

นิพนธ์ต้นฉบับ (Original article)

บริหารและการจัดการกีฬา (Sports Management)

RESEARCH TO EXAMINE WHAT LEVELS OF SUPPORT EXIST FOR THAILAND TO HOST OF
FORMULA 1 RACE AND THE LIKELY IMPACTS OF ANY SUCH EVENT

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ABSTRACT

The objectives of this study ranged from presenting an integrated academic achievement of feasibility analysis on a Formula One event in Thailand to explore the possible alternatives for any potential event and understanding the ramifications of the decision for planning such an event. There were two tranches to this thesis, the first was a study of the public perceptions of all factors affecting any event and the second tranche takes that information and uses it to analyze the financial implications. The findings indicated that a Formula One event in Thailand would be financially feasible, based on a street circuit in Bangkok and there was significant support for government funding. However, there was a gap between the expected revenue and the costs. The study concluded that such an event was overwhelmingly popular and the perception was that it was extremely positive (91.1%). A large majority of those sampled believed that it was acceptable to use government money to support such a bid to bring Formula One to Thailand (68.8%). The results suggested that there is little ambiguity in choosing the track location, with costs and timescales prohibiting any building of a specialist venue. The only logical and financial proposal is for the track to be a street circuit located in Bangkok.

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KEYWORDS: Formula 1; Research strands; Peripheral events; Geopolitical; Thailand

INTRODUCTION

Formula 1 racing has its roots in organised automobile racing that began in France as far back as 1894. It quickly evolved from a simple road race from one town to the next, to endurance tests for car and driver. Innovation and the drive of competition soon saw speeds exceeding 100 miles per hour (160 km/h), but because the races were held on open roads there were frequent accidents with the resulting fatalities to both drivers and spectators.

Formula One was first defined in 1946 by the Commission Sportive Internationale (CSI) of the FIA, the forerunner of FISA, as the premier single-seater racing category in worldwide motorsport. It was variously known as Formula A, Formula I or Formula 1.

The Formula 1 Grand Prix is one of the world's largest sporting events, generating huge revenues and followed by millions worldwide. The race calendar runs for 20 races each year and covers Europe, North America, South America, Australia and Asia. It has been proposed that Thailand hosts a Formula 1 Grand Prix in 2014. There are many hurdles to cross for Thailand to host such an event, including external political and economic factors, internal political factors and actual practical feasibility. The location for a track is undecided and the costs have not been modeled. There are large issues regarding the number of visitors expected, the revenues generated, the sponsorship and the feasibility of actually holding an event in Thailand. The purpose of this research is to examine what levels of support exist for Thailand to host of Formula 1 race and the likely impacts of any such event.

My involvement in F1 began at the British Grand Prix 25 years ago. Then the fascination spiraled into involvement in macro finances of the sport. Eventually, a move to Thailand began my involvement in Asian F1 statistics and finances.

OBJECTIVE

- 1) Establishing the public support and acceptance of hosting a Formula 1 race in Thailand.
- 2) Discussion the various alternative venues and also ascertaining the likely revenue streams and costs associated with such a venture
- 3) There is a peripheral objective to look at best practice around the Formula 1 calendar and also to complete a comparative study of Singapore and its Grand Prix.

METHODOLOGY

The research will study the background, history and impact for staging a Formula One event in Thailand. It will also look at the likely costs and the revenues associated with such a scheme. For this some assumptions, and by default limitations, have to be made. The main assumption is that the race will be a night race staged on the streets of Bangkok. Additionally the contract for this event will be for a 5 year period (with an option for 2 additional years). The capacity for such an event will be 85,000 people per day.

The primary objective of this study is to establish whether bringing the FIA F1 GP World Championship to Thailand will be beneficial to the Thai economy and Thailand at large.

POPULATION AND SAMPLE

The population, in the macro sense, is the world F1 viewing population. However, with significant focus on the population of Thailand and the visitors to Thailand. The main population within Thailand is the potential F1 viewers and attendees. Males and females ages 18-60.

The research will be conducted over a 6 month period, this is a time limited by the scope of the research and by the timescales anticipated for the attraction of an F1 race to be added to the next F1 calendar.

RESULTS

The overall picture of this chapter outlines and is composed of the following:

1. Questionnaire Analysis
2. Financial Feasibility Analysis

Questionnaire Analysis

In Table 1.1, Personal Data, we see the results of the first section of the questionnaire, or the demographic section.

Table 4.1 Personal data

List of items	Number (person)	Percentage
1. Gender		
Male	256	61.8
Female	158	38.2
Total	414	100.0
2. Age		
-17	1	0.2
18-20	43	10.4
21-29	198	47.8
30-39	135	32.6
40-49	18	4.3
50-59	19	4.6
60+	0	0
Total	414	100
3. Nationality		
Thai	205	49.5
British	45	10.9

German	49	11.8
Swedish	23	5.6
USA	5	1.2
Swiss	4	1.0
Japanese	15	3.6
French	10	2.4
Other	58	14.0
Total	414	100
4. Live in Thailand		
Yes	197	47.6
No	217	52.4
Total	414	100
5. Interested in motor sports		
Yes	254	61.4
No	160	38.6
Total	414	100
6. Ever watched a motor race		
Yes	367	88.6
No	47	11.4
Total	414	100

7. Ever attend a motor racing event		
Yes	225	54.3
No	189	45.7
Total	414	100

In Table 4.2, Event, we see the results of the second section of the questionnaire, or the attendance and location of the event/track section.

Table 4.2 Event data

8. Potentially attend a F1 event in Thailand		
Yes	266	64.3
No	148	35.7
Total	414	100
9. Location of F1 event in Thailand		
Centre of Bangkok on street circuit	115	27.8
Suburbs of Bangkok on Street circuit	13	3.1
Purpose built race track close to Bangkok	99	23.9
Purpose built race track in Pattaya	2	0.5
Purpose built track in Chiang Mai	23	5.6
Others	12	2.9
Total	264	63.8
10. Attend an F1 event outside of Bangkok		
Yes	137	33.1
No	127	30.7
Total	264	63.8

In Table 4.3, we see the results of the third section of the questionnaire, or the attendance and location of the event/track section.

11. Positive event for Thailand		
Yes	377	91.1
No	37	8.9
Total	414	100
12. Should government money be used to support a race		
Yes	285	68.8
No	129	31.2
	414	100
13. Cultural events		
5	362	87.4
4	19	4.6

3	7	2
2	6	1.4
1	4	1.0
Total	398	96.1
14. Maximum money to pay for F1 3 day event		
Below 1000 baht	34	8.2
1000-2000 baht	156	37.7
2000-3000 baht	143	34.5
3000-4000 baht	67	16.2
4000-5000 baht	14	3.4
above 5000 baht	0	0.0
Total	414	100
15. Impacts of F1 event		
Increase in money in the economy		
1	2	0.5
2	12	2.9
3	149	36.0
4	141	34.1
5	110	26.6
Total	414	100.0
Greater awareness of Thai culture		
1	1	0.2
2	10	2.4
3	160	38.6
4	143	34.5
5	100	24.2
Total	414	100.0
Sports development		
1	1	0.2
2	16	3.9
3	150	36.2
4	129	31.2
5	118	28.5
Total	414	100.0

Political unity		
1	78	18.8
2	93	22.5
3	164	39.6
4	76	18.4
5	3	0.7
Total	414	100.0

Financial Feasibility Analysis

Cost Analysis

The first cost associated with any proposed race in Thailand is the hosting cost, the fee paid to Formula One Holdings, the franchise holder of the races. The costs are likely to be in the region of \$40 million. As night races on street circuits are potentially more lucrative, this would explain why the hosting fee would be amongst the highest in the world.

Table 4.4 Formula One series race agreements (in US\$).

Grand Prix race	Sanction fees (in millions)	First GP at circuit	Contract end
Australian	29.9	1996	2015
Malaysian	46.0	1999	2015
Bahrain	31.0	2004	2016
Spanish	19.1	1991	2016
Turkish	29.6	2005	2021
Monaco	None	1950	Ongoing
Canadian	22.2	1978	2011
French	19.1	1991	2010
British	19.1	1950	2017
German	23.8	1970	2010
Hungarian	20.8	1986	2011
European	38.8	2008	2014
Belgian	26.3	1950	2015
Italian	4.7	1950	Ongoing
Singapore	44.3	2008	2017
Japanese	42.6	1976	Ongoing

Chinese	36.8	2004	2017
Brazilian	22.2	1973	2015

The second major cost associated with the hosting of a Formula One race are the circuit costs. Given the results from the questionnaire, the overwhelmingly popular choice of location is Bangkok. However, the questionnaire did reveal a split in the choice of a purpose built track and a street race. The costs of both options, in Bangkok, are as follows. The final major costs associated with a Formula One race hosted in Thailand are the capital expenditure costs (CAPEX) and operating costs (OPEX).

Direct economic benefits

The financial costs of mounting the Grand Prix, spread over a five years term, are estimated to be US\$150 million, including the promoter fee (see above), and should be a commitment by the government to pay 60 per cent. The rights can then be sold for US\$200 million to a local race promoter (figure based on Singapore GP Straits Times 2009), a government special purpose vehicle (SPV), which will host the race for a five year contract with a two year extension option. Some government funding is to be recouped through a 25 per cent levy on sales of rooms and accommodation packages by the hotels nearest the track and a charge of 15 per cent on all other hotels during the five-day race period.

Direct economic benefits

Revenue Analysis

Based on current attendance figures in Table 1.5 we see that there are

- 1) Cultural events will increase attendance (questionnaire)
- 2) Ticket prices 3000 (based on 3 day and 85k attendance) (questionnaire)

In terms of actual outcomes US\$130 million is projected to be earned from the sale of 130,000 tickets (over 3 days) at prices ranging from US\$100 (3,000 baht) for a walkabout pass to US\$4,000 for VIP access. According to the questionnaire, the Grand Prix is likely to draw 40-50% of overseas visitors, and will see US\$115 (B3,335 million) million in tourist revenues as per Table 4.5 (Watkins – Australia GP 2005).

Table 4.5 Estimated Expenditures in Bangkok (in US\$)

	Extra visitors		Stay-extenders		Other visitors	
	Per trip	Per night	Per trip	Per night	Per trip	Per night
Local	1,248	275	1,490	277	1,340	201
Overseas	1,564	196	2,175	193	2,301	132

The Breakeven Point

The calculable breakeven point does not have one definite answer; there are too many mitigating and impacting factors. The price sensitivity of the tickets is a major factor and they must be priced in such a way that local residents are free to participate. However, as seen in the survey, B3,000 is a price that many, including local residents, are prepared to pay. Based on this, to sell 150,000 tickets would generate B450,000,000 (US\$15 million) revenue on ticket sales alone.

VIP packages should add another B400,000,000 (US\$13.3 million). Coupled with food concessions at B100,000,000 (US\$3.3 million) and local sponsorship (sole drink concessions etc) at another B550,000,000 (US\$18.3 million), then the revenue in terms of direct cash reaches over US\$40 million per year. The government tax, set at 20%, on hotels in downtown Bangkok should net another B150,000,000 (US\$5 million) and the restaurant levy another B180,000,000 (US\$6 million). There will also be revenues of media, from advertising and from fringe events. Table 4.6 shows the direct revenue streams.

Table 4.6 Direct Revenue Streams

Item	Baht	US\$
Ticket sales (150k)	450,000,000	15,000,000
VIP packages (20k)	400,000,000	13,300,000
Food concessions (60)	100,000,000	3,300,000
Sponsorship deals (outside F1 framework)	550,000,000	18,300,000
Hotel tax levy (20%)	150,000,000	5,000,000
Restaurant tax levy (20%)	180,000,000	6,000,000
Increased tourist spending	1,500,000,000	50,000,000
Total	3,330,000,000	110,900,000

These benefits should be compared directly with the costs projected for the project based on a street circuit in Bangkok.

Table 4.7 Costs (CAPEX and OPEX)

Item	Baht	US\$
Hosting Fee	120,000,000	40,000,000
OPEX (staff, stands, lighting, etc.,)	150,000,000	50,000,000
Environmental impacts bus rerouting etc.)	15,000,000	5,000,000
Total	275,000,000	95,000,000

This leaves a projected profit of US\$20-25 million. The main thrust of this would be the 40% extra tourists spending approximately US\$1000 a day each. The government would recoup expenditure through taxation and increased productivity – the indirect (aforementioned ‘intangible’) sums.

DISCUSSION

The general perception is that hallmark sporting events, like the FIA F1 World Championship, attract attention from millions of fans around the world, and that this attention raises their awareness of the region which is hosting the event (Mules, 1998).

Bangkok is already one of Thailand's premier tourism destinations and it could be argued that the region has such a high profile that the F1 GP event would simply only reinforce what is already present. On the other hand, cities like Chiang Mai and Pattaya that could host race facilities that could be upgraded do not have Bangkok's tourism icons. Clearly for these locations the tourism benefits flowing from raised awareness will be greater than in the case of Bangkok. Additionally it could be argued that the tourists visiting Thailand for the Formula 1 GP event would more likely tour the entire country.

Lessons are to be learnt from other host countries of mega sporting events, in particular hosts to the FIA F1 GP World Championship, including:

- . (i) that the tourism industry should be a contributor to the funding of mega sporting events;
- . (ii) proper and public reporting should become part of the conditions of any government granting of subsidies.

Investments in the hosting of large international sporting events may be an investment alternative for the government for sustainable growth – in opposition to the current popular spending schemes. The Formula 1 has lasting benefits and is popular, a classic win/win situation. However, more detailed investigations in this field should be undertaken either by government or proponents of such events. Such investigations should be geared at improving the bid process so that more reliable results are produced that can triumph the scrutiny of any independent review.

SUMMARY

The results suggested that there is little ambiguity in choosing the track location, with costs and timescales prohibiting any building of a specialist venue. The only logical and financial proposal is for the track to be a street circuit located in Bangkok. This brings both direct and indirect financial benefits to the scheme.

It became clear during the study that there was a specific need for sports and tourism arms of the government to work closely together and the net benefits would be harvested for both. In terms of revenue from the scheme, it became clear that a tax levy by the government on hotels and restaurants was a primary factor in deciding whether the scheme became viable. Additionally, in the first tranche of the study, it was established that the event would only be successful if it were designed and marketed as a cultural event,

alongside the motor sports event. The key factor became the mix of audience and the need to get families and women involved and become paying customers.

The study did highlight some significant issues that need resolution, prior to the sealing of any bid. These include two critical questions, the location of a pit lane for the event and the effectiveness of the public transportation system in delivering spectators to the event.

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บริหารและการจัดการกีฬา (Sports Management)

การศึกษาความเป็นไปได้ในการจัดการแข่งขันฟอร์มูล่าวันในประเทศไทย

ไชมอน ไมเคิล สาคร์ท

บัณฑิตวิทยาลัย มหาวิทยาลัยราชภัฏจันทร์กุ้ง

บทคัดย่อ

จุดมุ่งหมายของงานวิจัยนี้ได้แก่ (1) เพื่อสร้างการสนับสนุนสาธารณะและการยอมรับในการจัดการแข่งขันฟอร์มูล่าวันในประเทศไทย (2) เพื่อสืบสานและสนับสนุนความน่าจะเป็นเชิงบวกและความสำเร็จของการวิเคราะห์ความเป็นได้ของการแข่งขันฟอร์มูล่าวัน และ (3) ตรวจสอบทางเลือกที่เป็นไปได้สำหรับการแข่งขันนี้ที่มีศักยภาพและทำความเข้าใจทางการเลือกของการตัดสินใจสำหรับการวางแผนจัดการแข่งขัน งานวิจัยแบ่งเป็น 2 ส่วน คือ ส่วนแรกเป็นการศึกษาการยอมรับสาธารณะของปัจจัยทั้งหมดที่มีผลกับทุกการแข่งขันและส่วนที่สองจะนำข้อมูลเหล่านั้นมาใช้เพื่อวิเคราะห์การแสดงออกทางการเงิน ระเบียบวิธีวิจัยของงานวิจัยนี้เริ่มต้นจากการสำรวจกลุ่มผู้ชุม 414 คน ด้วยการสุ่มจากผู้ชุมทั้งหมด 30,000 คน จากการแข่งขันฟอร์มูล่าวันในประเทศไทย การวิเคราะห์ผลกระบวนการนี้เป็นการพิจารณาถึงปัจจัยที่มีผลต่อทุกรอบของการแข่งขันด้วยการใช้ค่าร้อยละของสถิติเชิงพรรณนาเพื่อขอรับความเห็นไปได้และเพื่อจัดตั้งการสนับสนุนและการกำหนดราคาที่เกี่ยวข้องสำหรับทุกการแข่งขัน

ผลที่พบแสดงให้เห็นดังนี้ (1) การแข่งขันฟอร์มูล่าวันในประเทศไทยมีความเป็นไปได้ทางการเงินซึ่งอยู่บนพื้นฐานของถนนโดยรอบในกรุงเทพมหานครและมีการสนับสนุนอย่างชัดเจนจากเงินทุนภาครัฐ (2) มีช่องว่างระหว่างรายได้ที่คาดหวังกับต้นทุน การศึกษานี้สรุปว่าแต่ละรายการแข่งขันได้รับความนิยมอย่างล้นหลามและการรับรู้ที่พบนั้นเป็นเชิงบวกอย่างแรงกล้า (91.1%) กลุ่มตัวอย่างส่วนใหญ่เชื่อว่ารายการนี้ควรได้รับการยอมรับให้ใช้บประมาณของรัฐเพื่อสนับสนุนและประเมินเพื่อนำฟอร์มูล่าวัน มาจัดการแข่งขันในประเทศไทย (68.8%) และ (3) มีความน่าสนใจอย่างมากในผลการสำรวจที่แข่งขันซึ่งต้นทุนและห่วงเวลาเป็นสิ่งที่ต้องห้ามในการสร้างสนามที่มีความพิเศษ ข้อเสนอด้านต่างๆ ที่ได้รับการนำเสนอในงานวิทยาและด้านการเงินเท่านั้นที่บ่งบอกว่าทางแข่งขันควรจะเป็นถนนที่วนรอบกรุงเทพมหานคร

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คำสำคัญ : ฟอร์มูล่า 1, ภูมิศาสตร์การเมืองประเทศไทย