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Can South Africa use the hosting of the 2010 FIFA World Cup to address issues of unemployment and poverty?

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2009-01-20T11:21:54Z
http://hdl.handle.net/10539/5950

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EXECUTIVE SUMMARY

1 BACKGROUND & METHODOLOGY

The South African 2010 Soccer World Cup Bid Company ("**the Client**) will submit a bid to FIFA, in September 2003, in respect of hosting the FIFA World Cup event ("**the Event**") in South Africa in 2010.

Grant Thornton Kessel Feinstein, on behalf of the Client, has prepared a draft economic impact assessment incorporating output provided by various consultants appointed by the Client in terms of the bid.

2 KEY ASSUMPTIONS

The gross benefit of an event is the wealth created in the country as a result of the event. The identified direct expenditure categories (those expenditures which would not happen in the absence of the event), in respect of the proposed South African Soccer World Cup event, are given below:

- Spend at the Event by domestic and international spectators;
- Trip spend by domestic and international spectators, teams, VIP's, sponsors and the media;
- Other spends on sponsorships, merchandising and concessions and the FIFA conference; and
- Capital expenditure on stadia and infrastructure.

Spends at the event are, in general, spectator, sponsor or host spend on tickets, food, beverages and retail goods. To calculate the spend at the event we assumed:

- 2,72 Million tickets will be sold for the event. This is based on information provided by the client; and
- Total ticket revenue of R4,6 billion. This is based on pricing derived from projections received from external consultants to the client.

In order to calculate the potential total **trip spend** by foreign visitors and domestic tourists traveling within South Africa to attend the Soccer World Cup matches we determined how many of the anticipated 2.72 million spectators would be VIP's, sponsors, press, general spectators (local or foreign), etc, the average number of matches they would attend, and the average amounts that they will spend during their

trips. We assumed that:

- An equivalent number of Officials, VIP's, teams, etc. will attend the event as attended the World Cup in France 1998 and Korea/ Japan in 2002;
- Domestic spectators will purchase 67% of the tickets sold to general spectators;
- International (overseas and African) spectators will purchase 33% of the tickets sold to general spectators;
- Prior to the event, 12 soccer teams will visit the country each consisting of 45 members and spending 10 days in the country;
- During the event, 32 teams, consisting of 50 people per team, will spend 43 days in the country;
- A total of 14 700 VIP's and 10 500 media representatives will attend the event.

The **other spends** on sponsorships, merchandising and concessions are based on assumptions provided by the client. For expenditure on the FIFA conference before the event we assumed that 600 FIFA delegates would attend the conference and stay an average of 7 days.

Capital expenditure on upgrades of stadia and infrastructure is based on assumptions provided by the client. Spend on upgrades to stadia is estimated to be R1,8 billion, whilst infrastructure upgrades will be approximately R500 million.

3 KEY RESULTS

To calculate the overall economic benefit of the event we have applied appropriate income and employment multipliers and taxation rates. Based on our assumptions the key results are (in 2010 Rands):

Economic Impact of the SA 2010 FIFA World Cup

- **The event will lead to direct expenditure of R12,7 billion;**
- **The event will contribute R21,3 billion to the GDP of South Africa;**
- **The event will create 159 000 new employment opportunities; and**
- **An additional R7,2 billion will be paid to Government in taxes.**

4 NATIONAL FINANCIAL FEASIBILITY

We performed a cost-benefit assessment which highlights the direct and indirect cost in terms of hosting the event, with particular reference to government expenditure on infrastructure and on addressing social implications, compared with the economic and social benefits that would accrue to South Africa in terms of taxes, contribution to GDP, employment creation, social upliftment, morale improvements, etc. The results are summarized in the table below.

Summary of Costs and Benefits

Costs	Benefits
Government	
Tangible	**Tangible**
▪ R2,3 billion upgrade of stadia and infrastructure	▪ R7,2 billion paid in taxes ▪ R21,4 billion contribution to GDP ▪ 159 000 new jobs created
Intangible	**Intangible**
▪ Negative impact on traffic flows ▪ Negative impact on residents living close to stadiums ▪ Negative impact on Local Governments ▪ Possible soccer violence ▪ Increase in petty crime ▪ Displacement of normal tourism	▪ Interest generated and profile raised of the country ▪ Increase in tourism and direct foreign investment ▪ Other similar events held in South Africa ▪ Foster confidence and pride in the local population ▪ The re-use of building materials for housing ▪ Relieve pressure on the welfare system
Private Sector	
Tangible	**Tangible**
▪ Expenditure due to increased demand	▪ R12,7 billion in revenues earned from spectator spends
Intangible	**Intangible**
▪ Over expenditure on facilities	▪ Increased demand for tourism facilities ▪ Additional revenues from similar events ▪ New direct foreign investment ▪ Public/ Private partnerships for the supply of equipment ▪ Marketing opportunities

It is clear from the above summary 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.