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>A Preliminary Evaluation of the Impact of the 2010 FIFA World CupTM: South Africa

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A Preliminary Evaluation of the Impact of the 2010 FIFA World Cup™ in South Africa

By Eddie Cottle

Introduction

> South Africa made its final presentation to FIFA's Executive Committee at the Trade Centre in Zurich on 14 May 2004. At 12:21 on 15 May 2004, FIFA President SeppBlatter announced South Africa as the host of the 2010 FIFA World Cup™.[1]

The FIFA 2010 World Cup was thus hosted by South Africa and was the first World Cup to be held in Africa. The World Cup has come and gone and millions of South Africans have returned to their "normal" lives. In addition to the tangible, economic and sports legacy the World Cup was also supposed to contribute to intangible benefits such as forging a cohesive national identity and building a positive image of South Africa. But this was a transient moment and its legacy was rather more 'mythical than practical'.[2]As soon as the soccer finals were drawing to a close the cohesive effects of the World Cup had almost immediately disappeared with the spectre of xenophobic attacks on foreign nationals raising its ugly head and well over a million public sector workers were preparing for strike action across South African cities. The promises of the trickledown economic effect of the World Cup evaporated almost as soon as the drops landed. After all, mega-sporting events such as the World Cup are by their very nature a short-term, once-off event for the host country although they have a far reaching economic impact on that country.[3]

In 2007 the Human Science Research Council (HSRC) conducted a survey of expectation of South Africans with regards to the World Cup. About 50 percent of people perceived economic growth and job creation to be the two main benefits of South Africa hosting the event. About one-third of people in the survey believed that they would personally benefit through job opportunities and 50 percent believed the economic benefits would be lasting.[4] The perceptions of South Africans were being shaped by the media coverage of the official FIFA sponsors and the South African Government who had to justify its expenditure on a luxury sporting event in the context of increasing poverty and inequality.

In this update we will be focusing on the economic impact of the FIFA 2010 World Cup in South Africa. This will include looking at expenditure and income generation, employment and tourism growth and the impact on communities, construction workers and informal traders.

Allocating the Burden of Costs

There are two distinct broad categories of costs associated with hosting the World Cup – those that cover the logistics for management of the event and those costs related to the investment in stadiums and other infrastructure.

The first costs are for managing the event (soccer entertainment) byFIFA, the Local Organising Committee (LOC) and FIFA members around the world which are paid for by broadcasting rights, corporate partners who fund FIFA on an ongoing basis and global corporate sponsors and local corporate supporters who fund the event itself.[5]

The second set of costs funded from public funds include, inter alia, transport and broadcasting/telecommunications infrastructure, safety and security, health services and other undertakings to protect and enforce the rights of global partners and international and local sponsors. This is the responsibility of the South African government and host cities.[6] Consider including the example of the special courts that were established here.

Counting the costs of the Game

The hosting of mega-sporting events such as the FIFA World Cup is fiercely contested by nation states. In fact, the actual bids are sponsored by multinational corporations and in South Africa the bid process was sponsored by Anglo American, Avis, BMW, SABMiller and Adidas.[7] The economic section of the bid document was drawn up by Grant Thornton South Africa, one of the world's leading organisations of independentlyowned and managed accounting and consulting firms.

In 2003, Grant Thornton declared that "the staging of the Soccer World Cup in South Africa in 2010 will create significant direct and indirect economic benefits for the country's economy, with ***minimal*** tangible and intangible costs".[8] (my emphasis)

The tangible costs were to be the stadia and infrastructure, with tangible benefits such as job creation, taxation income and contribution to Gross Domestic Product (GDP). The intangible benefits were to include raising the profile of the country, increasing tourism and foreign direct investmentand growing pride by the local population in South Africa hosting the World Cup.[9]

The Tangible Costs and Benefits:

The current total World Cup expenditure is estimated to be R55,3 billion. Of this R8,8 billion or 16% was spent by foreigners (tourists, teams, FIFA Organising Committee, the media, sponsors and broadcasters). The majority of economic spend comes from national and local government (municipalities) for infrastructure and operational expenditure. This has increased significantly from original budgets, that is, from R2,3 billion (2003) R17,4 billion

(2007) R30,3 billion (2010), with a further estimated R9 billion spent by cities and provinces bringing the total to R39,3 billion.Of this total expenditure, R22,9 billion was spent on stadia and related infrastructure. The total impact on South Africa's economy (direct & indirect) is estimated to be R93 billion with 63% spent before the event took place and 38% during this year including the event.The net economic contribution to South Africa's GDP for 2010 is 0.54percent.[10] The HSRC on the other hand has calculated the World Cup's contribution to be between 0.2% and 0.3% to GDP, far less than the original prediction of 3%.[11]

There are two key considerations when looking at the figures outlined by Grant Thornton. The first is that the difference between the original budget and current estimated expenditure indicates that the original budget was hopelessly incorrect. The total tangible costs for the South African government was supposed to be "minimal", estimated at R 2,3 billion in 2003. Currently the 2010 estimated cost for the South Africa government is R39,3 billion - a whopping **1 709%** increase from the original estimate.[12]

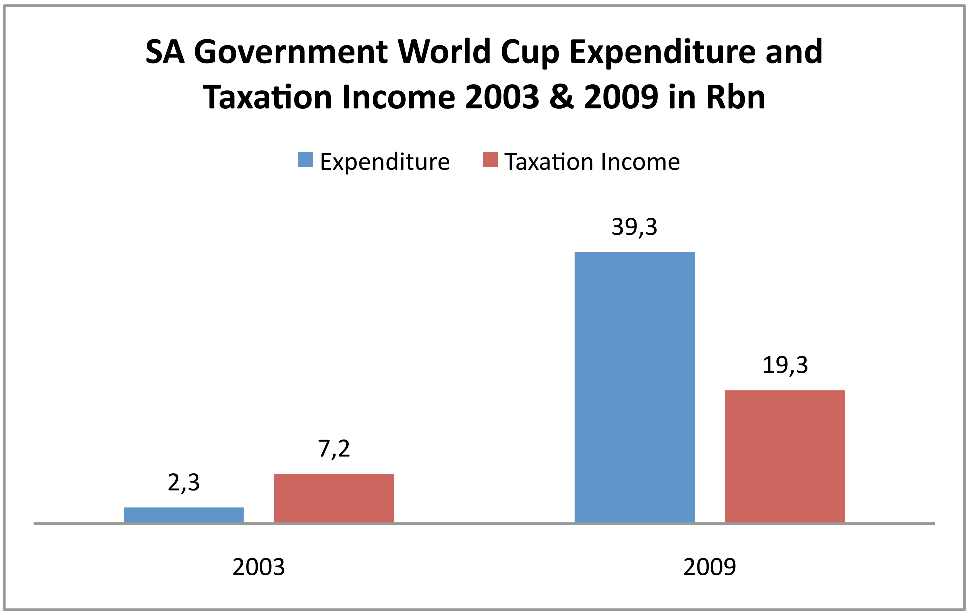

Figure 1: Labour Research Service August 2010

Secondly, the figure of R93 billion as the contribution to GDP is not clearly tabulated with R55,3 billion as the all inclusive total expenditure and the multiplier effect of R38 billion. With all expenditures being pooled as gross expenditure it is almost impossible to determine the net income to the South African government. A key calculation would involve income derived through taxation before the World Cup and during the event itself.

In 2003 Grant Thornton estimated that with an expenditure of R2,3 billion the South African government would generate R7,2 billion in taxes alone, a huge return on the investment to be made. However, taking into account the total government expenditure of R39,3 billion and a taxation income of R19,3 billion (which is highly unlikely) the FIFA World Cup 2010 was a financial lossto the South African government. As spokesperson for the South African Revenue Services (SARS), Adrian Lackey, so candidly stated:

> Our approach to the World Cup has been that it was never going to be a revenue-raising exercise. Certainly it would be wrong to view the World Cup as a significant contributor in itself. The concessions we had to give to FIFA are simply too demanding and overwhelming for us to have material monetary benefits.[13]

Therefore, according to SARS the country's hosting of the 2010 FIFA World Cup was not a profit-making exercise. The same cannot be said of FIFA. According to Jerome Valcke, Secretary General by the FIFA Executive Committee, the event was a commercial success,"In fact, we have increased our income by 50% since 2006 in Germany to 2010 in South Africa".[14]The total revenue accrued to FIFA is R25 billion ($3.4bn) tax free– 'making the first World Cup in Africa the most profitable in FIFA history'.[15]

Let us now look at the other very important tangible benefit of **job creation**. In terms of the World Cup impact on jobs, the figures looked very encouraging. The number of annual sustained jobs was estimated to be 695,000 in total for both the pre and post World Cup periods. Of these, 280,000 annual jobs would be sustained in 2010.[16]These figures are a fantastic improvement from the 159 697 new jobs that were to be created in the 2003 guestimate.

The figures generated by Grant Thornton are guestimates[17] generated though a formula of millions of rands invested (x) producing a number of jobs (y) and are not preciseas the numbers can vary greatly depending on the formulas used.In this formula, you can determine: a) how many months' employment would constitute a job (three months, six months or one year) and b) whether the amount of jobs are direct jobs or/and indirect jobs.Indirect jobs refer to employment sustained through the utilisation of the wages of those employed through the specific jobs created to purchase commodities in the general economy thereby creating and sustaining indirect jobs.[18]

On 27 July 2010, in the immediate aftermath of the World Cup being held in South Africa, the official government statistics bureau, Statistics South Africa released itsLabour Force Survey, Quarter 2 (April-June) and stated that, "there was an annual decrease of 4,7% (627 000) in employment"in the overall economy and "the loss of jobs in the formal sector was driven by construction whereemployment contracted by 7,1 % or 54 000 jobs". On a year on year basis 111 000 jobs were shed in the construction industry. With all major construction projects completed for the World Cup these jobs have all but disappeared.

It now becomes apparent that, given the blood bath of job losses, the employment figures presented by Grant Thornton are hugely exaggerated with most employment being in the form of short-term and indirect jobs. Furthermore, the formula used by Grant Thornton is simplistic as it does not take into account the phenomenon that is taking place in the real economy which economists have come to term “jobless growth”, that is, despite an increase in Gross Domestic Product (GDP), job creation falls. A good example is in South Africa’s tourism sector. In 2009 the total direct spend by foreign tourists was R89,3bn (up 7,1% from 2008) and the sector employed 398,100 workers in direct employment, a decline of 32 700 workers from the 421, 800 that were employed in 2008. This phenomenon of jobless growth is indicative of growing poverty and inequality in South Africa and the World Cup has sustained, if not deepened, this problem.

Tabulating the Intangible Benefits

The intangible benefits include raising the profile of the country, **increasing tourism** and foreign direct investment, growing pride by the local population in South Africa through hosting the World Cup.

Grant Thornton’s recent projected number of World Cup visitors is 373,000 (down from 483,000 in 2007). This is far below the figure of the 688,688and 706,278 foreign visitors to South Africa for the period of June 2008 and 2009 respectively.[19] What these tourist figures imply is that there was a significant displacement of usual tourists due to the hosting of the World Cup. This is similar to the strong displacement effect that occurred in 2002 World Cup in Japan and South Korea and the reduction during the 2006 World Cup in Germany.[20]

But it must be understood that approximately 105,000 of the 373,000 visitors to South Africa in 2010were expected to be non-ticket holders; 85,000 of whom would come from Africa for a short visit. A total of 228,500 overseas ticket holders were projected, accounting for *only* 38percent of ticket sales. The ticket sales to Africans accounted for only 2%, with 11,300 Africans holding tickets. Originally, African ticket holders were expected to total 48,145, a difference of -77%. Despite a huge interest from the African continent, this indicates that there has been a failure in distribution channels and an unaffordable pricing of tickets.[21] The implication of the huge costs of tickets for Africans and the highly inflated accommodation and transport costs to attend the games meant that it was Africa’s World Cup in name only.

> The palpable relief of the media that the World Cup is “successful” while such sentiment was not evident in the Rugby and Cricket World Cups of South Africa in 1996 and 2004 is because soccer is the sport of black people and it invokes all the afro-pessimistic fears that black people cannot run the country.[22]
>
> We have promised to host the best-ever World Cup. Not just by providing infrastructure, but by ensuring we convert all participants into Tourism Ambassadors.[23]

There is no doubt that South Africa hosted a ‘successful’ FIFA 2010 World Cup with very few reported logistical hiccups or crimes committed against foreign visitors. Furthermore, with the media broadcasting to over 32 billion viewers[24] the shining lights, spectacular stadiums and background scenery, glamorous outfits of die-hard fans, the cheers of the football fans being overpowered by the persistent strain of the vuvuzela's, left a very positive image of South Africa internationally. This positive branding of South Africa, it is hoped, will stimulate further interest in South Africa as a prime tourist and foreign direct investment destination. But if we look at the tourism generated during the World Cup where one expects the highest rates for occupancy, levels of accommodation utilised was in fact much lower than expected. A report by the Western Cape Finance, Economic Development and Tourism MEC, Alan Winde, was quoted as saying that,

> "Despite the Western Cape's reputation as a tourist destination, the short-term economic impact of the World Cup has been muted. The tourist figures are far lower than expected, and accommodation occupancy rates in the CBD, at just 55 percent, were well below expectation".[25]

If this example of a prime tourist destination in South Africa is anything to go by, the non-tangible benefits of increased tourism after the World Cup are completely speculative and less likely taking into account the global financial crisis and the competing tourist destinations.

A key promise of the 2010 World Cup has been its sports legacy and in particular this justified the enormous expenditure on the **World Cup stadia**. On 17 August 2010, the sports and recreation committee of parliament heard reports on the future utilisation and sustainability of the World Cup stadia. The hearing took place in a context of renewed concerns for the future of the World Cup Stadiums.[26] Leslie Sedibe, CEO of the South African Football Association (SAFA) expressed concern to parliament that, although the stadiums were built 'for the World Cup as part of the legacy from the global event and we accept that they have to be sustainable, the problem is the high cost of hiring these venues.'[27]SAFA told the parliamentary committee on sport and recreation that it was not consulted in the original planning stages of the stadiums, and 'believed that many were not sustainable, since they would require very aggressive business plans.'[28] Echoing the concerns of Sedibe, the Premier Soccer League's (PSL) chief executive, KjetilSiem statedthat the FNB stadium (formerly Soccer city) is 'just too big' to host teams like Pirates and Santos and the coststoo high to make an income for soccer since none will achieve capacity. Even betting on cricket to be the saviour of the stadiums was put to rest. According to the general manager of Cricket South Africa (CSA), Gerald Majola all but one, the Moses Mabhida stadium in Durban, are too small to host cricket matches.[29] The South Western Province Rugby president Tobie Titus stated that on the advice of an independent financial adviser, Western Province Rugby was staying at its current stadium in Newlands and not moving to Green Point Stadium in Cape Town.[30]

According to UdeshPillay, director of the HSRC a minimum of eight stadiums instead of the ten stadiums were required to host a World Cup and Johannesburg could have provided two arenas. South Africa had spent at least R6bn on three ‘white elephant’ stadiums. These are the Peter Mokaba Stadium in Polokwane, the Mbombela Stadium in Nelspruit and the Moses Mabhida Stadium in Durban.[31] Pillay is referring to the fact that both the Peter Mokaba Stadium and Mbombela Stadium have no popular football or rugby teams nearby and that the stadiums ‘may have to be demolished to avoid crippling maintenance bills’.[32]

While the iconic Moses Mabhida Stadium in Durban is still to establish or make public its full maintenance costs[33], the Green Point Stadium in Cape Town costs R46, 5m per annum to maintain. Both stadiums’ managements have already requested an operating cost subsidy from national government in order to sustain the maintenance of the stadiums.[34] It is clear that the South Africa government, at the insistence of FIFA, have wasted a huge amount of resources to create white elephant architectural legacies at the expense of much needed social expenditure. We must recall that it was FIFA who insisted that a new stadium be built in Green Point, Cape Town even though the Newlands Stadium was suitable for a semi-final and accepted as such during the 2004 FIFA inspection. This brand new stadium alone cost South African taxpayers R4, 5bn.[35]

The South Africans are proud of having proved the Afro-pessimists wrong as they embraced the World Cup and, in so doing, unitedthe nation. What the World Cup highlighted is that Africans now attained recognition globally that they were ‘developed’ enough to meet the stringent criteria of FIFA in pulling off a World Class meg-sporting event with its architectural legacy as its trophy. But having attained this new founded image came at a huge financial cost to the host country in order to meet the expectations of the ‘developed’ world. Mimicking the North’s advanced infrastructure for a luxury mega sporting event such as the World Cup came at the expense of other more pressing social needs.

The Socio-economic Costs of the World Cup

The country has an official unemployment rate of 25, 3%[36](unofficial 40%) and a million jobs have been lost in just over a year. With a total of 13,811,663 households in South Africa, the number of households classified as poor (using a low monthly household expenditure of below R2, 500 a month) is 9, 510, 845.[37] This means that 69% of South African households are living at poverty levels.The unity and euphoria displayed by South Africans during the World Cup was a transient moment and the World Cup legacy is more mythical than practical. The World Cup could not ward off strikes by workers and as soon as the soccer finals were drawing to a close the cohesive effects of the World Cup had almost immediately disappeared with the spectre of xenophobic attacks on foreign nationals raising its head.[38] The harsh economic realities of South Africa have led millions of workers to compete for work and, mega projects which accelerate infrastructure development and the provision of services on an enormous scale, further intensify this competition amongst workers for precarious forms of employment. It is this competition for scarce opportunities for employment and access to social services that, in turn, is driving the xenophobic attacks in South Africa.

The World Cup Deepens Inequality

South Africa is the most unequal society in the world having overtaken Brazil in 2009 with a Gini coefficient of 0.679.[39] At the same time the South Africa government spent R39,3 billion on the stadia and related infrastructure to host the World Cup. Between 2006 and 2009 the government had spent R372 billion on its Expanded Public Works Programme.[40] The big five South Africa construction companies, Aveng (owner of Grinaker-LTA), Murray & Roberts, Wilson Bayly Holmes-Ovcon (WBHO) Construction, Group Five and Basil Read benefited handsomely from this programme, ultimately acting as a buffer against the pending global financial crisis in 2008. The additional World Cup expenditure put the cherry on the cake for the big construction companies!

In the World Cup construction contracts, undertaken directly through Host City Agreements, no provision was made to ensure that workers could benefit through improved and regulated wage increases, bonuses, skills training or post-World Cup safety nets (insurance) for workers in the event of unemployment. Indeed construction workers were not highly regarded as host cities focused on the economic benefits for the city and the increasing costs of the World Cup.

From the onset, the majority of construction workers were on their own due to the low trade union density of 9 percent and government legislated minimum conditions of employment as the only permeable safeguard. The first strike recorded at a World Cup construction site broke out at the Green Point Stadium in Cape Town on 27 August 2007.[41] This strike ignited a wave of local site strikes and resulted in agreements with employers across the country. About 20 of the 26 strikes were wild-cat in nature, indicating an autonomous and spontaneous new militancy among construction workers. The National Union of Mine Workers (NUM) and the Building Construction and Allied Workers Union (BCAWU), the leading trade unions in the construction sector captured this militancy ultimately leading to widespread gains such as project bonuses of R6000, transport allowances, no downward variation of working conditions, improved health and safety and increases in pay rates.[42]

FIFA, in a meeting with South African construction trade unions and UNIA in Zurich in March 2008, only gave moral commitment to decent work and was not willing to get involved in what it saw as an employer-employee labour relations matter. Yet, it is FIFA who sets the criteria for fast track infrastructure development and gets billions of dollars of income from its commercial partners who invariably derive their own income from the exploitation of workers. For example, the FIFA Mascot, Zakumi which was officially licensed by FIFA was produced by Chinese workers who only earned R23 per day.[43] Like their Chinese counterparts, South African construction workers earned so little that most construction workers live in informal settlements and struggle to put food on the table.

On 8 July 2009 a nationwide strike by 70 000 construction workers took place bringing the World Cup stadia and related infrastructure projects to a standstill. This was the first ***national*** strike on 2010 World Cup and related sites by South African construction workers and was therefore an historic event. The incredible unity displayed by the construction workers ensured a 12% wage offer effectively ending the 8 day strike.The increase in wages raised the minimum wage in civil engineering from R2, 618.78 to R2, 933.04, an increase of R314.26 per month. The 26 World Cup strikes were however of a defensive nature and could not ward off the increasing wealth drive by the construction companies.[44]

According to Michelle Taal of Labour Research Service, the big five construction companies moved from a modest aggregated profit of R790 million in the 2004 financial year to their collective profits spiking to an incredible R10.2 billion in2007 and remained at over R8 billion in 2009. This is an average annual increase of over 100% for the five years.[45]

Looking at Chief Executive Officers' (CEO's) total remuneration, which includes benefits and bonuses, the average pay of each of these five individuals, has risen by over 200% from R2.9 million in 2004 to R8.9 million in 2009. This meant that the **wage gap** (income inequality) between a general worker (lowest paid) and CEO's grew from 166 in 2004 to 285 in 2009. In other words, it will take a general worker 285 years to earn what a construction company chief executive earns in one year.[46] The World Cup has not only ensured higher profitability of construction companies in South Africa but has also increased income inequality within the construction sector.

Due to the massive job losses that occurred in the economy as a whole and due to the completion of the World Cup projects in South Africa, a large portion of workers have joined the informal economy in order to sustain a livelihood.

Informal Economy Workers and Evictions[47]

It is estimated that a quarter of the labour force in South Africa works in the rapidly growing informal economy. A large proportion of these workers are informal traders, the majority of whom are women who are often the main breadwinners for their families. According to the Cape Street Traders Coalition (2009);

> It has become a boringly predictable reality that when countries prepare for an event such as the World Cup, the authorities and big business use the event as an excuse to clear the streets of informal traders.[48]

In 2007 StreetNet International (a coalition of informal traders) first approached the host cities of Cape Town, Durban, Johannesburg and Nelson Mandela Metro. The aim was to secure a commitment from local government authorities to consult with the urban poor during the preparation for the World Cup in 2010, particularly concerning any impact on their homes or livelihoods. While initial meetings took place with some of the host cities, the cities went ahead with their unilateral plans to marginalise informal traders in the host cities' plans for the World Cup. These unilateral decisions by host cities were made under the false pretext that the "FIFA laws" would take over as the country's laws would be suspended for the event. Host Cities claimed that a clean-up of the city was required for the successful hosting by the country and the image of World Class cities had to be maintained.

In Durban the municipality tried to demolish a 99 year old early morning market which is a source of livelihood for 10 000 informal traders. The aim of the municipality was to build a shopping mall in time for the World Cup. Fortunately, the traders won a court judgement for the informal market to remain.

In Rustenberg in the North West province of South Africa the municipality tried to remove all the informal traders from the city centre but this was stopped through successful high court litigation. In Cape Town the municipality removed all 300 informal traders from the Grand Parade to make way for the FIFA Fan Fest and they were relocated to four other locations around the city. The municipality employed an extra 20 metro police to their Informal Trading Unit to clamp down on traders who dared to resist the new plans and to step up the confiscation of World Cup paraphernalia that were deemed illegal. After months of protest, informal traders won the right to trade at selected spots at the Soccer City Stadium in Johannesburg although several informal traders were arrested for trading illegally due to restrictions of permits issued. At the Nelson Mandela Bay stadium in Port Elizabeth informal traders protested on several occasions for the right to trade at both the stadium and FIFA Fan Park. The municipalities agreed but the informal traders discovered that the rental fees at the stadium and fan park were too high and thus the informal traders were effectively marginalised from earning an income from the event.

In Johannesburg the Ellis Park Stadium which was used during the World Cup formed part of the Greater Ellis Park Development (GEPD) Project which was initiated in 2004 to prepare for the World Cup. According to Claire Benit-Gbaff, the World Cup provided the city 'with political impetus and financial resources to lead the urban renewal policy in an area that has so far been marginal in the Johannesburg inner-city development.'[49] As a consequence the evictions that took place in the poor areas in the sports precinct to provide an 'image of a global, well managed, vibrant and lively city' were largely invisible because of a lack of collective protest.[50]

The evictions, relocations, as well as attempted evictions and eventual relocations to what were deemed more 'suitable' locations and limited trading rights resulted in informal traders losing a substantial (and unknown) amount of income during the hosting of the 2010 FIFA World Cup and, in so doing, contributed to deepening social inequality.

Conclusion

The 2010 FIFA World Cup in South Africa will generate much debate about its legacy and socio-economic impact. Most of these debates will centre on the sporting, infrastructural, tourism and GDP contribution of the World Cup to South Africa's development. Very little research will look concretely at how this mega-sporting event has impacted on workers in both the so-called formal and informal economy and the World Cup's consequent contribution to increasing social inequality in South Africa. Nor will most of these debates look at FIFA's sports-accumulation-complex that drives the exploitation of host nations and workers.

In a country such as South Africa where backlogs in service delivery are enormous, the Water and Environmental Affairs Ministry recently acknowledged that approximately R23-billion is still required to prevent the country's wastewater treatment works from collapsing.Moreover, in May 2010, President Jacob Zumalamented a housing backlog estimated at 2,1-million units – an inadequacy that affects 12-million people across more than 2 700 informal settlements.[51]Well, the R40 billion spent on the World Cup could have built 476 180 Reconstruction and Development houses (at R84 000 each) for 2,4 million South Africans.

The tangible benefits of the World Cup have been greatly exaggerated to legitimise a major rip-off and profiteering by FIFA, its commercial partners and local monopoly capitalists. We can now clearly see that while the original guestimates in 2003 promised that South Africa could host the event with "minimal tangible costs" involved and with "significant" direct benefits, the outcome in reality is the converse.

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