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# THE F1 REPORT

Former Formula One team boss, the late Sir Frank Williams, once said that “for six-and-a-half-days a week, F1 is a business, then on Sunday afternoons it becomes a sport”. This is no exaggeration. On the face of it, F1 seems just like any other sport. When the lights go out at the season-opening Bahrain Grand Prix at the end of this month all eyes will be on reigning champion Max Verstappen who clinched the title thanks to a controversial last-lap decision in Abu Dhabi in December. It dominated sports pages globally but despite these appearances, F1 is actually a business. Most major sports are owned by their teams or governing body, but not F1. The commercial rights to the series are owned by Nasdaq-listed investment firm Liberty Media. A powerful business engine beats beneath its bonnet.

F1 doesn't own the venues of its 23 races so it doesn't need to cover their high-octane running costs. What's more, race organisers have to pay F1 an average \$28.7m fee annually and, unlike venues in many other sports, they don't receive a share of its broadcasting revenue or even advertising and corporate hospitality. That all flows to Liberty and has given F1 a \$13.9bn market value.

In 2019, before the pandemic, F1 had revenue of \$2bn. A total of \$301.1m was paid by sponsors such as Emirates and luxury watchmaker Rolex which get advertising around the tracks. Next up is corporate hospitality ticket sales which, along with other miscellaneous sources, came to \$356m. It was followed by the \$602.1m paid by race organisers with F1's biggest revenue generator being the fees from television broadcasters which came to \$762.8m.

In 2020, total revenue reversed by 45 per cent to \$1.1bn due to the pandemic. However, in November, Liberty announced its performance over the first nine months of 2021, at \$1.3bn, had already overtaken 2020's tally. This growth was driven by the return of spectators to races. Hospitality revenues bounced back while Liberty was able to once again charge full price hosting fees. F1 also held a record 22 races with new events in the Netherlands, Qatar and Saudi Arabia. It will benefit from them for a long time to come. Only 10-20 per cent of F1's contracts need to be renewed annually as they have an average length of around five years. It explains why F1 had a staggering \$6.7bn of future revenues under contract at the end of 2020 – and that's not all.

Most race contracts contain an escalator clause increasing the amount paid by 5-10 per cent annually. It gives F1 good vis-

## The Winning Formula

There are many moving parts that determine the financial returns from the sport. We look at how to drive ROI

ibility of its revenue and the same applies to its profit. F1's biggest single cost is a payment of 68 per cent of its profits to the teams as prize money. This is divided based on performance with an additional payment going to F1's longest-standing team Ferrari. It received an estimated \$200m in 2019 with the teams getting a total of \$1bn, leaving F1 with a profit of \$482m.

The higher F1's revenues, the more prize money the teams get, so the more races there are, the higher the amount received from hosting fees, advertising and hospitality. Increasing the number of races is the most logical way of raising revenue but it raises the teams' costs and means their staff have to spend more time away from home. The consent of 70 per cent of the teams is needed if there are more than 24 races in a season, which means they really do hold the keys to F1's future.

To maximise race fees F1 markets itself to emerging nations that are willing to pay to put themselves on the global map alongside countries such as the UAE, France, Japan and Monaco. It drives tourism by promoting them to F1's TV audience which hit 433m viewers in 2020. That really is a winning formula.



## The Rise and Rise of the Middle East

The region has a history spanning nearly two decades with the sport – we look at the evolution and growth we've seen to date

In 2014, Formula One's former chief executive Bernie Ecclestone was asked about the impact the sport has had on the Middle East since its inaugural race there in Bahrain a decade earlier. He responded: "I didn't even know where Bahrain was, but now I do." Research has revealed that over the 18 years since the first Grand Prix was held at the Bahrain International Circuit (BIC) in Manama, 3.1m spectators have attended F1 races in the Middle East. It has driven spending in local hotels, shops and restaurants, and put the region on the global sporting map as well.

The Bahrain Grand Prix alone has attracted an estimated 1.3m spectators peaking at 100,000 across the three days of the event in 2008 and 2010. It even got a boost from the coronavirus pandemic as the BIC was home to two races in 2020 when other F1 venues crashed off of the calendar. It fuelled worldwide media exposure for Bahrain which would be worth \$519.7m if it had been bought as traditional advertising, according to research commissioned by the BIC.

Although Bahrain's tally of races reversed back to one last year, it slipped into the prestigious spot of being the season-opener when the Australian Grand Prix got the red light due to Covid. The season starts in Bahrain again this year cementing its position as one of F1's crown jewels. It hasn't just been a magnet for spectators.

Since its first round, the Bahrain Grand Prix has been sponsored by local flag-carrier Gulf Air which gets naming rights and advertising banners around the track. It initially paid around \$5m annually for the privilege but over time this has gradually risen to \$8m. To promote the race in its first year, Bahrain itself sponsored the former Jordan team and got large logos on the sides of its two cars for an estimated \$10m. It did the trick as attendance at the Bahrain Grand Prix accelerated by 10.3 per cent to 75,000 in its second year.

Bahrain put the brakes on its sponsorship of Jordan in 2005 as its home race was on a firm footing and awareness of F1 in the Middle East had begun to build. Testimony to this, the following year F1 was joined by one of the region's most well-known brands when Emirates became a sponsor of 12-time champions McLaren. In a deal valued at \$25m, the distinctive red-and-white Emirates logo was emblazoned on the front- and rear-wings of the McLaren cars. Although the partnership only lasted for the 2006 season, it helped to put McLaren on the map in the Middle East as the following year Bahrain's Mumtalakat wealth fund bought a 30



per cent stake in the team from its chairman Ron Dennis and the Saudi TAG Group.

Mumtalakat's stake has grown to more than 50 per cent since then, whilst Emirates has become a global partner of F1 itself which gave it naming rights of one race last year and advertising banners at most of them. And then the Middle East got a second Grand Prix. It came in 2009 when Abu Dhabi raced onto the F1 calendar with a 3.5-mile track that winds around Yas Marina where superyachts bob on the sparkling water giving it an air of F1's most historic race in Monaco. The Abu Dhabi Grand Prix occupies an equally prestigious spot to Bahrain as it is the final race, meaning that the Middle East bookends the F1 season. The Abu Dhabi Grand Prix was F1's first twilight race and finishes with fireworks and a spectacular son et lumière show on the marina's centrepiece W Hotel which is wrapped in colour-changing LED lights. The marina was purpose-built at an

estimated cost of \$500m for the inaugural race and it has hosted a total of 1.7 million spectators since then. The crowd hit an estimated high of 154,000 over the three days of the event in 2014 and 2015. Although this dipped to an estimated 135,000 last year, the race was one of the most memorable in F1 history, thanks to a controversial decision on the final lap. It was triggered by Williams driver Nicholas Latifi hitting the barriers leading to the safety car coming out. F1's race director Michael Masi then allowed some cars to unlap themselves, and not others. This saw title challenger Max Verstappen move up right behind reigning champion Lewis Hamilton just as the safety car was being brought in. Verstappen, who was on much fresher tyres after pitting behind the safety car, overtook Hamilton on the last lap to seal the title. It didn't just put the eyes of the world on Yas Marina Circuit, but its sponsors too. They include the race's official energy partner ADNOC and Etihad

Airways which has been the title sponsor of the Abu Dhabi Grand Prix since the first race. It costs an estimated \$8m annually and gives Etihad naming rights as well as banners around the track.

In 2018 alone, Etihad's pre-race flyby attracted 23 million viewers on social media and had over 90 per cent engagement along with the reveal of its latest livery. Following Bahrain's model, in 2008, Etihad began a sponsorship deal with F1's most famous team Ferrari. This helped to drive interest in Abu Dhabi and gave Etihad logos on the car as well as the drivers' overalls for an estimated \$20m annually. The deal ran for three years and contributed to F1's annual sponsorship income from the Middle East reaching a peak in 2010. The driving force behind it was the money from Etihad and Gulf Air, but Abu Dhabi's Aabar Investments also made its entrance. In 2009, Aabar paid an estimated \$115m for a 40 per cent stake in reigning champions Mercedes which re-ac-

quired it three years later, before selling it to team boss Toto Wolff and former F1 champion, the late Niki Lauda. In 2010, Aabar also became a Mercedes sponsor in a short-lived deal that gave it logos on the car and overalls of the drivers for around \$5m annually.

The biggest impact has been felt on Yas Island itself which was little more than a dust bowl when the first Grand Prix took place. It is now a hub of nine hotels, a mega-mall, a golf course, a 40,000-seat arena and a complex of three world-class theme parks which will soon become four when SeaWorld Abu Dhabi swings open its doors later this year. "The advantage of Yas Island is that we have so many different experiences that you can enjoy with your family and that can cater for different segments – youngsters, teenagers, adults and families," said Mohamed Al Zaa-bi, chief executive of Yas Island developer Miral in 2019 before the pandemic.

Saif Ghobash, undersecretary at the Abu Dhabi Department of Culture and Tourism, added, "The hotel sector has also witnessed great improvements in performance over the last few years, we have seen occupancy hover around the 90s during the Abu Dhabi GP week. We have seen revenue per available room and the average daily rate at their maximum during this exact same period." F1 is the engine behind it.

"We had 1 billion viewership over the past ten years, and we had over one million visits to the circuit here for the Grand Prix," noted Al Tareq Al Ameri, Yas Marina Circuit's chief executive. It wasn't lost on Qatar and Saudi Arabia which both joined the F1 calendar last year and brought two telecoms companies, Ooredoo and STC, as title partners. The former race attracted an estimated 18,000 spectators with 58,000 believed to have attended the Saudi Arabian Grand Prix. The total will reduce this year as the Qatar Grand Prix is taking a breather for the World Cup, but it will begin a ten-year contract from 2023.

The Middle East now has more races on the F1 calendar than any other region except Europe. There is still room for growth as Mohammed Ben Sulayem, president of F1's governing body the Fédération Internationale de l'Automobile (FIA) explained in 2019. "I would say we are lacking a young generation of drivers. We have been talking about it for a while and I can see some good hope there for young drivers. If we look at for example Spain, they only used to sell 75 per cent of their tickets, but they didn't have a champion. Once they had a champion, which was Fernando Alonso at that time, they started selling all their tickets." It is a fine goal to have.



## Entering New Territory

Ferrari driver Carlos Sainz outlines the impact of F1's new regulations for 2022



When the cars arrive in Bahrain for the start of the new season, they won't look dramatically different to the ones from last year. But when they hit the track, it could look like the drivers have raised their game. One of the biggest criticisms of F1 is that it can be processional. This isn't the drivers' fault but is actually down to physics. The cars are designed to cut through the air which means that they leave waves of turbulence behind them, making it harder to overtake.

The cars are designed like upside-down plane wings so that they stick to the track at high speed. However, turbulent air reduces this downforce as it doesn't flow as smoothly over the cars. Last year's F1 cars lost 35 per cent of their downforce when 66ft behind another car and 46 per cent at 33ft. The new regulations for 2022 are set to reduce this to just 4 per cent and 18 per cent, giving chasing cars a greater chance of overtaking.

Tips on the edges of the new rear wings are designed to deflect much of the wake over the top of the following car. Many of

the other winglets that cover F1 cars have been scrapped to reduce turbulence. Even the size of the tyres has been changed to thinner low-profile ones which should be grippier than the current set.

Spain's Carlos Sainz is one driver who could benefit from this. He drives for Ferrari which has been beaten by Mercedes and Red Bull Racing in recent years. Despite being one of F1's biggest talents Sainz only got on the podium four times in 2021.

Talking in the Spain Pavilion at Expo 2020 Dubai, Sainz said: "For sure the handling of the car [will change] because of the different levels of downforce following each other and the tyres are going to be fundamentally different. I think there will be many challenges ahead of us going into this season and I hope that Ferrari and I are as prepared as we can be to use that opportunity."

Adrian Newey, chief technical officer of last year's champions Red Bull Racing has described the new rules as "the biggest single regulation change" in F1 since the 1980s. F1's research division spent more than \$13.9m since 2018 and has clocked up 16.5 million core-hours working on more than 10,000 computer simulations which take up half a million gigabytes. In comparison, a DVD fills just under five gigabytes. The impact should be noticeable.

The spread between the fastest and slowest cars in F1 is currently around three seconds on a 90-second lap. This 3.3 per cent difference should be significantly reduced by the new regulations.

The new cars will be 0.5 to 3.5 seconds slower per lap because they are 42kg heavier and their fuel will be 10 per cent sustainable ethanol at the cost of 20bhp. Whilst the drivers will notice this difference, fans will likely not. The technical changes are coupled with a \$140m cap on team budgets this year which should further reduce the gap between the haves and have-nots.

Sainz says he believes that the new regulations "should level up the playing field along with the budget cap."

He added, "This is the biggest change in the sport. All of us have to stay inside a budget cap and for teams like Ferrari, Mercedes and Red Bull that means cutting the budget at least by half. So, it is a huge challenge financially to adapt to that, to run such big operations in that budget. Also, I guess the regulation changes on the aerodynamics side of the cars, plus the tyres, will create practically a new category and I am sure this new category is planned to be more exciting, easier to follow and have more overtaking [opportunities]." We don't have to wait long to find out whether that is true.



## Bringing it Home

Why venues around the world are racing to be the next destination to host F1 race

When Formula One raced on the streets of Jeddah in December, it set a record. It was not only the first time a Grand Prix had taken place in Saudi Arabia, but it also brought F1's tally of races in the Middle East to four – the highest it has ever been.

It won't be long before F1 returns to Saudi Arabia. The country's second race takes place at the end of March, just seven days after the season-opener in Bahrain and two weeks before the Australian Grand Prix. Twelve days after the dust has settled

in Melbourne, the teams race in Italy. The long-haul races are the toughest and cost the most for teams to travel to, since all of them are based in Europe. To prevent further pressure, F1's governing body – the Fédération Internationale de l'Automobile (FIA) – has capped the number of races at 25 and that limit will come one step closer to being reached this year when the inaugural Miami Grand Prix takes place two weeks after Italy.

It gives F1 a record 23 races, and with its calendar having dramatically expanded, the sport can't continue signing up new countries. Over the five years to 2020 F1's global television audience accelerated by 8.3 per

cent to 433 million viewers and this brought the sport to the attention of many new markets. The visibility drives tremendous tourism so governments are prepared to pay top dollar to host a race.

One of the biggest success stories has been the Abu Dhabi Grand Prix at Yas Marina Circuit, which joined in 2009. The circuit's chief executive Al Tareq Al Ameri said in 2019 that the race had 1 billion viewership over the previous ten years and had over a million visits to the circuit.

Other Gulf nations wanted to emulate this achievement, ultimately leading to Qatar and Saudi Arabia joining the calendar. This competition has fuelled an arms race in hosting fees. Over the ten years to 2019, the average annual fee for a race rose 16 per cent to \$28.7m, and some venues in F1's European heartland were priced out of the market. In certain cases, F1 had to slash the fees of historic races in order to keep them on the calendar. Using sports campaigns to promote a country pulls at the viewers' heartstrings more than typical advertising and F1 offers perhaps the most emotional link of all as tourists can stay on the same streets where their heroes have raced.

When the circuits are on city streets local landmarks can become inseparable from the racing action and while purpose-built tracks take years to build, it is far quicker to prepare street circuits. Saudi Arabia showed how quickly it could be done as the race took place just 13 months after it was announced. In addition, there are no fears of organisers being left with a white elephant if they quit when their contracts expire. The greater the success of these new races, the more emerging markets will be attracted to F1. In turn, this could drive the average hosting fee even higher, putting more pressure on F1's historic events.

The coronavirus pandemic seemed to present an opportunity for F1 to reset the dial as hosting fees had to be slashed in order to get venues on the calendar. It paid off as fan-favourite tracks like Turkey and Italy returned after years of absence. However, fees have started to rise again and some of these historic tracks have been cut from the 2022 calendar. Only time will tell whether F1 does a U-Turn in future.

# Keeping the Wheels Turning

Formula One team owners spend tens of millions each year in keeping their teams alive – but the returns on their investment can be just as handsome



There is a saying in Formula One that the quickest way to become a millionaire from the sport is to start as a billionaire and buy a team. So, it is no surprise that unlike most businesses, profit is not the yardstick of success for an F1 team. Instead, they tend to spend all of their revenue in an effort to win on track. It is high risk, but equally high reward. The theory is that it is better to win on the track and make a loss rather than finish last and make a profit. Victory increases the value of the team giving the owners a pay-out when they come to sell it. It also increases sponsorship revenues since brands

are prepared to pay more to be associated with a winning team. Whilst team owners can get a financial return from selling a team in the long run, what do they get out when it is running to break even? If the owner of a team is a brand such as Mercedes, Ferrari or Red Bull, the benefit they get comes from the exposure of their logos on the cars on television. The metric of this exposure is known as Advertising Value Equivalent (AVE). This is the price a brand would have to pay for a similar amount of advertising time on television to the exposure it got through the sport. According to findings from Mercedes, when it won the F1 title in 2020, it generated \$5.8bn of AVE for its commercial partners.



The Mercedes-Benz brand has grown in value from \$31.9bn in 2013 to \$49.3bn in 2020, according to Interbrand, with F1 making an important contribution to its status as the eighth-most valuable brand in the world. Eight of the ten teams are based in the UK so they have to file publicly available accounts. They show that in 2019 the teams had average revenues of \$251.8m, with Mercedes the highest at \$490.6m.

The teams' main source of revenue is sponsorship, and in this field money talks. The higher the cost, the greater the exposure. Generally, the rear wing, sides of the air intake box and the sides of the car itself are prime logo positions. A sponsorship deal

with a top team involving any one of these locations is likely to cost around \$25m. At the lower end of the spectrum, small logos on the nose of the car can generally be bought for under \$2m. These are annual figures so the total deal cost can be much greater.

The other main sources of revenue are payments from team owners followed by prize money. F1 pays the teams 68 per cent of its profits as prize money and this came to a total of \$1bn in 2019, with Mercedes taking an estimated \$157m for winning the title.

According to the teams' accounts, they made a combined net loss of \$187.7m in 2019 which narrowed to \$26m the following year as they attended fewer races. There

is hope on the horizon as in 2021 F1 introduced a cap on team budgets for the first time in its history. This limited the teams' annual spending to \$145m and will fall by a further \$5m this year. The aim is to stop the top teams outspending their rivals, and the cap has already reaped rewards.

Since the budget cap was announced in May 2020, stakes in the Williams, McLaren and Mercedes teams have been sold to new investors for a total of around \$1bn. There is little doubt that the promise of a more cost-effective business model was a driving force behind the investment. It demonstrates that although F1 teams don't make high-octane profits, they are still money-spinners.



## Under the Hood

Ever wondered why the cost of an F1 car is so high? Here are a few answers

**F**ormula One cars look like cutting-edge spacecraft from the outside, but underneath their sleek skins, they are even more futuristic. Research and development is typically the biggest single cost for F1 teams and it comes to around 33 per cent of the total budget.

F1 cars are crammed with advanced technology which enables them to race for two hours at more than 200mph, often separated from each other by just thousandths of seconds. Tiny technological improvements can make the difference between winning and losing, so the more money a team spends on developing its cars, the greater their chances of success.

Tucked inside each F1 car is around 1.3km of wiring and 120 sensors which generate 3GB of data per race and 1,500 data points every second.

The information needs to be sent wirelessly from the car to the garage, and on to the teams' headquarters which are largely clustered in the UK. It is no mean feat as F1 races take place in 21 countries from Brazil to Belgium where the track is located in a forest 40 miles from the nearest major city. Engineers at the teams' headquarters crunch the numbers and send feedback to their colleagues at the track so that they can make decisions about everything from when the drivers should change tyres to whether they should turn up their engine power or dial it down to save fuel.

The teams can make tiny changes to the cars remotely and to make the most of the opportunity, the data transfer has to be done in real-time. Fitting out F1 cars with computers to handle this presents its own challenges and increases costs.

To make sure that the bodywork is as slender and aerodynamic as possible, all the wiring, electronics and cooling systems must be packed in a tight space around the engine. Having an electronic control box just millimetres away from a white-hot exhaust requires military-standard connectors in the car's wiring system. Preserving the cables is particularly important as they are transmitting high volumes of information. The car's technology nerve centre is the steering wheel which wouldn't look out-of-place inside a fighter plane. Except for the throttle and brake pedals, few F1 cars have any controls other than those on the face of the wheel.

In its centre, is a multi-function LCD screen which is surrounded by brightly coloured buttons controlling over 40 functions from clutch, radio and rev limiter to changing the car's front-to-rear brake bias as well as its fuel mixture.

There is also a button to activate the Drag Reduction System (DRS) which enables the rear wing to be moved to improve overtaking. Another switch gives the cars a brief boost of power from recovery systems which convert exhaust gases and energy created under braking into electricity which powers an on-board electric motor. These systems are what make the engines hybrids.

In 2014, F1 switched from using a 2.4-litre V8 to a more environmentally friendly 1.6-litre V6 turbo which is one of the most technologically advanced engines ever built. The engines epitomise engineering expertise. They deliver around 1,000hp and rev to 15,000rpm which is three times higher than a typical road car engine. At each race, the cars can burn through as much as 110kg of fuel which is stored in a deformable tank made from Kevlar and rubber to maintain its structural integrity in the event of impacts.

Kevlar is stronger than steel and about 5.5 times less dense, which is crucial. Weight is an overriding demand as F1's technical regulations state that each car's minimum weight must be 775kg, and most teams hit this bang on. If the car weighs any more it may lose a performance advantage, and with such tiny time differences between race positions, every milligram matters.

Unsurprisingly, an F1 car's most expensive component is its engine. Each car is only allowed to use up to three per season so not only do they have to run to the highest specification, but also, they have to last. Their intangible costs are the greatest. The engines' material costs are believed to account for only 10 per cent of the total amount invested in them with the remainder being spent on development. This eye-watering expense is revealed in the accounts for Mercedes' engine division which show that since development began on the V6 its costs have come to a total of \$1.8bn.

The material costs of the car itself come to approximately \$2.4m (see box). Unlike the teams in rival race series, every F1 squad has to be a constructor, which means it must design and build its own chassis. That alone costs around \$1.4m followed by the floor at around \$400,000. Even a single suspension strut can cost upwards of \$13,500. The components aren't just expensive because they are made from high-tech carbon fibre, but also due to the tight window for manufacturing them.

F1 teams rely on what are known as rapid prototype machines which cut carbon-fibre parts with a laser from computer designs. This allows new parts to be designed and manufactured over the few days between races in a bid to boost performance.



Even the driver's seat is specially designed and each one is anatomically crafted to suit the contours of the driver's body. Several seat fittings can be required just to construct it. Since F1's technical regulations state that the driver must be able to get out of the car within five seconds, removing nothing except the steering wheel, a rapid release is essential. Hence, one of the most technically complicated parts of an F1 car is the snap-on connector which joins the steering wheel to the steering column. It has to be tough enough to withstand huge forces, but also has to provide the electrical connections between the controls and the car itself. It all adds up and the steering wheel alone costs a whopping \$75,000.

It's perhaps no surprise that the drivers in charge of these money machines are so well-paid and no expense is spared when it comes to the tools of their trade. Drivers have to wear high-tech gloves featuring sensors stitched into the fabric to monitor their pulse rate and the oxygen levels

in their blood. It doesn't stop there as the gloves transmit the potentially life-saving data back to the medical team at the track, before, during and after a crash. The drivers' principal form of protection is a fire-proof suit, costing around \$700, and a helmet. They start at approximately \$7,000 each but can cost thousands more if they have an intricate paint scheme.

Perhaps the biggest irony is to be found underneath the cars. Attached to the carbon fibre underside of the chassis is a 10mm skid block that enforces ground clearance. In contrast to the cutting-edge technology just centimetres above it, the skid block is made of wood. That said, it is a special type of wood called Jabroc which is used because it is particularly tough and thin. Built in a composite process, it has layers of veneers and resin and is embedded with titanium skid blocks to prevent the plank from getting damaged. It shows that it really is no exaggeration to say that nothing is standard on an F1 car.

### How much does an F1 car cost?

Chassis: \$1.4m
Floor: \$400,000 minimum
Nose cone: \$350,000
Front wing: \$200,000
Steering wheel: \$75,000
Suspension strut: \$13,500 minimum
<b>TOTAL: \$2.4m</b>
Tyres: \$1,800 per set

The Middle East is often seen as Formula One's new world compared to its traditional heartland in Europe. However, its journey to the Gulf actually began back in 1991 and there were several driving forces behind it. F1 was a very different sport back then. Races were much more disorganised with crowds crammed right up against the fences. Cars with wide slick tyres and few safety measures screamed by and F1's corporate hospitality outfit was still in its infancy. Only around a decade earlier, F1's former boss Bernie Ecclestone had convinced the teams and the Fédération Internationale de l'Automobile (FIA) to sign the Concorde Agreement – the contract on which the sport was built. Prior to that, F1 races ran as ad hoc, almost amateur, events. Each team made separate deals with each event promoter and television coverage was sporadic as races could be cancelled at the last moment if there weren't enough cars to fill the grid.

Ecclestone had the foresight to change this. In 1981 he convinced the teams to sign the Concorde Agreement which committed them to race at every Grand Prix in return for a share of the spoils. He took this contract to TV companies which could then guarantee coverage and F1's exposure began to accelerate. It was only after the untimely death of Ayrton Senna in 1994, that the eyes of the world turned their gaze on F1 leading to a surge in investment from broadcasters and manufacturers. In turn, it attracted the top drivers which cemented F1's status as the world's leading motorsport series.

Ecclestone had forecast this growth for some time and in the early Nineties he began approaching new markets about hosting races. One of them was the UAE.

Speaking before the pandemic in 2019, FIA president Mohammed ben Sulayem revealed, "The negotiations for Formula 1 [in the UAE] started in 1991. I had breakfast in my house in 1992 where Bernie said, 'If you pay, you will get it' and he was so straight. Then someone said to me 'It is a dream, and it won't happen' and that was in the Nineties. They said it will never come to this part of the world." It took time, but it got to the finish line in the end.

The first step was driven by Cambridge-educated Salman bin Hamad Al Khalifa becoming Bahrain's Crown Prince in 1999, a few months before his 30th birthday. He had the idea of hosting a race and contacted Ecclestone who told a publication in 2021 that Salman "was completely behind this because he realised that it would be the best thing that could happen for the country."



## Deals in the Desert

Mohammed Ben Sulayem was elected as president of the Fédération Internationale de l'Automobile (FIA) in December – here's what he intends to deliver

It suited F1 too as Ecclestone said, "We had been calling ourselves a world championship for years, and we were a European championship." He added, "I thought Bahrain would be great. It's another part of the world. We've opened the door for people doing business... using the sport to open doors that probably would never have been

opened." Construction of the Bahrain International Circuit (BIC) in Sakhir got underway in 2002 and cost an estimated \$150m. Its inaugural race took place on April 4, 2004 and put Bahrain on the global sporting map alongside 15 other exciting nations including Monaco, Malaysia and the UK. A total of 56 per cent of the races were in Eu-

rope that year, but it soon began to change. The UAE took notice of Bahrain's success and revved up its talks with F1 again. However, it had to swerve around an obstacle first. In 2015, Ecclestone revealed that he gave the BIC exclusive rights to host F1 in the Gulf, so when Abu Dhabi wanted to stage a race, it needed Bahrain's blessing.

"When I went to Bahrain they said, 'Give us a guarantee that you will not put another race on in the Gulf.' I said, 'Yes'. Typical Ecclestone handshake deal with the Crown Prince. Then we wanted a race in Abu Dhabi, and I explained to them the position I was in and I said 'You had better ask the people in Bahrain. If they are happy, I'm happy.' So, they got together and that's what happened." The talks were initiated by Abu Dhabi's Crown Prince Sheikh Mohammed bin Zayed Al Nahyan and Ben Sulayem helped to steer them to a successful conclusion. Sulayem is a 14-time Middle East rally champion and in December 2021 he became the first FIA President from the Middle East. Back in the mid-2000s he was the head of the UAE's motorsport authority, so he played a crucial role in the development of the Abu Dhabi Grand Prix.

Abu Dhabi reportedly initially wanted to host a street race, but Ecclestone informed them that this would be difficult due to the US-style grid system in the city. Instead, Abu Dhabi proposed building a dedicated marina with a track that weaves around it. That alone would be an immense undertaking, but Abu Dhabi didn't stop there. In 2006, it gave the green light to build an artificial island that would become an entertainment hub for Abu Dhabi with the marina at its heart.

The plan was a first for F1 and Ecclestone was sceptical as to whether it could be done. "I said fine, that would be super, but you understand how difficult that would be – and what did they do? They built the island." No expense was spared.

The marina alone cost an estimated \$500m to build with the bill for the entire complex, including the track and its centrepiece hotel, amounting to \$1.3bn. A total of \$40bn was reportedly spent on Yas Island. The world's first Ferrari theme park sits next to the F1 track and the sprawling Yas Mall. There's also Yas Waterworld, one of the world's most high-tech water parks. One of the biggest steps in Yas Island's his-

tory came in 2018 when the world's biggest indoor theme park, Warner Bros. World, swung open its gleaming gates.

"I believe the world-class infrastructure makes this a compelling first-class destination," said Saif Ghobash, undersecretary at the Abu Dhabi Department of Culture and Tourism. Building the facilities is the easy part. They then need to be filled and this is where F1 comes in. F1 doesn't just put Abu Dhabi in front of 433m television viewers, but it has also driven a total of around 1.7m spectators there. The more there is to do on the island, the longer they are likely to stay, the more likely it is that they will return for a holiday and the greater is the economic impact. "Formula 1 shouldn't just benefit the motorsport world, it should benefit society here and the region," said Ben Sulayem.







## Back on Track

The Covid-19 pandemic has taken its toll – but the resilient nature of F1 prevails

08

**O**n the face of it, the coronavirus outbreak should have sent Formula One into the wall. The pandemic put the brakes on mass gatherings and made it tough for fans and personnel to travel around the world. However, it emerged from the turmoil firing on all cylinders and there is a formula for this success. In F1's 72-year history few seasons have got off to a worse start than 2020. Its ten teams were on their way to Australia for the season-opener just as Covid began to sweep around the world. The event was given the red-light minutes before the action was due to begin. A series of race cancellations quickly followed.

It looked like the end of the road for F1. No races meant no revenue from broadcasters, sponsors or organisers which jeopardised the teams' prize money putting their futures in question. F1 itself was saddled with \$3.4bn of debt partly dating back to its acquisition by the investment firm Liberty Media in 2017, and if it defaulted on repayments, it could have ended up in the hands of its lenders. "If the sport collapses there's thousands and thousands of people out of work," said F1's motorsport director Ross Brawn in April 2020. In the end, the coronavirus actually ended up having a silver lining. Acting with F1's trademark speed, F1's governing body – the Fédération Internationale de l'Automobile (FIA) – insisted that teams must use their existing car in 2021 to put the brakes on development

costs. It also delayed costly new car regulations until 2022. Teams were banned from working on the new regulations in 2020, but that was just the start.

F1 has always been a battle between the biggest spenders. The more they invest in their cars, the faster they go and the more prize money they get when they win. That allows them to attract the best drivers which further cements their lead. This vicious circle was compounded by F1's decision to award bonuses to the most successful teams meaning that the top three received around

51 per cent of the prize money. The top teams had budgets of around \$500m whereas the backmarkers spend less than a third of that, giving them little chance of catching up. For decades the top teams resisted the introduction of a budget cap. However, Covid called their existence into question and the FIA seized on it. It did the unthinkable by introducing a budget cap of just \$145m starting in 2021. It scrapped most bonuses from 2021 onwards and distributed the prize money more evenly. It made a big difference. Last year Alfa Romeo team boss Frédéric

Vasseur told Motorsport.com that his squad had no choice but to agree to the changes. "We were in such a tough situation that we had to," he said. "Thankfully that did happen, because I'm not sure that we would have been able to survive."

To give F1 breathing room, Liberty amended the terms of its debt which state that its profits have to remain at a certain level. This was deferred by several years and F1 also raised \$1.4bn by selling its shares in event organiser Live Nation to another Liberty offshoot, SiriusXM. Meanwhile, the

FIA introduced strict Covid protocols and although several F1 drivers have had to sit out races since then, entire events haven't been cancelled by an outbreak. Reducing F1's high-octane hosting fees also led to fan-favourite but cash-strapped tracks returning to the calendar and several have stayed the course. The development freeze and budget cap led to several mid-grid teams winning races during the pandemic and F1's market value has accelerated nearly three-fold to \$14.4bn since that fateful race in Australia. The sport is certainly back on track.

