

# The Business of Formula One

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## New season, new faces – the drama continues

As teams get busy with technical tweaks and changes of personnel, peace may finally have broken out in financial talks, writes *Roger Blitz*

At McLaren's unveiling of its new race car six weeks ago, the team produced a poignant video in memory of Bruce McLaren, its founder, to mark its 50th year in motorsport. The reflective tone of the homage set the mood for what should have been an upbeat occasion – a moment to look forward rather than back. McLaren is in transition, so perhaps the mood was fitting. Lewis Hamilton, its 2008 world champion driver, had made a high-profile switch to Mercedes, with Paddy Lowe, the Woking-based group's technical director, heading in the same direction after a season of gardening leave. Ahead of the first race of the new season, which takes place this weekend in Melbourne, the mood of change or impending departure is starting to look commonplace.

This season marks the final year of the current 2.4-litre V8 engines, with teams already busily preparing for the introduction of the new 1.6-litre turbocharged V6 engine in 2014. A new Concorde Agreement, the deal that divides up F1's commercial revenues, is also close to completion, albeit after a tortuously long journey, while CVC Capital Partners, the owner of F1's commercial rights, is reviving talk of a flotation that may mark its exit from the sport. Meanwhile, the Fédération Internationale de l'Automobile, motorsport's governing body, has stepped up its campaign to persuade F1 to think radically about green technology with its new Formula E electric series. This is a championship of races around the centres of 10 global cities next year, including London.



Still pulling in the sponsors: F1 commercial supremo Bernie Ecclestone Getty

Change is hardly a new phenomenon in F1. The restless pursuit of new audiences and new frontiers championed by Bernie Ecclestone has always kept the sport, its practitioners and followers on constant alert.

There are not many still around who have kept up with the F1 impresario's manoeuvrings over the decades, but one who has made a stab at it is Sir Frank Williams, founder of the Williams team, who has been in F1 for more than 40 seasons.

"A reshuffle is always going to keep a company on its toes," Williams says of the personnel changes at McLaren and Mercedes. But, in his view, the prevailing mood in F1 is business as usual. The best response to change in motorsport, Williams suggests, is to take it in one's stride.

The teams' round-the-clock search for tiny improvements to the performance of their cars leaves next to no time to attend to broader issues such

The restless pursuit of new audiences and new frontiers has always kept the sport on constant alert

as Concorde Agreements and flotations, let alone the legal issues that continue to dog Ecclestone. Even the uncertainty about this year's race calendar, which has been cut by one Grand Prix to 19, has barely troubled the teams.

It was not so long ago that every week in F1 saw another drama, whether it was sponsors in retreat, teams in financial crisis, talk of mutiny or the fate of Ecclestone. So what is behind this air of tranquility in the pit lanes?

The principal reason is that the issue of money, which in the past was serious enough for teams to form alliances and threaten to break away, appears to be less of a concern these days for the big teams.

Compared with previous stormy talks about revenue handouts, the

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## The Business of Formula One

# Sponsors key to creating openings for debutants

### Young drivers

Whether rookies win a drive with smaller teams is increasingly down to the backers, writes *Simon Gray*

The role played by sponsors' money in helping drivers win a race seat has long been a contentious issue in Formula One.

Almost inevitably, the argument over "pay drivers" has resurfaced at a time when most teams are facing financial pressure.

Five debutants will line up on the grid for the first race of the season in Melbourne this weekend: Esteban Gutiérrez for Sauber, Williams' Valtteri Bottas, Caterham's Giedo van der Garde and Max Chilton and Jules Bianchi, both for Marussia.

True, none of them really fits the pay driver tag. All performed test driver duties for F1 teams last year, and

all won races in the GP2 feeder series, with the exception of Bottas, who spent last year as Williams' reserve driver after becoming champion in GP3, the next series down, in 2011.

Yet eyebrows were raised when Marussia abruptly announced midway through the final round of pre-season testing in Barcelona this month that Bianchi, rather than Luiz Razia, would be taking the race seat.

The Brazilian Razia, last year's GP2 runner-up, had been announced as a Marussia race driver only in January, replacing the experienced German Timo Glock, who despite more than 90 Grand Prix and three podium finishes was to make way for a driver who would bring money to the team.

Six weeks later, John Booth, Marussia team principal, admits bluntly: "We found ourselves in a situation where we had to terminate our contract with Razia. Having made clear the basis on which we must operate in 2013, we had no alternative."



Race debut: Valtteri Bottas

It subsequently emerged that Razia's sponsors had made a scheduled payment that enabled the Brazilian to take part in the first pre-season test in February, but when a second promised payment, reportedly €6m, failed to arrive, Marussia first held the driver out of testing and then dropped him altogether.

The beneficiary was Frenchman Bianchi, who days earlier had missed out on the second seat at Force India.

There is little doubt that money is tight, especially at the back of the grid. F1 has one team fewer this season following the exit of the Spanish-based HRT outfit, which quit the sport at the end of 2012 after three years without a point.

While cost-conscious teams must tread a fine line between recruiting raw talent and experience, Mark Blundell, the F1 driver turned management agency boss, believes proven drivers may be a better option from a financial point of view.

"The commercial risk [with] a young driver who makes mistakes can involve a huge amount of money," Blundell says. "Lack of results can lead to a big financial deficit."

That is not a calculation that has helped Heikki Kovalainen, the highest-profile name to find himself without a drive this season after he was dropped by Caterham despite a 109-race career that included a race win for McLaren in 2008.

Kovalainen has kept a low profile since and

declined to be interviewed, perhaps because he has not given up hope of returning to the sport.

However, former teammate Lewis Hamilton describes the Finn's absence from the grid as "crazy".

Money has always been crucial to success in racing. Blundell estimates a driver needs up to €5m just to get to the GP2 series, a fact not lost on the newcomers.

"We are in a world of economic crisis, and these days the reality is that you have to bring a budget," says van der Garde, the Caterham debutant who was financed in GP2 in part by a Dutch fashion house that will also sponsor his Caterham team this year.

On the positive side, the new faces provide young drivers seeking to make their way in the sport with encouragement that opportunities will arise.

"It's nice to see so many rookies coming into the sport," says Williams' Bottas. "It's always difficult to get into F1, and in the past

few years there have not been many new drivers. For all us rookies it's about proving you really deserve a place, [but] in the end the best drivers will get the support they need."

While Williams' other driver, Pastor Maldonado, enjoys substantial backing from the state oil company of his native Venezuela, he also demonstrated his talents by winning last season's Spanish Grand Prix, the team's first race victory for nearly a decade.

Sir Frank Williams, the Williams team founder, says there is no logic in a team hiring a driver with a big sponsorship package but little talent, noting that, the current economic constraints aside, the financial underpinnings of the sport have changed drastically.

"Opportunities to get involved in motorsport are greater now than they were 10 or 20 years ago," he says.

"A greater number of drivers are coming through the ranks that are capable of making it to the top, perhaps by a factor of two."

# Pérez dreams of emulating hero Senna at McLaren

**Interview** The young Mexican believes he has what it takes to win, writes *James Allen*

For young drivers seeking to make their name at the elite level of Formula One, opportunity knocks rarely.

In the six years since the 22-year-old Lewis Hamilton made his debut with McLaren, only two young drivers have been given a chance at a top team – Sebastian Vettel with Red Bull Racing and Heikki Kovalainen at McLaren. The former has gone on to win three world championships and is still only 25 years old, while the latter will be without a drive in 2013.

Hamilton's high-profile switch to Mercedes has allowed Sergio Pérez to add his name to the list, with the Mexican given the keys to the McLaren after two years with the mid-field Sauber team. So will the 23-year-old profit, like Vettel, or fall by the wayside, like Kovalainen?

"It is very difficult to get into a top team – there are only 22 seats on the grid and very few where you can win races and championships. I am in one of them," Pérez tells me when we meet at McLaren's base outside Woking.

He continues: "Since I came into F1 I wanted to win races and fight for the championship. In the team and the car I had [Sauber] it was not possible to do this. So when this opportunity came, I was ready. It may seem a short time for people outside, but for me it seems a long time."

Pérez's promotion to the team alongside Jenson Button came after a strong season in 2012, when he took Sauber to three podium finishes and almost won in Malaysia, but for a

costly mistake when battling Fernando Alonso's Ferrari.

But Pérez has also shown signs that he feels pressure. And, tellingly, he failed to score any further points after his McLaren contract was announced in September.

Pérez was born into a racing family in the city of Guadalajara – his father and older brother were also racing drivers. Starting out in karting, he progressed through motorsport's ranks before graduating to F1 with Sauber in 2011.

Serious money is needed to make it in F1, and Pérez's career has been bankrolled by Telmex, the telecommunications group owned by countryman Carlos Slim, the world's richest man. "They have helped me in the same way that McLaren helped Lewis [Hamilton] and Red Bull helped Vettel," he says as if to refute the idea that he has had an advantage.

Yet detractors have suggested that among McLaren's motives for hiring Pérez was to get their hands on Telmex's money. Rumours are rife that Vodafone, its title sponsor, is considering withdrawing or scaling back its support for McLaren after this season.

Telmex is sticking with Sauber for the moment, backing another young Mexican, Esteban Gutiérrez.

Pérez insists Telmex is not part of his deal with McLaren: "They are not involved at all," he says emphatically. "I am basically by myself [at McLaren]. I have a contract with [Telmex] but just to give a percentage of my earnings to pay them back."



**Emerging talent:** the 23-year-old Sergio Pérez is one of the rising stars of the sport

Getty

That said, Pérez believes his raised profile will help attract more Mexican money to F1, particularly to McLaren, the team of legendary Brazilian driver Ayrton Senna, who is still revered across Latin America.

"Mexico is a very big market and I think support for the team will come. My country is very passionate about F1."

That passion will be stoked should a Mexican Grand Prix join the F1 calendar, possibly next year. The country had a race until the early 1990s, held at a track near Mexico City. The problem is finding someone to pay the \$30m-\$40m annual fee to the commercial rights holder.

Slim is reported to believe he has done enough by bankrolling Pérez, and wants another entity, ideally Mexico's government, to fund the race. The CIE group, a live entertainment company, is in talks to host the race.

"I am very optimistic that sooner or later we will have a Grand Prix. Since

I left Mexico at the age of 14 I have never raced there, so it will be special to go back," says Pérez. "We saw in Austin [at the 2012 Grand Prix of the Americas] how the market can be – it was full of Mexicans."

As for following in the footsteps of Senna, Pérez says he takes time out on his regular visits to McLaren headquarters to seek out mechanics and engineers who worked with the three times world champion.

"Ayrton Senna is my biggest idol," Pérez says. "So to come here to the same team as Ayrton is special. I always try to find people who spent time with him, to find out how he was and how he did things."

A number of drivers have over the years styled themselves as the heir to Senna. One of them, ironically, was Hamilton, whose switch to Mercedes opened the door to Pérez.

McLaren needs a winner. And while Pérez believes he has what it takes, he also knows there will be no hiding place in the unforgiving world of F1.

# Sport seeks to optimise its media mix

### Broadcasting

Dividing TV rights between paid-for and public providers has a mixed impact, writes *Roger Blitz*

According to Bernie Ecclestone, the most recent Formula One championship was "a classic": a series that began with seven different winners in the opening seven races was decided only on the final day.

"There was close competition and thrilling overtaking," F1's commercial supremo enthused in the foreword to his Formula One Management (FOM) team's global broadcast report. So who was watching?

According to the report, F1 had more than 500m viewers across 185 territories last year, with 110 broadcast partners churning out about 21,000 hours of coverage. These include the pan-regional broadcasters, offering blanket coverage across groups of countries, such as Fox Sports in central and South America, Super Sport in Africa and Abu Dhabi Media Company in the Middle East and north Africa.

It is the broadcasters that carry out much of the work of marketing the sport through advertising and social media.

This reach is the bedrock of F1's business model, giving Ecclestone and the teams considerable muscle when it comes to negotiating track fees and lucrative sponsorship deals.

Yet the value of the broadcast rights themselves – about \$450m a year – is modest compared with other sports and competitions. English football's Premier League, for example, is soon expected to reach the conclusion of negotiations over its international broadcast rights. Together with UK rights, this could amount to more than £5bn over three years.

Ecclestone could point to a marked difference in the available content. While the Premier League is made up of 380 matches, the F1 calendar last year comprised 20 races.

Still, F1's comparatively small broadcast income has led Ecclestone to pursue a new strategy that divides the television rights between free-to-air rights holders, who give the sport reach, and pay-television providers, who offer a superior return.

The impact has, so far, been mixed. When FOM says the sport had "over 500m viewers" in 2012, it probably suggests the actual number was lower than the 515m in 2011.

What is clear is that the trend is downward. The 2008 figure was 600m, which had fallen to 527m two years later.

The broadcast report showed a fall in the number of viewers watching more than 15 consecutive min-

utes of F1 throughout the season. The numbers were up in Italy, Spain, France and Brazil but down in the UK, Germany, China, Japan, Russia and the US.

In many cases, specific national factors account for the changes. The rise in Spain can be attributed to the popularity of Fernando Alonso, the Spanish driver for the Ferrari team who finished runner-up in last year's championship, while FOM blamed the sharp drop in China, which was a third lower, on scheduling clashes and the level of coverage offered.

The fall in the UK came in the first season that coverage has been split between Sky, the pay-TV channel, and the BBC, the public broadcaster.

However, Zak Brown, founder and chief executive of Just Marketing International, a leading broker of sponsorship deals in F1, believes there is merit to a dual broadcast strategy, despite the possible impact on viewing figures.

"I think overall the UK model has been very well received and is popular," he says. "Everyone has a high degree of confidence in Bernie Ecclestone. He has made [F1] a massive TV sport," he adds.

Brown shares Ecclestone's view that such fluctuations in viewer numbers do not have a marked effect

There remains a glaring gap in F1's TV audience: the critical North American market

on sponsors' appetite for the sport. "I don't have a lot of clients coming on hard on TV [viewers]," he says. "They recognise that is one of Bernie's strengths."

Yet there remains a glaring gap in F1's TV audience: the critical North American market, where the sport competes against NASCAR and IndyCar for an audience that has always had a fitful relationship with the series.

F1's return, after a five-year gap, to the US last season with the Grand Prix of the Americas in Austin, Texas helped NBC Sports sign a four-year broadcasting deal.

However, Ecclestone's US ambitions have been hit by a delay in a second US Grand Prix – this one to be held at a specially constructed track in New Jersey, across the Hudson river from New York – by one year to 2014.

And even with two races in the calendar, F1 still has a long way to go before it can win over America's motorsport public. The sport's cumulative reach in the US was less than 10m last year, compared with more than 80m in Brazil.

Ever-optimistic, FOM prefers to see this as a "solid foundation to build upon in the coming seasons".

# Financial woes fail to dent Mallya's racing ambitions

### Force India

Team says finances are ringfenced and not affected by debt at backer's group, writes *Roger Baird*

Not so long ago, Vijay Mallya spent \$1.8m on the eye-glasses and pocketwatch once owned by Mahatma Gandhi, along with the plate and bowl from which the revered Indian leader is said to have eaten his final meal. They were bought, he said, "for the country".

Fast forward four years, and Mallya's Sahara Force India Formula One team was recently forced to deny it was in danger of being sacrificed as the flamboyant tycoon's drinks-to-airlines empire teetered on the brink of collapse.

The financial problems at

Mallya's UB Group can be laid at the door of Kingfisher Airlines, with reports claiming that as many as 17 banks that loaned the company more than £800m have considered calling in the debts.

Such have been Mallya's woes that business magazine Forbes dropped him from its billionaire list last year as his estimated wealth sank to \$800m.

Yet Robert Fernley, Force India deputy team principal, who looks after the day-to-day running of the outfit, denied the F1 business was in difficulties.

"We are not going bankrupt. We are well funded, and the owners tell me the finances of the team are ringfenced," he says.

Mallya himself was in fighting mood when he stated last month that "we begin 2013 hungrier than ever", reiterating a pledge to build a £50m wind tunnel for the team.

However, the uncertainty facing Force India was illustrated by the fact that it was the last outfit to complete its driver pairings for the season.

The team left it until two weeks before the start of the series to announce that German Adrian Sutil, who drove for the team until 2011, would partner Paul di Resta when the season starts this weekend.

The trouble in Mallya's empire first surfaced in October after the city of Hyderabad issued an arrest warrant for Mallya due to an unpaid £1.25m bill for charges levied by its airport. The bill was settled and the matter dropped.

But this was just the beginning. Having failed to make a profit since it was launched in 2005, Kingfisher was then grounded by India's aviation regulator due to debts of \$2.5bn owed to staff and other creditors. As its debts mounted, late

last year it was announced that Diageo, the owner of Guinness, would pay £1.28bn for a 53 per cent stake in Mallya's liquor business, United Spirits, owner of the Whyte & Mackay whisky brand.

The drinks group was a key part of an empire that spans everything from beer to fertiliser, and its partial sale was galling for a playboy figure once dubbed "the King of Good Times".

Mallya inherited his business empire from his father Vittal, and was just 27 when in 1983 he took over the company after Vittal's premature death.

As well as growing the business, he gained a reputation for his lavish yacht parties and love of vintage cars. Mallya also splashed out on an F1 team, which ironically was one of the bright stars in his empire.

Force India finished seventh out of 12 teams last season, ahead of the once-

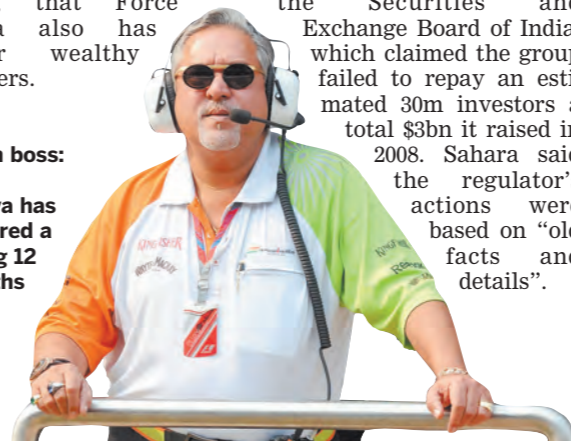
dominant Williams outfit.

In last season's final race in Brazil, driver Nico Hülkenberg was in front after 30 laps, before a collision with Lewis Hamilton led to a fifth-place finish.

There are rumours in the sport that Colin Kolles, a former Force India team principal, could be putting together a consortium to buy his old team.

Fernley points out, however, that Force India also has other wealthy backers.

**Team boss:** Vijay Mallya has suffered a trying 12 months



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## The Business of Formula One

# Plot thickens after team makeover

**Mercedes** Lewis Hamilton grabbed the headlines but drama is also unfolding off the track, says *James Allen*

The great Brazilian driver Ayrton Senna once said that “if you are doing something like motor racing, you either do it well or forget it”.

These words were perhaps in the minds of the board members of Daimler, the German vehicle maker, when they decided last autumn to get serious about their underperforming Mercedes Formula One team.

After three years of middling results since buying the 2009 championship-winning Brawn GP outfit for a reported €123m, the team appeared in need of fresh impetus.

That duly arrived in the shape of Lewis Hamilton.

The biggest box office star in F1 was poached in September 2012 from the more successful McLaren team, where his career had stalled since winning the world championship in 2008.

This was followed this January by a shake-up of the team's senior management, with the arrival of investor Toto Wolff and three times world champion Niki Lauda.

After buying a 30 per cent stake in the team, Wolff, a former racing driver who built a successful career as an entrepreneur in the internet and technology sectors, is now executive director of the Brackley-based outfit.

Meanwhile, fellow Austrian Lauda – who won three world championships between 1975 and 1984, and who still bears the scars of the horrific burns he suffered when his race car was engulfed in flames after crashing at the 1976 German Grand Prix at the Nürburgring – has taken a 10 per cent stake and has become non-executive chairman.

Although both men are highly rated in their own right, observers were quick to point out the faults in the plan, notably the question of where it leaves team principal Ross Brawn, who remained tied in to Mercedes due to the terms of the sale.

These concerns were amplified by reports of a plot to oust Brawn, a brilliant technician who has won a remarkable 16 world championships, achieved with three different teams, and replace him with Paddy Lowe, technical director of McLaren.

Brawn had worked tirelessly to build up his engineering team to challenge the dominant trio of Red Bull Racing, McLaren and Ferrari, but the



**Fresh challenge:** Hamilton tests his Mercedes in Spain last month. *Getty*

‘The only way a racing team will work is to have one reference, and I’m that reference’

**Ross Brawn**

pace of change was considered too slow by the German owners.

Although it was confirmed last month that Lowe would leave McLaren at the end of the season, the 58-year-old Brawn remains at the helm of Mercedes, for now.

Brawn was in defiant mood in January when he said: “I’m team principal. I’m in charge of sporting, technical and racing matters. Everybody knows the only way a racing team will work is to have one reference, and I’m that reference.”

He added: “There is another side of the business that, quite frankly, I don’t want to get involved in – the commercial activities. There are a lot of things that Toto will be doing which are complementary to what I will be doing.”

It remains to be seen how the looming psychodrama between Wolff, Lauda and Brawn plays out.

For Hamilton, who made his F1 debut with McLaren in 2007, winning the championship the following year, the switch to Mercedes is in part an attempt to reignite a career that has failed to fulfil that early promise.

Hamilton has won Grand Prix every

season since his championship year, but he felt McLaren were not able to provide the platform for a sustained challenge for another world title.

Signs that Hamilton was restless surfaced in 2011 when he sought an opening at Red Bull. That move did not transpire, and instead he jumped ship to Mercedes – which, on paper, is a risky move, given the relative competitiveness of the cars.

“Definitely things weren’t as good as they had been at McLaren. I was driving a competitive car, I could win races, battle with [world champion] Sebastian Vettel, but I perhaps stayed too long,” Hamilton said after the switch to Mercedes.

“I can’t stay for 25 years in the same office, doing the same things. And McLaren had become a bit like an office for me – the routine, the same gym, the factory where I knew every single corner.”

While there is no doubt that the 28-year-old had become jaded at McLaren, some in the sport think he has made a mistake, and fear he will now slide down the grid.

At the same time, there is no doubt that he appears liberated by the move

and the greater commercial freedoms Mercedes have extended to him.

Hamilton is now managed by XIX Entertainment, the talent management group run by Simon Fuller, a man who has successfully guided the career of another talented Englishman: footballer David Beckham.

Hamilton himself is realistic about his chances for 2013: the Mercedes team have a marked performance deficit compared with the front runners. Mercedes were a second a lap slower than their rivals in the final three races of last season. The signs from pre-season testing, though, are that they have made improvements, particularly with getting the most from the Pirelli tyres.

However, Hamilton’s eye is really on 2014, when radical new rules based on small-capacity turbocharged engines could offer Mercedes a chance to leap to the front of the grid.

“Next year there is a significant rule change, a new engine, and it has to be perfectly integrated into the chassis,” he said. “Only two teams make their own chassis and engines: Ferrari and Mercedes. If only for that, I’m certain my decision is the right one.”

## New season – the drama continues

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Concorde discussions have been “extremely peaceful”, says Williams.

The big teams – Red Bull Racing, Ferrari, Mercedes, McLaren and Williams – are expecting to be well rewarded when the Concorde deal is finally sealed. Talk is that the teams’ share of F1 income will rise from under 50 per cent to more than 60 per cent over the next seven years.

F1’s revenues in 2011, according to last year’s flotation prospectus, were \$1.5bn, with operating profits of \$451m. Analysts estimate revenue should grow 9 per cent a year until 2016.

Some of the evidence of recent months supports this assumption. A series of eye-catching sponsorship deals have been announced. There is also a clutch of Mexican companies waiting to get behind Sergio Pérez, Hamilton’s replacement at McLaren.

“The sport is going from strength to strength,” says Zak Brown, chief executive of JMI, a motorsport sponsorship agency. “The quality and size of the announcements in recent months have been awesome.”

Sponsors are attracted to F1’s year-round frequency and global reach, while largely shrugging off falling television viewership.

For investors thinking ahead to a possible float, there is also plenty of scope for Ecclestone to grow revenues by better exploiting the pay-TV market.

There are, however, a few voices of caution. Martin Whitmarsh, team principal of McLaren, last month warned of ongoing financial struggles for teams at the back of the grid.

That view is shared by Nick Fry, chief executive of the Mercedes team. “F1 has spent far too much time squabbling over dividing up the current pot of income

rather than working together to maximise the revenue available to the sport, which still has huge upside potential,” he says.

The Concorde deal will benefit the stronger teams, including Mercedes. “That is very nice for us, but my concern remains a healthy sport overall,” Fry says.

Control of costs is another weak point. F1’s resource restriction agreement, which controls spending on research and development, is an imperfect solution – teams distrust each other’s willingness to abide by it. “You go as close as possible to the margin,” Fry says.

Williams thinks along similar lines: “It is difficult to control costs. There are a number of very wealthy teams. I’m not bleating – that’s how it is.”

Sponsors are attracted to F1’s year-round frequency and global reach

That is how it was for Bruce McLaren, the New Zealander who started a racing team in 1963 that in 2011 generated revenues of £239m.

“Life is not measured in years alone but in achievement,” McLaren once said. He died aged 32 in 1970 when his prototype racing car crashed at Goodwood.

F1 now enjoys wealth unthinkable a decade ago, let alone in the days of the McLaren founder. It may not always follow a smooth, untroubled path, but then nobody who follows F1 is in it for the easy, quiet life.

“Drama works well in F1,” says JMI’s Brown. “I don’t think we ever want to see F1 boring and lacking in drama.”

## Brands beat a path to sport’s door despite drop in TV viewers

### Sponsorship

Rush of close-season deals constitutes substantial investment, writes *James Allen*

There have been mixed messages emanating from Formula One of late about the sport’s financial health.

Some of the smaller teams have claimed F1 is undergoing something of a funding crisis, while others have pointed to falling numbers of television viewers in recent years – a trend that is likely to continue as F1 moves towards more of a pay-television model in several European markets, including the UK.

Countering such pessimism is the entry of five leading brands to the sport since the cars last competed in November, which would constitute substantial investments for any sport.

First to jump on board was Rolex, the Switzerland-based luxury watchmaker, which struck a global partnership deal with F1 brokered by long-time Rolex brand ambassador Sir Jackie Stewart together with Bernie Ecclestone, the sport’s commercial chief.

Then came BlackBerry, the smartphone manufacturer, which signed a partnership deal with the Mercedes team.

Ecclestone did it again by negotiating a lucrative five-year global partner deal worth an estimated \$200m with Emirates, the airline. UPS, the logistics company, joined forces with the Ferrari team in a deal brokered by JMI, the sponsorship agency, and Williams unveiled a new FTSE 100 partner in Experian, the credit-scoring specialist.

What are these companies hoping to gain from pouring money into F1, and why are they doing it now?

Rolex has been involved in sport sponsorship for decades, notably of the Wimbledon tennis tournament and the Open golf championship, but it had



**Deal:** Emirates chief Sheikh Ahmed with Ecclestone. *Getty*

never sponsored F1. This changed in December when it signed a \$30m-a-year deal to be the sport’s official timekeeper and timepiece.

Gian Riccardo Marini, Rolex chief executive, highlights a shared interest in technology and reliability, and emphasises the “strong symbolic value [of F1] and its global reach” as the key reason for signing a five-year deal.

In return for its investment, Rolex will get prominent positioning for time-keeping and branding around the circuits, as well as a chance to entertain clients in the VIP areas.

Dubai-based Emirates has a host of sponsorship deals in football, rugby and tennis, notably the stadium-naming rights of Arsenal football club. It was last involved in F1 in 2006 when it sponsored the McLaren team, but the deal lasted only a year.

The return of the airline, led by chairman Sheikh Ahmed bin Saeed al-Maktoum, adds to the significant Gulf money already invested in F1, notably that spent building Grand Prix circuits in Abu Dhabi and Bahrain. The Bahrain sovereign wealth fund also has a stake in McLaren, while Ferrari has a theme park in Abu Dhabi.

Ever since CVC Capital Partners acquired Ecclestone’s Formula One Management business in 2006 it has pushed hard to increase the number of global part-

ners – an area the private equity owner felt had been underexploited. FOM owns the commercial rights to F1 for 100 years, from 2011.

The arrival of Rolex and Emirates alongside the likes of UBS, the bank, LG Electronics, GH Mumm champagne and Tata Communications, the Indian group that provides information technology services to the sport, shows this objective is being steadily fulfilled.

Reach is key to F1’s success. Yet for a business built on mass-market TV, audience figures are not as high as they once were, and deals with European pay-TV broadcasters are also likely to result in further falls in viewer numbers.

That said, the sport still pulls in a race audience of more than 45m on a Sun-

### Start to the season

**Rolex Australian Grand Prix**  
Albert Park, Melbourne  
**Mar 15-17**

**Petronas Malaysian Grand Prix**  
Sepang International Circuit  
**Mar 22-24**

**UBS Chinese Grand Prix**  
Shanghai International Circuit  
**Apr 12-14**

**Gulf Air Bahrain Grand Prix**  
Bahrain International Circuit  
**Apr 19-21**

day, and there are still few better ways for a global brand to reach a wealthier audience via televised sport.

For BlackBerry, the move into F1 is part of its fight-back against rival smartphone makers after a disastrous few years.

The company failed to respond to a shift in the market that began with the launch of Apple’s iPhone in 2007. BlackBerry’s share of the smartphone market has fallen from a peak of roughly 20 per cent in 2009 to about 6 per cent today.

The timing of the move was tied to the launch of the BlackBerry 10 operating system and handsets. According to Frank Boulben, the company’s chief marketing officer, the \$12m annual deal with Mercedes hinged on F1’s reach in emerging markets such as India and Brazil.

“That was the first consideration. We are a completely global brand,” Boulben says.

He also points to F1’s strengthening presence in North America, where a second Grand Prix is expected to be added next year. “Now, it is an ideal global platform. For the audience we want to touch, [F1] is a unique platform in the world of sports,” Boulben says.

The return to the US was also crucial for UPS, which has entered the sport for the first time in a partnership with Ferrari, F1’s most prestigious team.

Christine Owens, UPS senior vice-president for communications and brand management, says the F1 deal is different to sponsorship of the Olympic Games. “[F1] is global and the racing season lasts for 10 months. That helps you to stay more ‘top of the mind’, whereas the Olympics is every four years,” Owens says.

Despite the influx of deals, sponsorship accounts for only 15 per cent of F1’s \$1.5bn annual turnover. The real money is still in race-sanctioning fees, which account for 34 per cent, with broadcasting rights totalling 32 per cent.

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