



FEDERATION INTERNATIONALE DE L'AUTOMOBILE

## COST CAP DISCUSSIONS

On 11 January 2008, the FIA, FOM and the teams met in Paris. During the meeting FIA President Max Mosley identified the *'possibility of a worldwide recession which would have an effect on the motoring industry'*.

Several of the teams present suggested that the fairest and most effective way of minimising the impact of the recession would be through the introduction of a budget cap. John Howett (Toyota), Ross Brawn (representing Honda), Frank Williams (Williams), Burkhard Göschel (BMW), Martin Whitmarsh (McLaren), Vijay Mallya (Force India), Christian Horner (Red Bull) and Bernie Ecclestone (FOM) all spoke favourably about the proposal for a cost cap and encouraged further discussion on the subject.

Only Jean Todt (Ferrari) disagreed, stating that a cost cap was not achievable for his team.

The FIA President acknowledged this point but felt that Ferrari should reserve judgement on the applicability of the cost cap until the mechanism had been agreed. The minutes of the meeting concluded:

*'After further discussion, Max Mosley proposed that Tony Purnell convene a meeting of the teams' Finance Directors as soon as possible to discuss on a figure or figures for costs excluding engine, marketing and drivers for 2009, 2010 and 2011. This was **UNANIMOUSLY AGREED**. It was also **AGREED** that Bernie Ecclestone and Max Mosley would decide on a final figure. It was also **AGREED** that no press statements were made about these plans as they would have severe implications for employees and also might encourage sponsors to reduce their sponsorship levels.'*

*'The next step would be to set up a Working Group to discuss the measurement of how the money was spent. This would need to be in place before 30 June 2008 because the rule would need to be introduced as a sporting regulation for 2009. Otherwise other rules would need to be in place for 2009 to cap teams' budgets.'*

The first meeting took place on 31 January 2008 and involved representatives from every F1 team on the grid.

On 18 February 2008, the FIA wrote to all the teams to confirm plans to set up a Financial Working Group to look into costs in detail. The teams and the FIA subsequently agreed to share the funding for this working group, which led to the development of cost cap regulations. It is these regulations which have been incorporated in the rules for 2010.

There were four meetings of the Financial Working Group between March and June 2008. All the current F1 teams except Ferrari enthusiastically endorsed the principle of the cap. They worked hard on the detail. Minutes of these meetings can be made available. In the circumstances, the FOTA claim that the cost cap rules were introduced by the FIA without consultation cannot be sustained.

The Working Group developed a set of regulations that were ready by mid-June 2008. At least eight of the 2008 competitors supported the proposals. However, Ferrari again objected and effectively prevented them from going forward.

In late 2008, galvanised by the departure of Honda from F1, FOTA began its own process of looking at measures to reduce costs. Much of these were a reaction to the FIA's initiative. By March 2009, however, it was clear that the FOTA measures were not going to produce the results needed. It had become essential to reduce costs to the point where independent teams could survive, new teams could afford to enter and manufacturer teams were less likely to leave. The FIA had to act and do so in time to allow new teams to enter in 2010. This meant introducing rules to reduce, definitively, the costs of competing in Formula One from 2010 onwards.

In the light of the active and enthusiastic participation of all teams except Ferrari in drafting the original cost cap rules, it is difficult to understand the objections to the cost cap which are now being raised.

### **Relevant documents**

[Minutes from the meeting of Formula One Team Principals and the FIA in Paris on Friday 11 January 2008](#)

[Letter from the FIA President to all Team Principals on 18 February 2008](#)