



FEDERATION INTERNATIONALE DE L' AUTOMOBILE

PRESS INFORMATION

The following document is the text of a letter sent by the FIA President to the FIA Formula One World Championship Team Principals on Friday, February 7th, 2003:

Proposed new regulations for the FIA Formula One World Championship

Discussion of the 15 January meeting and its immediate effects has obscured what I believe are important proposals for 2004, 2005 and 2006. The ideas behind these are new and quite difficult to grasp, particularly when one has been in Formula One a long time. However, the Championship needs a long-term solution to current problems. The purpose of this letter, therefore, is to explain these proposals and invite your thoughts.

Two significant difficulties

Currently, seven major car manufacturers are involved in Formula One. They all deploy vast technical and financial resources. This brings benefits, but presents two significant difficulties: first, any team not backed by a major manufacturer is likely to find itself short of money and technology, particularly in an economic recession; secondly, there is no guarantee that one or several of these manufacturers will not stop racing. Although Ferrari have been in the World Championship since it started and Toyota are in Formula One for the first time, the remaining five (BMW, Ford, Honda, Mercedes and Renault) have a history of coming and going over the years. There is nothing wrong with that – Formula One is not their core business, merely one of a number of marketing and technology options available to them. However, in planning for the future we must take account of the possibility of having only one or two manufacturers in Formula One at any given time, or as many as eight or nine.

The independent teams

If we are to achieve a stable Championship, we must ensure that the independent teams can survive as manufacturers come and go. The FIA Formula One World Championship is the core business of an independent team. Unlike a manufacturer, an independent team cannot just stop racing, because to do so would be to close its business. Thus the way to guarantee the long-term health and stability of the Championship is to make sure there is a solid group of independent teams which do not depend on the presence of the manufacturers for their survival. We can rely on the independent teams. We cannot rely on the manufacturers. Although their presence is very welcome, the car manufacturers will come and go as it suits them - they have always done this and they always will. After all, they are responsible to their shareholders, not to motor sport.

The need for decision

On 15 January I outlined a number of steps the FIA intends to take in order to apply existing regulations more effectively. In addition there were a number of proposals for changes to the regulations to take effect in 2004, 2005 and 2006. If we are to introduce these changes, we must start to do so no later than 31 October 2003. However, it would be much better if the entire package, including measures which technically could wait until 30 October 2005, were decided and voted upon at an early date. I am therefore writing to you to explain the proposals more fully in the hope that we can progress matters quickly.

The cost of development versus the cost of racing

A manufacturer will spend hundreds of millions of dollars designing and developing a new road car and production line. The result is a car which costs relatively little to replicate and can be sold very cheaply compared to the cost of design and development. Similarly, we should separate the costs of research and development in Formula One from those of going racing. No-one can control the costs of designing and developing a car or engine; they are entirely in the hands of the team or manufacturer concerned. But we can control the cost of going racing once the car has been developed.

Why the cost of racing is the key

If the cost of competitive racing is low, we can have full grids and a healthy Formula One. Provided the cost of going racing is very small compared to the cost of design and development, there is no problem if only one or two manufacturers are present. Their cars and engines can be replicated at minimal cost so as to fill the grid. Equally, there is no problem if seven or more manufacturers are present, because independent teams can still be equipped at minimal cost. An independent team may even find a manufacturer ready to help it in return for an increased presence.

Reducing the costs of racing

So how do we reduce the cost of going racing? The answer is (i) by eliminating unnecessary and complex equipment and procedures at the races, (ii) by requiring the use of long-life car components and engines and (iii) by allowing teams to use components (or even entire chassis) designed or built by other teams or outside suppliers.

Engines as an example

As an illustration, take the example of engines, probably the biggest source of problems for the independent teams in 2003. If the proper price for a season's engines for an independent team in 2003 is about \$20 million, it should be less than \$10 million in 2004 because a team will use only one engine per car per weekend instead of two or three as at present. Test mileage per rebuild will double and thus engine costs per mile of testing should halve, for the same reason. In 2005, the figure will be closer to \$5 million (if the new proposals are adopted) because engines will now last for two weekends. And in 2006 the cost can be expected to drop to about \$1.6 million because the engine will last six weekends. In three years we would have gone from an absurd and unsustainable \$20 million per team to just \$1.6 million. At \$100,000 per race this is still very expensive,

but is probably manageable. Also, with fewer engine changes, fewer travelling personnel will be needed.

An illustration

How helpful this would be to the economics of Formula One as a whole can easily be seen when you consider that, leaving aside design and development, it would cost a major manufacturer no more to supply the entire Formula One field with engines in 2006 than to supply just one team in 2003. Development costs are, of course, the same whether one team is supplied or several, and a manufacturer which wants a Formula One engine has always to meet its development costs. But racing is far less expensive because the engines last much longer.

The six-race engine

Of course, the first reaction of some Formula One fans to the idea of a six-race engine will be negative. An enthusiast may even claim it's not Formula One. But we can expect well over 700 horsepower and about 16,000 rpm from our six-race engine in 2006, about the same as the best Formula One engines as recently as 1996. (Remember that when Formula One went from 3.5 to 3.0 litres for safety reasons after the 1994 fatalities, we were told by the engine specialists this would mean a maximum of 600 horsepower, a figure which everyone at that time thought was about right.) Despite a reduction in engine costs of more than 90%, no-one in the grandstands or watching on television will notice the slightest difference. In fact the only real problem with the six-race engine is finding a well-balanced scale of penalties for premature engine change which is enough to deter systematic changes without putting the driver concerned out of contention in the Championship.

The technical challenge

No-one now seriously argues that the development costs of a long-life engine are more than marginally greater than the two-per-weekend variety. The technical challenge is no less and is certainly more relevant to the core business of a major manufacturer than working on a 400km race engine or, worse, a 50km qualifying engine.

Long-life components

The arguments relating to the engine apply equally to other parts of the car. The introduction of long-life gearboxes, suspension, bodywork and other components will have the same effect. A major team or manufacturer will continue to spend large sums developing these items, but will not have the cost of replacing them (in some cases) after every race. This will not only save the major teams money, but free up production capacity, thus providing every incentive to sell components to independent teams. The independent teams, in turn, will save both the cost of development and the cost of constant replacement. All teams, large and small, will also save on personnel.

Safer components

Safety will be enhanced. If a component is designed to last one race, it will (by definition) be near the end of its life and thus more likely to fail at the end of each race. If it is designed to last six races, it will only approach the end of its design life towards the

end of the sixth race, in other words twice per season rather than 16 or 17 times per season.

A list of permitted materials

Add to this the proposed list of permitted materials and you reduce the costs of racing still further. By obliging everyone to use inexpensive materials from an agreed list (which would include permissible coatings and heat, etc, treatments), you ensure that the cost of components will be low. This does not reduce the cost of development – it might in some cases increase it – but it reduces the cost of the finished article and thus the cost of going racing.

Another technical challenge

The technical challenge of a restricted list of materials would be greater than the existing system, where teams with enough money simply buy expensive exotic materials from specialist aerospace laboratories. The challenge is also more relevant to that met every day in the car industry, where engineering difficulties have to be overcome by clever design in cheap materials before a car goes into production. Production cars cannot use exotic custom-made alloys – it would cost too much.

Separating the costs

Thus a combination of long-life engines, long-life components, inexpensive materials and the right for one team to sell to another can very significantly reduce the cost of going racing. It also enables us to separate the cost of racing from the cost of research and development. Those teams which cannot afford to spend large sums on research and development will no longer need to do so. They will not have to struggle to keep up. But if an independent team progresses, there will be nothing to prevent it doing its own development, making its own parts or modifying someone else's. The entry level will become readily affordable, but the route to the top of Formula One will still be open.

Long-term stability

If these measures are adopted, Formula One will be able to continue at a very high level with 10-12 teams without being affected by the comings and goings of the major car manufacturers. The proposed system will work just as well if we have only one or two manufacturers in Formula One as it would if every team were backed by a major manufacturer.

Affordable and competitive engines for all teams

Independent teams will no longer be forced to use last year's engines. For the first three years there would be no such thing – you cannot use last year's engine in 2004 because a 2003 engine would not have been designed to last the weekend. The same principle applies in 2005 and 2006. From 2006, the number of engines needed for a season's racing and testing would be so small it would require almost no effort by a major team or manufacturer to supply an independent team with up-to-date engines. Similar arguments apply to chassis and drive-train parts.

Competitive independent teams

Thus independent teams would have chassis and engines very similar to those of the major teams. This would enable a well run independent team with an outstanding driver to be competitive and even win races from time to time. Combined with low costs, this will enable such teams to operate in a stable and financially successful business environment.

In summary: a fully viable championship

We believe the ideas outlined above are the only way to run a viable racing series when an indeterminate number of very rich and technically advanced companies can become involved at any time on an ad-hoc basis. If major car manufacturers decide to enter Formula One and spend large sums producing very high technology engines and chassis, the only way to stop this eventually putting the independent teams out of business is to introduce regulations which make it expedient for each manufacturer to supply its chassis and engines to other teams at fully affordable prices.

Other proposals

The 15 January proposals also included a standard rear wing and a standard braking system for 2004. We have not dealt with these in this letter because we believe they are fully understood and not particularly controversial. However, for obvious reasons they too should be discussed and voted on as soon as possible.

In conclusion

I hope that this letter will initiate a constructive dialogue on the medium and long-term future of the Formula One World Championship. To this end it may be helpful to set up a meeting in the near future where together we could look at these and other ideas in more detail.

I look forward to receiving your comments.

Paris, February 10, 2003