

MAHAMAYA MODEL UNITED NATIONS



FIA
STUDY GUIDE

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Fédération Internationale de l'Automobile

Dear Delegates,

We, the Chairpersons of the FIA, warmly welcome you to the inaugural session of Mahamaya Model United Nations 2023.

The FIA is a novel addition, not just to MMUN, but also to MUN in general. Therefore, this Study Guide is presented to you in hopes of defining the scope we expect of you in the conference. In this committee more than others, this document is important for delegates, in order to maintain fruitful debate.

Feel free to use this document, and the reference links at the end of this document, for your research. However, do not be limited only to these. The mandate discussed here is vast, and covers a variety of stakeholders and perspectives. Therefore, your own unique research, based on your delegation, is essential.

We hope to chair an active, engaging and energetic committee, with meaningful discussion, and plenty of matters to learn from.

Wishing you the very best!

Your Chairs,
Deelaka Wickramasinghe, Sadesh Rajapakse and Jayageeth Basnayake.

Introduction

Established in the year 1904, **Fédération Internationale de l'Automobile** or more commonly known as the **FIA** is the governing body of all international motorsports.

Headquartered at Place de la Concorde, Paris, with offices in Geneva and Valleiry, the FIA consists of 246 member organisations in 145 countries worldwide. Its current president is Mohammed bin Sulayem. The FIA is generally known by its French name or initials, even in non-French-speaking countries, but is occasionally rendered as International Automobile Federation.

Its most prominent role is in the licensing and sanctioning of Formula One, World Rally Championship, World Endurance Championship, World Touring Car Cup, World Rallycross Championship, Formula E, and various other forms of racing.

The mandate for MMUN '23

Addressing the issues with regards to economic and logistical aspects of race hosting in formula one, with special emphasis on prolonging the F1 calendar

● It should be noted that the mandate will be purely focusing on the **Formula 1** racing format.

During the last couple of seasons, the number of races per season has grown exponentially which has the drivers and the teams constantly questioning the feasibility of the logistical and economic repercussions of prolonging the F1 calendar further. Compared to the debut year of Formula 1 in 1950 which only had 7 races for the season, Formula 1 has announced 23 races for the 2023 race season all over the world.

Objectives of the Committee

- The FIA, acting as the regulatory body of Formula 1, is responsible for the overall functioning and technical components of the sport. But, given the nature of the conference and circumstances, the primary focus of this committee is to facilitate ideas with regard to the overall economical and logistical aspects as opposed to primarily focusing on the technological aspects
- Unlike other MUN committees, this committee will comprise the Formula 1 racing teams, a number of sponsoring and broadcasting organizations, and a number of countries, as delegations. Each category of the delegation will have its own unique perspective on the mandate and will have its own unique point of discussion. Every delegate is expected to explore the most viable solution, prioritising their own point of view as a stakeholder in the sport.
- Other than the above, the normal expectations of delegates in a MUN Committee are expected of the delegates. Respect all delegates and their points of view, and limit the flow of debate to stay within the mandate in order to maintain a fruitful and productive discussion.
- This study guide aims to provide a general overview of the issues that have been aimed to be discussed in the committee. A few external reference links have also been provided herewith. However, delegates are advised to not solely depend on this guide and to use this guide as a supplement for your research.

Evolution of Formula 1 throughout the years

Formula 1 originated from the **European Championship of Grand Prix Motor Racing** in the 1920s and 1930. Under the 'Formula' which was agreed upon, the first non-championship race happened in the year 1946. After this started the gradual increase in constructors constantly trying to develop and engineer their cars to be faster and more agile around the track.

In the year 1950 cars were bulky, heavier and had an H-pattern 4-speed manual gearbox with a clutch compared to now more advanced V6 turbo hybrid cars which have the aerodynamic capabilities of a fighter jet, made fully out of carbon fibre and a dual-clutch sequential speed gearbox which can be shifted from a flick of a finger.

Furthermore, constructors today compared to 1950 have to abide by CO2 emission guidelines set forth by the FIA in order to combat global warming.

In 2023 the tyres are much bigger, with the front tyres **305mm** wide and the rear **405mm**. Pirelli makes a range of different tyre compounds for different temperatures and strategies, with three types available per race.

Tyre choice can have a big difference to a driver's race and drastically affect performance as it reaches the end of its useful life. Only the wet weather tyres are grooved in order to displace water.

Therefore, with regard to the engineering and technological aspect of Formula 1, compared to 1950, in the year 2023, there is significant evolution, and this has produced hurdles that constructors have to constantly keep adapting to.

Concerning the fan base that Formula 1 has, there has been a significant evolution since its early days. Even though Formula 1 has long been the pinnacle of motorsport, its viewer base and fan base were largely centralised in **European countries**. This was mainly due to the fact that a majority of the drivers and constructors were located in and around Europe. The race that took place outside of Europe **did not show attendance records** as high as records within Europe.

In the present day, however, the situation is largely different. Formula 1 today is truly a global sport, not merely in terms of race hosting, but also in terms of viewers. Almost **500 million** fans watch Formula 1 around the world, and almost **3 million** fans attend races in person per season.

There are a few reasons that may contribute to this. Firstly, the portrayal of Formula 1 in mass media has helped the growth of the sport at large. This is contributed to, both by the widening of live broadcasting of races and by the dramatisation of the sport, through means such as **Netflix's "Drive to Survive"** series. Secondly, the physical expansion of the race calendar has also brought forth an **influx** of new Formula 1 fans. The inclusion of several races in **North America**, primarily the **USA**, has managed to solidify a new American audience, and the addition of new races in the Middle East has also increased the viewer base and attendance of Asian fans. Lastly, and most importantly, the increase in sponsorships and financial opportunities is hugely responsible for the growth of Formula 1 in this regard.

In its inception, Formula 1 was not largely monetized, with little to no sponsorships. In the 1980s and the 1990s, however, tobacco companies such as **Camel, Marlboro, John Player Special, Manchester** etc. were largely responsible for sponsoring Formula 1 teams. However, changes in sponsorship and advertising regulations initiated a decline in this monopoly. Today, the main source of sponsorship for Formula 1 teams is **cryptocurrency** companies. This has seen a drastic and significant increase in spending opportunities for teams. The recent agreement between **Red Bull Racing** and the crypto company **Bybit**, was valued at **\$150 million**. For reference, the total value of all agreements made by **tobacco companies** adds up to **\$115 million**. This clearly portrays

the increase in spending opportunities that exist today, not just for Formula 1 teams, but also for Formula 1 themselves.

Petroleum companies are also major sponsors in all aspects of Formula 1. **Shell** for Ferrari, **Petronas** for Mercedes and **Gulf** for McLaren are iconic sponsors that benefit largely from the nature of the sport itself. Furthermore, the expansion of the race calendar to include **Middle Eastern** tracks has also incentivized sponsorships by petroleum companies. **Aramco**, one of Formula 1's most significant sponsors, is based in Saudi Arabia and has plenty to gain from races being held in the subcontinent.

In conclusion, the evolution of Formula 1 in **technological, logistical and economic** aspects, is vastly evident. This, however, generates a unique set of challenges for drivers, constructors, organisers, sponsors, broadcasters and for fans.

Current Economical and Logistical Concerns of Formula 1

Economical Concerns

The Cost Cap

The beginning of the 2021 season brought us the introduction of the cost cap for all Formula 1 teams by the FIA, in hopes of creating a level playing field for all teams and drivers and not allowing the teams which have over-the-top budgets of over 400 million (e.g:- **Mercedes F1** spent over **484 million** during the 2019 season and **Scuderia Ferrari** over **450 million** in the same race season) to have a competitive edge over other teams that **do not have the same amount of funding**.

It is without a doubt that Formula 1 is the **pinnacle of motorsports**. Not just for the thrill and the adrenalinerush that fans get by watching cars go over **200mph** around a track but because of the high-tech and futuristic technological developments that are being made each year in **aerodynamics, Internal Combustion Engines** and the **overall safety** of the car itself. These developments that are being made on track can then be used in day-to-day driven cars for better fuel economy and overall safety of a vehicle during an impact. This raises the question of whether implementing a cost cap on motorsport which makes futuristic technological advancement every day has an overall positive impact.

The Role of Drivers in Monetization

Since the dawn of Formula 1 in the year 1950, the fan base of motorsport has had exponential growth. With that started the monetization of the motorsports which in return allowed the teams to make their cars more competitive during these seasons which again gives the fans a thrilling experience. The monetary aspect of Formula 1 became a good opportunity for institutions to market their institutions' brand. Since the **late 70s** tobacco companies have been sponsoring F1 teams in **exorbitant** amounts which teams accepted gladly as it allowed them to pump more and more money into **Research and Development** and make their cars go faster around the track.

While this allowed for an exciting race, the sponsor had a huge say in how their brand is marketed and influenced throughout the Formula 1 community which leads to the concentration of the driver market and some drivers being pushed out solely because of not attracting sponsors and not necessarily because of a lack of talent (e.g.: -Nikita Mazepin whose father became the largest financial supporter of HAAS which in return allowed Nikita to get a seat in F1, Lance Stroll whose father is the owner of Aston Martin F1).

The Pandemic, and the Lack of Physical Crowds

~~A major hurdle for Formula 1, in both an economical and logistical sense, was the~~ pandemic of the past few years. This affected both the organisers of races, and the Formula 1 teams themselves. The main financial burden for the organisers was the **lack of physical crowds**. A large portion of income for Formula 1 and for race hosts, is the sale of tickets for in-person viewers. Since the pandemic did not facilitate physical crowds, this source of income was lost almost entirely, setting a massive economic challenge on Formula 1 and the organisers.

Increased Costs for Teams

The pandemic saw F1 teams facing the unique challenge of higher production costs. ~~Many of the industries through which F1 teams source their~~ **raw materials** (e.g. Titanium) were drastically affected by the pandemic, from which certain industries still haven't recovered. This translates to a significant cost increase for raw materials that teams have to face. In addition to this, the increase in costs of **sea freight and air freight**, owing to the pandemic and the subsequent economic struggles, are also a point of concern for Formula 1 teams. The elongation of the F1 calendar also comes into play here, because more races in the calendar would mean more locations that teams have to travel to, with their large crews and extensive equipment. This is both an economical and a logistical burden for teams.

The other economical concern for teams with adding new tracks to the F1 calendar, is with regard to **Research and Development**. For every new race added to the calendar, teams will have to invest millions into creating and running **simulations** for drivers,

deciding on the most effective **strategies** and **fine-tuning** the cars for the specific track. This is also a challenge for drivers, who have to adapt to the entirely unfamiliar track. All of the above comes at a large cost for all teams, for which teams have no option but to spend, in order to stay competitive on the grid. The cost cap imposed by Formula 1 further increases the challenge for teams, in this regard.

Logistical Concerns

Fans

A logistical concern with the introduction of new and unfamiliar tracks, is the potential lack of in-person attendance. In certain areas, the cost of viewing a race in-person is a cost that the citizens in and around the host country are not able to afford. The average entrance fee for a Formula 1 race is in excess of **\$100**. This, in countries such as India for example, is not a practically feasible cost for its citizens, even if they are F1 fans. This would, in turn, reduce crowd turning up en masse, hence **reducing profitability**. On the other end of the spectrum, are certain host countries that do not necessarily have the biggest of Formula 1 fan bases. This is the case in many Middle Eastern races, where the people that do attend races will attend them not necessarily for the passion for the sport, but more so as means of **extravagant spending**. This is also problematic for the sport, not only because this indicates lower crowd turning up, but also because a **lively and energetic crowd** goes a long way in formulating a successful race.

Another concern regarding fans and the new prolonged calendar, is for **veteran** or **hardcore** Formula 1 fans. There exists a niche of fans, who would visit every Grand Prix, and support their favoured driver or constructor. For such fans, airfare costs, lodging costs and entrance costs are already significantly high. A prolonged F1 calendar would only add to this, in terms of more locations physically to attend. The increased airfares and lodging costs proceeding the pandemic does not help in this regard either.

Broadcasting

Formula 1 is a global sporting franchise and broadcasters play a significant role in spreading the sport worldwide. Formula 1 is owned by **Liberty Media Company**, and being a media enterprise themselves, they wish to secure the best media deal to gain maximum viewership for the sport.

A number of popular broadcasters share lucrative deals with F1 including companies **SKY SPORTS** and the **BBC**, who have partnered with the sport for a long time and many years to come. Broadcasters such as **ESPN** have also signed a heavyweight deal, to be the main broadcaster in the Americas, with their own contribution of maximising viewership. The American market was also captured by the **Netflix** series: **'Driveto**

Survive where the season is documented in depth, gaining massive popularity, while also being viewed for over-dramatising the grid for the sake of entertainment. The USA, being the home country of the parent company, has been a focal point for broadcasting, with more home races, and US-based teams such as Haas F1 as well as drivers such as Logan Sargeant being a part of F1.

However, heavy deals come with heavy pricing, and third-party broadcasters have to pay enormous sums of money to take it to their country, effectively narrowing opportunities and often leaving out smaller countries from the sport. This might contradict the goal of the sport being accessible to all. Not only that, some races demand that their homegrown broadcasters handle the coverage of the races, in places such as Monaco, and the standard of the coverage has been a raging point of concern, claiming that they don't fit into the standard set out by other global broadcasters and often taking away the full quality of the race for the fans.

Race Hosting

The average cost of building a Formula 1 race track varies between **\$300 million and \$1 billion**. Therefore, not every country is equipped for a Grand Prix race, as it requires a state-of-the-art track and surrounding facilities to provide for the world's largest travelling sports franchise. Race hosting is incredibly costly on a logistical basis, and not only that, the sum that needs to be paid to remain on the calendar is sky-high with hosts of a Formula 1 race requiring to pay in excess of **\$40 million annually** to Formula 1. The 2023 race season will see a total of **23 races** being worked off across the year, including 3 races in the United States. The ever-growing interest in the USA as well as the parent company being rooted there as well, have led to a special emphasis on races being held in the Americas. This has led to a debate about the quality of the race that would be offered, citing races such as the Miami Grand Prix which showcased a very stagnant race despite the increased hype created around the race.

This season will see some staple races such as Silverstone as well, but not all the races were certain until the very end. The crown jewel of motorsport – the **Monaco Grand Prix** had its future uncertain in the sport as it didn't seem financially viable for the sport since more countries were offering incredibly higher amounts of money to be on the calendar, coupled with the limitations and regulations proposed by the Principality of Monaco. The same situation arose with the **Belgian Grand Prix**, where intense negotiations saw the race having a spot in the paddock. Races such as the Chinese and Japanese Grand Prix have their own territorial barriers owing to the pandemic, creating uncertainty for their slots in the future.

More and more countries are willing to enter the F1 scene as it is one of the fastest-growing sports in the world, and it reaps benefits. The **Middle East** is one main region where their high portfolios of wealth have attracted F1 to the desert, with races to be held in **Bahrain, Qatar, Saudi Arabia and UAE**. Such lucrative investment

opportunities in said regions often overrule the significance and importance of certain races in the calendar. Not only that, even countries like Indonesia are working towards being a race host, while being in the backdrop of countries such as India, who looked to promising hosts, with high-quality races, only to leave the paddock citing the infeasibility of the complex logistics and economics of Formula 1.

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