

Donington and the British GP DIGGING FOR THE TRUTH

The doubters who believe Donington Park has little hope of hosting the British Grand Prix in 2010 look likely to be proved right. But why has the race's future been put in jeopardy for so long?

BY CHRISTIAN SYLT & CAROLINE REID

The Formula 1 fraternity had become used to uncertainty over the future of the British Grand Prix. It became an annual ritual that in the run up to the race F1's boss Bernie Ecclestone would express his annoyance that its current home of Silverstone was sub-standard and threaten to ditch Britain in favour of a higher-paying country. Few could have predicted, however, the bombshell Ecclestone would drop on the eve of the 2008 race when he announced that Donington, a circuit which last hosted F1 16

years ago, would be the new home of the British GP from 2010. After the surprise had worn off people began to consider the reality of the situation. It seemed Ecclestone had at last severed his ties with Silverstone, but the British GP still looked as uncertain as ever.

Leicestershire's Donington circuit had long been owned by Ecclestone's good friend Tom Wheatcroft. But despite this friendship Bernie didn't hand him the rights to the jewel in the crown of Britain's racing calendar. Surprisingly, Ecclestone waited until Wheatcroft had sold the lease of Donington to Donington Ventures Leisure (DVL), a private company majority >>>



III DONINGTON DEBACLE

owned by software entrepreneur Simon Gillett and property developer Paul White. Both are wealthy but not in the rich list league. More importantly, neither had significant experience in motor sport and from the beginning this was always going to be crucial.

DVL's ownership raised immediate questions. If Ecclestone wasn't prepared to put the British GP in the hands of his good friend then why would he give it to DVL? And how would DVL get funding for the race when the wealthy members of the British Racing Drivers' Club, which owns Silverstone, had failed to bring their own track up to Ecclestone's standards?

Unlike Silverstone, Donington doesn't need to fund minor upgrades – it needs a complete overhaul given the length of time which has passed since it last hosted Formula 1 in the pouring rain at the memorable 1993 European GP. To appease Ecclestone DVL also committed to paying an annual race sanction fee of \$25 million – slightly higher than that paid by Silverstone. All told, Donington needed to raise £135m. With no obvious funding source in place speculation ran rife that DVL's chief executive Gillett was the fall guy since he would get the blame in the likely event that funding couldn't be secured and Britain lost the race.

Adding to this speculation was the fact that if Britain lost the race Ecclestone could charge a replacement country even more for the slot and his friend Wheatcroft would most probably get his circuit back. Not only would DVL lack its key revenue source if the British GP was removed but it would still have to foot any preparation costs incurred so far. It remains to be seen if DVL could remain solvent through this but it didn't take long for warning signs to appear.

Cracks began to appear in DVL's infrastructure when its operating officer, Lee Gill, left without explanation last September, followed by experienced F1 PR advisors Sidhu and Simon.

Then it came to light that Donington had not even got planning permission for its overhaul, let alone the money to fund it. DVL had an arduous wait until January before permission was granted and even then its troubles were far from over.

Soon after DVL filed its 2007 annual accounts trumpeting that it had received planning permission. But it also revealed that it had "at this stage not finalised facilities in connection with the development of the race track required to host the F1 British Grand Prix from 2010."

It added that "the current economic conditions create uncertainty particularly over (a) the level of demand for the group's services, and (b) the availability of bank and other finance in the foreseeable future".

Worse still, the accounts painted a bleak picture of DVL's finances before it had even been handed the British GP. In 2007 the company made an after-tax loss of £12.3m, with its bottom line weighed down by a goodwill impairment of £7.4m incurred on buying the circuit during the year. Without this it would still have made a loss of £900,000 on turnover of £11.3m and, remarkably, at the end of the year it had just £28 in the bank.

Worryingly, DVL's cash flow in 2007 was

short by £435,000 with White providing a £4m guarantee so that it could get a £16.3m bank loan. It doesn't bode well that Donington needed this funding even before it got the British GP since there is a chance that the race would make a loss. The promoters' sole source of significant income comes from ticket sales and so many end up with an annual deficit. Without government support, a private entity like DVL could easily go bust as has happened with Spa. And that's when the economy has been good.

Donington was reportedly hit hard by the recession with Ecclestone revealing that although DVL "had in the early days all the funding put together... because of [the recession], the banks

have pulled back and left them in trouble." This still didn't stop Gillett promising that details of DVL's source of funding would be forthcoming by March.

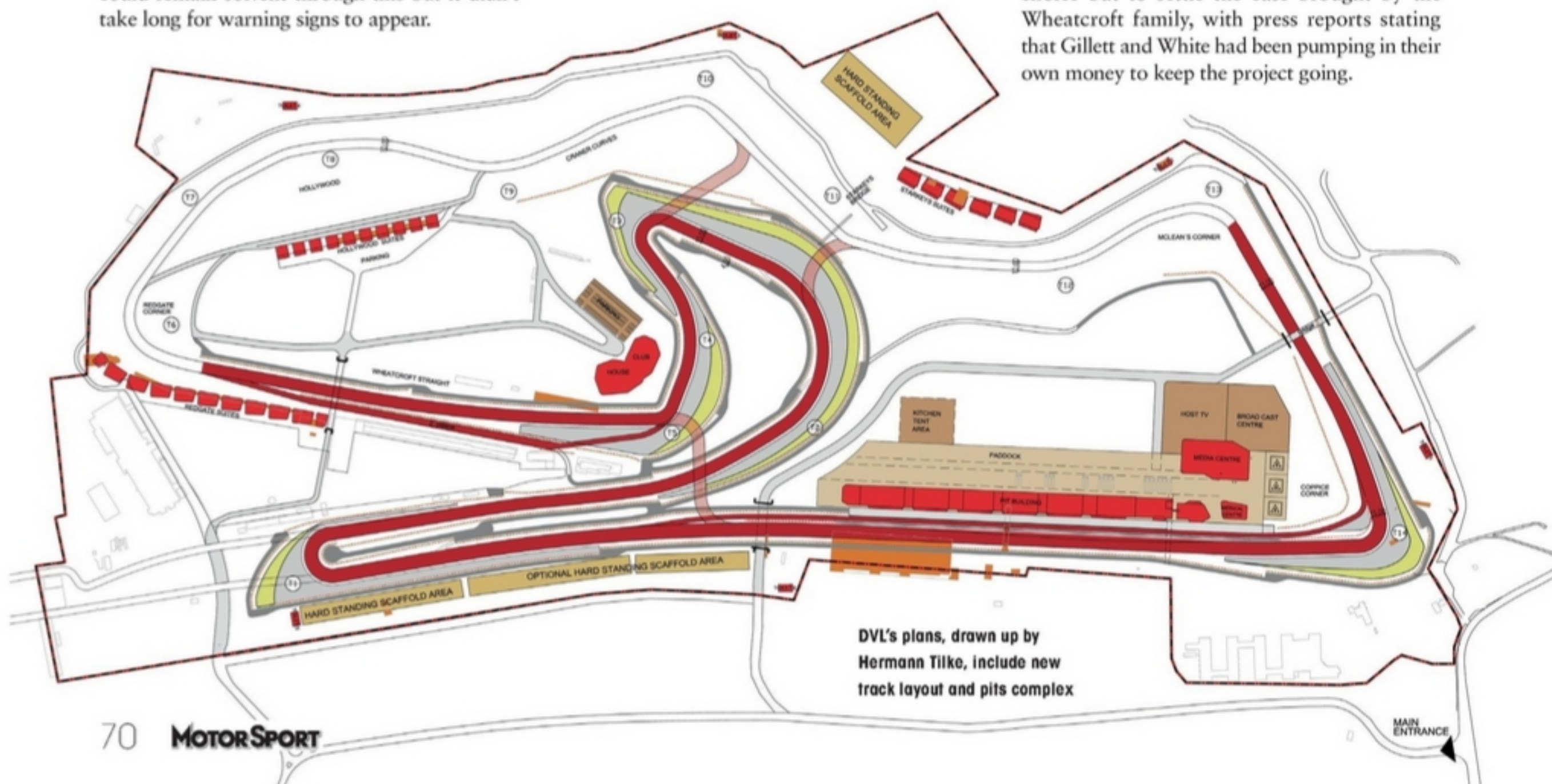
But deadlines came and went, and all Gillett would say was that details of the funding would be revealed in due course. He had other things on his mind.

It soon came to light that the Wheatcrofts had not

signed off the planning permission paperwork, reportedly because they were suing DVL for £2.5m in unpaid rent. Others who claimed to be owed money by DVL came out of the woodwork, with catering firm Eclipse telling the BBC in May that a £46,000 bill had not been paid.

With immediate doom looming DVL had little choice but to settle the case brought by the Wheatcroft family, with press reports stating that Gillett and White had been pumping in their own money to keep the project going.

"DVL's finances looked bleak before it had been handed the British GP"



DVL's plans, drawn up by Hermann Tilke, include new track layout and pits complex

Nevertheless, Gillett assured the media that he was "100 per cent certain it [the GP] will happen". But by now his apparent detachment from the reality of an economic downturn made him look like a child with a Scalextric set. Even Donington's most devoted supporters in the F1 media were tiring of his promises.

When DVL's funding plans were finally revealed they didn't instil confidence. DVL plans to get investors to pay it the £135m and says it will pay them back in full by 2016 as well as giving them 15 per cent interest annually. This interest rate is extremely high, reflecting the high-risk nature of the scheme, with other similar fund-raising efforts in F1 paying a third of the rate which DVL has committed to.

There were further twists and turns as Ecclestone suggested that the British GP could alternate with Silverstone, and also that the race would stay at Silverstone if Donington failed to get its plans on track. But with DVL still trotting out its line that it was "unable to publicly disclose any information about funding at the moment" and that "full details will be available in due

course", Silverstone had no confirmation that it could begin preparations for a race that it could well host next year.

Under normal circumstances Silverstone would have begun selling tickets in the summer before the race. In contrast, Donington was still trying to convince the public that it could raise the cash to make the circuit modifications.

In a bid to boost confidence, in July DVL announced that it had hired as a consultant Jayne McGivern, former chief executive of construction company Multiplex. This didn't serve its purpose, however, since Multiplex itself has a chequered track record having delivered Wembley stadium two years late and around £300m over budget.

In a last-ditch effort Ecclestone extended the length of DVL's GP contract in June to 17 years. The longer its contract the higher its hospitality sales should be. There was still no word from DVL about funding, however.

Ecclestone eventually had to put DVL out of its misery. In August he said that it had "got until the end of September to produce a bank

guarantee and their contract depends on that. If they don't, it's *adios amigos*." Then he extended the deadline until October 9 and when DVL missed that too he revealed that it was in breach of contract. At the time of writing DVL had two weeks to remedy the breach and had only just launched its fund-raising scheme, with analysts saying that its high-risk nature indicated it was unlikely to come off.

This outcome was predicted, but could it have been prevented? In the summer it came to light that Gillett had once been managing director and co-owner of a motor sport company which went bust with a £200,000 deficit in the amount it owed to its creditors. The company, Innovate Motorsport, went under in 2005 and Gillett said he'd had no involvement with it for a year before it collapsed. But according to official company documents he never sold his share in the company and resigned as a director just six months before it went into liquidation.

The most worrying aspect was that Innovate was trying to get a motor sport centre off the ground and the comparison with Donington is eerily similar. The plan was to transform 400 acres of disused mining land in Wales into a venue complete with a 60-room hotel and conference centre. It is precisely what was planned for phase two of the Donington project, which would have seen a hotel built on site.

After failing to get planning permission, Innovate hit the wall owing a total of £220,000 but having only £16,000 of assets, leaving a deficit of £204,000.

If DVL ends in the same way it looks like Ecclestone will be quids in. In August the BRDC reached a landmark decision when its members voted in favour of a plan to hand the running of Silverstone to a management company which would invest heavily in it and make it "capable of hosting Grands Prix should the opportunity arise". Reports suggested that the BRDC was on the verge of signing a deal with a sovereign wealth fund, which is just the kind of deep-pocketed entity that Ecclestone would like

to see supporting the British GP.

The ultimate irony is that on the same day Donington's October 9 funding deadline ran out, Silverstone posted a £3.1m pre-tax profit in its 2008 accounts as the British GP sold out in record time, fuelling a 20 per cent increase in revenue to £36.4m. While this proves the circuit's popularity with fans, it doesn't secure its future.

With Silverstone owned by the BRDC not one penny of its profits flows into Ecclestone's pockets. When it comes to the long-term future of the British GP, that's all that counts. **M**



Clockwise from above: Fans haven't backed GP move; Bernie with Paul White; Gillett only got planning permission in January; with former operating officer Lee Gill

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