disciplines of economic development, which include travel and tourism, business and industry recruitment, international trade promotion, film industry development, sports development, and finance programs. The listing of the above areas of economic development also is consistent with separate programs or division within the Department of Commerce.

Consequently, it would be desirable to have a person with depth and experience in motorsports is to have a hand in all of the various economic development programs promoting motorsports. Since having such a specialist in each Division would be duplicative and costly, it is recommended that a motorsports specialist be assigned at either the Department or Assistant Secretary for Economic Development level. In so doing, one specialist would work across program/divisional lines.

As needed, this position would assist in the implementation of motorsports efforts in several sectors of economic development. Also, this position would assure the most efficient cross over of efforts between these programs.

Certainly the motorsports industry is substantial enough to warrant this level of attention.

ECONOMIC DEVELOPMENT BOARD POSITION

RECOMMENDATION: Establish a position on the North Carolina Economic Development Board for a person who represents the motorsports industry.

The North Carolina Economic Development Board makes recommendations to the Secretary of Commerce, the Governor, and the General Assembly on policy matters concerning economic development in the State. A person with depth and experience in motorsports should sit on this Board, in recognition of the importance of this industry.

Having a motorsports position on the North Carolina Economic Development Board is also appropriate given the unique nature of this industry.

This position could be designated by a statutory amendment, which would be most desirable in terms of making such a position permanent. In the interim, the Governor can administratively designate someone from the industry to serve in this role. The North Carolina Motorsports Association should be consulted regarding quality candidates for this position.

TRADE SHOW PAVILION

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

The Department of Commerce has a small display pavilion it uses at certain trade shows. However, from comments by senior Department of Commerce staff, it appears that a larger and better facility is needed for North Carolina to have a more dominant presence at these shows.

It is therefore recommended that the Department of Commerce purchase a quality trade show pavilion of at least 3300 square feet. It would be modular and therefore could accommodate smaller spaces also.

The pavilion should have panels and display pieces promoting North Carolina as the motorsports Mecca. It should be available for multiple uses for the motorsports industry such as use at travel writers conferences, trade promotion shows, and business recruitment events. The size would allow for a race car to be used in the pavilion, if desired. Also, it would accommodate multiple people (e.g., companies at trade promotion shows, regional and local economic developers at recruitment shows, and attraction representatives at travel and tourism shows.)

To better justify the cost of this pavilion, panels and display pieces for other purposes should be obtained so that the motorsports images could be changed to accommodate other types of trade shows or events. For example, a set of biotechnology/pharmaceutical panels could be available for these types of trade shows. By managing this asset at the Department level and using it across program lines, optimum use of this asset can be realized.

BUSINESS/INDUSTRY DEVELOPMENT DIVISION

MOTORSPORTS ENTERPRISE TEAM

RECOMMENDATION: Establish a Motorsports Enterprise Team within the Business/Industry Development Division.

The Business/Industry Development Division within the Department of Commerce is a program focused on retaining existing businesses in the State and recruiting new business facilities. In carrying out this mission, the Division is currently organized around eleven Enterprise Teams, each focused on an industry segment (e.g., Biosciences, Information Technology, Telecommunications, etc.)

A similar enterprise team should be established for motorsports. In the alternative, the existing Enterprise Team for the automotive industry could be expanded to include the motorsports industry. It is strongly felt however, that given the scope of the motorsports industry and its unique nature and sets of marketing contacts, it would be best to have a separate Motorsports Enterprise Team. That team could work in conjunction with the Automotive Enterprise Team when it is advantageous to do so.

The Motorsports Enterprise Team should include the motorsports economic development specialist recommended above. This team would pursue the following recommended recruitment efforts, as well as other worthwhile marketing efforts focused on the motorsports industry.

RECRUIT RACE TEAMS

RECOMMENDATION: Target and recruit more race teams to North Carolina.

As mentioned above, under the discussion of the large motorsports cluster in North Carolina, it is pointed out that this State has 82% of all Nextel Cup teams, 72% of all Busch teams and 55% of all Craftsman Truck teams. A list of all NASCAR teams is in Appendix C.

Every team on that list which is not in this State is a recruitment target. A motorsports economic development professional such as recommended above could over time, develop contacts in the motorsports industry to obtain access to these targeted teams and pick up on trade information as to which teams are inclined to move. This recruitment effort should also be extended to drag race teams and others. Recruiting major drag racing teams, since a much smaller percentage are located here, is a much more open field of prospects.

Major racing teams are wealth generators in the motorsports sector. Recruitment of these teams should be a top priority.

RECRUIT SUPPLIERS

RECOMMENDATION: Target and recruit more motorsports suppliers to North Carolina.

As noted in this report, a number of suppliers to the motorsports industry have moved here in recent years to be closer to the extraordinary cluster of motorsports teams in this State. As described in the following section of this report, "Recommendations - Local Economic Development Efforts", the successes of Davidson County's economic development program are highlighted. This includes the County's successful recruitment of suppliers.

The Business/Industry Development Division should focus on recruiting these types of companies. This would be done through the Motorsports Enterprise Team.

Prospects for recruitment could be developed in several ways, but one means of developing prospects would be by way of a confidential supplier survey conducted by the North Carolina Motorsports Association, which is described in more detail in one of the following recommendations.

Officials of the Department of Commerce and officials at the Motor Equipment Manufacturers Association have discussed joint recruitment efforts targeted at automotive parts. This is the lead trade association for manufacturers of automotive parts, which is located in the RTP area. It might be beneficial, given the overlap between motorsports parts manufacturers and automotive parts manufacturers, to join together the proposed effort to recruit motorsports parts manufacturers and any recruitment effort aimed at the automotive parts sector.

RECRUIT SANCTIONING ORGANIZATIONS

RECOMMENDATION: Target and recruit the offices of racing sanctioning organizations to North Carolina.

Recruiting racing sanctioning organization's offices to the State would contribute to North Carolina's substantial cluster and would likely lead to more racing events being held in the State.

In Appendix F is a list of racing sanctioning organizations. Any number of these is prospects for relocating offices to North Carolina. As noted below under the recommendations related to the North Carolina Motorsports Association, it is recommended that the Association survey all racing sanctioning organizations in the country. This survey would delineate such organizations which might consider a relocation. This prospect list would be provided to the Business/Industry Development Division for use in recruitment efforts.

This effort could be coordinated and executed by the motorsports economic development specialist and the Motorsports Enterprise Team, both described above.

RECRUIT MOTORSPORTS HALL OF FAME

RECOMMENDATION: Lead an effort by State, regional and local economic development entities, in cooperation with private sector partners, to recruit or develop in the Charlotte area a facility which is recognized as The Motorsports Hall of Fame.

Cleveland, Ohio over a period of years developed the Rock n' Roll Hall of Fame, which is now a major tourist attraction in that city and has stimulated other tourist attractions in its vicinity. It is recognized as the Hall of Fame for Rock n' Roll in the country, as compared to other smaller rock and roll museums in the country. Cleveland's claim to this distinction was essentially that a local radio DJ was noted many years ago to have first used the phrase "rock and roll", and a group of government and business leaders got behind this idea and made this Hall of Fame happen. By comparison, North Carolina, with its rich heritage in motorsports and the enormous cluster of motorsports resources in the State, should certainly be the location of the Motorsports Hall of Fame.

The goal should be to develop an attraction which by its scale, broad coverage of the sport, and quality of its collection would be generally recognized as the Motorsports Hall of Fame in the country, even though there is no entity to formally deem it to be such.

There are a number of motorsports halls of fame in the country. Attractions bearing this description are in Georgia, Michigan and Daytona Beach, Florida. Also, there is a North Carolina Auto Racing Hall of Fame in Mooresville, North Carolina. However, in terms of recruiting a hall of fame facility to the State, a few study respondents only mentioned one facility, The International Racing Hall of Fame in Talledega, Alabama.

Consequently, as an early step in any effort to develop a premier motorsports hall of fame, consideration should be given as to whether an effort should be made to recruit an existing facility and collection from another state, such as the International Motorsports Hall of Fame and Museum in Talledega, Alabama, Motorsports Hall of Fame of America in Novi, Michigan and/or Thunder Road USA and Hall of Fame in Dawsonville, Georgia. Also, at an early stage, discussions should be held with the North Carolina Auto Racing Hall of Fame as to how joint efforts might facilitate this project. Should the two facilities remain physically separate and cooperative marketing efforts between the two are undertaken; should the North Carolina Auto Racing Hall of Fame be incorporated into a new hall of fame facility by way of it maintaining a distinct exhibition area in the same overall space; etc. In any event, it would be desirable to utilize the North Carolina Auto Racing Hall of Fame as a cornerstone of a much expanded, premier hall of fame facility.

A Hall of Fame such as this would logically need to be in the Carolinas Partnership area to maximize the tourist draw, given the cluster of other attractions in the area. Also, the Carolinas Partnership area has excellent transportation linkages to facilitate tourist travel.

This effort should be coordinated by the Motorsports Enterprise Team, but it must involve the Governor, other senior elected officials, Carolinas Partnership leadership, local economic developers and leaders, and representatives of the North Carolina Motorsports Association. This must be a project in which the private sector is willing to make substantial investments.

This would be a jewel in this State's motorsports crown, and if developed to the standard of the Rock n' Roll Hall of Fame, it would be an enormous magnet for tourists, coupled with all of the team shops and attractions clustered in this State. Continued vigorous tourist flow helps to keep the race teams here as well.

INTERNATIONAL TRADE DIVISION

REPRESENTATION AT INTERNATIONAL AND DOMESTIC TRADE SHOWS

RECOMMENDATION: Motorsports suppliers should have exposure of their products to other markets by the International Trade Division having exhibit space at two international trade shows and two domestic trade shows per year.

The International Trade Division of the North Carolina Department of Commerce attends numerous trade shows each year promoting North Carolina based products in new markets. Some of these trade shows are attended by representatives of the Division only and some are also attended by representatives of companies which have products in the show. The goal of these efforts is to assist North Carolina companies in expanding their sales into foreign markets. These efforts are carried out by trade specialists in the Raleigh offices of the North Carolina Department of Commerce, in conjunction with representatives in offices located in Toronto, Mexico City, Frankfurt, Tokyo, Hong Kong and Seoul.

There are a significant number of international and domestic trade shows that focus on the motorsports industry sector, and others that are combined automotive/motorsports trade shows. Two examples of the types of international trade shows that are focused on motorsports are the Auto Sports Show in England and the Automechanika Show in Frankfurt, Germany. Suppliers for the motorsports industry, which are located in North Carolina, would obviously benefit if those companies' product lines could be marketed successfully in other areas of this country, or overseas. The direct benefits for North Carolina and localities in this State are apparent. Companies that expand their markets incrementally increase production and sales, resulting in more capital investment and job creation. This expanded capital investment and job creation goes straight to the bottom line by way of increased tax revenues and overall economic growth.

Representatives of the International Trade Division have developed several goals for attending trade shows, which include:

- Developing contacts with key industry players in the North Carolina, domestic and international markets.

- Strengthening industry-specific knowledge for International Trade Division domestic staff and foreign trade representatives of the Division located overseas.
- Assisting North Carolina companies in developing markets internationally.
- Updating foreign buyer contacts and information.

Attending a number of domestic and international trade shows would serve all of the above purposes in relation to the motorsports industry.

Some suppliers that participated in this study currently have markets established in overseas markets and domestic markets that cover much of the country. However, many suppliers in North Carolina do not have markets established overseas or broadly across this country. Both categories of suppliers would benefit from this marketing effort being led by the International Trade Division. Companies with markets in certain countries can expand to other countries. Companies with sales limited to this region, get an opportunity to expand sales across this country and overseas. Markets of opportunity should be identified and evaluated by the International Trade Division. Efforts would be directed toward getting North Carolina companies into markets which were new for the participating companies.

Suppliers that participated in this study, routinely expressed interest in having the International Trade Division's assistance to reach other markets.

Fortunately the International Trade Division has already made some headway in pursuing opportunities for the automotive industry. A representative of that Division has been designated as a specialist for the motorsports and automotive industries, and that representative has attended in the past and has plans in the future to attend some motorsports attractions.

It is reported that an International Trade Division Representative has in the past participated in the SEMA and AAPEX Auto shows which are held in Las Vegas in November of each year. Combined, these two shows form the largest yearly automotive aftermarket show in the world. The International Trade Division's participation in these shows last year was considered by a representative of that Division to be an "unqualified success". The Division intends to participate in these trade shows this year and in future years.

The International Trade Division plans this year to participate in the Performance Racing Industry (PRI) Trade Show in Indianapolis, Indiana in early December. This show is reported by the Division to be the eighty-second largest trade show in North America and the largest performance racing trade show in the world. Already a number of North Carolina companies exhibit in this show, but the opportunity should be expanded to other motorsports suppliers by way of the International Trade Division's leadership.

It does not appear that the International Trade Division has participated in motorsports trade shows in other countries.

It is quite apparent that if the International Trade Division is to attend two domestic and two international trade shows each year, and is to have a noticeable, major presence in those shows, the Division must have some additional resources. An improved and larger pavilion, which has panels and images promoting North Carolina motorsports is needed. This is contemplated to be a Department asset, which would be used for various types of shows, e.g., trade promotion shows, travel writer shows, etc. Consequently, it is commented on above.

In addition, it obviously costs to attend trade shows. Funding would be needed to cover show exhibit space charges, travel expenses, and advertising money to promote North Carolina's participation, prior to a trade show. Well placed advertising increases the traffic at a trade show exhibit. Incrementally, it may become necessary to hire an additional trade specialist in order to have a larger and more frequent presence in motorsports trade shows, without detracting from the agenda of trade shows for other industry sectors in the State. Full funding should be provided by way of increased appropriations to assure that the motorsports industry is vigorously represented by the International Trade Division in domestic and international trade shows. The decisions as to which trade shows would be most beneficial, is left to the sound judgment of trade specialists in the International Trade Division.

Helping suppliers to increase their business in international and domestic markets bolsters the motorsports cluster this State has, which in turn, is a strong anchor for the race teams.

TRAVEL AND TOURISM DIVISION

Motorsports is many things. It is a technology rich business. It is a grouping of marketing organizations. It is a sport. But above all, motorsports is entertainment. As a reflection of this, one or more study respondents in virtually every sector of the motorsports industry that was surveyed commented on the overriding need to promote motorsports attractions and events in North Carolina to tourists. Particular attention should be given to promoting a longer stay by motorsports fans that are in the State for an event, in order for them to visit team facilities, museums and other attractions. More tourists coming to this State benefits all segments of motorsports, therefore all segments indicated tourism promotion as a priority. Also advertisement placements and marketing efforts should include a portion directed to African-American audiences, in order to diversify racing's base.

Consequently a great many of the recommendations in this report relate to promotion of motorsports from a travel and tourism perspective. Those

recommendations follow.

It should be noted that the Travel and Tourism Division of the Department of Commerce has already enthusiastically embraced this effort. A number of the following recommendations have already been or are in the process of being implemented. It is indicated below which these are. Also, the consulting team has been allowed to view a draft marketing plan from the Division for motorsports. The Division of Travel and Tourism is ready to fully embrace the promotion of motorsports, provided that necessary funding and resources are provided by the General Assembly.

TOURISM GUIDE

RECOMMENDATION: The Division should prepare and distribute a comprehensive motorsports tourism guide.

The motorsports tourism guide should contain all information relevant to motorsports tourists, such as:

- List of all venues and racing events at those venues.
- Directory of museums.
- Directory of race teams which host tourists.
- Tour maps showing planned driving tours of motorsports attractions.
- Directory of tour companies that conduct tours of motorsports attractions.
- Directory of racing experience schools.

This should be produced on a cooperative basis, whereby motorsports entities and others could have ads in this publication. Ideally, private sector advertising dollars would pay for this guide.

The tourism guide could be distributed by way of inquiries to 1-800-VISITNC, by providing copies to visitors at Victory Junction Gang Camp, by distributing at travel trade shows, by distributing at racing events through a mobile marketing unit, etc.

ATTRACTIONS MAP

RECOMMENDATION: The Division should produce and distribute maps which show all motorsports attractions in the State, and reflect suggested tour routes.

This map should show the locations of museums, racing experience schools, race

teams open to fans, venues, etc. Driving tour itineraries should be set forth in this map also.

It would be a primary marketing piece used along with the tourism guide described above. It could also be produced on a cooperative basis with the private sector, and distributed in conjunction with the tourism guide.

WEBSITE

RECOMMENDATION: The Division should establish and maintain a motorsports website, which has direct links to motorsports attractions and teams in the State.

The Travel and Tourism Division already has such a website under development and it is anticipated to be “rolled out” to the public later this year.

An early version of this website has been reviewed by the consulting team. It will contain much of the information described above for the tourism guide.

NEW MOTORSPORTS POSTER

RECOMMENDATION: The Division should produce and distribute an updated motorsports poster.

The poster currently being used is several years old and the cars shown are obsolete. A number of study respondents commented on the need to update this poster.

The Division already has this well underway.

SLOGAN AND LOGO

RECOMMENDATION: The Division should develop a logo and slogan to be branded over time as synonymous with North Carolina motorsports.

A number of study respondents recommended this. It is felt that with the long heritage this State has in the sport and the enormous array of motorsports activity here, there should be a well recognized branded image and slogan tied to North Carolina motorsports. These should be used on all motorsports promotional materials and signage for attractions.

The Travel and Tourism Division already has this in process.

TRAIN RESPONSE STAFF

RECOMMENDATION: The Division should arrange a time for representatives of the motorsports industry to train 1-800-VISITNC response staff as to motorsports attractions in the State.

The staff who respond to telephone inquiries at 1-800-VISITNC are not all familiar with motorsports activities and attractions in this State. They should receive training on this, along with annual updates. Training is often done by other tourism groups and areas. Individuals who staff the call center enjoy these training events and become enthusiastic sales people as a result.

The North Carolina Motorsports Association should arrange an agenda for training and provide speakers. The Division should coordinate this effort.

VICTORY JUNCTION GANG CAMP

RECOMMENDATION: A representative of the Division should coordinate with Victory Junction Gang Camp staff about presenting motorsports tour opportunities to families and others attending the camp.

Above under a discussion of the Victory Junction Gang Camp, several ideas were put forward as to how motorsports tourism marketing material could be delivered to people visiting the camp facility. These comments will not be repeated here. A representative of the Division should explore these possibilities.

WELCOME CENTER DISPLAYS

RECOMMENDATION: Each welcome center in the State should have a kiosk where promotional materials on motorsports tourism opportunities are available.

The Division should equip each welcome center with a kiosk or stand where promotional materials from venues, attractions, teams, etc. would be available to people visiting the State.

MUSEUM GRANTS

RECOMMENDATION: The General Assembly should make appropriations or allow for grants to help maintain motorsports museums.

As noted above in the discussion on museums, most motorsports museums struggle financially. Even if this does not mean the closure of a facility, a continuing financial pinch limits a museum's ability to maintain and upgrade its facilities.

For many years, the State's General Assembly has provided grant funds for tourism attractions. The Division of Travel and Tourism administers a long standing grant program, which provides money to local travel and tourism programs for promotional purposes. Each year for many years, the General Assembly has made direct appropriations to several other types of tourism attractions in the State. As an example, in the 2004 appropriations bill, appropriations for museums, which are considered to be grass roots science museums totaled \$3,097,762. This consisted of appropriations to 22 museums ranging in size from \$55,886 to \$624,536.

The General Assembly should appropriate funds in the amount of \$1,000,000 annually to the Division of Travel and Tourism, for the purpose of making competitive grants available to motorsports museums for promotional efforts, capital investments, and acquisition of new exhibit items. In the alternative to establishing a grant program, the General Assembly should make direct appropriations to qualified museums.

Museums are an important part of the cluster which draws tourists and they should be preserved. These grants would return value to local levels of economic development.

MOTORSPORTS EVENT GRANT FUND

RECOMMENDATION: **The General Assembly should appropriate \$1,000,000 annually to a grant fund, portions of which may be used to provide an annual grant to support events ancillary to the All Star NASCAR Race at Lowe's Motor Speedway, and other funds to provide sanctioning fees or promotional costs for racing events which are new to North Carolina.**

Two matters arose repeatedly from various participants in this study. First, respondents repeatedly voiced the need to do what is necessary to keep the NASCAR All Star event in the Charlotte area. Secondly, comments were repeatedly made as to the need to preserve and promote the many racing venues in this State and increase the flow of new racing events. Smaller venues and events were cited as the foundation of motorsports.

In a meeting with a senior Lowe's Motor Speedway official, it was indicated that the most important thing North Carolina could do to help retain the NASCAR All Star Race was to provide funding to assist in producing events ancillary to and in support of this race. The funds would not go to or be for the direct benefit of Lowe's Motor Speedway. Instead, such funds should go to community organizations in the area to fund

events like Speed Street in Charlotte, which is a street fair and entertainment event in the Charlotte area targeting visiting NASCAR fans attending the scheduled races. It was indicated that a local area's ability to hold this event is important because it makes attending the race part of a larger entertainment experience. Certainly the race draws people to the ancillary events, but the ancillary events help support the races as well.

These funds would be provided as a grant or grants for such events, and the grants would be administered by the Travel and Tourism Division.

Many smaller racing venues are only marginally surviving financially. A relatively small amount of money could make the difference in a smaller track being able to promote an additional race.

It is recommended that a grant fund be appropriated to the Division of Travel and Tourism, and that grants from the fund be made to pay sanctioning fees (and possibly promotional costs) for a race event which is new to the State. The grant would be provided for up to three years, in order to establish a pattern of the race event coming to the State. After that period of time, the event would have to be financially self-supporting.

Florida has a similar program for attracting sporting events. In fact, it was recently utilized to assist in attracting the ACC bowl game to Florida.

If the fund can seed the start-up of several racing events each year, over a period of time the total volume of events will be up, venues will be stronger, more race teams will cluster here.

It is recommended that this fund include \$250,000 each year for the NASCAR All Star Race, for so long as that race remains in this State. In the first year \$750,000 should be appropriated for races at other venues. This amount might be adjusted in future years to reflect actual experience in the amount of grants made in previous years.

This grant will return direct benefit to local efforts to promote tourism, and will help to make existing venues in the State stronger.

FAM TOURS.

RECOMMENDATION: **The Division should each year, host one or more FAM Tours of motorsports events and attractions for travel writers, tour promoters and other tourism entities.**

The North Carolina Department of Commerce Division of Travel and Tourism has for a number of years, provided tours of this State for travel writers, tour promoters and other entities that could result in visitors coming to North Carolina. These are called FAM Tours, short for familiarization tours.

These tours at various times focus on some facet of North Carolina's draw to tourists, such as golf, historic sites, etc. They have generally been effective in generating free media exposure and directly producing visitors to this State.

On one or more occasions each year, a FAM Tour should be organized which highlights motorsport attractions in North Carolina. These tours should be supported and participated in by motorsport industry companies.

It was reported during the course of this study that Lowe's Motor Speedway in January of each year, organizes and hosts a tour of NASCAR teams and other motorsports facilities for writers who cover racing news. This is a private event managed and hosted by a private company. Consequently, to the extent that it is agreeable to Lowe's Motor Speedway, the North Carolina Division of Travel and Tourism should provide support for this tour and participate in it by dissemination of information about North Carolina as a motorsport travel destination. Possibly, with some limited overlapping of an agenda for general tourism writers, with the agenda for the Lowe's Motor Speedway organized tour for racing writers, a FAM tour could be made to coincide with this Lowe's Motor Speedway effort.

TOURISM CONFERENCES

RECOMMENDATION: **At one or more tourism conferences or tourism writers conferences each year, the State's motorsports sector should be represented by the Division, local motorsports officials and tourism representatives.**

The State is regularly represented at tourism and tourism writers conferences. By using the trade show pavilion recommended above, in which a part or all of the exhibit is designed in a motorsports theme, the motorsports industry in this State should regularly be emphasized and sold.

This could be by way of the entire pavilion being dedicated to a motorsports theme or a portion for the exhibit being outfitted this way, with the remainder being used for other themes.

PROMOTIONAL SHOW ON SPEED CHANNEL

RECOMMENDATION: **The Division should attempt to arrange to have some representatives of the motorsports industry and the State appear as guests in an appropriate talk show format on Speed Channel, to promote the State as a motorsports destination.**

Several years ago, the Travel and Tourism Division provided a guest to appear on

a talk show on the TNN Network. Regularly 1-800-VISITNC, the tourism response number, came on the screen as the State's representative talked about some of the attractions and events in the State. This resulted in a high volume of calls asking for visitors packages.

If Speed Channel had a reasonable time slot available on one of its talk shows, perhaps a similar format could be built around North Carolina as a motorsports haven. This should be done after the tourism guide and tourism map mentioned above are available for distribution. Doing this promotional effort would likely be dependent upon being a guest on an existing show. Consequently, having content for the show, which would be of interest to the fans of Speed Channel, would be all important.

NORTH CAROLINA MOBILE MARKETING UNIT

RECOMMENDATION: **The Division should examine the return on investment and feasibility of operating a mobile marketing unit to be present at major racing events across the country to promote North Carolina as a motorsports tourism destination.**

Everyone who has attended a major race has seen the many tractor-trailer outfits which open up to create a "store" selling memorabilia connected to certain drivers, race teams, and sponsoring products. Almost every person stopping at these facilities is a racing enthusiast. Fans at other races form the perfect target market to promote the entire State of North Carolina as a motorsports tourist destination.

This mobile marketing unit should have promotional material to give away, such as the tourism guide and tourism map recommended above. The state could also license items from some North Carolina based racing teams for sale. This might include posters, matchbox cars, and other items which show cars and drivers from the history of racing in North Carolina. For example, one would think that models of earlier Richard Petty cars and reproductions of old posters would sell well. The entire theme and appearance of the mobile marketing unit would be to promote North Carolina as a motorsports tourist destination.

However, this would require quite a bit of up-front costs and annual operating costs. Also, some respondents to the study felt this would be a successful effort and others were not so sure. Consequently, at this time it is only recommended that the Division perform a complete due diligence and examine the feasibility in more detail.

Feasibility and return on investment should be determined in light of whether sales from the mobile marketing unit covers cost. This would likely not be the case. Instead, analyzing a return on investment should take into account direct income from sales, and its promotional value in selling North Carolina as a motorsports tourist destination.

If it would be cost effective, a mobile marketing unit is certainly a delivery vehicle for promotional purposes which goes right to the target market. Also other travel and tourism information could be available (e.g., golf information) for race fans who are interested in this other information. This should be considered as an option.

FINANCE CENTER

The Commerce Finance Center, a Division of the Department of Commerce, has oversight of a number of grant and tax credit incentive programs in the State, which come into play in recruiting new business facilities and assisting in the expansion of existing industry.

Although the Commerce Finance Center would not necessarily have a role in administering some of the following, it would seem to be the appropriate office within the Department of Commerce for reviewing and providing internal consultations about a number of recommended measures which are in the nature of finance or tax credit mechanisms.

During the focus groups and interviews that made up this study several finance or tax credit mechanisms were recommended as being meritorious to pursue. Each of the following recommendations would serve to preserve and promote one or more sectors of the motorsports industry. The goal will be to create an environment, in conjunction with all of the other advantages for a motorsports interest located in the State that would be hard for a race team, supplier or other entity to leave behind. The goal put simply is, to keep the assets this State has, and to attract more motorsports elements here.

SPONSOR'S TAX CREDIT

RECOMMENDATION: It is recommended that a credit against corporate or franchise tax be allowed for a company, with a corporate or divisional headquarters in the State, which becomes a new sponsor of a race team which is located in this State, in the amount of 25% of the sponsorship amount.

The largest single motorsports economic engines which North Carolina has are major team organizations, such as NASCAR shops. They have become large, high value operations. NASCAR teams keep suppliers anchored here. NASCAR teams are specifically responsible for TV production facilities being here. The huge motorsport tourist draw is stimulated by the proximity of so many NASCAR teams being in this State.

As stated above, NASCAR teams interviewed did not state a current intention of

relocating elsewhere. However, with teams considering establishing satellite operations in the mid-west and west, it is not hard to contemplate more and more work and jobs shifting over time to those locations. As teams become larger and larger through consolidations and vertical integration, it is virtually inevitable that more will begin to look elsewhere. Sooner or later offers from other states to NASCAR teams in this State are going to turn some heads.

Therefore it is vitally important that the State do all it can to retain the NASCAR team base.

A major problem faced by most teams is maintaining profitability. Costs are high. Sponsorships are getting much harder to obtain at the prices necessary to sustain a NASCAR team. This was commented on by numerous teams and other entities in motorsports.

North Carolina can make a very strong statement about its interest in these teams by adopting the above recommendation. A substantial tax credit which might prompt a company to become a NASCAR team sponsor would to some degree stimulate further sponsorships. But it more importantly says to a NASCAR team, that if you leave this state you lose a strong “ace in the hole” for obtaining a sponsorship.

The level of the credit might be adjusted, but it should be a significant amount to make a difference in a corporation’s decision about whether to sponsor a team. The level of diversion of taxes could be capped by limiting the credit to a certain number of years.

There is precedence for this type of incentive. For many years, a tax credit against income or franchise taxes has been available in the amount of 25% of the amount of investments in a qualified business investment company.¹²

It would be difficult to come up with a stronger statement about the importance of major race teams to this State.

EXEMPTION FROM SALES/USE TAX

RECOMMENDATION: N.C.G.S. §105-164.13 should be amended to provide for the exemption from sales and use taxes on any parts or components that go into the assembly of vehicles, motorcycles, or boats utilized in motorsports racing events, if the company assembling the vehicle, motorcycle or motorboat is located in the State.

As previously stated, North Carolina currently levies a sales/use tax on parts and components that go into the assembly of motorsports vehicles, motorcycles or

¹² N.C.G.S. § 105-163.011(b)(1) Qualified Business Incentive Credit

motorboats. This adds a significant amount to the overall cost of this equipment. In fact, a number of other states do not charge a sales/use tax for this type of product. A number of the states which do not currently charge a sales or use tax for this type of product or do not have a sales tax at all are Nevada, Oregon, Montana, Colorado and Delaware. Although the name of the team was not disclosed, comment was made during the course of the interviews in this study about a race team in North Carolina which takes delivery of major parts and components in Delaware to avoid the extra cost of sales and use taxes in this State.

This measure should be implemented for two reasons.

First, in the competitive environment North Carolina faces, this State does not need this competitive disadvantage. The relatively small amount of revenues which would be lost by exempting motorsports parts and components from a sales/use tax, would be minuscule in relation to the lost revenues if one major race team chose to locate elsewhere. Consequently, it is penny wise and pound foolish to lose a competitive advantage by imposing this tax.

Secondly, it would be consistent with other portions of N.C.G.S. §105-164.13 to exempt motorsports equipment and components from sales/use taxes. For example, N.C.G.S. §105-164.13(8) exempts from sales/use taxes on “tangible personal property that enters into or becomes an ingredient or component part of tangible personal property that is manufactured.” Are not race teams manufacturing motorsports vehicles?

There is other precedence for utilizing a sales tax refund or exemption to stimulate industrial growth in certain business sectors. For example, in the just concluded 2004 legislative session, House Bill 1414 was passed by the General Assembly and signed into law by the Governor, amended N.C.G.S. § 105-164.14(j). This bill provided a sales tax refund or exemption on building materials used for facilities to accommodate aircraft manufacturing, computer manufacturing, motor vehicle manufacturing, and semiconductor manufacturing. These were added to already existing sales tax exemptions for refunds for bio processing facilities and pharmaceutical manufacturing. These sales tax exemptions or refunds apply as to building materials, but the precedent of using sales tax exemptions or refunds as an economic development effort is established.

Consequently, motorsports components and parts should also be exempt from sales and use taxes.

HIGHWAY IMPROVEMENT FUND

RECOMMENDATION: New or expanding venues and race team facilities that require road improvements as a result of a project to locate a new facility or expand an existing facility should be able to receive grants from the North

Carolina Department of Transportation to pay for all or a part of these road improvement costs, if they are on a state road.

For many years the Department of Transportation has maintained a fund to pay for some or all of the costs of road improvements necessary for a new or expanding industrial facility. This fund has been known as the Industrial Highway Access Fund.

This fund should receive additional appropriations and be expanded to allow such road improvements connected with new or expanded race team shops and racing venues.

EXTEND STATE INCENTIVES TO RACE TEAM FACILITIES

RECOMMENDATION: Any state incentive or tax credit which by its terms applies to other types of companies, but not race team facilities, should be amended to extend those incentives to race team facilities.

A NASCAR Cup team facility is equivalent or superior to many manufacturing projects in terms of capital investment, jobs created, and compensation packages. Consequently, it would seem that incentives which would be committed to a manufacturing project should equally apply to a race team facility.

Most traditional incentive programs in the country which have typically applied to manufacturing facilities, have by their terms excluded entertainment and sports facilities, among other types of companies.

However, a team facility is more like a manufacturing company than a sports venue or event. Certainly a large NASCAR team is a very high value recruitment project.

For these reasons and given the extreme importance of large race teams to the overall health of motorsports in North Carolina, it would be a good investment to extend all incentives to these types of projects.

There are three primary incentive programs at the State level, which are administered by the Commerce Finance Center of the North Carolina Department of Commerce. The William S. Lee Tax Credits law allows businesses which meet certain qualifying criteria to get credits against income tax liability. These credits are prescribed amounts based on new capital investments, new jobs created, training expenses, and research and development expenditures. The One North Carolina Fund is a grant program which provides grants to companies locating or expanding business facilities in the State. These grants are generally addressed to projects which by their size or type would be considered to be significantly impactful. Decisions as to grants are made by a statutorily designated committee of senior state level policy leaders, and are subject to a

recipient company agreeing to meet certain performance commitments as to capital investments and jobs. The Job Development Investment Grant program allows qualified and approved companies to receive a prescribed credit against future income tax withholdings on employee's wages. The allowance of these credits by a state level committee of senior policy leaders is limited as to the number of companies which can be allowed credits in any given year, and the total amount of such credits.

Consultations with the Director of the Commerce Finance Center indicates that the One North Carolina Fund grant program does not require any statutory amendments and already covers race team facilities. The William S. Lee Tax Credits law, and the Jobs Development Investment Grant program would need to be changed to extend those incentives to race team facilities.

EXEMPT AIRCRAFT FROM CERTAIN TAXES

RECOMMENDATION: **Exempt racing teams from property tax on aircraft and refund state taxes on fuel for aircraft owned by racing teams, drivers and motorsports support businesses.**

As stated above in more than one context, NASCAR race teams are financially squeezed. Given the high profile of the NASCAR team and driver community, one who is uninformed as to racing, may find this to be a surprising statement. However, given the high cost of operating a competitive team in NASCAR, it should not come as a surprise that the need for sponsorship funds is also elevated. That makes it harder to get enough sponsor support to work economically.

When asked a neutral question, such as, "what could be done to make it possible for your team to continue to grow and operate profitably in North Carolina," one answer was almost always mentioned first, and mentioned emphatically. That answer was, "help us reduce the cost of our aircraft operations."

Aircraft operations is one of the largest expense line items in a race teams profit and loss statement. All major NASCAR teams frequently use aircraft. Some large teams may have seven or eight aircraft, fixed wings and helicopters.

These aircraft are not ego driven purchases. They are essential given the expanded geographical reach of this sport. As mentioned above under the history of motorsports, in the very early days stock car (forerunner of NASCAR) drivers would drive to races, sometimes in the cars they were racing. It is just not like that anymore. An aircraft fleet is essential to a NASCAR team.

As the geographic spread of NASCAR has progressed, pursuant to its realignment policy, the need for aircraft has increased and the cost of aircraft operations has skyrocketed. Put simply, there is just a lot more flying involved when one has to go to the west coast for a race, Nebraska for testing, etc.

This recommendation is not just about reducing the cost of aircraft operations for NASCAR race teams, although that would be enough from an economic development policy and return on investment point of view. This recommendation strikes at the one issue which could unravel the cluster we enjoy in this state. Given the geographic dispersal of NASCAR events it starts being a lot less costly (in terms of aircraft costs) to be in the mid-west area. If as teams start developing satellite facilities, they begin to examine how to reduce the cost of air travel, the mid-west starts to look a lot better. Therefore, any economic development policy which reduces the cost of air fleets, at least in part equalizes North Carolina's position as compared to a more central location, is strategically important.

For these reasons it is recommended that aircraft owned by racing teams (NASCAR and others) be exempt from property taxes and that the state taxes on fuels used in racing team aircraft be refunded to the racing teams.

This idea got the most enthusiastic response from race teams. The level of interest was visible.

REFUND TAX ON MOTOR FUELS

RECOMMENDATION: State taxes on fuels sold at racing venues in this State for race vehicles should be refunded to those racing venues.

As commented on above, many racing venues in this State are barely hanging on financially. Some are not hanging on any longer, and according to reports from the North Carolina Motorsports Association two will close this year. How can these smaller racing venues be preserved, since so many acknowledge their importance in underpinning the overall motorsports profile in our State?

The above recommendation will assist on the margins. That is, the savings to a racing venue realized from the above recommendation could make the difference as to whether the owner can afford to live and operate the race track, or whether or not an improvement can be made to make the track a better draw.

Some racing venues make fuel sales available to race teams. These fuels carry state taxes just like what is sold at any gas pump. A refund to the racing venue of the State taxes on this fuel would be so small as to not even show up on the State's budget radar screen. On the other hand, it is significant to venues and may keep a track open.

There is precedence for this. For example, a refund provision exists for farmers for state taxes on fuel used in farm vehicles. A similar provision should be extended to the motorsports venues.

NORTH CAROLINA MOTORSPORTS ASSOCIATION

There were a number of concerns and ideas for economic development initiatives that could be most logically carried out by the North Carolina Motorsports Association, a non-profit trade association founded in 2002.

Since its founding, the Association has established a strong presence. This study is being conducted because the Association initiated it and obtained grants to support it. A Motorsports Legislative Caucus is actively looking after the interests of motorsports, because of the actions of the Association. A number of ideas which arose in the course of this study, are already being implemented because of the successful efforts of the Association in building relationships with policy leaders in State government. The rise in the visibility of the industry, awareness as to its importance to the State, and general enthusiasm for the industry have been in large part due to the Association's advocacy.

It is a natural step for the Association to evolve into roles of advocating for the motorsports industry in certain regulatory matters and working in a more active role in promoting the industry in cooperation with State officials.

For these reasons the following recommended roles best fall to the Association.

However, a word of counsel is necessary. The industry will have to support these efforts. Each of these roles will require funding. However, certainly elements of the motorsports industry recognize that the North Carolina Motorsports Association can provide a high return on investment.

REGULATORY ADVOCACY

RECOMMENDATION: **The North Carolina Motorsports Association should serve as an advocate for the motorsports industry on policy matters related to regulatory programs.**

During the course of the interviews and focus groups of race teams, one of the most often mentioned concerns dealt with several regulatory or governmental matters. These included:

- More than one racing team commented on recent enforcement of fair wage and hour requirements. By the nature of their race schedule, NASCAR teams work long hours between race weekends. Consequently, issues arose as to whether certain employees working overtime were to be paid overtime pay. From comments received during this study, it appears that these matters have come to a conclusion with there being consensus as to more employees of racing teams being owed overtime wages. However, it seems that this highlighted for teams, the need to have someone dealing

with these matters on the front end from a policy perspective, rather than dealing with enforcement actions.

- Teams expressed concerns about the possibility of greater OSHA oversight. The Association could work effectively with the Commissioner of Labor and her staff to help its membership understand the work environment of a major racing team, and through training the State can ensure that race teams understand OSHA requirements better.
- Most museum representatives and local travel and tourism officials commented on having difficulties in obtaining highway signage. The Association should be available to assist and advise on this process. The difficulties reported could be partially due to the fact that people in the industry may not be well informed about the appropriate process for obtaining highway signage. If the Association assists in this effort it could provide guidance about the best process for getting such approvals. It is easier to jump through a set of hoops, once the Association paves the way.
- Almost every race team voiced concern over worker compensation insurance rates. It appears that there may be two reasons for this run-up in rates. First, it would appear that the North Carolina Rate Bureau, which establishes risk categories and hence rates, needs to be better informed about the industry. One team reported rates applied to a truck driver, in excess of rates that would apply to a truck driver that was not working for a race team. There is no apparent reason for this. The driver is driving a truck, not a race car. Secondly, some costs might be saved if a self insurance association for the motorsports industry was established. The Association, in conjunction with a consultant, can resolve these two questions, and if a savings is to be had, it can be found.
- A number of race teams voiced concern over lost licensing revenues due to pirated merchandise. The Association should work with State officials to enhance enforcement efforts against merchandise which is not licensed.
- Other matters of this nature should be handled by the Association, when they arise.

The Association, if funded and staffed adequately, can return substantial value to the industry.

VANITY TAGS

RECOMMENDATION: Gain legislative approval for a motorsports vanity license plate, some portion of the proceeds of which

would go to the North Carolina Motorsports Foundation.

This idea arose early in the discussions which comprised this study. The idea was taken up by the Motorsports Legislative Caucus and they ran with it. The Legislative Caucus consists of state legislators who have a special interest in motorsports matters. Legislation for vanity license plates was approved in the 2004 session of the General Assembly and signed into law by Governor Easley.

QUALIFYING SANCTIONING ORGANIZATION

RECOMMENDATION: The North Carolina Motorsports Association should, either in-house or with a consultant, do detailed interviews of motorsports sanctioning organizations as to their interest in having new events, criteria necessary to recruit events to North Carolina tracks, and their interest in a new location of their offices, with information from this to be used for economic development purposes.

As mentioned above, the importance that new events be attracted to the State cannot be over emphasized. Hence this report recommends a new grant fund to “seed” some of the cost for venues in getting a new event. In a section of this report which follows, a strategy for local economic developers is to assist in getting new racing events into their area. This recommendation is intended to provide a product which can be utilized by local economic developers, working with a venue, to attract new racing events.

The question becomes how to target the best events to go after. Which racing series is expansion oriented? What physical characteristics does the racing venue have to have (e.g., lights for night time TV production)? What is the sanctioning fee? The consulting team did interview some sanctioning organizations, but it was beyond the scope of work in this study to do detailed interviews of over 100 to 150 sanctioning associations on these matters. The Association should do this itself or contract to have these interviews done and this information compiled. This would be available, possibly at a price calculated to cover the cost of the study. Copies would be of interest to venue operators, economic developers, local travel and tourism professionals, and others.

As information is being compiled on potential new events, inquiry should be made as to any interest in a new location for their offices. Information on these prospects would be shared with the North Carolina Department of Commerce Motorsports Enterprise Team, for follow-up on recruiting.

This would be an excellent role for the Association to play which could greatly benefit the economic development community. It should be pursued.

VENDOR/SUPPLIER PROSPECTS ANALYSIS

RECOMMENDATION: The North Carolina Motorsports Association should contract for a process of identifying motorsports suppliers which are recruitment prospects for an expansion or relocation to this State.

It was recommended above that the Motorsports Enterprise Team in the Department of Commerce should focus on recruiting more suppliers to the State. This further strengthens the cluster and makes the State more attractive to racing teams, better retaining the ones this State has and more effectively attracting other race teams to this State.

The problem is identifying the prospects.

The Association should take this task on with the assistance of a consultant. The process would be as follows. The Association, through its consultant, would interview race teams (at several levels of racing) as to the products they use and the suppliers of those products. This information would be matched with the locations of companies' facilities. Those without a facility in the state become a target. The Department of Commerce takes up a recruitment effort possibly with the assistance of race team representatives here.

Executed professionally, this would be a highly successful recruitment effort.

The Association is the logical choice to lead this effort for two reasons. First, race teams will participate in such a project only if the information they provide will be kept confidential. They will not be comfortable dealing with a public agency, which is subject to the public records law. Secondly, it is the consulting team's impression that the Department is short staffed and would find it difficult to take on such a large task.

TECHNOLOGY INVESTMENTS

From the discussion in the first part of this study, it was emphasized that North Carolina sits on a three legged stool as to maintaining a lead in the motorsports race. These legs are the cluster effect, historical depth leading to stronger tourism, and technology. Commenting upon the need to improve our technological lead in motorsports last in this report and with brevity, in no way minimizes the importance of this set of recommendations. North Carolina has a good position in motorsports technology, as compared to other States. If the State can now make smart investments in technology, North Carolina can move to the front of the pack. Also, it is of great importance to continue to produce quality technicians from our educational institutions.

To strengthen this third leg of the stool even more, the State needs to step up and

make needed investments.

However, it was well beyond the scope of this report to explore a number of technology proposals in detail. For example, this report provides some anecdotal remarks from certain segments of the motorsports industry as to the North Carolina Motorsports Testing and Research Complex which has been proposed by entities in the Charlotte area. However, it is not within the purview of this study to do a detailed feasibility analysis or a detailed business plan to determine if the facility will break even or need continuing support from the State, etc. That level of detail would come from another type of study.

Consequently, the following recommendations are very general in nature, whereas many of the above recommendations are very specific. That is simply because more study is needed.

The following are important priorities for this State.

UNIVERSITY TECHNOLOGY

RECOMMENDATION: Following a full feasibility analysis and due diligence as to business model projections, the State should invest in motorsports technology, housed within the University of North Carolina system, which technology assets would be available at reasonable fees for private sector use.

Pursuing the cutting edge of motorsports technology would be a wise strategic investment to make. North Carolina can pull ahead of other states to a preeminent position in motorsports technology by wise investments. However, attention should be given to the considerations raised above in the Findings section on Technology.

COMMUNITY COLLEGE TRAINING

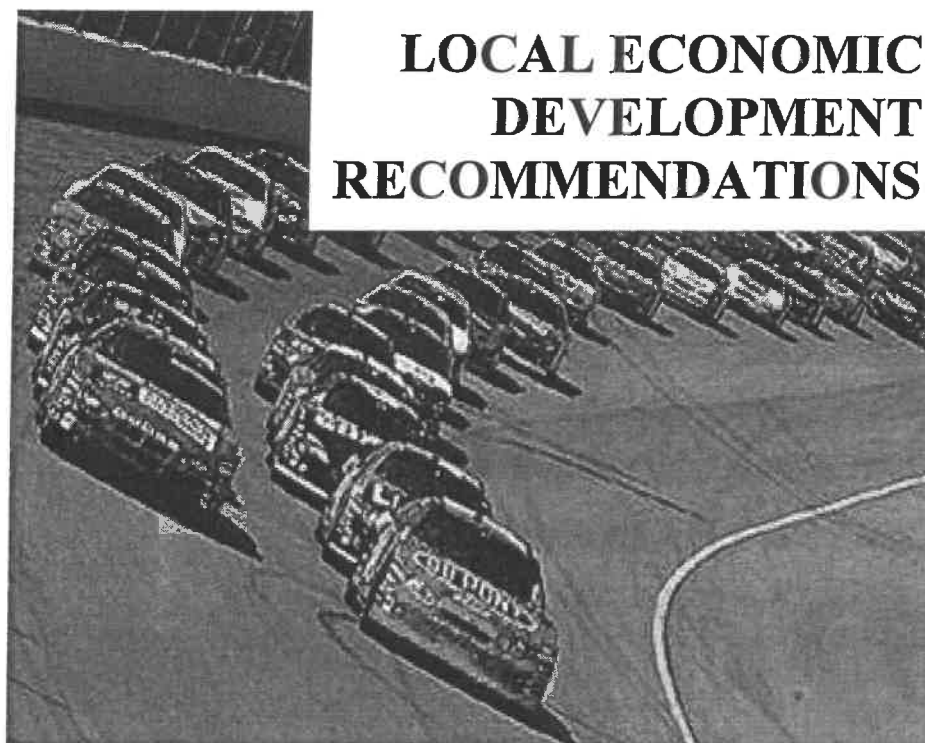
RECOMMENDATION: The State should expand motorsports and automotive training programs in the Community Colleges, and top quality equipment, such as will be used in the work place, must be provided to these community college programs, either by appropriations from the General Assembly and private sector partnering.

From the comments received during the conduct of this report, it seems that the motorsports/automotive technician training programs in the State's community colleges are quite popular. Generally they are fully subscribed. The motorsports program at Catawba Valley Community College has a high portion of its classes from out of State, which is quite unusual for community college courses, except possibly for those on the border of the State. These programs should be expanded.

It is obviously the case that most graduates of these programs do not go on to become a NASCAR technician. In fact, many graduates of some of these programs go into automobile dealerships as technicians. This is even true for the NASCAR Technical Institute, a private school, mentioned earlier in this report. As noted in a recent magazine article about NASCAR Technical Institute's parent company Universal Technical Institute, 90% of those schools graduates are quickly hired by auto dealers or after market repair companies. At wages for auto technicians being reported by this article as being \$29,000 to \$36,000 to start, going up to \$70,000 to \$80,000 in six to seven years that is a good career choice.¹³

With there currently being a large and chronic shortage of automobile technicians, investing in creating more community college training programs in motorsports and automotive mechanics, equipped with state of the art equipment is an evident choice.

¹³ Fahey, Johnathan, "Bumper to Bumper Education", *Forbes*, September 6, 2004



LOCAL ECONOMIC DEVELOPMENT RECOMMENDATIONS

Given the statewide presence of the motorsports industry, most policy and program initiatives should be implemented at a state level. Consequently, the bulk of this report makes reference to state level initiatives. However, local economic development officials should also “gear up” for the competitive environment this State faces, in regard to this high technology, high value added industry. In referring to economic development officials, this is intended to include travel and tourism promotional professionals, and business retention and recruitment professionals. Some of the comments below would generally be applicable to one of these two types of local economic development efforts. The context of each comment will generally make it clear as to which type of local economic development program would be a relevant implementer of each type of effort.

Some localities are already blessed with a major head start in this race. The Mooresville/South Iredell County and Concord/Cabarrus County areas enjoy a great advantage by virtue of the dense concentration of motorsports industry companies that exist in these areas. This will naturally lead to other motorsports companies and facilities being drawn to locate in these areas, and a vigorous tourism flow. It was interesting to note in talking to the Chairman of the Mooresville Convention and Visitors Bureau, that they do very little advertising to draw tourists. Advertising is limited to a few placements each year in publications prepared by Lowe’s Motor Speedway in connection with the major NASCAR events held there. Other than that, this CVB provides travel promotional literature for visitors. He explained that the presence of the team shops is virtually all of the tourism draw this area needs.

The experience in Concord/Cabarrus County seems to be quite similar. The existing concentration of motorsports elements leads to a natural draw for motorsports oriented companies to locate in the area, and for tourists to be drawn in significant numbers. The draw of motorsports companies and race teams is also enhanced by the availability of a premier airport in Cabarrus County which is a hub for aircraft operated by race teams and motorsports companies.

However, every area of the State is not Mooresville/South Iredell County or Concord/Cabarrus County. This just means that local developers in those areas must work harder and smarter, building off of a smaller base. The depth and breadth of the motorsports presence in a county may not be as great as the Mooresville/South Iredell County and Concord/Cabarrus County areas, but most counties in the State can develop an enhanced presence of motorsports activities. Examples of this include:

- Davidson County, building around the nugget of one race team, the Childress Team, has done quite well in attracting other motorsports companies, and gaining a strong foothold on this industry. The local economic development program has, by smart strategies, recruited suppliers to the County, developed a motorsports industrial park, and stimulated a significant level of tourism traffic.

Davidson County's economic developer reports that the total capital investment base for all known motorsports facilities in the County is in the range of \$256,000,000.

- Randolph County has played off of the presence of the "King", Richard Petty, and Kyle Petty, to build a good base of motorsports entities. Also, the County promotes itself well with billboards near major highway entrances to the County that feature Richard and Kyle Petty.

The economic developer for Randolph County reports that a study done in 2003 shows that eleven motorsports businesses are located in the County, which employ 412 people and have annual sales of \$35,500,000.

- Lincoln County has recently attracted one of the major drag racing teams in the nation, Doug Hubert Performance, to a new facility and is building off of that to develop more of a motorsports presence.

It is reported that this strategy is based in significant part on the naturally occurring overflow of motorsports companies, and aircraft from nearby areas that already have a high concentration of these businesses and aircraft.

- Richmond County has one of the most active drag racing tracks in the nation, and even with the loss of NASCAR races at the "Rock", can continue to enjoy many benefits of the motorsports industry.
- Davie County represents a county which does not have within it a major, well known racing team. However, by effectively utilizing the motorsports resources, they do have available (e.g., presence of an engine builder that supplies NASCAR and drag race teams, an RV dealership which does business with a number of race teams, etc.), that County is actively investigating and implementing a strategy to grow the motorsports presence in their area.
- The Statesville/North Iredell County area has as a part of its business recruitment plan, the location of other motorsports companies in the area. The County starts with a base of a racing team and some suppliers. A major part of its recruitment effort focuses on the availability of a quality 7000 foot runway airport, which offers aircraft fuels at very competitive rates. This results from having a tank farm available that allows for bulk purchases of fuel. Also this economic development program reports offering certain incentives to induce the location of motorsports air fleets at this facility.
- Opportunities for motorsports growth are not limited to counties in the immediate vicinity of Charlotte. Washington County has served as the

host location for the Grand National Drag Boat Races. This September event draws approximately 8,000 visitors each year, which represents a significant economic boost to that County.

- Counties in our State can also benefit from the impacts of a major motorsports facility located in another state. Both Caswell and Rockingham Counties' representatives spoke of the very positive impacts they realize from the Virginia International Raceway, located just across the North Carolina – Virginia state line. Caswell County reports that a racing team has located a facility in its area, which was drawn by proximity to the Virginia International Raceway. Both Counties realize a noticeable, significant flow of visitors to the area as a result of the Virginia facility being nearby. Both Counties are focused on future motorsports opportunities to build off of the base they now have.

A number of approaches to growing a motorsports presence have become apparent during the course of this study. These are ideas which are currently being pursued by one or more county economic development programs. They are ideas that can be adopted and used by other counties which want to be in the Motorsports effort. Some of the ideas that have come forward are the following:

- It was suggested that the North Carolina Motorsports Association should survey sanctioning organizations to identify events that might be attracted to this State. As the information from this survey becomes available, local areas which have a qualified and interested racing venue should join with those race tracks in recruiting new events. Provided that the General Assembly approves the grant fund for events outlined above, these grants would be a very effective tool available to assist in this effort. There is more to racing than NASCAR. A major karting, motocross or other event is an excellent economic development stimulus.
- Power boat racing deserves a special mention. Attracting new events is essentially an initial function of having a qualified venue. Of course, when this involves an oval track, drag strip or road course, the capital investment to have a qualified venue is quite significant. However, power boat racing only requires a large body of open water with some limited investments in buoys and markers. Many reservoirs, rivers or coastal sounds would support a power boat racing event.
- It is anticipated that the survey of sanctioning organizations may identify entities that might be enticed to move their headquarters to this State. Each one of these sanctioning organizations so identified is a candidate for recruitment to the counties in this State. The leads generated in this regard would eventually be to the advantage of the local areas of the State.

- The list of NASCAR race teams provided with this report contains recruitment targets. Teams not located here may be attracted to the dense motorsports cluster this State has. The move of the Woods Brothers Team is evidence of that. No doubt similar lists of drag racing and other types of teams are available. Recruitment should target these teams as well.
- Provided that the North Carolina Motorsports Association is able to survey racing teams as to motorsports suppliers that serve them, it is anticipated that recruitment prospects will be identified. Each of these are targets that may initially be courted by State recruiters, but they will filter down to local economic developers for recruitment.
- Whatever motorsports assets a County has, regular confidential contacts with these companies can lead to contacts with recruitment prospects. For example, Doug Herbert Performance Racing located in Lincoln County is not only one of the leading drag racing teams in the nation, but this company also distributes racing parts. Such a company inevitably has excellent contacts with manufacturers and suppliers in the motorsports industry. This contract should be a part of an overall existing industry program.
- Any county economic development representative can pursue a strategy which has worked well for Davidson County's economic developer. He has made it a point to attend motorsports trade shows to identify prospect companies. He reports that after attending one such show, his office worked through the tedious but rewarding task of researching firms in attendance by way of their websites. From that, prospect companies were identified and approached. He reports success in developing solid leads for recruitment prospects through this effort.
- A few economic development programs that are focused on travel and tourism promotion may have adequate funds to mount an independent marketing effort to promote their areas. However, it is generally not the case that a local area will have enough marketing funds to carry out an effective, extensive marketing effort. The marketing initiatives proposed above for implementation by the North Carolina Division of Travel and Tourism present many opportunities to promote a local area and local motorsports tourist attractions by way of these state efforts. Any attractions or racing events should be reflected in the comprehensive tourism guide, on the map of motorsports attractions, and on the motorsports website.
- As the State Department of Commerce increases the number of motorsports trade shows it attends, certain ones will present good opportunities for local economic developers to attend and make meaningful contacts with motorsports companies.

In short, certain areas such as Mooresville/South Iredell County and Cabarrus County enjoy a great advantage in promoting the location of new motorsports companies and attracting more motorsports fans. However, any County in the State that has a major race team, one or more motorsports suppliers, racing venues, a motorsports museum, etc. has some base to build off of to create a large motorsports presence and economic impact. Hence, any number of counties in the state should have as a part of its efforts, a focus on the motorsports industry. With State economic development leaders clearly being aware of and actively pursuing opportunities in the motorsports industry, no county will be pursuing such efforts alone.