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PERSPECTIVE

## Formula One's new owner has deep anchors

By Jonathan Michaels

At 5 feet 3 inches tall, 85-year-old Bernie Ecclestone has stood supreme over the Formula One enterprise for nearly half of a century, transforming the race series from a unique event for purists to the most popular sport in the world. Now his empire is being sold in an \$8 billion deal between Liberty Media (buyer) and CVC Capital Partners (seller). The transaction is said to net Ecclestone a cool \$1 billion, adding to his already massive financial empire.

Formula One has lagged in popularity in the U.S., but expect that to change with the acquisition by Liberty Media, the U.S. media company founded by business mogul John Malone. Liberty Media controls much of what America sees, boasting an asset list that is nothing short of amazing. To name a few, Liberty Media owns Paramount Pictures, Time Warner, Sirius XM, MTV, Live Nation and Time Inc. Progressive thinkers should expect Liberty Media to use these deep anchors in social and traditional media to indoctrinate the U.S. market into a sport that has so dominated the rest of the world.

Intellectually, Formula One is a fascinating study. While the open wheel cars may look similar to Indy cars, the comparison ends there. For the Indy car series, each team purchases a pre-fabricated chassis and engine that are for all intents equal to one another. The teams then travel among cities in the U.S. and compete in events such as the Indianapolis 500, a Memorial Day tradition in the Midwest. Indy car teams have annual budgets of about \$15 million and employ an average of 20 people.

If the Indy series is an exercise in algebra, Formula One pushes the limits of quantum physics. Where Indy teams compete on driver alone, each Formula One team is required to construct its own vehicle from the ground up, under a web of technical regulations that change year-to-year. The efforts that go into it are staggering.

Mercedes' Formula One team, for instance, has an annual budget of \$467 million, and employs 700 full time people in its new a 15-acre Formula One compound, located just north of London. In staggered shifts, the employees work 24 hours a day, 7 days a week, designing and constructing two cars that will be raced in the current Formula One season. To put an exclamation point on the discussion, consider that each year 250,000 working hours are put into designing the vehicles, and 200,000 working hours are put into production. And this is just one team.

These efforts result in not only large publicity



New York Times  
Lewis Hamilton, center, in Cannes, France, May 19, 2016.

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for the teams, but also in advancement of technology that is enjoyed by every-day drivers. Commuter cars have disc brakes, independent suspension, superchargers and paddle shifters because of their development and testing on Formula One tracks.

In its 21-race season, the Formula One races sprawl throughout Europe, North America, South America, Asia and the Middle East, playing to sold-out venues twice the size of the super bowl. Each race is held in a different country, necessitating the immediate and constant transfer of tons of precision equipment and scores of engineers across international borders.

Take the last two races of the season, for instance, where the teams compete in Brazil on Nov. 13, and then in Abu Dhabi — some 8,000 miles away — a mere two weeks later. With each race team employing about 100 traveling personnel, many of whom are from differing countries of origin, the immigration issues alone are staggering.

The economics of the sport are equally massive. Each race is broadcast throughout the world, attracting an annual viewership of 500 million. The NFL, by contrast, peaks at 200 million. In fact, the marketing advantage of Formula One was so strong, that in 2005 energy drink giant Red Bull bought a Formula One racecar and outfitted it with Red Bull logos. According to Formula One's industry publication, Formula Money, Red Bull's "advertising value equivalent" — the price it would have had to pay to buy a similar amount of on-screen exposure — is \$415 million per year.

The yield generated by Formula One's popularity is also enormous. Consider that Mercedes team driver Lewis Hamilton — a name that many will not recognize — is the fourth highest paid athlete in the world, with an annual salary exceeding that of Serena Williams, LeBron James and Phil Mickelson combined.

Much of Formula One's success can be attributed to Bernie Ecclestone, the British business magnate who commercialized a sport that was once reserved for hard-core enthusiasts. It was Ecclestone who brought Formula One to the likes of New Delhi, Budapest, Kuala Lumpur and Bahrain, creating value where others saw dust.

Ecclestone not only extracted millions in race fees from previously untapped markets, he convinced the countries that it would be economically beneficial to build expensive Formula One tracks, advancing the argument that the added exposure would increase tourism and build credibility alongside other sporting nations. Many countries bit, including Abu Dhabi who in 2009 built a Formula One track in the Yas Marina at a cost of \$1 billion — quite a sum for a single-purpose venue. But the capital of the United Arab Emirates isn't complaining, noting that its tourism has increased substantially year-over-year.

And for all his successes, or perhaps because of them, Ecclestone has been a lightning rod for controversy. It was a mere two months ago that the mother of his 38-year-old wife was kidnapped by Brazilian thugs and held for a \$37 million ransom. And before that, Ecclestone was charged by the German police with the crime of bribery, accused of giving a German bank official a \$44 million bribe to have the bank vote a certain way on an earlier sale of the bank's interest in Formula One.

Liberty Media has agreed to keep Ecclestone on as CEO following the acquisition, but for a man who will turn 86 this month, the question of how much longer he can do it, is legitimate. Irrespective, with Liberty Media's purchase of the franchise, all should expect Formula One to seep into the fabric of American culture, carrying with it an international globalization that will bring us closer, yet again, to a world of blurred borders.



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