

The Business of Formula One

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Off-track distractions cast shadow over season

Political, regulatory and technical upheavals in a sport struggling to attract fans contribute to sense of farce, write *Roger Blitz* and *James Allen*

There is an odd-looking shape to Formula One cars this season. Safety concerns have brought a “nose job” at the front of the vehicle to prevent cars somersaulting on impact and to protect drivers in side-on collisions.

Fans and experts have greeted the nose designs with disdain, which pretty much sums up the mood surrounding F1 as the 2014 season comes into view.

A new engine, a new points system, the return of Ron Dennis to the helm of McLaren, a new race at the Russian resort of Sochi, and those noses – there are plenty of talking points to keep F1’s profile on the up and up.

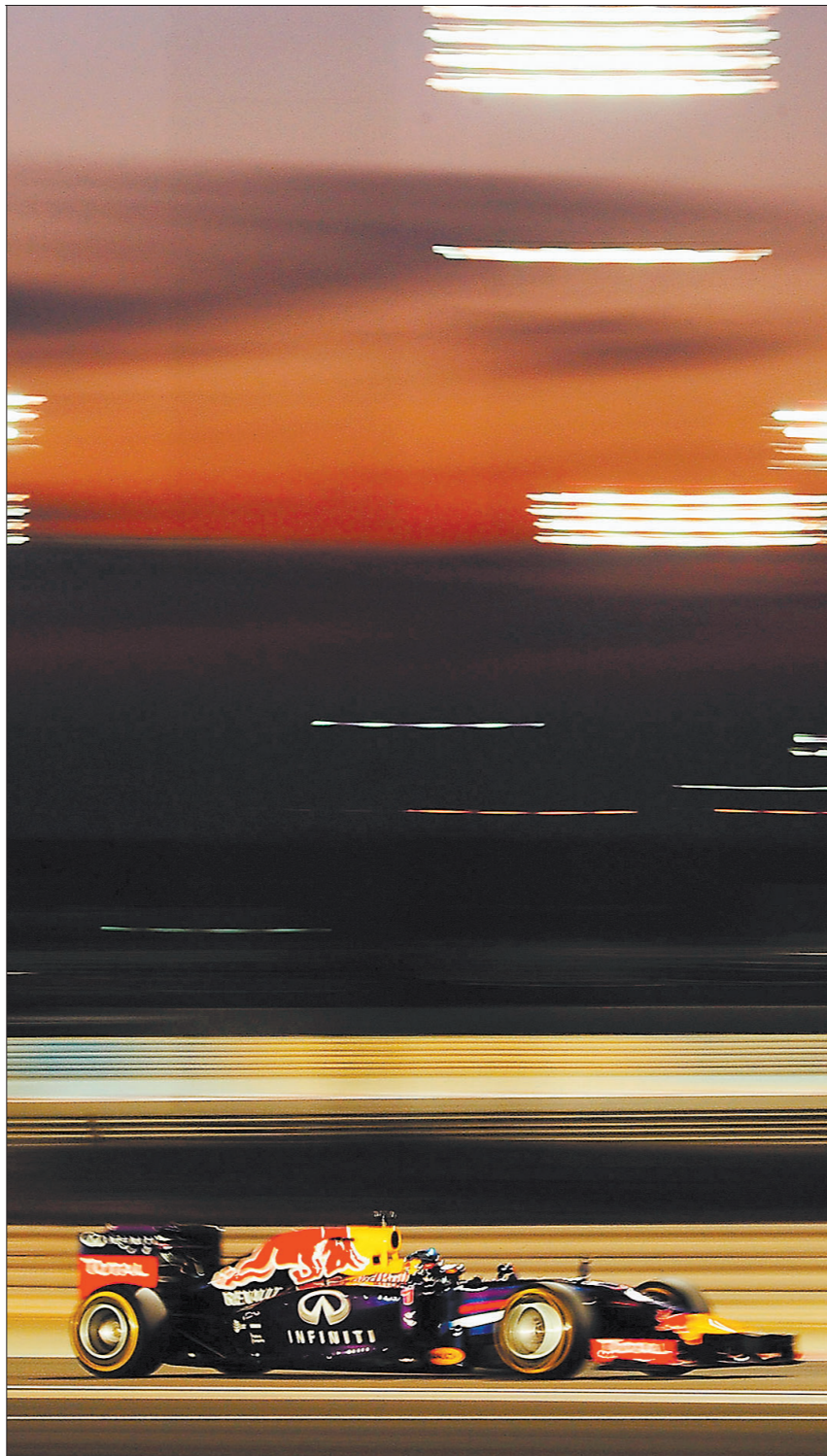
Yet the sport is struggling. Viewing figures are down, not least because

Sebastian Vettel’s fourth consecutive world championship last season was such a turn-off.

Not his fault. Halfway through a season that was turning farcical because of tyre degradations, he and Red Bull took control, dominated the podium and never looked back. To the discerning viewer, it was a deathly dull procession.

The sport treads a fine line between shiny new technology and Keystone Cops farce. There is the spectacle of Bernie Ecclestone, F1’s chief executive, attempting to combine the business of running the show with his trial in a Munich court on bribery charges.

He will fly to Munich for two days a week, giving him just enough time to get to Grands Prix and fix the latest on-track problem.



Circuit driven: Sebastian Vettel, world champion, on the Bahrain track Getty Images

Then there is the introduction of the controversial rule, derided by fans as totally artificial: awarding double points for the final race of the season in Abu Dhabi.

Cynics argue it is a knee-jerk reaction from Mr Ecclestone to last season’s yawn-fest. Vettel has called the idea “absurd”.

It raises the question of how far F1 should go down the road of artificiality when prioritising entertainment over sport, as it agonises over diminishing TV audiences and an ageing fan base.

Around the corner is the inaugural season of Formula E, the electric car championship in city centres, starting in Beijing in September. Largely dismissed by F1 as a sideshow, it may offer an intriguing alternative to the sport of car racing.

Then there is the uncertainty over F1’s own attempt to present its green credentials. The new 1.6 litre hybrid turbo engines and powerful energy recovery systems, repre-

‘How far should F1 go down the road of artificiality when prioritising entertainment over sport’

sent the biggest change in F1’s technical regulations for 30 years.

The idea of the Fédération Internationale de l’Automobile, the governing body, is to move away from gas-guzzling V8 engines, shed the image of conspicuous consumption and move in step with automotive trends.

After three years in the planning, the new cars hit the track for the first time in February for testing, with very mixed results.

Mercedes emerged as the clear favourite for the 2014 season. Its three customer teams managed to hit target testing mileage with reasonable reliability and strong performance.

Renault ran into problems and left its teams, including world champions Red Bull, underprepared. Christian

Continued on Page 2

Inside »

Cost controls
Time is short for an agreement as sport divides over cap on spending
Page 2

Green moves aid image makeover
Sponsors bang the drum for more sustainability
Page 2

Red Bull falters
Engine changes set to reintroduce element of surprise to the racing
Page 2

Ecclestone and Todt face future
Beleaguered boss enjoys backing of FIA’s top man
Page 3

Rookies on track
Regulation updates may help season’s newcomers show their best side
Page 3



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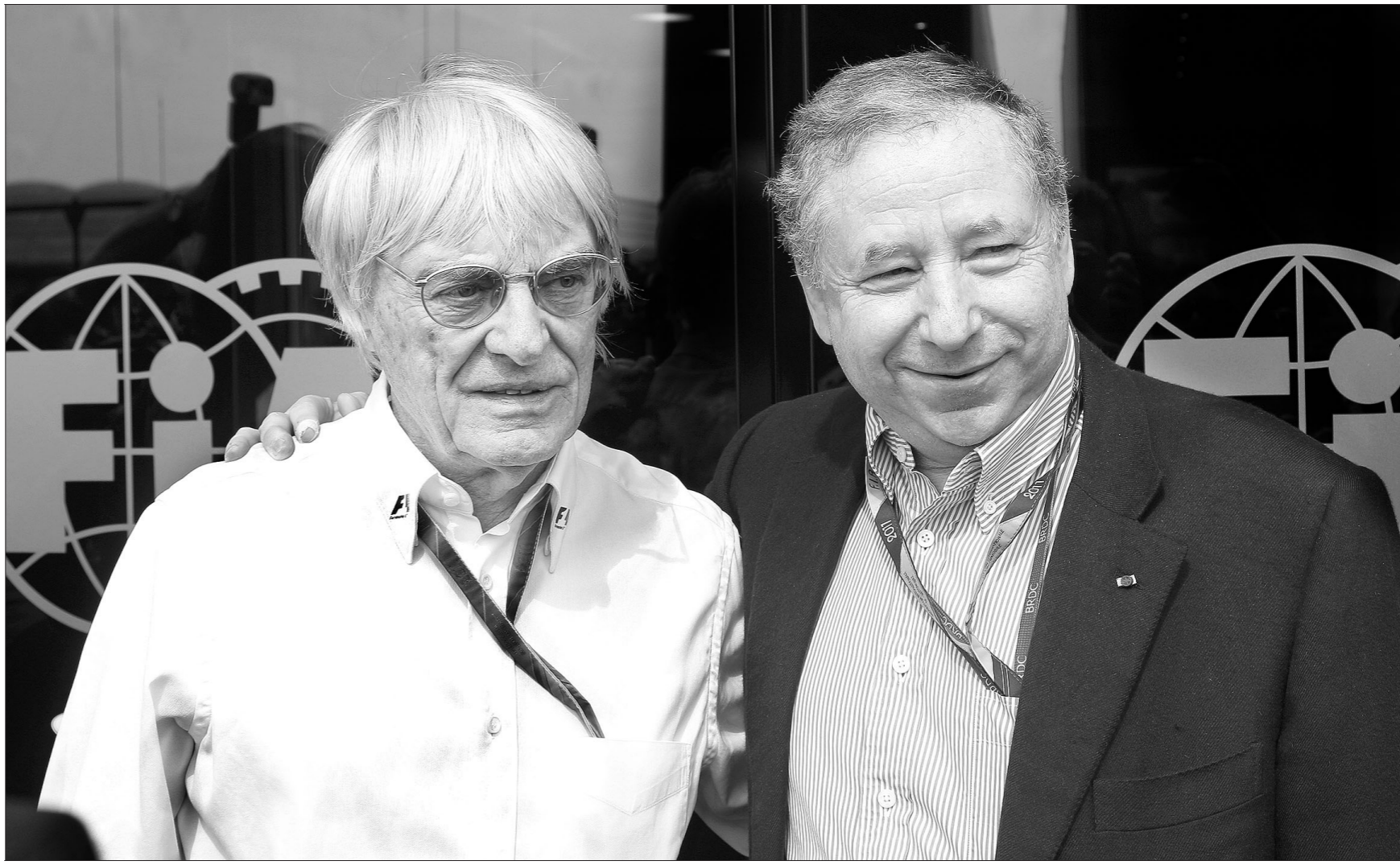


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The Business of Formula One

Powerful pair plot course through trials and trying times

Politics Beleaguered boss Ecclestone has full backing of FIA's Todt as he faces bribery charges in Germany, write *James Allen* and *Roger Blitz*



Jean Todt, president of F1's governing body the Fédération Internationale de l'Automobile, and Bernie Ecclestone, F1 commercial boss, go back a long way. In 1992, it was Ecclestone who proposed to Luca di Montezemolo, Ferrari president, that Todt would be the ideal man to take over the under-performing Ferrari F1 team. Montezemolo heeded the advice and Todt went on to make Ferrari unbeatable, winning five drivers' and six constructors' world championships between 1999 and 2004.

Next Ecclestone was eager for Todt to replace his closest ally, Max Mosley, when he stood down as president of the FIA in 2009. Despite making the occasional scathing comment in the media about the Frenchman and despite some tough negotiations last year, when Todt managed to increase the amount of money the FIA takes annually from F1 coffers to about €40m, the pair give the impression of being joined at the hip.

After more than 50 years in motorsport, Ecclestone's demise has been predicted many times. Somehow he has always found a way to outfox his opponents and remain in charge,

usually with his position enhanced. However, given developments in the courts there could soon be a power vacuum in F1. If this is to be the case, Todt would figure strongly in what comes next.

Judges are not the usual adversaries Ecclestone encounters but they now pose perhaps the greatest threat he has faced in his career.

In London's High Court, Ecclestone has recently come up against Mr Justice Newey who presided over German media company Constantin Medien's ultimately failed \$140m lawsuit against the F1 chief executive.

At the conclusion of the civil damages case over the 2006 sale of F1 to CVC Capital Partners, the judge may have ruled in Ecclestone's favour, but he said it was "impossible to regard him as a reliable or truthful witness". And he concluded that payments made by Ecclestone to Gerhard Gribkowsky, a former German banker working on the sale of F1 in 2005-06, amounted to a bribe to secure the sale to his favoured bidder.

Those conclusions may have a bearing on the criminal case in Munich in April, when Ecclestone stands trial on bribery charges relating to those

payments. Heading the panel of judges is Peter Noll, who two years ago presided over the trial and conviction of Gribkowsky.

At the conclusion of that trial, Noll said it was Ecclestone who had "brought the accused into breaking the law and not the other way around".

As the legal challenges mount for Ecclestone, Todt is fully supportive of his beleaguered colleague.

"I feel Bernie has done an outstanding job in F1," says Todt, sitting in the FIA offices, a stone's throw from Geneva airport. "And I respect a lot what he has been doing. There was a case in England where the conclusion was that he was declared not guilty... The next step is in Germany and at the moment we aren't in a position to comment until the verdict there is given. So at the moment Bernie is not guilty."

"Does he have my support? Sure."

It is a testament to Ecclestone's importance to F1 that even with these charges against him, even at the age of 83, even though a succession plan is long overdue, the sport's owners cannot bring themselves to part company with the motorsport billionaire or start to ease him out of the hot seat.

Joined at the hip: Bernie Ecclestone and Jean Todt have a combative but loyal relationship that goes back decades

So the trial is to begin with Bernie Ecclestone still running F1. He will fly to Munich to attend sessions, which have been arranged on Tuesdays and Wednesdays, and carry on with the business of attending Grands Prix, and managing what promises to be a fraught and difficult season.

If he ends up being acquitted, with his freedom secured and his reputation safe, there may be no clear-cut reason for CVC Capital Partners, the biggest shareholder in F1, or any other stakeholders, to get rid of him.

But the likelihood is that he has concluded that whatever the outcome in Munich it is time to go. Fifteen years ago, he had heart surgery - he has done remarkably well to hold the reins for that time.

In December, Todt was re-elected for a second four-year term and he has a complex agenda. Plans include using some of the FIA's new revenue stream to grow grassroots motorsport in developing countries, and pushing technologies and innovations from motorsport and F1 in particular, into the wider automotive world, with the accent on sustainability and safety.

Whether or not Ecclestone is removed from office, the sport can

now be governed the way Todt wants it to be; part of the deal he struck with Ecclestone last summer revolved around governance of the sport, notably the introduction of the controversial F1 Strategy Group, which sees the FIA, the commercial rights holder and the six leading teams deciding on the direction and rules for the sport.

High on Todt's agenda for this year is the long overdue implementation of proper cost control, which needs to be agreed by the end of June to be implemented in 2015.

"I feel that [the FIA] has a responsibility to the sport to make sure that F1 is less expensive. It has to happen this time," says Todt, pointing to the fact that with the F1 Strategy Group in place, the FIA and the commercial rights holder together have enough votes to force through change.

Running F1 is not as straightforward as it used to be. CVC has imposed checks on Ecclestone's commercial dealing in light of the Munich case, and there are any number of besuited executives among the teams getting in the way of dealmaking.

All signs point to this being Ecclestone's last season running F1. Then again, maybe don't bet on it.

If there is to be a power vacuum left by Ecclestone, Todt will be a key figure in what comes next

Race hosts need deep pockets and patience



Site scrutiny: Spielberg in Austria prepares to return to F1

Circuits
Getting it wrong can be a costly business, writes *Roger Baird*

better cities before you have recovered your investment. To get it right, F1 race weekend organisers need to get the national, or at the very least, regional government to back the project.

As Zak Brown, chief executive of Just Marketing International, a motorsports marketing agency, said: "This is not just so it can help with funding. The state of Texas provided around £18m of funding for the Austin track. But importantly, the state will help pass bills to greenlight planning, redirect traffic and close down parts of the city to host street parties."

The race should be close to a big city so as to provide entertainment for the hundreds of sponsors and guests each team flies in.

Tom Webb, head of communications for the Caterham team, says: "Montreal, Austin and Melbourne are good at this. There is a buzz for days before the race. Bars, restaurants and hotels are all happy to see you. This makes sponsors, who have high disposable incomes, want to come back."

But perhaps, most importantly, an organiser needs deep pockets and patience.

Bringing an F1 race to a city is not cheap. Jaypee Group, organisers of the Indian Grand Prix, spent about £250m to build the Buddh International Circuit in Uttar Pradesh and host three races there from 2011.

This includes paying F1's commercial rights holder, led by Bernie Ecclestone, a

licence fee of about £24m a year to put on the race. The commercial rights holder keeps sales from TV rights and track sponsorships.

Because the organiser can only make money from ticket sales, it takes several years for a circuit to recoup its outlay, while it takes a large marketing budget to promote a Grand Prix throughout the year.

The Indian Grand Prix drew 95,000 fans to its first race, but the next year, because of poor promotion, this had dropped to 65,000.

The Indian race suffered because it was not fully backed by the Uttar Pradesh regional government, which decided that F1 was an entertainment not a sport and so was subject to tax on all from fans' tickets to drivers' salaries. The matter ended up in India's Supreme Court.

The Korean Grand Prix, launched in 2010, suffered a bumpy four years until it was dropped from the calendar. As far as the teams were concerned its main problem was location. The race was situated close to the port city of Mokpo, 250 miles from the capital Seoul, and had none of the restaurants, bars and hotels the teams were used to.

Over the four years, the

race was dogged by falling crowds and financial losses. Even though facilities improved in Mokpo, the loss of the race was not greatly mourned by the teams.

But they expect big things from Russia's Sochi, which hosted the Winter Olympics last month, and from Austria's Spielberg circuit, which returns to F1 competition after 11 years during which time it was rebuilt by Dietrich Mateschitz, Red Bull owner.

Observers expect Sochi to have smoothed out infrastructure teething problems after the Olympics, but Russia's opposition to gay rights and Ukrainian sovereignty issues could dog the Sochi race in October, in a way similar to when human rights protests beset the Bahrain Grand Prix.

Red Bull's deep pockets and experience in F1 lead teams to expect the revival of a classic European race.

Geoff Simmonds, Lotus race team co-ordinator, says: "Apart from a great track, we expect a return to the old days - parties around the campsites at night."

Organisers at Sochi and Spielberg will be hoping they get things right. If they do not, there is no doubt a queue of rivals who reckon they could do a better job.

State of flux could help the new kids stay on track

The rookies
Young drivers may enjoy boost from regulation updates, writes *Simon Gray*

a dominant championship win in the Formula Renault 3.5 feeder series last year, believes that the sheer scale of the changes to Formula One's technical regulations this year could prove a boon for the newcomers.

"For a rookie like me, it's helpful that things are changing so much, because it means that everyone in Formula One will have to learn a lot," he says. "It may not be an advantage to be a rookie, but this year it's less of a disadvantage."

Other F1 insiders agree, noting that experienced drivers must unlearn the reflexes built up driving with normally aspirated engines, which produce power at the top of the rev range, in order to get the most out of turbo-powered power plants that sometimes require a more delicate foot on the throttle.

Says Magnussen: "The new power unit is much more complex in terms of systems. You also have to manage the fuel in a very different way, and it will change from race to race. You have to work really well with the team to make the car work for you."

That is something McLaren's Ericsson is confident that Magnussen, whose father Jan drove for McLaren as a stand-in, can deliver, pointing to his impressive performance in pre-season testing and high-quality technical feedback to the team's engineers.

He believes he benefited from racing in the Formula Renault Series, rather than the GP2 feeder series that races on Grand Prix weekends. "In GP2, your track time is limited because of the need to fit in around Formula One practice sessions," Magnussen says. "We chose a series that gives you a lot of time in the car."

Competing in front of Formula One bosses watching from the pit wall eventually paid off for Ericsson, who spent four years in GP2 and first tested a Formula One car at

the end of 2009. But it was a close-run thing.

"The first half of last season was a disaster," he says, "because I had the speed to be fighting for wins every weekend, but things kept going wrong for me and the team.

"We didn't score any points over the first half of the season, and I knew if that continued, it would be game over for my Formula One dreams. But I managed to turn it round and show in the second half of the season that I had the ability."

Ericsson believes that having won three races with different teams in GP2, he has demonstrated good one-lap pace and strong racecraft. "The challenge for me is to be more consistent over the whole season, to deliver my best every weekend," he says.

Kvyat endured a difficult start to pre-season testing, principally because of the unreliability of Toro Rosso's Renault engines, although he eventually managed 81 laps on the final day in Bahrain - more than during the whole of the first two tests in Jerez and Bahrain combined.

The 19-year-old Russian, who had a storming run to last season's GP3 title that catapulted him straight into a Formula One seat, says: "Having carried out many important tests and done some longer runs, I am much more confident with the car. We are still trying to catch up, but we are making good progress."

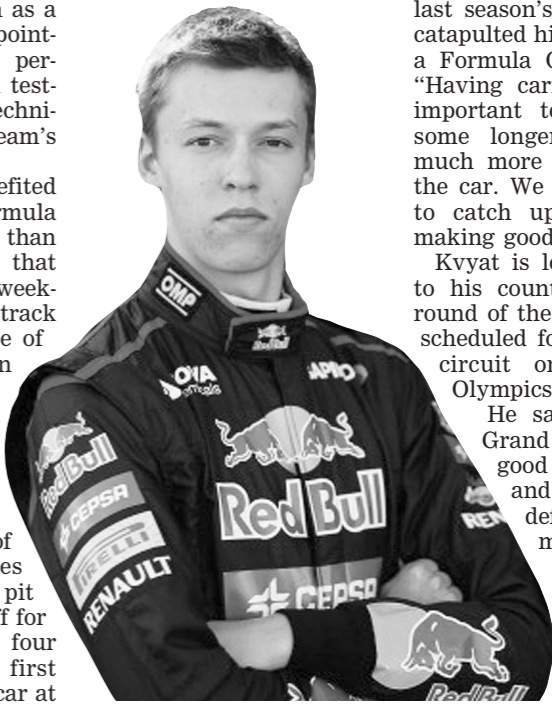
Kvyat is looking forward to his country's inaugural round of the championship, scheduled for October at a circuit on the Winter Olympics site in Sochi.

He says: "Having a Grand Prix is very good for the fans, and motorsport is definitely getting more popular in Russia."

On FT.com »



You can't keep a good man down
Roger Blitz talks to Ron Dennis, McLaren's comeback king
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Daniil Kvyat is Russia's second-ever F1 driver

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