



FEDERATION INTERNATIONALE DE L'AUTOMOBILE

Press Information

2014 United States Grand Prix Friday Press Conference Transcript

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TEAM REPRESENTATIVES – Eric BOULLIER (McLaren), Monisha KALTENBORN (Sauber), Toto WOLFF (Mercedes), Vijay MALLYA (Force India), Gerard LOPEZ (Lotus)

PRESS CONFERENCE

Let me start with a general question to all of you if I may, about Formula One and the United States. Many of your teams have been involved in activities in the build up to this event. How do you assess the growth of Formula One here and what's the potential for Formula One in the USA? Eric, maybe you would start?

Eric BOULLIER: Well, good question. We have seen, obviously, after the first year, which was very well attended and crowded, you could see the interest in Austin went through the roof. We obviously have some American partners on our shirts but it is true that all the fans here... I mean, it's been fully crowded. You can see the activation and the activities as well in the city. It's just unbelievable how the weekend is built around F1 and it became one of the major events in the F1 season. It's very promising to see the interest massively growing around this race in Austin and obviously we all know that F1 is maybe looking at having another race in the US. It's very promising for F1, for the fans and I think F1 needs the US market.

Thank you for that. Toto, your thoughts on that and the possibility of other races here in the US?

Toto WOLFF: It's a great place and it feels almost like it has been on the calendar, at least for me, since a long time. It's part of Formula One. They've done a really awesome job over here. We've had some events before coming to Austin. We've had Lewis and the Formula One car in New York. We've been with NBC and you can see there is a momentum in the US behind Formula One and that's great. Next year... 2016, we have an American team joining us and the interest in the US has grown. We have a new shareholder in Williams, who is an American entrepreneur and it's nice to see that Formula One is starting to make an impact in the US.

Vijay, your thoughts?

Vijay MALLYA: Well, you know the United States is a large continent and could have more than one Formula One race. The motor racing culture and passion exists in this country, in terms of NASCAR, in terms of Daytona, in terms of the Indy 500, I mean motor sport is basically a very, very popular sport here in the United States and there is no reason why

Formula One should not be equally entertaining and gather a lot of fans in this continent. I mean, if we can have as many races [as we do] in the geographical region of Europe then one or maybe even two races in the United States would hardly be enough. But more significantly given the overall financial situation of Formula One, I mean a market as huge as the United States can help revenues on one side and help those teams that need more and more sponsorships on the other hand.

What about you Monisha? Do you think that more races in this region would be the secret to growth?

Monisha KALTENBORN: Well, definitely that's something we are going to have to have a look at. If you look at the race here, the first race we had here was an excellent event and then we were concerned if next year is going to stay like this or maybe it will decline but the opposite happened and you still see it's a fantastic atmosphere, so many fans coming over. You look at the synergies which you can create with the race coming up in Mexico as well, so you see it's starting to grow on the continent itself. It's interesting to see when we came here earlier on, you landed usually at some other airport when you came in and then when they asked you why you were here and you said Formula One, people didn't really know much about it. This time when I landed the person said "well, that's taking place in Austin isn't it?" That tells you how it is expanding and the interest is growing in this country.

Gerard, a final words on this?

Gerard LOPEZ: I think everything has been said, but I would just say the US is the largest professional sports market in general and any sport that succeeds here tends to be economically viable, so I think it's a key market and indeed having one or two more races wouldn't be bad.

Okay, secondly, again to all of you, with the events of the last two weeks, with two teams going into administration, where should the initiative come from for controlling costs and is there a sense now amongst your peer group that this time effective measures must be achieved? Toto maybe you'd like to start with that?

TW: Why don't you start with Gerard – the other way round this time?

Okay, we'll start with Vijay in fact!

VM: I have been very vocal about this. I have said that you can't have Formula One with only manufacturer teams. You need smaller teams, it's part of the DNA of Formula One for several decades and the FIA on one hand, and the commercial rights holder on the other hand must both work closely to ensure that it is viable and sustainable going forwards. We've talked about cost caps a number of times and finally I think the large teams or the manufacturer teams were opposed to it. But I think that was a good initiative that didn't quite see the light of day to make any meaningful difference. On the other hand, as far as the revenue share is concerned, I think it's probably a unique sport, where the participating teams get the least amount of revenue as compared to the income. When you compare it to any other sporting activity globally, we unfortunately are at the rough end. I am very sad that two teams are no longer with us on the grid here in Austin and I think such a thing should not be allowed to happen and that's my firm view.

Gerard?

GL: Toto mentioned, because I tend to have a pretty brutal view on things, but I think the disappearance of two teams is pretty unfortunate but it actually... probably now is the time

to say things as they are. Number one: the distribution model of revenues is completely wrong. Whether the size of what is distributed or not is right or wrong is debatable and Vijay has mentioned one side of the thing. But then, you know, when you've got teams showing up to the championship that get more money just for showing up than teams spending a whole season then something is entirely wrong with the whole system and so that cannot be allowed to happen, number one. And now is the time to not be talking about it but the time to be acting about it, so we will see what's going to happen in the next couple of weeks. The second thing is the cost cap. We always find excuses not to have a cost cap. There are reasons why certain areas should not be capped but there are also reasons why certain areas should be. And, again, now is the time to be acting rather than talking about it. And finally, this is an odd sport. We say things and then we tend to do the opposite. I'll just give one example. The birth of the new engines happened when we started talking about cutting costs and so forth. The fact is that the new engine, which from a technology perspective is a great thing, the costs were passed on to all the teams. In our case this year, between the engine and development we probably spent something like US\$50-60 million. That's not cost cutting in our books, that's essentially throwing money out the window. So we tend to also do completely the wrong things in terms of... if we unfreeze the engines now, which is the next topic that is coming up. All we are going to do is again essentially force everybody to keep developing and so on and so forth. At the end of the day, the revenue split, the capping of costs, have an immediate impact on the sport and not taking decisions has had an immediate impact on the sport in the last couple of weeks with two teams disappearing. So, as far as I am concerned... it's really interesting to have the press conference but it's going to be really interesting to find out what's going to happen in the next couple of weeks around this topic.

Okay, thanks. Monisha?

MK: Well, I mean, if we don't act now together then you have to ask yourself what else needs to still happen? You look at simply the facts: we are sport here, in my view still one of the best global sporting platforms, we have turnovers of billions of dollars and the sport as such, together with the stakeholders, are not in a position to actually maintain 11 teams. And we've often enough discussed what it means to have a third car, where that can go to, and we could probably sit very long, arguing the pros and cons about it but that's not what we should do in this sport. It's time that we focus on reducing the costs. We've discussed that enough times, what we can do. Like Gerard has said, if you don't want to do something, you'll never get to a point where you agree. But you really have to ask yourself what is being done to the sport here? We are sending out messages where fans are being involved in topics they really don't want to talk about. They should be talking about the excellent races we have, what a great experience it is to come here but yet they are discussing financials, costs, teams going into administration. That is a very bad image we are creating to the outside where new partners are going out and saying "do we really want to enter this kind of a sport with all these troubles, which are normally not meant to be in sport but into other economic areas". So we really need to react, look at that, we need to look at the equitable sharing of the income we have, so that you can really maintain more teams than just the big ones. We also need to see on the technical side that there is a certain stability and continuity there, because you often hear from bigger teams that whatever we have agreed has always led to more cost but you should first of all see who has agreed to it – it's usually the high end. So everything is lying there but it is high time we take some action now.

Well, there you go Toto, you've heard the views. Is it time to act or is it just two of 135 teams that have come and gone in the history of the sport?

TW: It's probably a longer answer now! You know I read an article in the Financial Times two months where they had exactly the same topic in the English Premier League. How can you – and they have the Financial Fair Play – how can you bridge the gap between the very top and the very bottom and if you look at the budgets of Marussia and then you compare the highest spender, whoever it is, Ferrari or Red Bull, you are talking about a gap from US\$70 million to US\$250 million, so if you want to start with a cost cap, how do that? Where do you cap it? And if you cap it on the lower end, well, do you make two thirds of the people redundant in the big teams. How does it function? That's one point. The other point is: how do you control it? The competition is so fierce at the very top that the cost cap... the cost cap was never implemented because there was no way of policing it and controlling it. Some of the teams have various set-ups, various companies all around the world, multi-nationals behind them in Japan, in Germany, in Italy. If you look at Ferrari, they have a severe issue of being transparent enough to cope with a cost cap. If you have everything in one entity and you are building road car and you are building engines and you are building race cars, various race cars from GT to Formula One, well, how does it function? Because it is so competitive, we need to have clarity, how do you control that. So this is the problem I see on the cost cutting side. Obviously two teams disappearing, I have an emotional and a pragmatic view. The emotional view is that there is personal drama behind it. There are families who need to pay mortgages, there are kids going to school and these people don't have any jobs today anymore and that is a drama and it is painful and I am sorry for that. The rational side of things is that we have seen in the past that teams come and go. We have seen great teams who have folded, went into liquidation or administration. Great names: Brabham, Arrows, Ligier, Prost, Larousse, Leyton House... I mean there are 20 others. That was part of Formula One. Now, is that something that should happen? No, of course it shouldn't. But when Formula One was opened up for new teams to join, you can't compare the agenda of the teams. You know in our case we are representing a multi-national car company. This is a branding exercise, we are showcasing our technology. And on the other side if you look at Marussia and Caterham when they joined the sport it was an entrepreneur deciding to join Formula One and maybe underestimating what it meant joining that field. You have other examples, such as Vijay, who is extremely successful in his business and who had stamina and size enough to cope with the challenges until today. I have great respect for what Tony Fernandes and Andrey Cheglakov have done in their businesses but maybe Formula One is just a different ball game, because you have these various agendas. So I think it is time to sit down and reflect and think what can we do? Because the remaining nine teams are part of the DNA of Formula One, they are heart and soul, names like Sauber, Force India and Lotus need to stay in the business. I think we all need to sit down, not with our own little narrow agenda of wanting to win the championship – and this is why I am paid, and why Eric is paid – but by looking at the whole of Formula One. But I think there are... like in any other sport, like in any other industry, this is the pinnacle. This is the pinnacle of motor racing and if you want to compete at the pinnacle of motor racing then you need to have the resources of competing there. This is a high entry barrier sport. I'm getting overboard now, but if you want to set up an airline tomorrow, it's going to be difficult, because Lufthansa is going to eat you up. If you want to go motor racing and you want to do Formula One like the new teams decided four or five years ago, you need to understand that this is the very top. So it's a very difficult topic, I could go on for another two hours.

Well, I'm sure we'll be here for a little while longer. Eric, you've gone from a team that very much supports the idea of a cost cap to one of the grandee teams – McLaren. Do you feel you have a responsibility to ensure the sustainability and the depth of the grid or do you have a different perspective now that you are in the situation you are in?

EB: Definitely maybe a different perspective, yes! But back to the comments that have been said before. Obviously we are all sad to not see our colleagues in the paddock this weekend. I think there is a common sense to say, yes, we need maybe to definitely get to actions now to make sure the sustainability of the existing teams in the pit lane is assured or guaranteed in the future. At the same time, talking about the cost cap, yes my perspective has changed a little bit, for the same reason Toto said. Marussia and Caterham were joining as part of an entrepreneur scenario and was told in these days that there would be a US\$40m or something like this budget cap in these days. So their business model was built around, I guess, these kind of figures. But when you see teams, especially teams like McLaren, that have been in Formula One more than 50 years, invested heavily in terms of image and whatever technology there is and participating to make Formula One is today, you can't accept to run such a budget cap. As you said we lost two teams today and this is very sad for the families and the people working there because they were all friends but if you start to cut by two thirds in the top teams it's going to hurt Formula One much more. We need to be emotionless but we need to be rational in what we need to do. Is it a question of how the money is shared? Is it a question of how the business is growing, fast or not? There are many questions that still need to be answered. What is sure today is I think we all have a common sense to regroup and to make sure we want a sustainable business, even for the teams.

QUESTIONS FROM THE FLOOR

Q: (Ian Parkes – PA) I think I'd politely like to suggest that we've just witnessed over the past few minutes the perfect example of where Formula One stands at the moment. We have three teams on the back row pleading for cost cuts, pleading for any kind of restrictions. We have two teams on the front row ready to argue against it. How on Earth do you ever propose to ever come together when over the past few minutes we can see that you don't agree at the moment?

EB: It's a very good question but, once again, I guess this is the wrong forum. Each of us wants to beat everybody. We are competitors. If we compete with a bottle of water, if we compete with a Formula One team, we want to beat the others – and we will do it by any means. So, this is normal. Even, actually, as you say in the back row, they want to still compete and actually beat everybody. So, this is not... we can... I'm pretty sure we can sit down and agree drastic decisions altogether – but this has to be led by the governance body and by the people who are running the show. Not the competitors. Do you ask football players about the Fair Play problems in Premier League? No. Ask the clubs or ask the people who own or who run Premier League.

Vijay – you were smiling...

VM: Well, if you work for a team, you have a different view, if you own a team you have a radically different view. That's also pretty obvious. If you own a team, you're writing the cheque. If you run a team, you're receiving a cheque so... there's got to be a divergence of opinion. I respectfully disagree with what Toto said about a cost-cap leading to redundancies of workman of the big teams. The same thing applies if small teams shut down. The same redundancies occur then as well. I don't think there's rocket science

involved in people sitting down together to find a mechanism. It doesn't necessarily have to be policing. It can be self-certification of what they spend. I agree that when one team spends \$60million or less and another team spends \$250million or more, then it's perhaps difficult to bridge the gap. We have to find some viable medium here – but what is actually compounding the problem is that the revenue-share model is skewed completely towards the teams who can afford to race at the pinnacle of sport at the direct expense of those who perhaps are marginal. And that's why two of the smaller teams have disappeared. I would also like to take this opportunity of saying that sustainability in F1 is necessary for the sport but when large corporations like Toyota and Honda decide, for corporate reasons, that they want to walk out, they go. At the end of the day there has to be a fine balance. The DNA of F1 – I repeat myself – is to include big and small teams and to provide as level a playing field as is practically possible. I think that if all the stakeholder sit together we can find a solution. It doesn't have to be a radical solution that would dent the hopes, aspirations and passion of the big teams – but equally it could make sure that everybody survives and the sport continues to be enjoyed with the same level and a growing fan following globally as well.

Gerard?

GL: I'd like to comment on the numbers a little bit because they tend to give some fun reading, y'know? Because people in F1 actually do care about racing, some of them forget some economic realities – and there's something called the Law of Diminishing Returns. I take a GP2 team, or a GP2 car, and I make it race around this track. It's not going to be ridiculous. It's going to be down by a couple of seconds, four, five, six, maybe seven seconds. The whole GP2 team for the whole season is going to cost €4million. Are we really that much better? I mean are we really better to the point that a team needs to spend €300 million to be six seconds faster? We're not. I wouldn't accept that argument from anybody. We're not €300 million better if you take the top teams compared to a GP2 team. So it's a bit ridiculous to say that you need to spend that kind of money to have that kind of performance – because that makes us the worst managers in the world. If I took a financial view of this sport, comparing GP2 to F1, and the so-called Law of Diminishing Returns, we are most probably the worst managers there are. And we pride ourselves of not being. So, if we're not, we really need to think about... and I'm not saying that suddenly Mercedes needs to cut down because I understand that for Mercedes it's a small portion of their overall budget but a very important budget in terms of image. So, nobody's saying Mercedes suddenly need to spend 20 per cent more than the cheapest team in F1, if I may say so, but what we're saying is, where the money goes – which is essentially developing the cars and so on and so forth, if we need to spend €300 million more than a GP2 team to make the car go six or seven seconds faster, that's not a very efficient use of capital – and so that's where the issue is. So nobody – certainly I am not saying – that we should take the budgets down to a fixed amount. What I'm saying is we should take the budgets down to an amount where everybody can spend whatever they want on whatever they want – as long as the technological development, the development of the car [unintelligible] is done within a framework that makes financial sense – and that can be measured. Because it doesn't have to be measured in dollars, euros or pounds, but it can be measured in wind tunnel, number of packages, updates, so on and so forth. That's the difference. I'm not going to argue with... and I love Eric to bits, so I'm not going to argue with his joining the dark forces but the fact is that there is a certain issue with the way we see money in F1, compared to the performance we're getting out of that capital – and it's not very efficient.

Monisha, do you have a comment on this? And perhaps where the initiative is going to come from, getting back to that point.

MK: Well, first maybe saying a few things about what's been said earlier. We've been around in times when nobody really spoke about costs. You had at that time private teams, you had manufacturers in there but this was never really a topic because the whole setting was so different. And that's what we need to realise, that today we don't live in those times. Through manufacturers coming in, bigger companies coming in, costs have just gone sky-high. We experienced that ourselves not too long ago when we were a manufacturer team ourselves. This is where, like Gerard says, we have to start right there and bring it down to decent levels. We can endlessly argue about if you can control it or not – and I could probably give you five reasons you could – but it's not really going to get us anywhere. We have to realise that the sport has gone into a direction that can no longer be kept up like this for the *entire* group of participants, not just for single ones out there. The other thing which was asked earlier was how you think we can agree. I don't think there's any basis at all. And that's again a big difference to not too long ago. We had more manufacturers in the sport not too long ago and yet I do remember an incident from that time where there was a team which was in a difficult situation and the manufacturers got together to support that team. They were willing to even support that team financially. I'm not saying now that we expect this – not at all – but this is just to tell you what the thinking was at that time, even from five or six teams which could easily have afforded to spend double the amount they were at that time – which didn't even need money probably from the commercial rights holder because it took long 'til we got it when we signed our deals. Even there, we realised that you do have to have all teams in there. And this kind of common basis is not there at the moment because, if as a small team you go and say something out there you immediately get the response that we're just scrabbling around because we're not getting enough. And that thinking is so wrong. We have a right to be in the sport. We are not expecting that we get that much that we can be a world champion, we know we have to do that on our merits like Mercedes has done. But at least we should be getting enough share that we should be to live decently and not to always think 'are we going to make it to the next season or not'. In our case, we've been now more than 22 years in the sport and there's nothing you can just wipe out because things have gone in the wrong direction. And about the initiative, I think it doesn't really get us very far if we start pinpointing at each other and saying 'it's this side or that side'. We really have to all sit together. We teams sent a letter to the FIA as our federation, which should be in charge of the sport, the reputation of the sport and the FIA had actually agreed that they will take measures to reduce the costs – so I don't know what more it takes for them to react that two teams are now not also on the grid.

Final word on this question Toto. Would you accept the idea of Gerard, of a framework of a reduced number of packages, things that can be audited, things that can be controlled?

TW: I think many of the arguments we have heard are valid arguments. For us, again, you could probably reduce it to a very brutal reality. Gerard mentioned the words 'economic reality.' If today you run a team, it's like running a company. And this shouldn't be sounding arrogant in any way – but you're not obliged to spend more than you have. There are different agendas. If you run a company today and you own it, you should probably run it in a sensible way. And that means spending what you have. And if you decide to invest or to go into debt because you believe that there is a sound business case behind it, this is what you should do. Now, I find it disturbing as well that you need to spend one hundred million, or you want to spend one hundred million if your income is only 60 or 70 million. In my

time back at Williams that was the philosophy. You spent what you have. And if you decide to follow a more aggressive strategy, you need to know what happens tomorrow. I have a lot of respect for everybody sitting on the stage, from an entrepreneurial view, but that is the economic reality and the economic reality is valid for any company out there and for any sports team.

Q: (Kate Walker – Crash.net) I have a general question for everybody. The one thing that you do seem to agree upon is the fact that you can't agree. You all have competing interests. Given that it's impossible for your competing interests to see you all on the same page, would any of you, particularly you two in the front row, support the disbanding of the F1 Strategy Group? Because you shouldn't really have a say in the regulations. And also, would either of you be interested in refusing any constructors' bonus payments that you receive before you even start racing – just to level-up the playing field and give everyone else a chance?

EB: No.

Toto?

TW: We laugh about Eric's answer but this is why he's paid. He's paid to bring performance to the team, sporting performance and financial performance. And, again, this is like it is out there in any other businesses. Now, I think we are all... and here we are having good relationships and we understand that we need to look at Formula One in total and overall... but would you... I wouldn't know any entrepreneur out there – and I'm getting a cheque and I'm writing one actually so I'm in a different role – any entrepreneur giving up on an upside... would you let a client go, would you not accept the income. The answer is no. None of us, none of the five of us would.

Gerard would like to make a point...

GL: I would like to make a point, which is very simple. If you take... I take the example of Marussia, of Caterham. I kinda guess what they must have paid for the engine this year and what they have paid for developing around that engine and I guarantee that in the budgets that they have, there was not a whole lot left – so it's not like they had a choice. And the choice of the engine was not made by these guys – and this is one of the examples I gave before. It's all good and fun and so on to say that you shouldn't spend more than what you have or not. But at the end of the day, certain decisions on budget are forced up on you. Just by the fact that that's what the market is giving you. If I went to Pastor or Romain, I told them that next year they're pedalling their car, they're not going to be particularly excited. It would be way cheaper for us, and financially for me, as an entrepreneur it makes a lot of sense for me 'cos I might actually make money – but it's not going to be very competitive. So if you want to stay competitive at a minimum level, you are forced to spend at a certain level. And again, nobody is sat here – and Monisha made a point that we should get the same amount of money, that, y'know whatever other teams get – and I've said it before, there are teams that get 160-170 million just for showing up – but what I have said is that the amounts need to be given should allow a team to perform at a basic level, given the costs that are forced onto that team which have nothing to do with any luxury. I mean, taking an engine today, I guarantee you that of the teams, let's say the back row teams, if there was an engine manufacturer out there that could offer an engine for five million, or six or seven, that would have decent performance, I guarantee you that everybody would take that engine. Now, we've in the lucky position, we took a Mercedes engine for next year. Seems to be the better engine – it clearly is – but the fact is

we still have to pay. And I'm not finger-pointing because they're the same price, all of them, but the fact is there's a minimum budget that is required today to even exist in Formula One. And that minimum budget has actually killed two teams. And they did not decide to spend their money on the kind of things that they had to spend it on.

Monisha?

MK: Well, most of it has already been said, before we start repeating ourselves there. But, it's been mentioned often that entrepreneurship and thinking like that and ideas coming from there... and entrepreneur should also think a bit long term at least. If you do that, it would be interesting where that strategy leads to. We just go on the way we are and too bad for some teams that can't make it because they're not investing enough and it's such a high motorsport level that you really have to have maybe three-digit million figures of budget that then in F1 are normal, for the outside world, not really. Let's see where that will lead us to. Eventually you'll have four – probably – participants with endless amount of cars. Let's see where that show will gets you. How much of income you have there. And amongst the four participants, you probably all have big names, so you'll have three losers every year. So, it'll result into that. As a big name – and we've experienced that again – if you lose, you have to invest more. But a big corporation does that maybe for one year, for two years but the third year, it definitely gets too much for them. Because, surprisingly, those corporations do have budgets they control, they can control, and they have ways to measure what they are doing – and that system will just collapse at some point in time. So, I think, we probably could, most of us, agree on that kind of development happening. I don't think anybody can say this could change Formula One in such a way that it would be far more exciting than it is with the nine or the 11 teams today. And that's where I think we really should realise that we have to change something in the system now. Which is about all what's been said before.

Vijay, anything to add?

VM: No, I think it's all been said.

Q: (Daniel Ortelli – Agence France Presse) Since the cost cap is impossible to put in place – obviously, since there is a very big gap between the small teams and the big teams - do you think the sport is now ready to face a change in its organisation with two leagues instead of one: one for the manufacturers who wish to spend as much money as possible and one for the smaller teams who are likely to agree on the cost cap or all of them? And these two leagues would participate in the same races, on the same tracks as opposed to other major sports where you have a Pro A and Pro B or league one, league two. Do you think the time is right to now make that decision all together? And the second question is: do you think it's about time, since the Concorde Agreement has not been validated in its new version, to decide on a radical change about the revenue share, which is at the core of the problem, because you have been discussing it for ages?

So that's two questions: two leagues instead of one, and revenue share modified radically to allow the smaller teams to survive?

TW: I think it (two leagues) could be a concept which needs to be explored. It's the first time I've heard about it. You see that in sports car racing and other series. Is that the way forward for Formula One? I think Formula One should stick to its roots somehow. That's my gut feeling. Obviously if that doesn't get us any further and you see more teams leaving the sport, then maybe it's one of the paths to explore. I don't know.

MK: I would like to say that if you compare to another championship, for example you have three big car manufacturers like in DTM. We see where that's led to. They have similar problems in competitiveness. They don't have the problem of money which some teams have here in Formula One and we're seeing where that concept is going to. DTM also had to react, because there was suddenly a big gap and if one of those big names, like I told you before, is not doing so well, then you have to find other ways so maybe look at the technical side there because again, money is no issue. So I don't think that that's the way Formula One should go. It would totally distort the sport.

Q: About the Concorde Agreement revenues? Is it contractually bound for the future? Is that it?

GL: Yeah, it is. A lot of people like to criticise CVC for instance and unfortunately sometimes I have to take their side because in my real life that's where I work, that's the type of business I do, and the fact is that close after taking over the business, I think the sport was distributing about around \$300m to the teams, something like that – three, three-forty. Today it's almost \$900m but it's not distributed equally otherwise we would all be smiling here and saying there is no issue. So the amount might be an issue but certainly the distribution is a huge issue because - I'm not going to say it's pareto rule, it's not like 80% goes to 20% but close enough. A lot of the money goes to the top teams and it's almost like – how can I say this? – it's a self-fulfilling prophecy, essentially, that the ones that have more, get more and as a result want more and want to spend more and so on, and the ones that have less, get less. There is something entirely wrong with the distribution model right now.

Q: (Dieter Rencken – Racing Lines) A question primarily aimed at Eric and Toto: were there to be a more equitable distribution of wealth, of income, then one of your major concerns is the fact that your employees would actually have to be reduced but is it not logical that if the teams in the back row, they could afford to pay more people and therefore whatever people you would lose would actually still be employed and therefore the sport wouldn't lose anyone whatsoever, if there was an equal distribution of wealth?

TW: I think that is a nice idea but it doesn't work in reality. As I said before, I think the gaps and the agenda are completely different. The gaps are huge, the agenda is different. I think it is very difficult to close that gap and you see us arguing, discussing, there is lots of frustration in the room. I don't know how to solve it.

EB: Well it's a discussion we've had since the beginning. The real problem, in fact, is nothing as... to be competitive, you need to spend a minimum amount of money and today this level of money spent is too high with the economic. You can blame the distribution model, you can blame the revenue, you can blame anything, but the reality is that to be competitive, you have to spend a minimum. Because we are all competitors, we all want to spend this money to be competitive. We all want to be competitive and we have to spend this money. At the end, there is so much emotion this weekend because of the absence of these two teams. It's true that maybe by making the revenue higher for the poorer teams, yes, the first thing they will do is to hire people, they will be going to big numbers because they want to be competitive. You don't fix the problem by doing this. So yes, you save jobs but nothing else.

Q: (Michael Schmidt – Auto, Moto und Sport) Question mainly to Toto and Eric Boullier: we now have only nine teams, so P8 and P9 are last and last but one. Three weeks ago it was P10 and P11. Next year it might be P6 and P7, last and last but one. If only big teams

are left, are you not afraid that one day you might be among them and then your whole business model doesn't pay off any more because you've spent much more money to lose than the current teams are spending to lose, which are at the bottom of the field?

TW: We are nine teams today, 18 cars and we have lost two teams which is not nice and I've said that before. I think the teams who are in Formula One today should stay in Formula One and we should all look at the situation and come up with a short term plan: how to have a healthy grid, and a long term plan. We are talking about money distribution that is an issue for the commercial rights holder, and I don't have a solution. I can come up with many ideas which can be short term solutions but it comes back to the principle and what's been said before: whatever you give to the teams, they are going to spend it.

EB: Not much to add, to be honest. It's always the same story: either you get more revenue or you spend less, so at the end it's a question of... as you said, distribution should be discussed with the commercial rights holder and then, as we also said before, I think there is a wake-up call maybe, for everybody, to make sure we can act all together. We will try in the best effort for Formula One.

Q: (Agustino Fontevicchia - Forbes Magazine) The sport generated an estimated \$1.7bn in revenue in 2013. We said distribution was something like \$900m. Maybe isn't the problem that not enough is being distributed and then there should be the issue of - speaking of distribution - shouldn't maybe that increase?

VM: I've always said that the model has to be more equitable. The commercial rights holder is entitled to make its profit by owning the commercial rights for the sport, and as far as the distribution is concerned, I think Gerard very clearly explained that it was skewed mainly towards the big teams which is basically what is causing the problem with the smaller teams. I think what I've heard in the last few minutes is that if the smaller teams got more by way of income, that they would necessarily spend a lot more. I disagree with that completely because I think that the three of us sat here in the back row are smart enough to know how much to spend without going the Marussia and Caterham way. And as Toto said, if I can use his expressions as an indicator of how the big teams think, well if you can afford to be in Formula One, you're welcome. If you can't, get out. Fine. I think the FIA must decide this, not the participants because after all it is the FIA Formula One World Championship and if it is to be designed to be affordable to those big boys in the business, who of course benefit hugely in terms of their regular core businesses. That's one way of looking at it and if it is meant to be racing in sportsmanlike terms, with big teams, small teams that compete with each other... Look at Williams: I'm sure Williams doesn't spend a fraction of what the big teams are spending and look at their performance this year. Until the last race, Force India and McLaren were competing head-to-head. So money doesn't necessarily buy performance. Equally, spending is discretionary and if the big teams want to spend \$300m, it's discretionary. That cannot be used against the smaller teams. The smaller teams must get a revenue share that makes it financially viable or sustainable. That's the point.

Q: (Pablo Juanarena – Marca) I want to ask about sport but I don't know if it's the day. In this building we are talking about money and Eric, Toto, don't you think it's a mistake for all the sport to talk about money for one hour in this room? Money, the drivers have to pay, the tracks are losing money, small teams disappear, big teams lose money too. Do you think it's a big mistake for this sport to talk so much time about money?

EB: If you ask me... obviously we are sitting here and we have to answer your questions so we are not leading the show, if I may say this. So if you ask questions about money it's

because there is obviously some concern and we know why, this weekend. As we always say, I guess, there was too much negative said about the sport and I think this is another wake-up call we should all have, to stop being negative about our sport because there are also some positives. We don't want to hide, obviously, we have to raise and to act and to fix all the issues but we also need to be positive about our sport and we have spent one hour, as you've said, talking about money where we should have talked about the big show which has been set up outside and what happened on the track today.

TW: Yes, I agree, it's an absolutely valid question. We haven't heard the names of Hamilton, Ricciardo, Vettel, Rosberg – none of the drivers today. We haven't talked about McLaren's performance today. What we are talking... we are using this as a panel to express our frustration and how everything is bad and we are talking the whole thing down. It's like a vicious circle, so I tend to agree with your question.

Q: (Graham Harris – Motorsport Monday) On the question of drivers, Eric, have you made a decision yet for next year? What's going to happen? You're the only leading team yet to announce some definitive plans for either driver.

EB: No. Sorry, no, I'm just joking. Your first question: no, we have not made our decision yet so obviously we have nothing to announce or to decide.

Q: (Graham Harris – Motorsport Monday) When do you plan to?

EB: Before the end of the season, as we said.

Q: (Daniel Ortelli – Agence France Presse) Toto, there's a big debate about third cars. You said recently that a third car would cost twenty or thirty million dollars or euros per year.. Don't you think it could be exciting for the fans if the third car in the big teams, allowed by the budget, was given to a younger driver and whether it scores points or not, do you think it would be more exciting to see a guy – it could have Jules Bianchi in a Ferrari or anybody else – and we in this room are also moved because of what happened to Jules, so that's why everybody is so emotional – but don't you think it would be more exciting for the fans to see a promising talent in a third Ferrari or a third Mercedes instead of in a Caterham or Marussia that goes as fast as a GP2 car?

TW: I think, first of all, I'm not a big fan of third cars. I think if there is money left over, it should be distributed to the smaller teams to secure the grid. That's my personal opinion. If a third car is needed, because the level of cars on the grid drops to a critical number, now we could discuss what the critical number is, and the big teams are being asked to fill in a third car then we should make it exciting and the ideas which have been discussed is giving it to a young driver like you say, to somebody who hasn't had an awful lot of experience in Formula One. It would be exciting to see how he performs against the superstars. Definitely some interesting ideas around that, making it a rookie championship.

Q: (Dieter Rencken – Racing Lines) A question to the three at the back: much has been made now and I fully understand your concerns about the distribution of income etc, but why did you people then sign contracts that allowed this situation to happen?

GL: As I've said before: there's a number of things that have changed, even in a very short period of time. I'm one of those who complains about the distribution of amount. I wish the pot was bigger but I'm not necessarily complaining about that but we haven't seen in the last 24 months, we haven't seen any major sponsors trying this sport. We've said that 135 teams have come and gone. Well, I can tell with the current cost hurdle to enter Formula One, you've got to have a lot of courage to come and try to compete at whatever level, even to be dead last. That's why, when there was an opening for teams to actually

participate there wasn't a whole lot of teams that appeared. It was not that there was a waiting line of teams to actually enter the sport, so what might have been true, what seemed OK on an individual basis a couple of years ago is not OK today. The other thing is the leverage that we would have, for instance, compared to other teams that received much more, is very limited, so that at the end of the day, that if your leverage is no big amount, smaller amount of nothing, guess which one you're going to take, right? So there are a number of components there, it's not just black and white, there's a lot of greys in there. As I said, one of them is... the world has probably not developed in the way we all expected but secondly, I'll be very frank, there wasn't a whole lot of leverage to get a whole lot more. At the end of the day, if I had gone to Bernie, for instance, and said you know what, I just don't want to do this any more, he might have been sad – maybe - to see me go, but he might have thought OK, that's the way it is. If somebody wearing red had done the same thing, that's a whole different leverage effect.

MK: I think that's exactly the point. You have to make sure that your team is going to be there, that you can have stability from that perspective and then you simply have so much that you can do and you just have to accept things. Of course, all of us expected other things to happen. When you look at the last Concorde, it even said teams have to actually sign up to cost control. That's no longer there today. So much changed but at the end of the day, you have the responsibility towards your team and your employees.

VM: I think I agree with what Monisha and Gerard said. There's been many game changes that have happened in the last two years but nevertheless, as every sensible organisation or any group of stakeholders must necessarily do every so often, is review and update the situation and to make it workable and pragmatic for all stakeholders involved. Just because we signed something, based on a certain set of assumptions and things have changed, doesn't mean that we're stuck in the sands of time. We need to move on, we need to review, we need to correct things so that the show can become bigger and better.

Ends