

FORMULA 1

Leaving 'the Bernie model' behind

AP PHOTO



Mercedes driver Valtteri Bottas of Finland steers his car on a wet track during a Formula One pre-season testing session at the Catalunya racetrack in Spain last week

By Murad Ahmed, James Fontanella-Khan and David Bond

Chase Carey was walking the halls of London's Savoy hotel, killing time. Next door, at the offices of private equity firm CVC Capital Partners, final negotiations were taking place on an USD8 billion deal that would present the handlebar-moustachioed media executive with perhaps the biggest challenge of his long career.

As Mr Carey waited for news, CVC's Donald Mackenzie reached an agreement to sell its controlling stake in the Formula One motor racing group to Liberty Media, the US company controlled by billionaire John Malone. And with that, Mr Carey, Mr Malone's handpicked choice, became F1 chairman. Less than a fortnight later, on September 18, 2016, he attended his first ever Grand Prix, in Singapore.

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CHASE CAREY
F1 CHIEF EXECUTIVE

man of Rupert Murdoch's 21st Century Fox, Mr Carey has plenty of experience in sports programming. He was involved in the successful launch of Fox Sports in 1994 and helped broker a \$1.6 billion deal between the network and the National Football League. But he had never been asked to reinvent a sport.

For the past 40 years, F1 has been run as the personal fiefdom of Bernie Ecclestone, a former second-hand car dealer who trans-

formed an amateur sport for enthusiasts into a multibillion-dollar enterprise watched by millions. Regardless of the numerous times the 86-year-old had sold stakes in F1's parent company, diluting his own shareholding over time, his mastery of F1's business strengthened his hold over the sport. Almost every decision needed his approval, from sponsorships to which celebrity could gain a VIP pass to the pit stops.

But F1's new owners, with a con-

trolling 35 percent stake, had no intention of being passive investors, believing more conventional and less combative management was in order. The sport has suffered from years of waning interest from audiences and sponsors. Some promoters are threatening to pull their races from the F1 calendar. Racing teams are demanding a fairer distribution of revenues after some went bust. Contracts for the sport's leading broadcasters are up for renewal this year. Fans and drivers crave changes that will restore some of the sport's former glory.

Mr Ecclestone played no part in the CVC sale process, but his presence was a problem once Liberty completed the deal. "Successions have many perils," says a person close to the process. "The succession of Bernie was always going to be a 100 times harder."

Four months after the deal was sealed, Mr Ecclestone was replaced

by Mr Carey as chief executive and eased into an advisory role, although he retains a 2.1 percent stake in F1 and Bambino Holdings, his family trust, has a further 5.4 percent.

"I don't think the one-man show for the past five or six years really enabled this sport to grow to its full potential," said F1's new boss at the time.

Mr Carey has swapped F1's headquarters at Princes Gate in Knightsbridge - which sit below Mr Ecclestone's penthouse - for a small Mayfair office, rented month-to-month. And he has hired Sean Bratches, a former ESPN executive, to look after commercial operations, and Ross Brawn, a former F1 team manager, to manage the sporting side.

The trio are seeking to introduce F1 to new audiences. There is talk of creating digital screening deals, such as packages allowing fans to pay to watch races streamed over the web, expansion into the US and ancillary events around every Grand Prix to make each race the equivalent of a Super Bowl.

It will take time to shake off Mr Ecclestone's legacy. "The short-term challenge is to go from the Bernie model, which has been very successful, into one that is dependent not on one extraordinary dealmaker," says Alejandro Agag, chief executive of Formula E, the electric car racing series. "But the potential is huge."

Mr Ecclestone's breakthrough came in 1978, when as chief executive of the Formula One Constructors' Association he gained the rights to negotiate deals with TV companies on behalf of F1 teams as a package, rather than race by race.

Millions of viewers were drawn to a thrilling spectacle, with exciting drivers such as James Hunt and Ayrton Senna. Brands were keen to sponsor teams.

Haphazard organisation was replaced by sleek events. Promoters, often governments, became desperate to host races in their country.

By last year, broadcasting revenues accounted for up to 35 percent of F1's annual revenues of more than \$1.8 billion. Race promotion makes up another third, 15 percent comes from advertising and sponsorship, with the rest made up from hospitality, licensing and other sources.

Yet the model is under strain. Since 2008, F1 has lost one-third of its worldwide audience, around 200 million viewers, according to Formula One Management, which handles TV rights. Mr Ecclestone's shift away from free-to-air to pay-TV platforms is partly blamed. It helped keep broadcast revenues high but has hurt viewing figures - a concern for sponsors.

A person close to Liberty Media's management says F1 previously used unreliable audience measurement methods and insisted that any



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Bernie Ecclestone, former chief executive of the Formula One Group (foreground)

fall in TV viewers does not equate to falling interest in the sport.

The change of ownership comes as the global media industry prepares for further consolidation and the demand for premium content is set to rise. Mr Carey, who sits on the boards of Sky and Fox, may be well placed to extract maximum value for his new sport.

People close to the new F1 management insist it is an "undermanaged" enterprise with plenty of untapped potential. European markets, which represent 60 percent of its TV audience, will provide a quick test of Mr Carey's dealmaking skills.

In public, F1 teams are declaring their support for their new paymasters

Last year, Sky won exclusive rights to show F1 in the UK from 2019-24, in a deal worth about \$250 million a year. But in Germany, a two-year deal shared by RTL and Sky Deutschland expires at the end of this season. Broadcast rights are also up for grabs in Italy, Spain and France. US rights, currently held by NBC, also expire this year.

For years F1's broadcast and digital media rights have been bun-

dled together, making it difficult for Liberty Media to screen races on Formula1.com or create bespoke streaming deals, according to people with knowledge of the contracts.

"Bernie was never an internet person," says Max Mosley, the former president of motorsport's governing body, the FIA. "The general pattern he followed was trying to ensure there was enough free-to-air

TV to keep the sponsors happy."

Mr Mosley says the lack of a coherent digital strategy helped explain the sport's fading appeal. "I think it's one of the reasons why there doesn't seem to be very many young people watching," he says.

Mr Ecclestone's singular hold on F1 helped him to develop ties with political leaders such as Russia's president Vladimir Putin. His networking smoothed the expansion into new markets - from Bahrain in 2004 to Baku, Azerbaijan, last year - and secured huge "promotion fees" from host cities. Race promoters often incur losses for staging F1 races but make money back through ticket sales. Critics say Mr Ecclestone's expansion damaged the brand.

Organisers in Singapore, Malaysia and Brazil are considering abandoning the sport due to the prohibitive costs, representing a threat to F1 finances.

Shifting races away from Mr Ecclestone's orbit of connections, however, may provide an opportunity to reshape the sport.

Liberty wants to focus on "destination cities" and is eyeing expansion in the US, where F1 has never managed to dent the popularity of Nascar, the rival motor racing series. It is looking to establish perhaps another two races in the US, with Miami and Las Vegas tipped as likely venues.

In public, F1 teams are declaring their support for their new paymasters. "I'm generally optimistic," says Toto Wolff, executive director of the Mercedes team that has won

51 of the past 59 Grand Prix races. "I think they are a good group of people."

Behind the scenes, however, the team owners are preparing for tough negotiations. The Concorde Agreement - which determines how F1 splits revenues with teams - expires in 2020, after which teams could leave and start a breakaway series unless they secure a more even distribution of income. "Everything depends on that negotiation," says one motorsports insider.

Few believe that a breakaway is feasible and Liberty wants to renegotiate the deal far sooner, and find other ways to lock teams in for longer.

The US owners have offered teams the chance to buy discounted shares in its new F1 parent company. But one team principal says it is naive to believe that hard-up teams have the cash required to take up the offer.

F1 splits revenues based on a number of factors, including racing performance and "heritage". According to figures obtained by Autosport magazine, Ferrari was paid \$192 million in 2016, compared with just \$47 million for the lowest-earning group, Manor Racing, which has slipped into administration.

The richest teams - Mercedes, Red Bull and Ferrari - have dominated in recent years by outspending their rivals. For the past three seasons, Mercedes teammates Lewis Hamilton and Nico Rosberg have been left to challenge each other for the driver's title after speeding away from lacklustre competition - which has further dented viewing figures.

"We're supportive of cost control," says Zak Brown, one of the executives in charge of the McLaren F1 team. "I would like our income to go up by the pie getting bigger. At the same time, I would like our expenses to be down. You can't do one without the other."

A budget cap is highly contentious and difficult to police, but one proposal gaining momentum among the teams is the introduction of an "advisory spend level". If a team wanted to spend more than the suggested limit, it would need to pay a "rich tax", which could go to charitable causes.

Few major changes are expected before the Australian Grand Prix opens the new season on March 26, the first to be staged under Liberty Media's stewardship. Mr Carey will attend but, as a person close to him explains, he is "not a petrolhead".

"Chase Carey has spent his whole career monetising content and in the media," says Amy Yong, an analyst at Macquarie. "It's an amazing asset in the hands of someone who knows how to monetise it."

Mr Ecclestone took four decades to make F1 a \$8 billion business. Mr Carey will get far less time to prove he can make the sport richer still.

Additional reporting by James Allen

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A tight hold on the data of a trophy asset

The unconventional auction for Formula One, which began early last summer, attracted scores of bidders. Among them was Jack Ma's Alibaba, the Chinese e-commerce group, which signed a non-disclosure agreement to take a closer look at the group's financials. But, like many potential bidders, Alibaba walked away once it learnt that it would have had to buy Formula 1 effectively blindfolded.

From the outset, all bidders were told by CVC that access to the "black box" - the data containing F1's broadcast contracts and monetary awards for the racing teams - would only be shared at the very end of the sale process.

CVC, the private equity group that owned a controlling stake in F1, feared that the information could be used to set up a rival racing series. "This made the sale extraordinary," says a person with close knowledge of the process. "People were buying a trophy asset with very little information."

Still, there was plenty of interest. Those on the starting grid included private equity group Silver Lake in

partnership with US talent agency WME-IMG; Sky; and Qatar Sports Investments, the majority shareholder in football club Paris Saint-Germain.

Among the approaches rejected was one by Jim Durkin, chief executive of Cenkos Securities, a UK-based brokerage which was attempting to forge a consortium from interested parties in the City of London. The UK bid team would be led by Dean Attew, a former F1 executive and counsellor to Bernie Ecclestone, who says the plan was to create a "British bid with British money." After the consortium insisted that Mr Ecclestone would play a continuing management role, CVC did not entertain further discussions.

On September 6, Liberty Media's representatives entered F1's headquarters. They were given a single day to review the black box and warned another buyer was lined up should it walk away: Hellman & Friedman, a US private equity group, and a former major shareholder in F1.

Despite these unusual strictures, Liberty went ahead with the deal.



South Korean conservative activists burn cutout pictures of N. Korean founder Kim Il Sung (right) and late leader Kim Jong Il during a rally to mark the 3rd anniversary of the sinking of South Korean naval ship "Cheonan"

KIM JONG NAM MURDER

Damage control North Korea style: Deny and attack

By Eric Talmadge

FACED with the killing of its leader's half brother in what appears to have all the trappings of a politically motivated hit, North Korea is turning up the volume on a familiar defense: Flatly deny the allegations, viciously attack the accusers.

It's a position the North has been in before, from dismissing U.N. reports outlining human rights abuses or the findings to disputing who threw the first punch in the Korean War.

But, while master of the message at home, rarely, if ever, has Pyongyang managed to effectively sway world opinion.

With evidence emerging that seems to strongly implicate some kind of North Korea connection to the killing of Kim Jong Un's estranged half brother Kim Jong Nam, the North is intensifying its public attack on the officials in charge of the investigation in Malaysia.

In its first mention of the case, state-run media denied Thursday that North Korean agents masterminded the killing and said the Malaysian investigation was full of "holes and contradictions."

The response came a day after Malaysian police said they were seeking two more Nor-

th Koreans, including the second secretary of North Korea's embassy in Kuala Lumpur, in connection with the Feb. 13 killing of Kim Jong Nam in an airport lobby.

North Korea's ambassador in Malaysia has made similar statements to reporters. But the decision to carry the story in the North's highly selective official media is significant because it reflects a level of concern in Pyongyang over the allegations and its desire to push harder with the counter-message of its own.

Pyongyang's fiery and categorical denials and counter-allegations follow a well-established pattern: It has taken essentially the same tack in response to allegations leveled at it going all the way back to who started the 1950-53 Korean War (Pyongyang claims it was attacked, not the attacker).

To this day, it also disputes as biased and politically motivated the findings of an international investigation into the 2010 torpedoing of the Cheonan warship that left 46 South Koreans dead — calling it "fictitious" and an "intolerable mockery."

A particularly damning U.N.-backed report on human rights abuses that came out in 2014 continues to be written off by Pyongyang as based on the lies of "human scum" defectors ea-

ger to please Japan, the United States and South Korea in their plot to discredit the North's social system.

More recently, it flipped the script by claiming South Korean agents had tricked a group of North Korean waitresses at a restaurant in China to defect. Obfuscating the South's claim that the group defection indicated growing dissatisfaction in the North, Pyongyang accused Seoul of violating the women's human rights by holding them against their will and is demanding their immediate return.

Malaysian officials have not directly accused North Korea of being behind the killing, and Malaysia is one of the few countries with close ties to the North. But they have arrested a North Korean man working at a Malaysian company along with three other people and are searching for several more North Koreans.

And, not surprisingly, Malaysia has bristled at the North's attacks on the integrity of its investigation.

According to Malaysian officials, North Korean diplomats were informed of the death the day it occurred; it was not made public until a day later. The diplomats had been at the Putrajaya government hospital closest to the airport for two days before moving to the

Kuala Lumpur hospital when the body was transferred there for an autopsy.

Malaysian officials say that although the embassy officials made no public comments for several days, they privately demanded custody of the body and strongly objected to an autopsy. Investigators balked, saying they were following procedure as it was a "sudden and suspicious death."

■ The investigation into the 2010 torpedoing of the Cheonan warship that left 46 South Koreans dead was dubbed an 'intolerable mockery'

Three days after the killing, Deputy Prime Minister Ahmad Zahid Hamidi, who is in charge of police, confirmed widespread reports in the media that the victim was Kim Jong Nam, though he carried identification with a different name.

For North Korea, that's the most sensitive of sensitive topics.

The North has not acknowledged the dead man is the half brother of its leader — or mentioned Kim Jong Nam's name — in any of its statements. Information about the family tree of North Korea's rulers is tightly controlled and few North Koreans are aware that Kim Jong Un even had an elder half brother.

Soon after Malaysia officially pushed that button, Kang Chol, North Korea's ambassador, turned up at the morgue to demand custody of the body. He wasn't allowed in.

Kang then did what North Korean diplomats almost never do — he went straight to the cameras and gave an unexpected press conference, accusing Malaysia of "trying to conceal something" and "colluding with hostile forces." He also pre-emptively said the North would "categorically reject" any autopsy carried out "unilaterally and excluding our attendance."

His scorched-earth approach may have backfired.

Malaysia's Prime Minister Najib Razak vowed Tuesday that his country will not be cowed and is resolute in getting to the bottom of the killing.

"Malaysia will stand firm," he said. "We will be guided by the principle of the rule of law."

The North now also faces another problem: the South Korean military has reportedly started using loudspeakers to broadcast news of the killing across the Demilitarized Zone.

Not many North Koreans will actually hear those broadcasts, and many of those who do won't believe them.

But some just might. **AP**

In the Netherlands, a party for animals is winning voters



Marianne Thieme

By Corina Ruhe

THE animals are on the march. When traditional politics fractures, new parties come to the fore. And in the Netherlands, the Party for the Animals is in the running before the March 15 national election.

While Geert Wilders's Freedom Party and Prime Minister Mark Rutte's Liberals fight it out for first place, the need for coalition partners means the Animal party could play a role in creating a working majority needed to form a government.

For a table of the latest Dutch polling intentions, including averages, click here

The rise in nationalist sentiment, which has bolstered groups such as the U.K. Independence Party and Marine Le Pen's National Front in France, threatens to disrupt the conventional order in the Netherlands, one of the core founding members of the European Union. A new governing coalition that successfully excludes the anti-Islam, anti-immigration Freedom Party - as the mainstream groups have promised --could require as many as six separa-

te alliance members to reach a 76-seat majority in the Dutch lower house of Parliament. That's where Marianne Thieme comes in.

Thieme, head of the Party for the Animals, which supports animal welfare and the environment, said that the traditional parties will have to court a smaller faction like hers to make the electoral math work in putting a government in place. "And that's a very comfortable position because we can stay committed to our ideals and from that perspective we will look at the propositions made," she said

in an interview last week in her office in The Hague.

Wilders's Freedom Party and Rutte's Liberals are both expected to take 22 seats in the election, according to a Feb. 28 EenVandaag poll published on Tuesday. The Party for the Animals would get seven seats, the most in the group's history and up from the two it currently controls.

After the election, the lower house of the 150-seat Parliament may be made up of as many as 14 different parties. And with the four mainstream groups - the Liberals, the Christian Democrats, the D66 party and Labour - expected to gain 70 seats in the March ballot, a theoretical coalition of those groups would only need one additional small party, such as the Animals, to form a ruling alliance.

The political system in the Netherlands has a low election threshold, with about 60,000 votes translating into a seat in the legislative body, Andre Krouwel, a professor of political science at Amsterdam's VU University, said in a telephone interview. If the Dutch system required a threshold similar to that in other countries, "five out of the current 11 parties wouldn't even be in parliament now," he said.

Given the vagaries of the process, that means the biggest political group could be

shut out of the new government, an eventuality that's come to pass three times since World War II. That opens the door for new parties.

"The Party for the Animals is an agenda-setting party and not a party that is driven by power or ruling the country," Krouwel said. "The Dutch aren't afraid to try something new and give a new party a chance."

Thieme, the only woman in parliament that's leading a party going into the elections, said she'd only be willing to work with groups that accept her organization's pillars, such as attention to the environment and economic change. Like-minded parties include the Christian Union, the Greens, the Labor Party, the Democrats and, to a lesser extent, the Socialists, she said.

"We would expect the new coalition to work seriously on climate change," Thieme, 44, said. "We must step away from the focus on economic growth as a solution for all the problems."

And while the party, which Thieme helped found in 2002, places animal rights as one of its central tenets, its interest are diverse. The group is also against free-trade deals and would like to research ways to get out of the common currency. But the organization's varied interest could aid the coalition-building process, she said.

"As we've seen in the past, small political parties can be the hinge point in the formation," Thieme said last week in an interview on national broadcaster NOS. "And if we were asked, we would come and negotiate." **Bloomberg**

ASK THE VET

by Dr Ruan Du Toit Bester



6 SIGNS OF RINGWORM IN DOGS

Ringworm in dogs is a type of skin infection that can be transmitted to other dogs and humans by direct contact with infected animals. We call this a Zoonotic disease. Ask most dog owners and they either know about or have experienced ringworm on their own pet. The identification and treatment of this skin infection is fairly straightforward.

Ringworm is a fungus

Contrary to what its name suggests, ringworm is a fungus, not a worm. The fungus is most prevalent in hot, humid climates like Macau and is most frequently diagnosed during the fall and winter months. While the fungi are primarily one of 3 varieties, there are several fungal varieties that can cause ringworm. The spores are typically found in the dog's bedding and can be shed into the environment for up to 18 months. While most dog owners know about ringworm, the actual incident rate is about 8 percent of all skin problem cases.

Six signs of ringworm

- The signs of ringworm infections are fairly similar across most cases. While visual inspection and identification can be fairly certain, it is best to confirm your suspicions through testing. Common signs are:
- A hairless, small, round lesion has formed on the dog.
- The skin in the center of the lesion has become scaly.
- Small pustules form on the surface of the sore.
- The lesion may start out small, but can continue to grow.
- The sore may or may not be itchy.
- Lesions are most common on the head, but may also form on the legs, tail and feet.

Diagnosis and treatment

While there are several methods of diagnosing a ringworm infection, the most accurate method is to collect scales and crust from the dog's skin and coat and create a culture using the culture me-



diuum specifically identified for ringworm. Your Vet will do this for you. Once completed, the culture can be examined under a microscope and the diagnosis confirmed.

Sometimes treatment is not required if the dog or puppy is healthy and if the lesion is small and is isolated to just one lesion. In these cases the sore will heal in about four weeks. If treatment is indicated, the infection can be treated twice a day with a topical antifungal medication. Another treatment option is the use of an oral antifungal, but this treatment must be done under close supervision by a veterinarian because oral antifungals must be administered over several months and can reach a toxic level.

While the frequency of ringworm infections is very low, it can be spread very easily if not controlled. That's why it's a good idea for dog owners to know how to recognise the signs and when to seek assistance in treating the infection.

Hope this info helps
Till next week
Dr Ruan

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