

# Ferrari



Chairman

Maranello, 28 April 2009

Dear Max,

I understand from your letter to the teams of April 21, 2009 and from our phone conversation of last week that a complete set of new regulations for the 2010 FIA Formula One World Championship will be submitted for approval to the World Motor Sport Council on April 29, 2009. Ferrari received these regulations yesterday morning in its capacity as member of the World Motorsport Council (as the F1 Commission Delegate). Apparently, amongst other things, this set of rules would regulate the participation of the teams that will agree to compete with a cost cap.

Initially, this extraordinary WMSC meeting was called in order to address the McLaren issue. A few days ago the aforesaid new item has been added. The relevant material, which I am told is composed of more than 100 pages, has been submitted less than 48 hours in advance of the meeting.

All aspects of the new regulations should be carefully reviewed. Limiting, for the time being, my comments to the cost cap issue, as you know I have always been concerned about its introduction, mainly because I consider that there are serious technical difficulties in making sure that any cap can realistically be monitored. Additionally, any controversy on the actual respect of the cost cap would undermine the image of Formula One and could seriously damage any involved Team.

There are on the other hand doubts as to whether or not two categories of teams should be created which will inevitably mean that one category will have an advantage over the other and that the Championship will be fundamentally unfair and perhaps even biased. In any event this would create confusion in the public's mind which would seriously lower the value of Formula One. I do not think that this is appropriate knowing what Formula One represents for its main players and for the public.



These doubts are shared by many FOTA members. In any event, in view of the seriousness of the matter, all Teams have agreed to have a detailed discussion about your proposal during the next FOTA Executive Committee Meeting which, as you know, will take place next week, on May 6. In the meantime I suggest that it would be appropriate for the World Motorsport Council perhaps to address the matter but not to make any resolution in this respect.

I would like to add that I am a little bit concerned about the way the FIA is proposing to radically change the Formula One Championship regulations. In all fairness I do not believe that the process and timing is reasonable, first because there is no extreme urgency to pass these amendments right now and, in any event, because of the fundamental importance of the envisaged modifications which, as a result, require an indepth and very careful analysis, involving the Formula One Teams (in view of the fact that the cost cap will deeply affect the internal organisation of each Team) and main stakeholders. This can simply not be seriously done in less than 2 days.

I would also like to draw your attention to the fact that the importance of involving the Teams in the Formula One regulations making process is the reason why, since the Concorde Agreement came into effect in 1982, the World Motorsport Council could not pass or amend any regulation without it being previously approved by the F1 Commission. This is also why, when accepting to continue to take part to the Formula One Championship until the end of 2012, Ferrari asked from the FIA – and obtained – a contractual commitment pursuant to which *"all Ferrari rights and obligations under The 1998 Concorde Agreement (the Agreement) will continue to apply until 31 December 2012 exactly as if the Agreement itself remained in force, mutatis mutandis (...) so that Ferrari's rights as amended or supplemented pursuant to this letter will not be diluted or affected in any way"* (quotes of your letter-agreement to Jean Todt dated 17



January 2005). As you know additional rights were also granted to Ferrari on the same occasion and reconfirmed at a later stage.

I do not believe that the aforesaid decision making process and, specifically, Ferrari's guaranteed rights have been complied with in this particular instance or would be complied with if the WMSC would decide to pass this envisaged regulation tomorrow. With this letter I would like to draw your attention to the fact that Ferrari insists on the said process and guaranteed rights to be respected.

This said, I would like to confirm, once again, that, as a matter of principle, I fully support the process started by the FIA aiming at substantially reducing Formula One's costs and that myself and FOTA look forward to cooperating with all Formula One stakeholders in order to achieve this objective in a fair and professional manner.

Kind regards.

Luca di Montezemolo

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Mr MAX MOSLEY  
President  
FIA

CC: All World Motorsport Council Members



FEDERATION INTERNATIONALE DE L'AUTOMOBILE

Le Président

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29 April 2009

*Dear Luca,*

Thank you for your letter of 28 April.

As you know, we are in an unprecedented situation. I think the following quote from Mr Marchionne in relation to FIAT sums up well the climate in which Formula One finds itself and the way we should react.

*"I have totally revised what I will do in the first part of 2009. We're just going to slam the brakes on, use as many temporary layoffs as needed, cut everything back to essentials . . . We need to bring people around the table and say: 'Look guys, the party is over. Somebody called our bluff and we're not all going to make it so let's fix it' . . . It may be painful. It may be ugly. But if we want to do the right thing for this industry, let's do it now . . . Maybe I am completely wrong, but today my gut instinct is to be truly Draconian."* (Marchionne commenting on the prospects for the global automotive industry in an interview with Automotive News Europe, 12 December 2008.)

The car industry and financial services are the two main sources of Formula One income. Both are in serious difficulty. We cannot just sit and wait, hoping nothing bad will happen. We have already lost one manufacturer. Despite my repeated requests, not a single manufacturer has given us a legally-binding undertaking that it will continue in Formula One. We may lose another manufacturer team at any moment. We already know that current levels of expenditure are unsustainable for the independent teams. If we are to reduce the risk of the Formula One World Championship collapsing, we have to allow new teams in. We also have to reduce costs drastically. The matter is therefore extremely urgent, because a new team needs to know now if it is to be ready to compete in 2010. It is already very late to start.

The proposed regulations for new teams are designed to allow a cost-capped team to compete without being significantly slower than existing teams. This is an insurance policy to maintain a full field. As you will see, there are no significant changes to the regulations that will apply to the teams choosing not to enter under

the cost cap. The only radical elements are those needed to close the gap that would otherwise exist between a low-budget team and other competitors. Thus, if Ferrari chooses to continue with an unrestricted budget, the new Regulations will not deprive Ferrari of any rights or impose any significant new obligations upon Ferrari. I therefore do not accept that these proposed regulations compromise any commitment that has been given to Ferrari in the past, unless Ferrari would somehow argue that it is entitled to prevent new competitors from emerging at a time when the sport itself is in danger and new competitors are so badly needed.

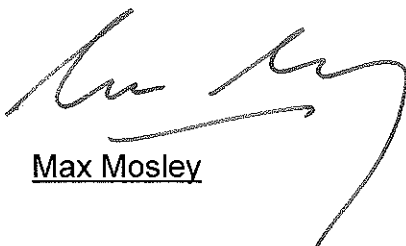
Also, your suggestion that you have only had these regulations since yesterday is not accurate. The cost cap was voted by the World Motor Sport Council on 17 March. The Ferrari representative was present. You have chosen not to engage with us on the cost-cap rules during the past six weeks. The rules other than the cost cap do indeed run to some 100 pages, but are not what you describe as "the relevant material". Those 100 or so pages contain rules under which you are already running and presumably intend to continue running in 2010. The cost-cap proposals consist of a few lines in the existing rules plus five pages of financial measures.

In the hope of persuading some of FOTA's members to accept a budget cap, we have already made significant concessions to them in the proposed budget cap regulations. The sporting rules would be the same for everyone. We are confident (as are our accountants and lawyers) that a budget cap will be enforceable. The cleverest team will win and we would eliminate the need for the depressing restrictions on technology which the existing teams are discussing with a view to reducing costs.

I hope Ferrari will take the lead in agreeing the cost cap mechanism, thus freeing its engineers to work and preserving its shareholders' money.

With best wishes

Yours sincerely



Max Mosley

cc: All Formula One Team Principals