Economic Impact and Review of the Equine Industry in the City of Greater Bendigo

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Supported by

Prepared by

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Executive Summary

This study into the equine industry in the City of Greater Bendigo identifies the economic impact of the industry on the shire as well as reviewing supply chains, cluster development and education and training. The study found the industry to be an important contributor to the shires economic output and its skills development. The industry provides opportunities for further economic growth and by strengthening various aspects of cluster development and supply chain density a strategy can be developed to grow the equine industry in the region.

To define a structure for the industry we have used the Australian Horse Industry Council definitions from the 1997/9 Horse Industry Directory. The structure is set out below.

Thoroughbred racing
Standardbred racing
Equestrian
Riding for the disabled
Tourism
Retail

Education
Breed Societies
Recreation
Administration
Support services
Research and development

The industry also provides significant lifestyle opportunities for those choosing to live within the boundaries of the City of Greater Bendigo. The existence of a strengthening equine industry cluster within the study area also enhances Bendigo's attractiveness as a place to live, and therefore, is likely to encourage more families who are interested in keeping and working with horses to move to the shire. From an economic point of view what is important here is that horse ownership is relatively expensive and it is likely that more higher income households will be attracted to the study area as the cluster strengthens. These higher income households bring wealth and skills to the region, they also create additional benefit to the broader economy, perhaps bring incomes into the region, creating expenditures and further employment.

The equine industry is seen as providing a sense of wellbeing and purpose, particularly for young people and makes an important social contribution by enriching the lives of the disabled and the disadvantaged within the community.

Economic Impact of the Equine Industry

Table E.1 shows the results of the economic modeling undertaken for this study. This work shows that the industry provides employment of 624 residents from the City of Greater Bendigo shire and that the equine industry contribution to Bendigo's gross regional product is **$52.1 million**. This means that the equine industry generates **1.5 per cent of overall employment and economic activity** within the City of Greater Bendigo.

Table E.1 Equine activity – Impact on Greater Bendigo macroeconomic indicators

Indicator	Unit	Value	Per cent of Greater Bendigo total
Household disposable income	2006 $m	29.1	1.2
Gross regional product at market prices	2006 $m	52.1	1.5
Total resident employment	Number	624.0	1.5

The Economic Benefits of Supply Chain Enhancement

The results of the economic modeling show that if the supply chain was improved to regional best practice the additional direct economic activity that would be generated would total to a net increase in activity of around **$9.9 million.** This means that, allowing for multiplier effects within the local economy, the increase would be approximately **$16 million,** generating an additional **150 employment positions**.

Supply Chains in the Equine Industry

The structure of the equine industry supply chains are complex as the industry is composed of a number of segments, from highly professional and well funded operations through to lifestyle and amateur type associations within the industry. The level of activity varies depending on scale of their business/pleasure pursuits, with differing levels of expenditure on feed, veterinary services, equipment and staff. The industry is passionate about what is does and the enduring love of horses ensures a healthy level of participation in the industry by a broad range of owners and supply chain participants.

A set of sub structures exists within the industry in Bendigo and where people and businesses align themselves in these structures influences their responses to questions and their ideas and opinions. For instance, people in the breeding and training industries advised that accessing quality farriers was not an issue in the region, whereas, people with pony club ponies listed farriers as the number one skill shortage in the region.

In terms of where products and services came from, most products, including pharmaceuticals for the equine industry, and all high end equipment was imported into the region, much from overseas. Feed tended to be sourced locally or from adjoining regions. What was of significance is that businesses talked about developing their own products, some to be manufactured offshore (mainly China) for international markets. This represents an interesting trend and possibly a major growth opportunity for some types of companies.

A number of stakeholders believed that horse ownership was becoming more expensive and the local industry was slowly moving towards a European model of horse ownership, where only the wealthier people in the community own horses. Drought and Equine Influenza are having a major impact on the industry, increasing costs and creating barriers to horse ownership. Interestingly, the feedback from people who are involved with pony clubs/adult riding is that numbers are increasing particularly at the entry level of the market.

Participants also believed that horse owners were becoming more sophisticated and wanted better things for their horses. As one participant stated *"peoples knowledge and expectations have increased markedly over the past few years –people really want to look after their horses, this is not commonly understood."*

In the racing segment of the industry it was becoming harder for the small, more traditional trainer. Big business means business rather than horseman led racing facilities that require capital, marketing and deep networks to ensure continued growth. An industry insider estimated that only 5% of this segment of the industry was truly professional, the other 95% were 'hobby' trainers.

Equestrian competition is increasingly national and international and standards are very high. For the region to compete it will need better facilities and market the benefits of participating in the equine industry.

Because the industry structure is relatively complex, broad supply chain gaps differ between different segments of the industry. However supply chain gaps identified by participants included:

- Rug repairers
- Farriers

- Transport carriers
- Feed specialist advisers
- Infrastructure
- Depth and breadth of courses and training
- High level riding instructors

The development of an equine industry cluster or network should assist to strengthen some components of the local supply chain. Manufactured inputs are largely sourced from outside the region and in some cases from overseas while other products such as feed are sourced from local producers who provide benefits to their downstream customers and the local economy.

Any local equine industry supply chain strategy should consider the importance of growing, and certainly retaining, as many of the local supply chain components as possible to avoid hollowing out of the local customer base. From discussions with stakeholders it appeared that, certainly in the racing component of the industry, the supply chain was performing in a reasonable fashion.

The equine supply chain can be divided into three tiers which allocate the components of the supply chain to the most probable source of supply in terms of whether services will be imported, exported or sourced within the study region. The strategy is to strengthen the supply chain but to do this in a way that ensures the sustainability of the industry.

<u>GROUP ONE - High end services and pharmaceuticals – most likely intellectual property and associated manufacturing or infrastructure will be imported but most services delivered locally</u>

Vets
Horse hospital
Dentists
Transport and freight logistics (non professional)

High end education and training
Pharmaceuticals
Semen*
IP – specialist breeders*
Gaming

<u>GROUP TWO - Products and services most likely to be sourced locally</u>

Breeders*
Feed
Retail* (export of locally developed brands and franchises)
Education and training including web based*
Restructure of Gaming*
Labour – (workers rather than professionals and managers)
Agistment*
Farriers

Specialist services including horse massage and horse breaking
Equine industry infrastructure and associated services*
Design of specialist equine products manufactured out of region*
Tourist experiences*
Accommodation and restaurants relating to events and other equine activity*

<u>GROUP THREE - Labour intensive manufactures – most likely to be imported but supplied by retailers</u>

Racing equipment
Saddles
Other equipment and materials
Sheds

Clothing
Sulkies

* Possibility of strengthening Export

The above information shows which components of the industry are most likely to be sourced locally and which components of the supply chain could be developed in the local context to deliver growth through exporting to other regions. It also identifies (in group one) some components of the industry that could move to the local economy and would benefit the industry more broadly by doing so. Group three identifies components of the industry that have either moved out of the region or were never present; there is little likelihood of these components returning to the local area.

Industry Clusters

The equine in industry in Bendigo is very diverse and encompasses breeding, retailers, feed and supplement suppliers, service providers, product manufacturers, stakeholders, clubs, associations and breed specific groups. Each of these sectors/groups within the region is interlinked in that they supply services and products to the racing and pleasure horse market in the municipality or are the end users of these products or services.

Successful clusters are outward looking and have a concentration (e.g. of employment) within a region that is greater than the national average – implying specialisation, comparative advantage and critical mass within the region. They bring wealth into the region and can be considered the building blocks of the economy. If a comparison with other regions is undertaken, most sectors within the industry do not exhibit any particularly unique characteristics or demonstrate any particular critical mass over other regions. For example, most other regions have:

- Retailers
- Feed and supplement suppliers
- Service providers
- Clubs
- Associations
- Breed specific groups
- Racing clubs

The size and scale of the suppliers or providers may vary but basically the market ensures regions have adequate provision.

The one possible area that should be further investigated is the <u>harness racing industry</u>. This sector of the industry meets the requirements for a performing cluster, that being, a core of businesses exhibiting some form of specialisation with support for the core businesses coming from specialist supporting firms and a presence of soft and physical infrastructure to support the businesses.

The harness industry has a strong core of businesses (i.e. trainers/breeders) and there is potential for a number of the ‘hobby’ trainers to develop their businesses to a professional business status, thus increasing the cluster core. The region is well serviced with suppliers of products and services (known as specialist supporting firms) that meet the needs of the industry core. These include the feed and supplement suppliers, riding gear and equipment manufacturers/importers, vets, farriers, dentists, horse massage & myofunctional therapists.

Key attributes demonstrating the soft infrastructure include the Harness Racing Industry Training Centre and the harness racing facilities at the Lords Raceway. Both these attributes support the notion of specialisation and critical mass. In addition the industry has local and state government support and is respected within the community. The physical infrastructure includes the fact that the industry is centrally located in Victoria and has major transport routes passing through the region.

If the Bendigo Equine Industry Cluster is to develop it needs to be able to add value, promote collaboration or assist the businesses in the cluster to achieve growth, reduce costs or seize new opportunities. Given the diversity of potential participants, it would be very difficult for the cluster to be able to satisfy the demands of each group. A number of the groups considered as potential members (e.g. Pony Clubs) have a very different set of interests to groups such as the retailers and suppliers.

These competing interests and demands would necessitate the cluster to implement a very diverse range of strategies which would be very difficult, particularly with limited resources. It would be difficult to demonstrate a clear focus and the cluster could develop into an organisation trying to ‘be all things to all people.’ In addition, groups such as the riding clubs and pony clubs would be unlikely to see the value in a membership.

However, a significant number of the interviewees saw the merits of an equine group that could:

- Promote the industry as a whole to relevant stakeholders (such as government);
- Be a communication portal for the industry – be able to link the different groups that have little interaction, such as the different riding groups;
- Be able to lobby for projects of significance in the region;
- Be able to respond on behalf of the industry when required (e.g. outbreaks such as EI);
- Coordinate training programs, such as business planning, marketing, succession planning;
- Coordinate programs to increase awareness of issues such as animal welfare, feed regimes or water use.

If these types of activities were undertaken, the cluster would be providing the function of a network – that is, providing support services rather than a commercially orientated range of activities. By acting as a network, the cluster could undertake activities, such as those above, which would be of interest to the different industry participants and groups. It is also more likely that groups will consider a financial commitment to be a member of the network.

From the external stakeholders' perspective, a network would provide a central body that could be sought to provide advice, undertake regional equine projects and be a disseminator of information.

Skills Audit

Because of the diversity of the industry a very broad range of skills are required to fill the diverse jobs in the industry. Many participants reported that they trained staff themselves and for the most specialist roles workers, such as vets, would have trained and often learnt their skills elsewhere. There was a general view that a greater variety of courses in equine studies at local tertiary institutions would assist to develop the industry in the region. In some segments of the industry staff turnover was reported as being high so retention is an issue.

At a higher level, a number of participants commented on the general lack of professionalism amongst service providers. They believed this was due, in part, to the general acceptance of poorer standards when compared to other horse areas. (This may be due to people shopping around to get the best price – attracts the less qualified). One participant also noted that people working in the industry have poor pay and working conditions – this is a hangover from early times.

Taking a different approach, a number of participants noted that horse owners' levels of skill and knowledge are lacking. Issues such as correct feeding, exercising, weather protection, appropriate fencing and welfare were mentioned in the interviews.

A concerning trend that will impact on future workforces is the number of experienced people that have been laid off as a result of the drought and EI. One participant noted that she personally knew of three people who were departing the industry and area – and had no plans to return. This will leave a big hole in the level of skills.

The skills that were identified as in short supply were

- Professional skills in the industry including dentistry and veterinary services particularly in areas of greater specialisation;
- Horse ownership skills;
- Marketing skills;
- Farriers (the quality, not the supply) were nominated by many as the key issue in terms of skills shortage for the region;
- Riding instructors;
- Horse breakers;
- Trainers; and Rug repairers.

Key workforce issues identified included:

- There has been considerable debate around Australia about whether the nation is facing a skills or a labour shortage. Research for this equine industry report suggests that skills rather than labour supply shortage are the issue in the study region;
- That the retention of high skilled workers was an issue;
- Skills shortages have the potential to constrain development of the cluster;
- The Bendigo region labour market can be a place of transition for those industry workers with the deepest skill sets, vets seem to be an example of this. Vets are trained elsewhere, come to the region for a period of time and then leave again. This results in continual stretching of resources. One argument might say it would be better to train more highly skilled workers locally;
- In the past there has been little in the way of planning in the region for the equine industry and this impacts on skills development;
- In migration to the region may create greater demand for workers within the equine industry, particularly those workers with deeper skill sets;
- EI has created some uncertainty in terms of employment demand;
- Labour and skills shortages create the great risk of the equine industry developing elsewhere, in places where cluster development is already stronger;
- How effectively are skills and knowledge being transferred in the local context?
- Given the right training and educational opportunities, the equine industry could offer more opportunities for skills development for young people in the study region; and
- Building skills in the study region will in turn create the capacity for increased export of equine industry services and products.

The best way to address these issues include:

- Use industry demand forecasting to properly plan labour demand by skill type;
- Use this knowledge to develop training;
- Explore how Council economic development policies mesh with equine sector and its capacity to deliver growth;
- Use this knowledge to plan equine related infrastructure development;
- Encourage schools to develop close contacts with the industry and continue to improve vocational training;
- Market the positive attributes of the equine industry to parents, schools, TAFE and university; and
- Try to understand the impact of inadequate skills in various components of the equine industry on future growth of the sector.

Schools play a major role in shaping students participation in learning activity as well as activity outside of school hours. It appeared from discussions with stakeholders in the study region that there was some general engagement between the equine industry and local schools but at least one school felt that the level of participation in equine events by its students had declined.

This raises the issue of the role of schools in influencing participation and skills development in the equine industry. In this sense the equine industry is no different from a number of other industry sectors and must stake its claim in terms of improving connections between schools and the industry itself.

It is clearly important that the equine industry in the study region increases its effort in terms of promoting the industry to teachers and staff including promoting the idea that horse ownership and participation in the industry promotes well being and responsibility. This is the beginning of skills development for future industry development.

The equine industry is important in terms of providing skills development at the local level because it can be accessed by young people who wish to grow their skills in the industry. The opportunity to develop skills in the industry will encourage young people to remain in the region, rather than leave to seek work elsewhere. The industry is also important because its attributes enable the industry to help the disadvantaged and youth who may otherwise experience difficulty in transition from school to employment in the Greater Bendigo area.

Education and Training

There are Vocational Education & Training (VET) courses offered to students in Year 11 and 12 as part of their VCE or VCAL studies. Those students undertaking a VET course receive an assessment that contributes to their overall VCE result. A Certificate level 2 in Equine Industry is available for students across Victoria. The Bendigo Secondary College and the Harness Racing Industry Training Centre are the major providers in the Bendigo region.

The aims of the VCE VET Equine Industry program are to:

- Provide participants with the knowledge and skills to achieve competencies that will enhance their employment prospects in the equine or equine related industries.
- Enable participants to gain a recognised credential and to make a more informed choice of vocation or career paths.

The Bendigo Secondary College has about 20-30 students undertaking the Certificate 2 in Equine Studies. The students are predominantly female (only 3 male students) and their reasons for selecting the Certificate course vary from equestrian events to harness racing. Two of the students have school based apprenticeships.

The Harness Racing Industry Training Centre has about 20 students undertaking the Certificate 2 course with many of students doing the Certificate residing outside Bendigo. Whilst the course is offered over two years, the Director of the Centre noted that many students complete the Certificate within one year.

The Principal of the Secondary College noted that students undertaking the school based apprenticeships tended to go into the industry for a career whilst the other students undertaking the course tended to be people passionate about horses and can get academic credits for undertaking the course. These people were unlikely to pursue a career in the industry.

The students that complete the Certificate 2 course can either choose to pursue a career pathway in one of the areas outlined above or continue further studies in the Certificate 3 & 4 in Equine Studies. The Harness Racing Industry Training Centre offers these courses locally. With 30-40 students undertaking the Certificate 2 course locally, there is scope to provide suitably trained people to work in the industry should there be an expansion in the equine industry.

A key issue is to ensure a transition from study to employment (and a career) in the industry for students. One way to address the issue of transition is to provide a work experience program that exposes students to all aspects of the breeding and training businesses, as most students have no understanding of the diversity of skills required. For example, the work experience could expose students to areas such as breeding science, management, marketing, finance, media, sales and veterinary. This would need to be carefully coordinated as the businesses would be concerned about the time requirement and liability imposition.

In addition to the Certificate courses offered, the Training Centre undertakes a range of other training and programs for the industry. For example, the Centre provides occupational health and safety training to industry participants, training about 3,500 people from across the country annually.

In addition, the Centre develops specialist training packages for the industry. One example is a licencing training package that was delivered in Western Australia to 80 participants. This year the Centre has established a relationship with the Hong Kong Jockey club. The Centre will be developing and series of training programs for the club with a view to delivering training to 500-600 people by the end of the year. This Centre demonstrates a high degree of innovation and is a key asset to the region.