

An Evaluation of Planning and Organization Process of Sporting Event: The Case of Formula 1 in Istanbul

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1. Introduction

From rational planning to collaborative planning, it has been well known that planning involves complexity through the negotiations among different actors. Harvey (1989) has defined the occurring paradigm shift in urban policies as the “transformation from managerialism to entrepreneurialism”; using the term “governance” instead of “government”, emphasizing that the authority to organize space is in the hands of a fragmental power involving many actors.

On the other hand, cities have been changing with the winds of globalization, transforming economic structure from production to more consumption based economy. This economic structure which the private sector has raised inside, the open market dynamics and re-distribution mechanisms have been modified only for certain classes, has become more dominant. Therefore, real estate, construction sector, cultural industries and organizing events have become rising sectors within the cities.

Especially in the 1990s, international events have increasingly become a new tool for attracting visitors, bringing revenue for the cities and enhancing their competitiveness, while Amin (2007) and Urry (2002) called this process as “selling places for pleasure”. There are variety of reasons why cities may wish to host these

events, the most compelling being the promise of a vast economic windfall forecast by economical impact studies (Burns and Mules, 1986; Hiller, 1998). Given these forecasts, an increasing number of developing economies have joined the bidding frenzy, insisting on their right to receive a share of the monetary spoils and hopefully kick-start their development. Discussions generally focus on three main points: the organization and financing, the effects, particularly the economic effects and the legacy and sustainability of the events. Not only the direct economic impacts through the visitors spendings, but the secondary economic impacts have also be the research interests (Gratton et.al, 2001; Roche, 2000). Generally the events have been used as urban regeneration tools, while the changing land use pattern and increasing land values have become a significant agenda for the urban studies.

Nowadays, many of the entrepreneurial cities desire to implement the urban development policy by establishing public-private partnerships and these partnerships have been seen as products of the new economic and political understanding (Evans, 2005; Smith, 2007). Mega events are always encouraged by the business elite or implemented by carefully mobilizing their support. Political actors have been a part of this elite coalition because public funds and subsidies of governments are inevitably needed for the implementation of mega events. In fact, the decision to host a mega event is the consensus of the bureaucratic elite, who have been chosen officially, and the government. This decision has become a part of the grassroots democratic decision-making process. The organizers, developers and sponsors assume that the events are absolutely successful; either there are none or very few, negligible negative effects (Hiller, 1998; Bodwin et.al.2002). The lack of transparency in the process continues to be dominant in the implementing organizations (Horne and Manzenreiter, 2006).

Mega events require the mobilization of public resources, which is a reflection of political decisions but not a public consensus, due to the large financial burden that they have caused. Generally, public spendings on these events have been legalized, emphasizing the long-term gains; urban infrastructure and renewal projects, the

increase of international recognition and tourist visits (Hall, 1992; Andranovich et al., 2001) (Figure 1). There is a high cost for maintenance and the truth is that it is now very difficult for a sports facility to be financially viable without some degree of public subsidy (Aman et.al, 2009; Horne and Manzenreiter, 2006).

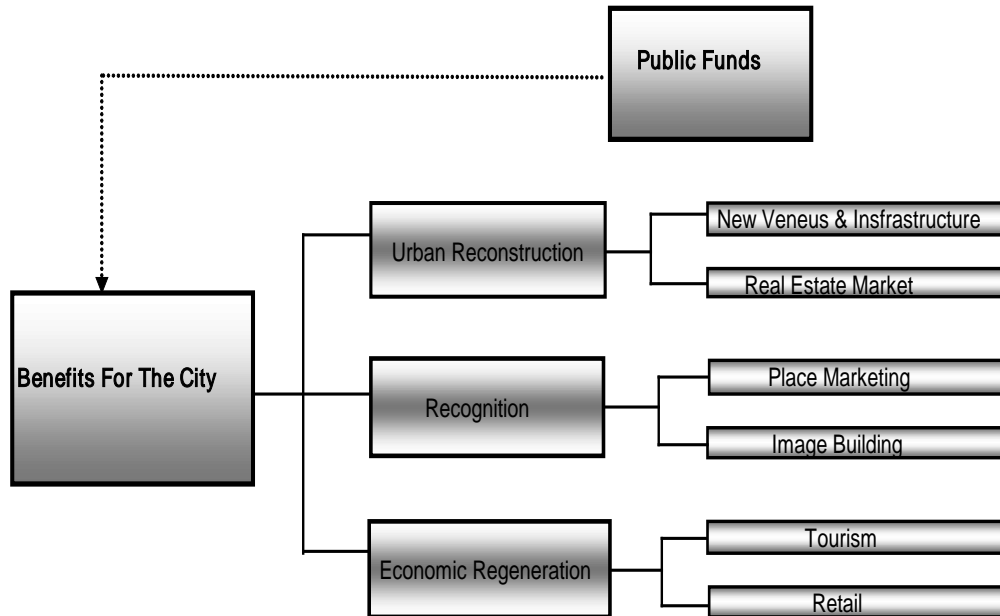


Figure 1: Public Funding and Expected Benefits of Mega Events

The aim of this paper is to examine the hosting process of Formula 1 as a sporting event in Istanbul. However, after the year 2011 Formula 1 events will no longer take place in Istanbul due to the lack of audience and very high costs, and it contains important lessons for Istanbul. Therefore, the paper tries to put forward the issues of Formula 1 event in Istanbul, considering the planning and organization process, rather than expected economic impacts. Planning process would include the selection of “Tuzla Akfirat region” as the location of the event and functional changes, while the organization process includes the actors that involved in the formation process of Istanbul Park, along with the funding structure.

2. Location Decision and Planning Process of Formula 1 Istanbul Park

Location choice for an international event within the city would be considered with the requirements of event and the priorities of the city itself. Furthermore, the location decision of the event mostly defines the benefits of the event. While the venue and public infrastructure should be constructed in a location within the city to provide maximum benefits for urban redevelopment, the location decision would guarantee that there would not be a problem neither at the neighborhood of the event, nor the other parts of the city. If the location of event would require transportation infrastructure such as a new airport, highway or subway, not only it creates high public spendings, but the land use pattern and the land values are influenced by the events as well (Darcy, 2006).

Before evaluating the location decision and planning process of Formula 1 Istanbul Park, we summarize the story of interest for Formula 1 in Turkey. The live broadcasts of the races on Cine-5 in 1995 and subsequently on NTV in the 2000s with the enterprise of some individuals have raised an interest for F1 in Turkey (Okumuş, 2008). At this point, sympathy of the society for the “red colored car”, even if not for F1, played an important role (Özener, 2009).

Turkey's Formula 1 adventure started not with the rising expectation from society, but with the enterprise of some business elites in the 2000s. With the support of the government, the municipality and the professional organizations like the Istanbul Chamber of Commerce, the snowflake turned into an avalanche (snowball effect) and the residents of Istanbul suddenly found the race in their homes (Okumuş, 2008).

Matters escalated after Bernie Ecclestone, president and legal owner of the Formula One Administration (FOA) procured a boat in Tuzla, Istanbul met with the president of the Turkish Automobile Federation (TOSFED), a member of the World Motorsports Council. The beginning of the 2000 was the time when Ecclestone

started meeting with potential entrepreneurs from all over the world, making comments about organizing GPs in countries other than in Europe and the Far East. In the 2000, as Formula 1 prepared for new racetracks, Turkey, Beirut, Russia, Saudi Arabia, China and Dubai were mentioned in the GP options that the FOA had approved.

On Champions' Night, organized by the Turkish Automobile Federation and Motorsports Federation (TOMSFED) in January 2002, it was announced by the president that they had received a letter of approval from the F1 boss. This occasion pulled the trigger, now it was time to choose the city and with the support of the central administration, officially start the F1 adventure of Turkey.

It was announced to the public by the Formula Association members that a Formula 1 event is a prestigious tourism opportunity that should not be missed. Three big cities (Istanbul, Antalya and Izmir), that were willing to get a share from this promising pie of economical income and the tourism potential, were put into a nine month long race. The chosen city was Istanbul, as the site selection for the Formula 1 races in Istanbul took much less time - in one month compared to the city selection. The chair of National Olympic Committee suggested that the land surrounding Olympic Stadium within the European side of Istanbul would be the most suitable location since it would decrease the infrastructure cost with its existing one. However, it was reported that the location decision was made by Bernie Ecclestone and preparations started for the construction of the race track in Akfirat, Tepeören at the Asian ring of Istanbul. Therefore, the location of event is expected to stimulate new development within the periphery of metropolitan area by asking high cost infrastructure.

The Istanbul Chamber of Commerce (ITO) was the candidate to realize the Formula 1 project, the chosen land was the one that the ITO rented from the Prime Ministry Directorate General of Foundations in order to construct a university. This location was contradictory to the master plan of the city; it was also a foundation forest that was within the limit of a long-distance conservation area for water reservoir basin (Figure 2).

With the Formula 1 race track selected at the Akfırat, Tepeören locality, rumors of foul play took place in the media. Some said "*the good luck bird landed on the region*" (URL-1), some said "*The champion of the Formula 1 has already been decided*" (Saymaz, 2003). The landowners, the sizes and quantity of these lands belonging to certain capital groups were announced in the media (Mercan and Gün, 2006). However, the decision of Istanbul Park is not the only stimulating effect for the region. While Akfırat was one of the neighborhood of Kartal municipality in 1978, it became an independent "belde" municipality. Although one of the neighboring municipalities (Kurtköy) has faced with the new housing development projects in 1985, Akfırat was a small and quite village in the periphery of Istanbul until 1998. Sabiha Gökçen Airport awakened the real estate investors in 2001. Later, Formula 1 as a flagship project has attracted the investment to Akfırat since 2003 (Figure 3). Formula highways combine airport and city center to Akfırat. Professionals agree that construction of highways is the main impetus for the transformation of Akfırat and increasing land values.

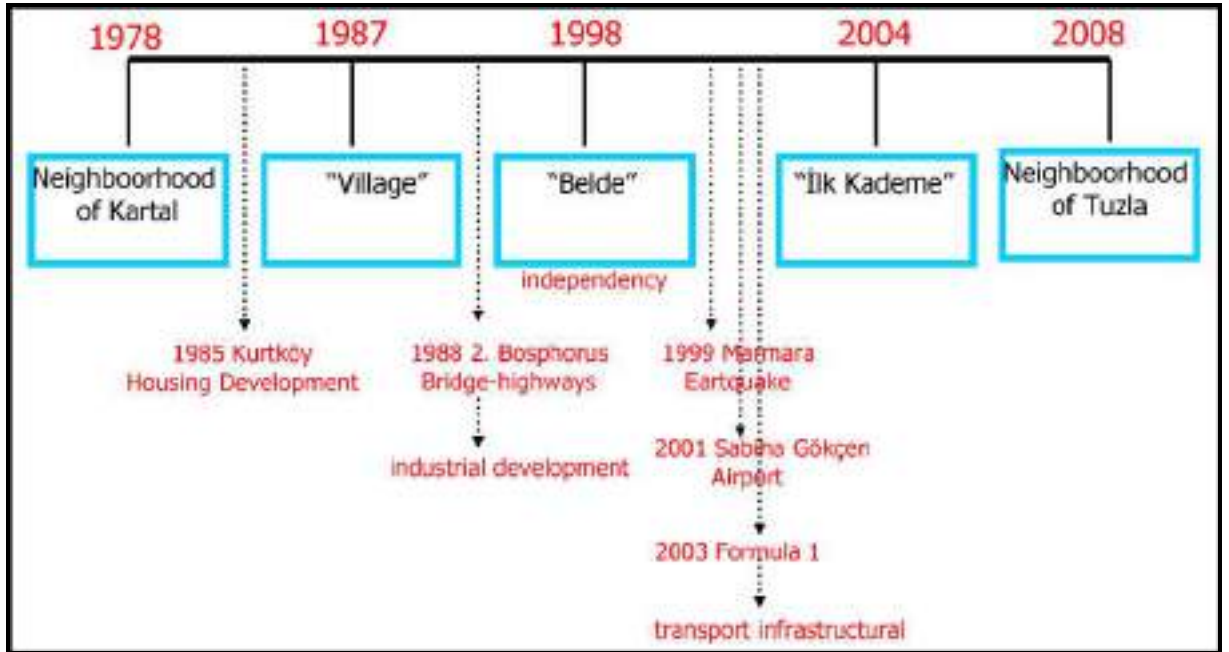


Figure 3: The stimulating factors for Akfırat during the 30 years (1978-2008)

Regardless of the objections to the site selection and the decisions of the upper scale plan, in the 09.09.2003 approval dated and 1/50,000 scaled plan change and with the 1/5000 and 1/1000 scaled master and development plans prepared according to this plan, Tuzla district, Akfırat area, the parcels considered for Formula 1 were removed from "Forest Area and Area for Forestation" legend and added to "Formula 1 Istanbul Automobile and Other Motor Vehicles Sport and Competition Area" (Figure 4).

Soon after, the construction of the Formula 1 race track commenced on September 10, 2003. According to the 2004/7214 ordinance, which was approved on April 28, 2004 by the Council of Ministers, "Formula 1 Istanbul Automobile and Other Motor Vehicles Sport and Competition Area" was announced as the "Tuzla Akfırat Tepeören Tourism Center". Thus, Istanbul Park was relieved from the on-going discussions about the site selection and the planning process, however the local and central government are both from the same political party. Therefore, the story of

Formula 1 indicates that it has been a top-down decision by ignoring the public interest.



Figure 4: Formula 1 race track within forest area

Source: Google Earth 6.2.1. 6012 (beta).2011. *İstanbul Park* 40°56'42.89"N, 29°23'42.89"W, elevation 125 M. Available through: <<http://www.google.com/earth/index.html>> [Accessed 18 February 2012]

3. The Organization and Financial Structure

FIYAŞ (Formula Istanbul Investment Inc.) was established in February 2003 to construct facilities, manage and organize sporting activities by the ITO (Istanbul Chamber of Commerce) and ITO Educational and Social Services Foundation with a capital of 10 trillion TL. Even though FIYAŞ had a wide mission regarding the sporting activities, the main purpose of its foundation was to become the investor of the Formula 1 race track of Turkey. The company guaranteed to pay 2, 000 dollars monthly for the first years for the 2250 acres of area that they had rented from the T.R. Prime Ministry Directorate General of Foundations. Starting from 2005, when

the first races were held, it would rise 2% per annum, 30, 000 dollars of monthly rent (Mercan, 2003).

According to the agreement, FIYAŞ could not undertake the management of the racetrack, therefore Motor Sports and Organizations (MSO) was established and took charge of the management. The company would make the promotion of Formula 1 and manage the income. (Url -2; Url - 3). On July 24, 2002, the government decided to pay 13.5 million dollars racing charge to the organization in order to support and undertook the guarantorship duty of the Formula 1 races and in August of 2003, a 7-year contract was signed with FOA.

As the cost of the Formula 1 circuit, Istanbul Park, rose drastically from 25 million dollars to 130 million dollars and there was a risk of completing the construction on time, with the intervention of the central administration, the Turkish Union of Chambers and Stock Market (TOBB), the Istanbul Metropolitan Municipality (IBB) and the Istanbul Provincial Administration were involved as partners to the Istanbul Chamber of Commerce (ITO), who started to undertake all of the costs. By 2009, 40.65% of the shares belonged to FIYAŞ, 39.92% to ITO, 0.73% to ITO Foundation, 3.66% to ISTON A.Ş. (IBB), 3.66% to ISFALT A.Ş. (IBB), 3.66% to KIPTAS (IBB), 7.69% to Istanbul Provincial Administration (İ.İ.Ö.İ)¹ (Figure 5).

Although staging different activities other than Formula 1, it did not create any profit from management in the first two years. Therefore, it was thought that Istanbul Park would be better managed by the private sector. The bidding for the management of Istanbul Park was held in June 2006. The only offer was made by the Turkish Travel Agencies Association (TÜRSAB). However, an agreement regarding the terms of management could not be reached with TÜRSAB. Soon after a proposal was made to Bernie Ecclestone, the president of Formula One Management (FOM) and the race track was rented in 2007. Istanbul Park Organization Inc. was established for the

¹ Interview with F. Gündoğan, 14.07.2009.

management of Istanbul Park, with 100% participation of FOM. According to the agreement, Istanbul Park Organization Inc. would manage the Formula 1 circuit, Istanbul Park for fifteen years with an annual rent of 3 million dollars.

In January 2009, something unexpected happened; Bernie Ecclestone announced to the media that he wanted to resign from the management of the Istanbul Formula 1 race track. As a matter of fact, FOM president had never managed a race track before; his first management experience was Istanbul Park. After this statement, the ideas and concerns about the projects for rescuing Istanbul Park were begun to be intensely discussed in the media (Tek, 2009).

Since the Istanbul Park Race Track, was rented from TR Prime Ministry Directorate General of Foundations with a build-operate-transfer model for a period of 20 years; FIYAŞ has been paying 30,000 dollars as rent since 2005, on the other hand, receives 3 million dollars from Istanbul Park Organization Inc. as annual rent for management. FIYAŞ also receives 45,000 dollars annual rent from the GSM transmitters on the racetrack. With all of this rent income, it seems impossible for the Istanbul Park investment to interest FIYAŞ. When we asked about the expectations from the investment, FIYAŞ executive's response indicates how far the interest of the investment is: *"The return is impossible. We have made some calculations, indicated some foresights, but not much comes out of these. Considering that we have spent 200 million TL for the race track, it sums up to a 10% interest per year, we spend that money as rent. It means that we have to make 20 million TL annually in order to get an interest in 200 years"*².

Looking at the financial situation in context of the Istanbul Park Organization Inc., the chart does not seem promising. The only income that the Istanbul Park Organization Inc. gets from Formula 1 racing is provided through the revenue earned through ticket sales. All of the revenues from sponsorship and broadcasting rights are transferred to FOM. It seems impossible to level the income – expense ratio for the

² Interview with F. Gündoğan, 14.07.2009.

events other than Formula 1 without the backing up of a strong sponsor to cover the expenses of the events³.

The executive of the Formula 1 circuit, Istanbul Park indicates that the maintenance costs are also very high due to the size of the race track. It is also clear that there is no financial interest on the annual cost of the 13.5 million dollars that the Republic of Turkey Prime Ministry Promotion Fund pays to FOM. It was thought that the interest of this expense would be covered by the value-added tax expenditure of the 50,000 tourists who would come to Turkey for Formula 1. This calculation method is problematic considering the 2009 Istanbul Park Grand Prix tickets sold to the tourists were no more than 10.000. After all these, there has been an uncertainty about the future of the Formula 1 Grand Prix in Istanbul. After the year 2011, Formula 1 events will no longer take place in Istanbul due to the lack of audience and very high costs, while it contains important lessons for Istanbul.

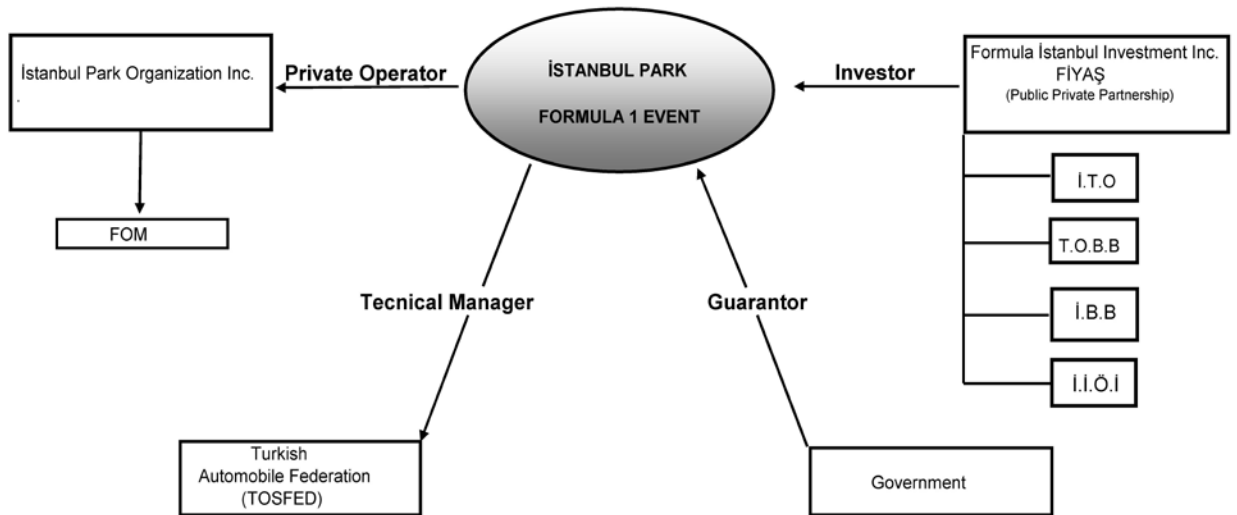


Figure 5: The organization scheme of Istanbul Park Formula 1 Event

³ The interview with C. Güçlü, 13.07.2009.

The Bahrain Grand Prix is set to return to the Formula One calendar 2012, with the Turkish GP to be dropped. Simone Perillo, general secretary of the Formula One Teams Association, tells The Associated Press that Turkey did not make the cut while Bahrain will be held in November 2012.

4. Conclusion

Evaluating the main issues regarding the site selection and organization process of the event in Istanbul constitutes the aim of this paper. Istanbul Park Grand Prix was organized not by the public will, but a group of business elites who wanted to bring the Formula 1 event to Turkey, convincing the public will to be the stakeholder of the event.

A group of business elites' stimulating global scaled sports events, persuading central and local government to be the stakeholders, is a phenomenon seen not only in Turkey, it is a common feature of almost all global scaled events. The role of public in this case of Istanbul Park Grand Prix, could not go further than solving the problems that had been raised by the discourse of urgency; the plan had to be done urgently; the license had to be taken urgently; the facilities and infrastructures had to be constructed urgently. In fact, an adequate social consultation did not take place in all these discourses of urgency, the social opposition, which is related with the site selection of the event rather than event itself, has not been taken into consideration, besides, the opinion of "social opposition had been against development" was attempted to be imposed to public. Public opinion had not been informed that hosting such a high cost event actually carries "great risk". Public sector has failed to perform its most important role; proving the legitimacy of the event, defining and controlling the accountability tools, while it took the risk as well.

Furthermore, Istanbul Park as the stage of the event, was constructed in a "Forest Area" and a "Water Basin", without any environmental concern. It was built

physically larger than needed and this has caused the maintenance costs to skyrocket. Financially, the cost of Istanbul Park is huge, however the participation levels have not been achieved, turning out to be a lot lower than the capacity.

Contrary to widespread world examples, the Akfirat Region is not a rundown zone nor a region that had lost its reputation or needed the urgent development of infrastructural development. In the case of the Istanbul Park Grand Prix, the event and the infrastructure investments for the event have raised the pressure upon the region. Therefore, Formula 1 is one of the main stimulating factors of development within Akfirat by making the region “accessible”, “well-known” and so-called “prestigious”, while there is not any sustainability of the event anymore considering the high expectations.

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