

BERNIE ECCLESTONE'S FUTURE AS Formula 1's boss could be determined by a London High Court trial verdict, which is due to be given early in 2014.

The trial began at the end of October and was coming to a close as *Motor Sport* went to press. It has shed light on Ecclestone's management style and the complex business structure he put in place to run F1. The billionaire has been in F1's driving seat for nearly 40 years, but his reign is at risk.

The threat comes from allegations that Ecclestone and his Bambino family trust paid a \$44m bribe (between 2006 and 2007) to Gerhard Gribkowsky, a former executive of German bank BayernLB. The bribe is said to have been paid to ensure that the bank sold its 47.2 per cent stake in F1 to the sport's current owner, the investment firm CVC.

In June 2012 a German court found Gribkowsky guilty of receiving the alleged bribe and sentenced him to eight and a half years in prison.

The charges against him were the catalyst for the High Court claim against Ecclestone, which has been brought by German media rights company Constantin Medien.

It has accused Ecclestone and Gribkowsky of conspiring to undervalue F1 through engineering the sale to CVC. Constantin claims it lost out as it had an agreement with BayernLB: it would receive a 10 per cent share of any proceeds if the bank's stake was sold for more than \$1.1bn.

BayernLB got \$765m for the stake so Constantin missed out on a payment and is suing Ecclestone, Gribkowsky, Bambino and the trust's former legal adviser for damages.

Constantin claims that CVC was Ecclestone's preferred buyer as it had agreed to retain him as F1's chief executive officer.

Ecclestone admits paying Gribkowsky but denies it was a bribe.

He says Gribkowsky threatened to tell the British tax authorities that he controlled Bambino if the money was not paid. Bambino is based off-shore, but Ecclestone is a UK resident so he would be liable to pay tax on the estimated \$4bn in the trust if he was found to be in control of it, which he strongly denies.

He says he paid Gribkowsky because those false allegations would have

Ecclestone's future hangs on court verdict

F1 tsar could be driven from his sport as London tribunal assesses conflicting evidence | BY CHRISTIAN SYLT

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triggered a lengthy and probably very costly investigation.


When Ecclestone was asked in court why he did not report Gribkowsky's threats to the police instead of paying him off he said: "What would they have done? I informed them about a burglary we had. They did nothing." He added: "I was trying to keep all of this out of the tax people. That was the whole point of paying him. If I hadn't have wanted to do that, I wouldn't have paid him."

In May Ecclestone was charged in Germany with the criminal offence of paying a bribe. However the prosecutors have said they will not make a decision until next year on whether to bring him to trial, so they will be closely watching the civil proceedings in London.

If the case goes in Ecclestone's favour it reduces the likelihood that he will be put on trial in Germany, which in turn increases the chances that the long-awaited flotation of F1 on the Singapore stock market will be given the green light. There is a lot on the line as it is unlikely that Ecclestone would have the

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time to run F1 at the same time as mounting a defence in a criminal trial. Last year he said that CVC "will probably be forced to get rid of me if the Germans come after me. It's pretty obvious, if I'm locked up."

The court in London has heard evidence which Constantin has tried to use to build up a picture that Bambino and Ecclestone are prepared to pay bribes and that he is desperate to stay in power. The events at the heart of Constantin's claim took place more than five years ago, so the evidence in the case is not directly relevant to contemporary F1, and industry insiders already knew much of the detail. It 

MOTOR SPORT SAYS...

Damien Smith, Editor



It was business as usual at the US Grand Prix as civil court proceedings against Bernie Ecclestone and his off-shore Bambino family trust continued in London. The Formula 1 paddock has always existed in a bubble, and yet again the teams concerned themselves solely with the nitty-gritty matters of the moment. The future of who controls F1, and potentially how, was of low priority compared to high tyre degradation, performance 'delta times' and the like. There was a race to be run, and such matters – even if they were fundamental to the destiny of their business – required no comment, particularly as the case was unresolved.

Ecclestone travelled to Austin after a witness stand performance that was at times laughable. At one stage he was accused of "lying repeatedly" as he requested to "go back on" evidence he'd given. Still, we know only a fool would underestimate him. He might successfully see off Constantin's allegations and continue his iron rule (on behalf of those benevolent employers at CVC).

But if he fails, everything changes.

Even his boss admits as much. CVC co-founder Donald Mackenzie told the court: "If it is proven that Mr Ecclestone has done anything that is criminally wrong, we would fire him." He went on to say that Ecclestone finally admitted the alleged Gribkowsky bribe payments in February 2011 after having "forgotten" about it. As you do with \$44m.

We've stated our opposition many times to Ecclestone's questionable approach to running what is no longer his business. When he does go, on his own terms or otherwise, a period of F1 chaos is guaranteed, which is in itself an indictment of his leadership. Nevertheless, the rot runs deep, far beyond one man, no matter how influential.

Even without Ecclestone, the flawed

business model will remain: a private financier feeding off the revenues of a sport in dire need of reinvestment, most pertinently to ensure the survival of venues and races in its traditional markets.

If CVC cannot float its F1 stake on the stock market, the piecemeal sale of its interest will continue – most likely to other faceless investment companies that share the same profit-creaming priorities. So can any single entity break the system? We fear the answer to that question.

Historically, the teams – with most to win or lose – have shown themselves incapable of setting aside self-interest for the good of the sport. We can't rely on them. Logic thus suggests our best hope lies with the regulatory governing body.

FIA president Jean Todt is assured of a second term in office, now the challenge from David Ward has evaporated through lack of support. Todt has already worked hard to secure better terms for the FIA; now he must fight harder to win back the power his predecessor Max Mosley gave away so easily to Ecclestone at the turn of the century.

But he's hamstrung by EU competition laws that, quite rightly, won't allow the FIA both to regulate and promote the sport. And this is at the heart of how we arrived here in the first place. Over the years F1 has tied itself in knots to meet the letter of the law, as Ecclestone has worked tirelessly to hold on to power.

We don't pretend to have all the answers to the complex problems of running a sport with so many vested interests, but the fact remains there's an elephant in the room, and it won't be shifted until open and forthright discussions on the sport's future begin.

But while Ecclestone retains control that can never happen – let's face it, he'd hate it. Whatever happens in court, it's time for the man to go.

grabbed headlines nevertheless.

One of the most widely reported allegations was that Bambino's subsidiary Valper Holdings made payments of \$10m to Eddie Jordan, Alain Prost, Tom Walkinshaw and Frank Williams in return for them agreeing to stay in F1 by signing the 1998 Concorde Agreement. Acting for Constantin, Philip Marshall QC claimed that paying the money to the team owners rather than the teams was "very odd" and "a very strange arrangement".

Ecclestone revealed that he would not have needed to pay a bribe to ensure that he stayed in his job. If F1 had been sold to an owner that wanted to remove him, it is likely that the deal would have been blocked by the FIA. He added that, contrary to popular belief, "I don't want to die as CEO. I run the company... and as long as I've got control of the company, I will continue to be there. If I find that I haven't got control any more, I will leave and do something else."

It also emerged in court that Ecclestone had thought the "ideal person" to succeed him was former Ferrari team principal Marco Piccinini "because he was the manager at Ferrari for 12 years and was close to Mr Ferrari. So he knew a little bit about business as his parents owned three quite large banks and he was involved in the banks as well".

Although great attention has been given in court to Ecclestone's alleged bribe and quest to stay in power, that is only half the story. In order to win the case, Constantin doesn't just need to prove that Ecclestone paid a bribe, it also needs to prove that this led to F1 being undervalued and that, in fact, the stake was worth more than \$1.1bn.

No other bidder offered more than CVC, but Constantin claims that it would have paid more, or another buyer prepared to offer more would have been found if the alleged bribe had not been paid. Its lawsuit states, "Had it not been for the Unlawful Conduct, the BayernLB Holding would have been sold to CVC or another purchaser for full value in or about January 2006."

But it appears Constantin might have its work cut out to convince the judge, Mr Justice Newey, that Formula 1 was indeed undervalued. His decision on this will be pivotal to the outcome of the case – and perhaps to Ecclestone's future as F1 boss.



McLaren junior Kevin Magnussen has been rewarded, following his success in the 2013 Formula Renault 3.5 championship

Magnussen in, Pérez axed

McLAREN'S DECISION TO DITCH Sergio Pérez in favour of Kevin Magnussen is the most dramatic twist yet in an unpredictable F1 silly season that has left even the most astute driver managers struggling to keep pace.

The saga of Pérez's 2014 contract had been dragging on for some weeks. Initially McLaren appeared to be delaying confirmation of the Mexican's ongoing presence, in the hope that Fernando Alonso might be able to extract himself from Ferrari – presenting the team with a unique opportunity to grab one of the biggest players on the

market, despite the animosity surrounding his departure at the end of 2007. In addition, the delaying tactics were widely seen as a motivating exercise for Pérez and his sponsors.

After a strong race in India, and with Alonso long off the market, Pérez's retention appeared to be a formality. Behind the scenes, however, there was an increasingly strong push for McLaren protégé Magnussen, who had recently secured the Renault 3.5 title against stiff opposition. Crucially, the Dane had won a lot of support from the engineering team following tests at Abu Dhabi in November 2012 and Silverstone last July, along with good form in the factory simulator.

Martin Whitmarsh followed the logical path of trying to place Magnussen with another team for a learning year in 2014, but with so many experienced drivers on the market – and money an inevitable requirement – there were no takers.

In the end the team decided to do exactly what it did with Lewis Hamilton in 2007, and push Magnussen straight into a race seat. The big difference back then was a genuine vacancy, but this time the team dropped the man who just a few months earlier had been touted as its future star.

Whitmarsh summed it up succinctly when he said that Pérez had done nothing wrong, it was just that Magnussen existed – and the team could not pass up the opportunity to fast-track him into a seat. Pérez claimed he was totally shocked by the decision, but to his credit reacted with considerable class and delivered a solid race just a few days later in Austin.

The buzz around Magnussen suggests he really is something special, and McLaren has clearly convinced future partner Honda that the Dane will be the man to push the team forward.

Now he has to prove that he can thrive in the spotlight, as Hamilton did in his rookie year.

"He's like his father, who was also very, very quick," Whitmarsh told *Motor Sport*. "He's also quite a contrast to his father. So he's got the speed, but also the focus, the determination and the steeliness."

"He's demonstrated that this year in Renault 3.5: he set out to win the title, and he did it in style. He's grown and developed enormously."