

# National Championship Changes

## Subaru Rally Team Canada Retires

Mississauga, ON – After 12 years of competition in the Canadian Rally Championship Series, where Subaru has won the Canadian Manufacturers' Championship for the past five consecutive years and six times in total, Subaru Canada Inc. has decided that it will not compete in the 2005 season.

According to Brian Hyland, director, sponsorships and distribution for Subaru Canada, Inc., "There were a lot of factors that led to this decision. Subaru invested a great deal of money and much effort in the series over the past six years while we were the title sponsor. We also tried to assist the sanctioning body, the Canadian Association of Rallysport (CARS) in every way we could to make this a more viable proposition for sponsors, event organizers and competitors alike."

Subaru has sponsored or presented the championship series along with Yokohama from 1998 until 2003. This year Subaru was the primary financial contributor to the series because Yokohama decided not to continue its association with CARS after the 2003 season. "Because there was no other major sponsor this year, Subaru's costs increased dramatically," Hyland said. "Along with the costs associated with running the team, it became nearly prohibitive, but Subaru would have continued if there had been a solid marketing plan in place for 2005 from CARS that included additional sponsors."

One of Subaru's concerns had been the series' lack of a professional marketing approach. In 2003, CARS made an effort to put together a marketing company to promote the National series, but it did not last the full year. For 2004, Subaru insisted that a solid marketing plan had to be developed in order for it to continue. Subaru worked in conjunction with Jud Buchanan and Keith Townsend, who formed Rally Development Group (RDG), a marketing and promotions company. Its goal was to work with all of the individual rally event organizers to increase the professionalism and overall image of the series and to bring more sponsors into the series.

In January of this year, RDG and CARS entered into a five-year marketing and broadcast rights agreement. RDG took over marketing of the series and CARS continued to look after all the regulatory aspects of the sport. "We knew Buchanan and Townsend from both rallying and other business associations," Hyland explained. Buchanan was the former motorsport manager for Yokohama Tires and Operations manager for CASCAR, while Townsend has been the organizer of the Rally of the Tall Pines for a number of years. "We were really shocked when CARS terminated its agreement with RDG, especially after all the positive comments from competitors and organizers about the great things that they had seen happen in 2004 and the fact that RDG was in final negotiations to bringing another major sponsor on board for the 2005 season."

"I spoke with both CARS and ASN/ FIA about the situation. They reviewed the situation with RDG, but the difficulties could not be resolved. Without a strong marketing approach to the series, it doesn't make sense for Subaru to continue to put money into it. We need to see a return on our investment"

The withdrawal from the sponsorship and the decision to not field a team for the 2005 season does not mean that Subaru's 13-year association with rallying in Canada will end. Hyland said, "We will continue to be involved with the sport but to what extent, we can't currently say. We will definitely be there with a contingency programme for all the Subarus currently competing."

Subaru has won the most Manufacturers' titles in the series history. It has won multiple championships in many of the series classes, eight overall Canadian Drivers Championships, as well as many North American Rally Cup Championships.

[www.subarurallyteam.com](http://www.subarurallyteam.com)

## CARS Terminates RDG Agreement

### INFORMATION BULLETIN #1 - November 18, 2004

A year ago, CARS entered into a five year marketing and broadcast rights agreement with Rally Development Group (RDG). Included in the wording of the agreement was a one time option to terminate the agreement at the end of the first year. The primary aim of the agreement was to secure long term commercial sponsorship stability for the Canadian Rally Championship. In addition, RDG had presented a very desirable program for both the development of the sport and its promotion.

During the first ten months of the agreement, three shortcomings in the agreement became more acute and a unanimous CARS Board decision was made to present to RDG with a request for changes to the agreement. The three changes CARS asked for concerned respectively, a shortcoming of the agreement, a means of improving the working relationship between RDG and CARS and, lastly, the financial stability of CARS. The rationale for the changes was as follows:

1. In the agreement, there was no protection for either CARS or RDG in case of failure of either party. CARS was exposed to possible legal difficulties if RDG were to fail or get in difficulty during the life of the contract and the assigned rights given to RDG could pass to others or be held beyond the reach of CARS. As well, RDG was exposed to fulfilling all financial commitments even if an event in the championship did not run. The wording of the first change was an attempt to address CARS's issues and would have been expanded to address RDG exposure.
2. The second change was designed to relieve some of the strain that existed between CARS and RDG in the first year of the agreement. The change asked for increased communication, on a confidential and timely basis, on matters relating to sponsor negotiations and media campaigns.
3. The third change was an attempt to help put CARS on a secure financial path. During the first year of the agreement, CARS received approximately 2% of the total budget to which RDG was committed. CARS did not ask for new money to be added to the budget, but that already existing funds be reallocated from other aspects. The amount being asked for would bring the total payable to CARS to less than 5% of the total budget. CARS is currently operating in a very serious deficit position and to continue the agreement without a financial solution would result in the financial collapse of CARS before the end of the agreement.

The decision to exercise the option was made by majority vote when efforts to negotiate three changes to the agreement were rejected by RDG, at 7:15 pm. The rejection was without explanation and came twenty-four hours after RDG first received them. This was less than five hours before the option to terminate would expire and the agreement would have become binding on both parties for four years. Friday evening contact attempts by the CARS president went unanswered. At 11:00 pm on Friday, November 12, 2004, CARS, with great reluctance, informed RDG that CARS wished to exercise its option to terminate the CARS-RDG Marketing and Broadcast Rights Agreement. Included in the notification of exercising the option to terminate was an offer to rescind the notification if a settlement of the three requested changes could be negotiated. The decision to terminate the CARS-RDG Marketing and Broadcast Rights Agreement was a difficult one to make because of the desire of the entire CARS board to continue with the agreement to allow the good work started by RDG to continue to prosper in the four remaining years of the agreement.

CARS wishes to assure its member clubs and their members, organizers and competitors as well as its present sponsors that there will be a Canadian Rally Championship in 2005 and beyond. One of the first acts in the coming days will be to establish a relationship with a marketing company with an eye to improving the commercial side of the sport. However, CARS will pursue all sponsor possibilities that present themselves in the immediate future.

[www.carsrally.ca](http://www.carsrally.ca)