

# STRANGE THINGS HAPPEN

***The Welsh Valleys have always been mystical places, but could there really be a magical new circuit there?***

**Strange things happen**, or so Billy Bragg once said, but how strange would it be if the magical vision of a state of the art Grand Prix Circuit actually appeared in the beautiful Welsh valleys? Well we've now had 6 years of Gung-Ho statements about the Circuit of Wales changing the face of the economic climate in South Wales, transforming motorsport in the UK and putting the British Motorsport Industry at the forefront of worldwide automotive development. It's all now starting to look like a bit of a pipe dream though. Before we take a look at whether this new circuit was ever wanted, needed or indeed ever anything more than a house of cards – let's just look at the events and statements in a very simplified chronological order:-

## THE TIMELINE:

**September 2010:** The first reports of a proposed motorsport venue in the South Wales valleys are printed in the motorcycle press.  
**June 2011:** The Heads of the Valleys Development Development Company Ltd is registered with Companies House.  
**July 2011:** Rassau Track & Leisure Ltd is registered at Companies House.  
**July 2011:** The Circuit of Wales project is unveiled to widespread support and excitement. The chosen site is Rassau near Ebbw Vale. Plans are submitted to Blaenau District Council for a £183 million race circuit with attached technology and business park. Some environmental groups, state their opposition to the plan.  
**November 2011:** Aventa Capital Partners Ltd is registered at

Companies House (*note the order of registrations, it will become significant later*).

**September 2012:** The Circuit of Wales is given outline permission and work is set to start on the (*now £225 million*) project by July 2013.  
**June 2013:** The Circuit of Wales Ltd is registered at Companies House.  
**July 2013:** Full permission is granted to start work on the (*now £250 million*) project.  
**August 2013:** The plan is then delayed by the Welsh Government who decide to take a closer look at the race circuit and its claims of creating 6,000 jobs. The Welsh Government then indicate that Blaenau Gwent Council will make all future decisions about the project. Construction is now set to start around November 2013 with a completion date of mid 2015.

**September 2013:** Thousands of people register their support for the project while objections continue to increase from the environmental lobby.

**January 2014:** The Heads of the Valley Development Company ask the UK and Welsh governments for a £50 million investment into the (*now £280 million*) project.

**March 2014:** Suggestions are made to the UK government by Richard Phillips (*formerly of Silverstone Circuits Ltd*) that such an investment would amount to illegal state aid under European Law.

**April 2014:** Carmelo Espeletza, CEO at Moto-GP rights holders Dorna, gives his support to the Circuit of Wales project. This is done at a time when Silverstone Circuit are wrangling over the price of hosting Moto-GP and refusing to sign a new 5 year contract extension on terms dictated by Dorna.

**August 2014:** To the surprise of most people within the industry, Dorna and the Circuit of Wales announce a 5 year contract to host the British round of Moto-GP at the (*as yet unstarted – now £300 million*) Welsh venue starting in 2015.

**September 2014:** With the Welsh

## THE FINANCES:

There are currently 7 Limited Companies directly or indirectly linked with the Circuit of Wales project. All of them have one director and shareholder in common – Michael Carrick - the front man for the whole project. He has an impressive CV that would make anyone take what he says seriously, so it is no surprise that big companies and governments have been receptive to his advances. The motorsport industry is very different to anything else though, so experience and a good track record elsewhere is no guarantee of success in our line of business. (*just ask Syd*) Take note of the order in which these companies were registered, it seems to me to tell a story of changing intent as the project

venue obviously unable to host the 2015 Moto-GP event (*as it was and still is, just a field*) a deal was struck with Donington Park to host the 2015 event on behalf of the Circuit of Wales.

The Circuit of Wales were to pre-pay the bills for major works at Donington Park in return for use of the venue for the event itself.

**March 2015:** A 10-day public inquiry is held to determine whether the 650 acres of common land needed to build the circuit should be deregistered. (*Hello?*)

**March 2015:** With commitments to fund the required works at Donington Park not forthcoming, Donington Park Racing Ltd declare the Circuit of Wales to be in default and cancel the arrangement to host the 2015 Moto-GP event at their venue.

**April 2015:** An agreement is reached with Silverstone Circuit to host the 2015 Moto-GP on behalf of the Circuit of Wales.

As Silverstone was already Moto-GP compliant, the deal was a straightforward arrangement whereby Silverstone took their fee directly from the ticket revenue and did not need to rely on advance payments from the Circuit

of Wales.

**July 2015:** Circuit of Wales announce that Aviva Investors have committed £350 million of funding to the project. It later transpired that this investment was only to be provided if the Welsh Government agreed to underwrite the whole amount so that there was zero risk to anyone other than the taxpayer.

**September 2015:** Silverstone Circuit and Circuit of Wales announce that the 2016 and possibly 2017 Moto-GP events will also be held at the Northamptonshire venue as the construction of the circuit at Ebbw Vale has fallen "*behind schedule*".  
**November 2015:** The Welsh Government agrees to deregister the common land, which clears the final obstacle to construction of the (*now £357 million*) circuit.

**April 2016:** Welsh economy minister Edwina Hart announces the government cannot underwrite the whole 100 percent demanded by Aviva Investors. Aviva would not at that time guarantee even 20 percent without underwriting.

**May 2016:** Circuit of Wales is expected to announce whether they have reached a deal with new investors.



**The vision is magnificent, but 6 years after it was announced it is still just a field on a barren hillside.**

**Few true fans would dispute that Moto-GP belongs at Donington.**



**Anglesey - You could buy 80 of these for £357 million!**

developed. It also seems strange that although they are all listed as “Active” their turnover is remarkably similar and is quoted as **zero** at the moment.....(end of 2015) Why was the funding company not registered before the development company? Why was the company it was designed to fund not even in existence when the funding project was launched? These significant details trouble a very simple man like myself. A further 4 Limited Companies are part of the wider group – all also fronted by the same man. The Net Worth of all of the companies associated with the Ebbw Vale project is quoted at -£2.2 million (yes, that is a **minus**). In short, the whole set up seems to be worth less than a pair of my old underpants. *I have so far been unable to find any buyers on the London Stock Exchange for my pants.....* The only real money in the kitty thus far has been the **£9 million that has come from the Welsh Government** and that has been spent already. What there is to show for that money appears to be a pile of paper plans and a contract to host an event that has historically been notoriously difficult to make anything other than a financial loss from – even for the established venues. So where did the current £357

million figure come from? There is no real answer to that one, but the Circuit of Wales website does have an impressive list of documents that would lead you to think that the whole thing has been very carefully thought through. Sadly, a lot of the claims contained within those documents are far fetched and factually incorrect. One claim is that the Welsh MotorSports Federations are directly affiliated to the FIA and FIM, which is of course completely inaccurate and is not something that could be done in any realistic timescale. Another is that Silverstone is the sole hub of the motorsport engineering economy and that it is unable to fulfill its dominant market position. You only have to go back to the **Competition Commisions 1998 Enquiry** into Octagons alleged dominant position in the UK motorsport business to see documentary evidence that none of that is even remotely close to the truth. Have a look at the documents if you have 5 or 6 hours to spare and you will see numerous other assertions that have little or no basis in fact. I recommend it as a way to lose a day if you’re at a loose end. The last UK circuit to be built completely from scratch was Rockingham which cost just under £50 million including knocking down and cleaning up the old steelworks

site. Whilst Rockingham might not be everyones cup of tea, it is a very impressive facility and is still the only motorsport venue in the UK to boast over 40,000 permanent grandstand seats. The last change of ownership I know of involved the exchange of less than £6 million in readies. Closer to home (*this weekend anyway*) Snetterton was completely transformed with an investment by MSV of just £3.5 million only 5 years ago and there was also an option of adding a technology park, retail units and a hotel for an added £16.5 million at the time. *Sound familiar?* I know that both of those projects were smaller than the proposed set up at Ebbw Vale, but not on the scale that would seem to require an additional £285 million. If you want to see what can be done in Wales for very little money, just look at Anglesey circuit. The picture above shows the scale of the work carried out and it doesn’t take an enormous leap of intellect to transpose that view onto the site at Ebbw Vale - which is not quite 3 times as large. We all know how good Anglesey looks today and it is acknowledged as one of the best circuits in the country, its only Achilles heel is its remote location. You could build 80 of those circuits shown in the picture– **yes Eight Zero (80)** – for £357 million. Where are the economies of scale that are supposed to come with bigger projects? Strangely enough if you look at Aventa Capitals website you will see that they currently have 3 projects on the go. **Circuit of Wales** - £350 million. **Downham Market Regeneration Project** - £350 million. **Wyre Barrage Tidal Project** - £350 million. These boys seem to like £350 million, or perhaps their abacus needs some 3 in 1 oil? Or maybe they are just so used to working in huge numbers they have lost touch with what can be done in the real world. They also have a tab on their website labelled “**UK Regeneration Fund**”



**Snetterton - Transformed for just 3.5 million!**

which is apparently a £350 million project too, but if you look up the **actual** UK Regeneration Fund, you will find that it is a government funded Social Housing Programme, nothing to do with business development. Never mind that though, Aventa describe *their* UK Regeneration Fund like this:- **“The UK Regeneration Fund will seed our UK Enterprise Fund, which invests in UK SMEs with high growth potential in the technology, performance engineering and manufacturing sectors and leverages our operational expertise to help them reach the next level.”** Can ANYONE tell me what that actually means in English? I’m sure it’s very useful when talking to government departments who are looking for a soundbite to satisfy their electorate, or investment managers looking to create an investment bundle, but it doesn’t tell me anything and I’m not exactly dumb. **THE DESIRE OR NEED FOR A NEW WORLD CLASS VENUE:** If you’ve read this far, you will probably think that I’m quite negative about the need or desire for such a project. That isn’t actually true, but I just don’t think that taxpayers money should be wasted, misplaced, poorly spent or trousered by clever or misguided men who only really deal in other peoples money. The government gives no help to our established motorsport

industry and was even prepared to stand idly by and let the **British F1 Grand Prix** be lost to a far eastern venue rather than give any financial assistance to Silverstone. There are currently 17 full size permanent ACU/MSA motorsport circuits in Great Britain at the moment and there is only just enough business to go around. Those venues all contribute to the estimated £8 billion that the motorsport industry brings into the UK economy and they all pay fairly substantial tax bills too. Imagine how unfair it would seem to them if the government took their taxes and gave them to a rival circuit that was competing for the same customers? You might think that there is plenty of business to go around, but that is not actually the case. A few years ago it was unheard of for any mainstream circuit to have to resort to running track days at weekends during the racing season. Now it seems almost

commonplace, even for some of the most established venues, and that tells us that there are not enough race meetings to go around even without the added complication of introducing another venue. **IF** enough **private equity** funding can be found to make this happen I’m all for it, because that means that it is financially viable and that in turn means there is more business around than I think. Private investors don’t take that many big chances and if they do indeed come forward with the cash it means all my fears for the sustainability of this project are misplaced. I don’t think that is likely to happen without a complete re-think over the scale and staging of any development though. I would love to see Great Britain having the very best motorsport park on the planet, but it would need to be something that drew more **international business** into this country in order to support itself, not something that had to take business from the already established venues. **WHY DO I CARE?** Because if that happened, racing would almost instantly become more expensive for everyone involved. The pool of customers out there would be spread more thinly due to there being a new venue that simply had to gobble up a fair percentage of existing business. That would leave everyone else simply having to charge more in order to stay solvent. I know that scenario very well from being at Lydden Hill and having to exist in the shadow of our giant neighbour, Brands Hatch. That isn’t my idea of progress. **So be careful what you wish for.**

*Crazy Dave*



**This is a 2.1 mile circuit in Wales and it cost less than £5 million!**