



WORLD CUP WONDER: Cape Town stadium is ready for kick off on June 11

# FIFA's Gordian Knot

What will the World Cup leave behind for South Africans?

By KHADIJA SHARIFE

South Africa's 2010 World Cup "feel good" factor is addictive. At taxi ranks, street bazaars and tea-rooms, South African citizens everywhere are filled with elation - and pride. Just 16 years ago, within living memory, non-white South Africans were deprived of basic human rights by the brutal apartheid regime.

From stadiums - completed in advance to fulfill FIFA's insistence on a six-month "buffer zone," to airports and other infrastructure, South Africa has fulfilled FIFA's requirements to the tee.

The Local Organizing Committee (LOC) has also paced expenditure concerning the FIFA-approved budget of \$423 million, having used just 32 percent by mid-April.

Yet all is not well.

## Subsidized tickets

Just eight weeks to the Cup, South Africa held more than 355,000 unsold tickets. The initial problem, that of a nation too poor to purchase tickets, was mitigated when the government subsidized tickets.

"We know our fans are poor," stated the LOC Chief Executive Officer (CEO) Danny Jordaan. "So we have decided to accommodate them."

Unfortunately, subsidization eroded the government's main revenue stream from the event. Group tickets selling for \$20 and final match tickets for \$150 were described as the cheapest tickets in World Cup history. A further 120,000 were earmarked for free distribution, mindful of the average monthly income (\$250) - for those that have employment in the formal sector.

Contrast this to Germany's successful 2006 World Cup, injecting 1.5 percent growth to the economy.

"Germany's Organizing Committee budgeted for the sum of \$659 million. The Organizing

Committee made a profit of \$237.5 million, partly due to the near-capacity sales of match tickets that resulted in \$31.1 million in additional and unexpected income," revealed Dr. Udesch Pillay, editor of *Development and Dreams*.

Nor is tourism, the secondary source of revenue, estimated to pump between 0.4 - 0.7 percent growth into the economy, providing previously assumed gains.

According to Jordaan, visitor numbers initially forecast at half a million in 2003 has now been reduced in estimate to maximum 350,000, with FIFA's hospitality (hotel and ticket) agent, Switzerland-based Match AG, dumping 450,000 pre-booked rooms, one third of the total, on the market. Allegations against Match - securing the tender by FIFA, without a bidding process, reveal the company's exploitation, marking up services by 30 percent. As one tour operator informed a local newspaper, "... \$30,000 licensing fee to Match as well as a 20 percent surcharge, plus 10 percent on each ticket it bought for resale."

Match AG is primarily controlled by Byron

PLC, the "official accommodation provider for six previous world cups."

Related company Match Hospitality, exclusively managing hospitality packages, counts FIFA President Sepp Blatter's nephew Philippe as one of its shareholders via Infront Sports and Media corporation.

Though South Africa's World Cup is similar in financial structuring, 60 percent of Germany's World Cup (including 12 stadiums) was financed through private clubs and other private sources, shifting a considerable portion of deferred taxes off the shoulders of citizens.

"Let's be clear," stated FIFA General Secretary Jerome Valcke. "The World Cup in South Africa has no financial problems for FIFA," referring to the already guaranteed \$3.3 billion generated in pre-Cup activities, chiefly commercial, such as television and marketing, rights.

## FIFA's iron hand

FIFA allegedly retains 94 percent of total profits, with the organization's main costs, limited to travel and award money for participating teams. This mounted to \$811 million for Germany's 2006 Cup, with FIFA receiving \$2.19 billion in profits.

Revenue streams of host countries, subject to FIFA's "franchising" - whether developing or developed, reveal a financial gordian knot: not only are organizing committees locked out of commercial rights, but the main benefits of hosting the World Cup are largely intangible and assumed - that is, benefits projected from tourism, construction (financed by host-countries) and the perceived future enhancement of launching host countries on the global map.

What price did South Africa pay to host the World Cup?

According to Pillay, estimated expenditure for new stadiums totaled \$1.35 billion: Cape Town at \$366 million with a capacity of 68,000; Durban, \$334.2 million (70,000 seater); Mbombela, \$105 million (45,000 seater); Polokwane, \$92 million (45,000) and Nelson Mandela Bay, \$154 million (48,000). Upgraded stadiums including Manguang, Joburg's Ellis Park and Soccer City, as well as Rustenburg and Pretoria, received a further \$294.8 million.

And stadium-investment is well above the \$105 million initially earmarked for stadium infrastructure, an increase of 750 percent.

Cape Town's Athlone Stadium, the preferred

choice of the province to host matches, was marginalized when then-FIFA representative Valcke revealed that the FIFA did not approve. Gert Bam, director of the city's Sports and Recreation Department, stated the province's unanimous choice to site the matches in the poverty-ridden Athlone area would "turn the city around, it [would] impact on this tale of two cities..."

But this was not to happen.

According to FIFA, "A billion television viewers don't want to see shacks and poverty on this scale."

Karen Schoonbee and Stefaans Brummer, co-authors of *Player and Referee: Conflicting interests and 2010 Fifa World Cup*, documented how the LOC, "FIFA's agent," bypassed the "opportunity to leverage development of an underdeveloped area," in favor of building the almost \$600 million Cape Town Stadium, hosting eight semi-final matches. Revamping existing stadiums to fulfill "state-of-the-art" requirements in Athlone would have cost \$145.6 million.

"That thing is going to be a white elephant because Newlands rugby is not going to move there and soccer unfortunately is never going to attract games where that stadium is going to be full," stated former head of sports and recreation, Rod Solomons.

Meanwhile, Durban's Moses Mabhida Stadium, scheduled for seven matches and built at a cost of \$410.2 million, is pegged as one of Africa's only stadiums capable of hosting most Olympic requirements within one facility. The stadium, with 56,000 seating capacity, was constructed a stones throw away from Kings Park Stadium, home grounds of the successful Sharks rugby team, with a seating capacity of 50,000. The Sharks rugby has indicated that it will not consider shifting base, rendering stadium sustainability a headache for both the Cape and Durban municipalities.

## Owning the event

FIFA's agenda, revealed Schoonbee and Brummers research, was not simply limited to utilizing "world-class" stadia, but also to have matches located in the best areas of South Africa.

Jordaan however claims that the \$4.5 billion of public funds (\$2.2 billion for stadiums and \$2.3 billion related infrastructure) invested in the event will "trickle down" through job creation and development. Yet of the 22,000

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Andrew Jennings

Investigative journalist and co-author of *Player and Referee*

Cup-related jobs made available to citizens, 70-80 percent are subcontracted positions, offering wage rates of \$1-2 per hour, while construction companies reported pre-tax profits of 54-142 percent.

The debt itself is compounded by the global economic recession eroding potential tourist revenue; five major currency crashes boding ill for debt, and negative perceptions of the country ranging from crime (leading to UK's marketing of "Kevlar Vests" for tourists, despite the government financing a further 41,000 police officers and ramping up on security for the duration of the tournament), to *The Economist's* identification of South Africa as the "riskiest" of 17 emerging economies.

Ironically, FIFA's "tax-free bubble," following amendments categorizing FIFA's activities as "diplomatic" via the Revenues Law Amendment Act 20 of 2006, guaranteeing FIFA 17 provisions underpinning "supportive financial environment," as well as free services ranging from safety and security, healthcare, transport, communications, intellectual property and marketing, control-zones for specific km, amounting to as yet unknown costs.

FIFA remains the "owner" of events, and as such, holds the mandate to dictate most activities including suppliers - irrespective of inflated costs. Even tents, food and flowers are to subject to unrestricted imports. Match spokesperson Peter Csanadi recently came under fire for destroying practice fields while constructing German-made marquees - a justified purchase due to the "lack of sufficient quality tents" made in South Africa.

"The unaccountable structure they've installed is honed to deliver the game to the needs of global capitalism - with no checks or restraints. Just cheques," said Andrew Jennings, investigative journalist and co-author of *Player and Referee*.

The event has seen the highest ever pre-World Cup profits. And when the crowds have gone, and the excitable nature of the spectacle has died down, it is unlikely that the World Cup, designed, in the words of Jordaan to "reintegrate South Africa into the global community," will benefit citizens beyond the notion of identity.

The question however is: whose identity was served by the mega-event - South Africa or FIFA's? ■

(Reporting from Johannesburg)